

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad has not perused the Share Buy-Back Statement prior to its issuance as it is an exempt statement.

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RCE CAPITAL BERHAD

(Company No. 2444-M)

(Incorporated in Malaysia)

PART A

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE
FOR RECURRENT RELATED PARTY TRANSACTIONS
OF A REVENUE OR TRADING NATURE**

PART B

**SHARE BUY-BACK STATEMENT
IN RELATION TO THE
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The ordinary resolutions in respect of the above proposals will be tabled at the Fifty-Fourth Annual General Meeting ("54th AGM") of the Company. The Notice of the 54th AGM to be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 27 August 2008 at 10.30 a.m. together with the Form of Proxy are set out in the Company's 2008 Annual Report.

The Form of Proxy must be lodged at the Registered Office of the Company at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy
Date and time of the AGM

: Monday, 25 August 2008 at 10.30 a.m.
: Wednesday, 27 August 2008 at 10.30 a.m.

DEFINITIONS

Unless otherwise stated, the following definitions shall apply throughout this Circular/Statement:

“Act”	Companies Act, 1965 as amended from time to time and any re-enactment thereof
“AGM”	Annual General Meeting
“Board”	Board of Directors of RCE
“Bursa Securities”	Bursa Malaysia Securities Berhad (Company No. 635998-W)
“CESB”	Cempaka Empayar Sdn Bhd (Company No. 402925-M)
“Code”	Malaysian Code on Take-Overs and Mergers 1998
“Director”	Shall have the meaning given in Section 4 of the Act and for the purposes of the Proposed Renewal of Shareholders’ Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director of the Company or any other company which is its subsidiary or holding company or a chief executive officer of the Company, its subsidiary or holding company
“EPS”	Earnings per share
“Listing Requirements”	Listing Requirements of Bursa Securities
“Major Shareholder”	<p>A person, which includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:</p> <p>(a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the Company; or</p> <p>(b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.</p> <p>For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act.</p>
“NA”	Net assets
“Person Connected”	In relation to a Director or a Major Shareholder, means such person who falls under any one of the categories as defined in Paragraph 1.01 of the Listing Requirements
“Proposed Renewal of Shareholders’ Mandate”	Proposed renewal of shareholders’ mandate for recurrent related party transactions of a revenue or trading nature to be entered into with the Related Parties
“Proposed Share Buy-Back”	Proposed renewal of the authorisation for RCE to purchase and/or hold up to 10% of its issued and paid-up share capital
“Purchased Shares”	RCE Shares that are purchased pursuant to the Proposed Share Buy-Back

DEFINITIONS (Cont'd)

“RCE” or “the Company”	RCE Capital Berhad (Company No. 2444-M)
“RCE Group” or “the Group”	RCE and its subsidiary companies
“Recurrent Transaction(s)”	Recurrent related party transaction(s) of a revenue or trading nature which are necessary for the day-to-day operations and are in the ordinary course of business of RCE Group
“Related Party(ies)”	A Director, Major Shareholder or Person Connected with such Director or Major Shareholder
“RM” and “sen”	Ringgit Malaysia and sen respectively
“RRPT”	Recurrent Related Party Transactions
“Shares” or “RCE Shares”	Ordinary shares of RM0.10 each in RCE
“Substantial Shareholder”	Shall have the meaning given in Section 69D of the Act

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PART A

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE
FOR RECURRENT RELATED PARTY TRANSACTIONS
OF A REVENUE OR TRADING NATURE**

2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

2.1 Provision under the Listing Requirements

Pursuant to paragraph 10.09 of the Listing Requirements, a listed issuer may seek shareholders' mandate in respect of the Recurrent Transactions of the listed company and its subsidiaries, subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:
 - (i) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
 - (ii) the percentage ratios of such aggregated transactions is equal to or exceeds 1%,whichever is the higher;
- (c) issuing of circular to shareholders; and
- (d) in a meeting to obtain shareholders' mandate, the interested Directors, interested Major Shareholders or interested Persons Connected with a Director or Major Shareholder; and where it involves the interest of an interested Person Connected with a Director or Major Shareholder, such Director or Major Shareholder must not vote on the resolution approving the transactions. An interested Director or interested Major Shareholder must ensure that Persons Connected with him abstain from voting on the resolution approving the transactions.

The Proposed Renewal of Shareholders' Mandate, if approved by the shareholders at the forthcoming 54th AGM, will be subject to annual renewal. In this respect, any authority conferred by shareholders in respect of the Proposed Renewal of Shareholders' Mandate shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders of RCE in general meeting,
- whichever is the earlier.

2.2 Nature of Recurrent Transactions and Classes of Related Parties

The principal activities of RCE is that of investment holding and provision of management services. The subsidiary companies engage a wide range of activities as follows:

- investment holding;
- provision of general loan financing services mainly on hire purchase terms;
- provision of financial administrative services;
- provision of information technology, financial and other related services;
- confirming and factoring services in trade related activities and general trading; and
- property investment and trading of securities.

It is anticipated that RCE and/or its subsidiary companies would, in the ordinary course of business, enter into transactions of a revenue or trading nature with various Related Parties as set out below.

All estimated values of the respective Recurrent Transactions expected to be entered into by RCE Group from the date of the forthcoming 54th AGM until the conclusion of the next AGM of RCE, are estimated with reasonable efforts made in ascertaining their accuracy based on various factors involved in the transactions. However, the actual value of transactions may differ from these estimated value and will be disclosed in the Company's Annual Report, together with the types of Recurrent Transactions entered into, the names of the Related Parties involved in each type of related party transactions and their relationships with RCE Group.

The Recurrent Transactions for which the Proposed Renewal of Shareholders' Mandate is sought at RCE's forthcoming 54th AGM and the classes of Related Parties interested in the respective Recurrent Transactions are as follows:

Transacting Company	Related Party	Nature of transaction	Estimated aggregate value from 27 August 2008 to the 55th AGM of RCE (RM'000)	Interested Directors and/or Major Shareholders and/or Person Connected to them ⁽⁷⁾
RCE Group	Clear Goal Sdn Bhd ("CGSB") ⁽¹⁾ and its subsidiaries ("CGSB Group")	(a) Acceptance of office rental / management support services from CGSB Group ⁽²⁾ (b) Provision of factoring and other related financial services to CGSB Group	800 3,000	Tan Sri Dato' Azman Hashim ("TSDAH") Soo Kim Wai ("SKW") Shalina Azman ("SBA") Shahman Azman ("SAH") CESB AmcorpGroup Berhad ("AMCORP") CGSB (See Note A - CGSB RRPT Group)
RCE Group	MCM Technologies Berhad ("MCMTech") ⁽³⁾ and its subsidiaries ("MCMTech Group")	(a) Acceptance of IT equipment, products and services from MCMTech Group (b) Provision of factoring and other related financial services to MCMTech Group	6,000 3,000	TSDAH SKW SBA SAH Mezzanine Capital (Malaysia) Sdn Bhd ("MCM") CESB AMCORP CGSB (See Note B - MCMTech RRPT Group)

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Transacting Company	Related Party	Nature of transaction	Estimated aggregate value from 27 August 2008 to the 55 th AGM of RCE (RM'000)	Interested Directors and/or Major Shareholders and/or Person Connected to them ⁽⁷⁾
RCE Group	AMMB Holdings Berhad Group ("AHB") ⁽⁴⁾ and its subsidiaries ("AHB Group")	Acceptance of investment management and related financial services from AHB Group	800	TSDAH SKW SBA SAH CESB AMCORP CGSB (See Note C - AHB RRPT Group)
RCE Group	AMDB Berhad ("AMDB") ⁽⁵⁾ and its subsidiaries ("AMDB Group")	(a) Acceptance of hospitality related services, tour related services, airline ticketing, rental of office ⁽⁶⁾ and other services from AMDB Group (b) Provision of factoring and other related financial services to AMDB Group	2,000 3,000	TSDAH SKW SBA SAH CESB AMCORP CGSB (See Note D - AMDB RRPT Group)

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Notes:

- (1) The principal activity of CGSB is that of investment holding. Its subsidiaries are involved in, amongst others, investment holding, provision of investment/financial services, provision of management and support services and property development.
- (2) The office rental and management support services fees to CGSB Group is payable on a monthly basis. The office premise is located at 2-01, Block B, Amcorp Tower, Amcorp Trade Centre, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan.
- (3) MCMTech is principally involved in the business of identifying, evaluating and investing in information technology ("IT") based companies. MCMTech's subsidiaries are involved in a range of IT activities as follows:
 - (i) provision of IT consultancy services and related projects including the trading and marketing of computer hardware, software and peripherals;
 - (ii) provision of IT services focusing on software development application support services, application integration services, application package implementation services and professional services and other related activities; and
 - (iii) supply, deliver, install, testing and commissioning of telecommunication infrastructure.
- (4) The principal activity of AHB is that of investment holding. Its subsidiaries provide a wide range of investment banking, commercial banking, retail financing and related financial services including Islamic banking business, underwriting of general and life insurance, investment advisory and asset management, offshore banking, property and unit trust management and stock broking.
- (5) The principal activities of AMDB are that of manufacturing and trading of textile products and investment holding. Its subsidiaries are involved in, amongst others, property development, investment and management, provision of airline ticketing, tour, restaurant and hospitality related services, electrical and power engineering construction.
- (6) The office premises are located at 12th & 20th Floors, Bangunan AmAssurance, No. 1, Jalan Lumut, 50400 Kuala Lumpur. The tenancy period is not exceeding 3 years and rental is payable on a monthly basis.
- (7) The Directors, Major Shareholders and Persons Connected to them who are deemed interested in the Recurrent Transactions conducted with the respective Related Parties are indicated in the notes as follows:

Note Interested Director/Major Shareholder/Person Connected to them

A CGSB RRPT GROUP

TSDAH

- Executive Chairman of RCE and AMCORP and Director of CGSB
- Major Shareholder of RCE, AMCORP and CGSB

SKW

- Director of RCE and Managing Director of AMCORP

SBA

- Director of RCE Group and CGSB and Deputy Managing Director of AMCORP
- Person Connected to TSDAH

SAH

- Director of RCE Group and subsidiaries of AMCORP
- Person Connected to TSDAH

CESB

- Major Shareholder of RCE
- Person Connected to TSDAH

AMCORP

- Major Shareholder of RCE and CESB
- Person Connected to TSDAH

Note Interested Director/Major Shareholder/Person Connected to them

A CGSB RRPT GROUP (Cont'd)

CGSB

- Major Shareholder of RCE, AMCORP and CESB
- Person Connected to TSDAH

B MCMTech RRPT GROUP

TSDAH

- Executive Chairman of RCE and AMCORP, Chairman of MCMTech and Director of CGSB
- Major Shareholder of RCE, MCMTech and CGSB

SKW

- Director of RCE, MCMTech and Managing Director of AMCORP
- Shareholder of MCMTech

SBA

- Director of RCE Group, MCMTech Group and CGSB and Deputy Managing Director of AMCORP
- Person Connected to TSDAH

SAH

- Director of RCE Group and MCMTech Group
- Person Connected to TSDAH

MCM

- Major Shareholder of MCMTech
- Person Connected to TSDAH

CESB

- Major Shareholder of RCE
- Person Connected to TSDAH

AMCORP

- Major Shareholder of RCE, MCMTech, CESB and MCM
- Person Connected to TSDAH

CGSB

- Major Shareholder of RCE, MCMTech and AMCORP
- Person Connected to TSDAH

C AHB RRPT GROUP

TSDAH

- Executive Chairman of RCE and AMCORP, Chairman of AHB and Director of CGSB
- Major Shareholder of RCE, AHB and CGSB

SKW

- Director of RCE and AHB, Managing Director of AMCORP

SBA

- Director of RCE Group and CGSB and Deputy Managing Director of AMCORP
- Person Connected to TSDAH

SAH

- Director of RCE Group
- Person Connected to TSDAH

CESB

- Major Shareholder of RCE
- Person Connected to TSDAH

Note Interested Director/Major Shareholder/Person Connected to them

C AHB RRPT GROUP (Cont'd)

AMCORP

- Major Shareholder of RCE and AHB
- Person Connected to TSDAH

CGSB

- Major Shareholder of RCE, AHB and AMCORP
- Person Connected to TSDAH

D AMDB RRPT GROUP

TSDAH

- Executive Chairman of RCE and AMCORP and Director of CGSB
- Major Shareholder of RCE, CGSB and AMDB

SKW

- Director of RCE, AMDB and Managing Director of AMCORP

SBA

- Deputy Chairman of AMDB, Deputy Managing Director of AMCORP and Director of RCE Group and CGSB
- Person Connected to TSDAH

SAH

- Director of RCE Group and AMDB
- Person connected to TSDAH

CESB

- Major Shareholder of RCE
- Person Connected to TSDAH

AMCORP

- Major Shareholder of RCE and AMDB
- Person Connected to TSDAH

CGSB

- Major Shareholder of RCE, AMDB and AMCORP
- Person Connected to TSDAH

2.3 Guidelines and Review Procedures for the Recurrent Transactions

RCE Group has established the following procedures to ensure that the Recurrent Transactions are undertaken at arm's length, on normal commercial terms which are not more favourable to the Related Party(ies) than those extended to third parties/public and are not detrimental to the interest of the minority shareholders of RCE:

- (a) A list of Related Parties is circulated within RCE Group on a quarterly basis. All heads of business units have been advised to report on all transactions involving the Related Parties.
- (b) The pricing for services and products to be provided/supplied and/or received is determined based on the Group's business practices and policies to ensure that prices and terms and conditions are based on competitive prices of similar products and services in the open market.
- (c) All Recurrent Transactions are tabled to the Audit Committee for review on a quarterly basis. The Audit Committee will report its findings to the Board for further action if during the quarterly review the Audit Committee is of the view that the guidelines and procedures are insufficient to ensure normal commercial terms and/or the transaction is deemed detrimental to the minority shareholders.
- (d) Where a member of the Board or Audit Committee has an interest (direct or indirect) in the Recurrent Transactions, as the case may be, he/she shall declare his/her interest in the Recurrent Transactions and abstain from participating in the decisions of the Board or Audit Committee in respect of the said Recurrent Transactions; and

Name/Company	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Major Shareholders				
CESB	280,777,169	39.49	-	-
AMCORP	-	-	280,777,169 ⁽¹⁾	39.49
CGSB	-	-	280,777,169 ⁽²⁾	39.49

Notes:

⁽¹⁾ Deemed interested by virtue of Section 6A of the Act through shareholdings in CESB.

⁽²⁾ Deemed interested by virtue of Section 6A of the Act through shareholdings in CESB and AMCORP.

Save as disclosed above, none of the other Directors or Major Shareholders or Person Connected to them have any interests, direct or indirect, in the Proposed Renewal of Shareholders' Mandate. Accordingly, the interested Directors have and will continue to abstain from all board deliberations and voting in relation to the Proposed Renewal of Shareholders' Mandate.

The interested Directors and interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in RCE on the ordinary resolution in relation to the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 54th AGM.

The interested Directors and interested Major Shareholders of the Company have undertaken to ensure that Persons Connected to them will abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution in relation to the Proposed Renewal of Shareholders' Mandate at the forthcoming 54th AGM.

7. DIRECTORS' RECOMMENDATION

Your Board (save and except for TSDAH, SKW, SBA and SAH, being the interested Directors and had abstained from Board deliberation and voting), having considered all aspects of the Proposed Renewal of Shareholders' Mandate, is of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of RCE Group. Accordingly, they (save and except for TSDAH, SKW, SBA and SAH) recommend that you vote in favour of the resolution pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 54th AGM.

8. AGM

The 54th AGM of RCE, the notice of which is enclosed in the 2008 Annual Report will be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 27 August 2008 at 10.30 a.m. for the purpose of considering and if thought fit, passing, *inter alia*, the ordinary resolution on the Proposed Renewal of Shareholders' Mandate.

If you are unable to attend and vote in person at the 54th AGM, you are requested to complete, sign and return the Form of Proxy which is enclosed in the 2008 Annual Report of the Company in accordance with the instructions printed therein, so as to arrive at the Registered Office of the Company at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the 54th AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the forthcoming 54th AGM should you subsequently wish to do so.

9. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I for further information.

Yours faithfully
For and on behalf of the Board of Directors
RCE CAPITAL BERHAD

MAJOR GENERAL (RTD) DATO' HAJI FAUZI BIN HUSSAIN
Independent Non-Executive Director

PART B

**SHARE BUY-BACK STATEMENT
IN RELATION TO THE
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The Purchased Shares can also be retained as treasury shares and resold on Bursa Securities at a higher price. The distribution of treasury shares as share dividends (if any) will also reward the shareholders of the Company as it would increase the number of shares held which can subsequently be resold in the open market.

4. SOURCE OF FUNDS

The maximum amount of funds to be allocated for the purchase of RCE Shares pursuant to the Proposed Share Buy-Back will be limited to the amount of the audited retained profits and the share premium account of the Company at the time of purchase(s). Based on the latest audited financial statements as at 31 March 2008, the retained profits and share premium account of the Company are RM10,739,855 and RM3,553,039 respectively.

The amount of funds allocated for the purchase of RCE Shares pursuant to the Proposed Share Buy-Back will be financed through internally generated funds and/or external borrowings, the proportion of which will depend on the actual number of RCE Shares to be purchased, the price of the shares, available funds at the time of purchase and other relevant cost factors.

In the event the Company purchases its own shares using external borrowings, the Board does not foresee any difficulty in repayment of the borrowings and that the repayment will have no material effect on the cash flow of the Company.

5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

(a) Potential advantages of the Proposed Share Buy-Back are as follows:

- (i) allows the Company to take preventive measures against speculation particularly when its shares are undervalued which would in turn stabilise the market price of RCE Shares and hence, enhance investors' confidence;
- (ii) the Company's share capital base will be reduced pursuant to the Proposed Share Buy-Back which will increase EPS or the amount of dividend received, all else being equal; and
- (iii) if the Purchased Shares are retained as treasury shares, the Company may increase its financial resources from the resale of treasury shares at a higher price than when it was purchased.

(b) The potential disadvantages of the Proposed Share Buy-Back are as follows:

- (i) The Proposed Share Buy-Back will reduce the financial resources of RCE Group and may result in RCE Group foregoing any investment opportunity that may emerge in the future; and
- (ii) the funds to be allocated from retained earnings and/or share premium may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Board will be mindful of the interests of RCE and its shareholders in implementing the Proposed Share Buy-Back.

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

On the assumption that the Proposed Share Buy-Back is implemented in full by RCE, the effects of the Proposed Share Buy-Back on the share capital, NA, working capital and earnings of RCE are set out below:

6.1 Share Capital

There will be no effect on the issued and paid-up share capital of RCE if the Purchased Shares are retained as treasury shares.

Assuming that all the Purchased Shares are subsequently cancelled, the effect on the issued and paid-up share capital of RCE will be as follows:

	No. of Shares	RM
Issued and paid-up share capital as at 15 July 2008	710,971,340	71,097,134
Less : Cancellation of all treasury shares	(71,097,134)	7,109,713
Issued and paid-up share capital upon completion of the Proposed Share Buy-Back	639,874,206	63,987,421

6.2 NA

The effect on the NA per share of RCE Group will depend on the purchase prices of RCE Shares and the effective funding cost to RCE Group to finance the purchase of RCE Shares or any loss in interest income.

The consolidated NA per share of RCE Group will reduce when the purchase price per RCE Share exceeds the NA per share at the time of purchase. Conversely, the consolidated NA per share of RCE Group will increase at the time of purchase if the purchase price per share is less than the consolidated NA per share.

If the Purchased Shares were subsequently resold through Bursa Securities, the consolidated NA per share of RCE Group would increase if the Company realises a gain from the resale, and vice-versa. However, the quantum of the increase in NA will depend on the selling price and the number of shares resold.

If the treasury shares are distributed as share dividends, the NA per share of RCE Group would decrease by the cost of the treasury shares.

6.3 Working Capital

The Proposed Share Buy-Back will reduce the working capital of RCE Group, the quantum of which will depend on the purchase price and the number of RCE Shares purchased.

6.4 EPS

The effect of the Proposed Share Buy-Back on the EPS of RCE Group would depend on the number of RCE Shares purchased, purchase price of RCE Shares and the effective funding cost to finance the purchase or loss in interest income to the Company.

Assuming the Purchased Shares are retained as treasury shares and resold, the effects on the EPS of RCE Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

If the Purchased Shares are retained or cancelled, the Proposed Share Buy-Back will increase the EPS of RCE Group provided the income foregone and/or interest expense incurred is less than the effect of the reduced number of shares in calculating EPS.

7. PURCHASE OR REALE OF TREASURY SHARES DURING THE FINANCIAL YEAR ENDED 31 MARCH 2008

During the financial year ended 31 March 2008, the Company has not made any purchase of RCE Shares and consequently, there were no resale or cancellation of treasury shares.

8. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of the Company as at 15 July 2008 was 49.15%. Assuming the Proposed Share Buy-Back is implemented in full and the RCE Shares so purchased were cancelled, the public shareholding spread of the Company is expected to be reduced to 43.50%.

The Board is mindful of the compliance with public shareholding spread as required by the Listing Requirements of Bursa Securities and will take into consideration the requirement when making any purchase of the RCE Shares pursuant to the Proposed Share Buy-Back.

9. IMPLICATIONS OF THE CODE

The Proposed Share Buy-Back may result in RCE's Major Shareholder, CESB triggering an obligation to extend a mandatory general offer for the remaining shares in RCE not already held by them, as follows:

- (i) in the event the Proposed Share Buy-Back results in any one of the Substantial Shareholder and/or persons acting in concert with him/her holding more than 33% of the voting shares of the Company; or
- (ii) in the event the Proposed Share Buy-Back results in any one of the Substantial Shareholder and/or persons acting in concert with him/her who already holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period.

As at 15 July 2008, CESB holds 39.49% equity interest in RCE. Assuming the Proposed Share Buy-Back is implemented in full within a period of 6 months' time, the shareholdings of CESB in RCE will increase by more than 2%. Accordingly, there is an obligation for CESB to undertake a mandatory general offer for the remaining shares not already owned by them. However, in such event CESB may apply for an exemption from a mandatory general offer obligation under Practice Note 2.9.10 of the Code.

In this respect, the Board will be mindful of the potential implications relating to the Code.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the inadvertent increase in the percentage of shareholdings and/or voting rights of the shareholders of RCE as a consequence of the implementation of the Proposed Share Buy-Back, none of the Directors or Substantial Shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back.

11. DIRECTORS' RECOMMENDATION

Your Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders.

Accordingly, your Board recommend that you vote in favour of the ordinary resolution in respect of the Proposed Share Buy-Back to be tabled at the forthcoming 54th AGM.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no material facts the omission of which would make any statement herein misleading.

2. MATERIAL CONTRACTS

Save as disclosed below, RCE Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Circular:

- (i) Share Sale Agreement dated 30 August 2006 between RCE and AMDB Berhad ("AMDB") in relation to the acquisition of 10,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of RCE Factoring Sdn Bhd ("RCEF") by RCE from AMDB for a cash consideration of RM10,000,000.

3. MATERIAL LITIGATION

Save as disclosed below, RCE and its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors are not aware of any proceedings pending or threatened against RCE Group, or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of RCE Group:

- (i) RCEF had commenced a suit against Swasta Setia Holdings Sdn Bhd ("Defendant") on 27 April 2007 (vide KL High Court Suit No. D2-22-526-2007) for debts due and owing by Defendant to RCEF for the sum of RM3,533,700 as at 28 February 2007. The Summary of Judgment Application which was fixed for hearing on 26 October 2007 was postponed twice. On 6 March 2008, the Senior Assistant Registrar dismissed RCEF's Summary of Judgment Application. RCEF has filed an appeal and the hearing of RCEF's Notice of Appeal is fixed on 26 February 2009.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of RCE at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan during normal business hours on Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the 54th AGM:

- (i) Memorandum and Articles of Association of RCE;
- (ii) Audited Financial Statements of RCE for the past two (2) financial years ended 31 March 2007 and 2008;
- (iii) Material contracts referred to in Section 2 above; and
- (iv) Relevant cause papers in respect of material litigation referred to in Section 3 above.



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If undelivered, please return to:-

RCE CAPITAL BERHAD

(Company No. 2444-M)

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Amcorp Trade Centre

No. 18, Jalan Persiaran Barat

46050 Petaling Jaya

Selangor Darul Ehsan

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