

**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 ("54<sup>th</sup> AGM") of the Company. The Notice of the 54<sup>th</sup> AGM to be held at Dewan AmBank Group, 7<sup>th</sup> 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, 3<sup>rd</sup> 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	: Monday, 25 August 2008 at 10.30 a.m.
Date and time of the AGM	: Wednesday, 27 August 2008 at 10.30 a.m.

This Circular is dated 5 August 2008

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## DEFINITIONS

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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

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**DEFINITIONS (Cont'd)**

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"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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**CONTENTS**

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	<b>PAGE</b>
<b><u>PART A</u></b>	
<b>LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE CONTAINING:</b>	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	2
3. RATIONALE FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	8
4. APPROVAL REQUIRED FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	8
5. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	8
6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	8
7. DIRECTORS' RECOMMENDATION	9
8. AGM	9
9. FURTHER INFORMATION	10
<b><u>PART B</u></b>	
<b>SHARE BUY-BACK STATEMENT CONTAINING:</b>	
1. INTRODUCTION	12
2. DETAILS OF THE PROPOSED SHARE BUY-BACK	12
3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK	12
4. SOURCE OF FUNDS	13
5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK	13
6. EFFECTS OF THE PROPOSED SHARE BUY-BACK	13
7. PURCHASE OR RESALE OF TREASURY SHARES DURING THE FINANCIAL YEAR ENDED 31 MARCH 2008	14
8. PUBLIC SHAREHOLDING SPREAD	14
9. IMPLICATIONS OF THE CODE	15
10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	15
11. DIRECTORS' RECOMMENDATION	15
APPENDIX I - FURTHER INFORMATION	16

**PART A**

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



## RCE CAPITAL BERHAD

(Company No. 2444-M)  
(Incorporated in Malaysia)

### Registered Office:

312, 3<sup>rd</sup> Floor, Block C  
Kelana Square  
17 Jalan SS 7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan

5 August 2008

### Board of Directors:

Y. Bhg. Tan Sri Dato' Azman Hashim (*Non-Independent Executive Chairman*)  
Y. Bhg. Major General (Rtd) Dato' Haji Fauzi bin Hussain (*Independent Non-Executive Director*)  
Y. Bhg. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan (*Independent Non-Executive Director*)  
Y. Bhg. Dato' Che Md Nawawi bin Ismail (*Independent Non-Executive Director*)  
Mr. Chew Keng Yong (*Independent Non-Executive Director*)  
Mr. Soo Kim Wai (*Non-Independent Non-Executive Director*)  
Puan Shalina Azman (*Non-Independent Non-Executive Director*)  
Encik Shahman Azman (*Non-Independent Non-Executive Director*)

To:     **The Shareholders of RCE**

Dear Sir/Madam

### PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

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#### 1. INTRODUCTION

On 30 June 2008, the Board had announced that RCE proposes to seek shareholders' approval for a renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.

At the Company's AGM held on 13 September 2007, the Company had obtained a shareholders' mandate for RCE Group to enter into Recurrent Transactions on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders. The shareholders' mandate for Recurrent Transactions shall lapse at the conclusion of the forthcoming 54<sup>th</sup> AGM unless renewal is obtained from shareholders of RCE at the 54<sup>th</sup> AGM.

The purpose of this Circular is to provide you with information on the Proposed Renewal of Shareholders' Mandate and to seek your approval for the ordinary resolution to be tabled at the forthcoming 54<sup>th</sup> AGM of RCE. The Notice of the 54<sup>th</sup> AGM is set out in the 2008 Annual Report of RCE.

Shareholders of RCE are advised to read the contents of this Circular carefully before voting on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate.

## **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 54<sup>th</sup> 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 54<sup>th</sup> 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 54<sup>th</sup> AGM and the classes of Related Parties interested in the respective Recurrent Transactions are as follows:

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

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

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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 12<sup>th</sup> & 20<sup>th</sup> 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:

<u>Note</u>	<u>Interested Director/Major Shareholder/Person Connected to them</u>
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A	<u>CGSB RRPT GROUP</u>
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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

- (e) The internal audit function conducts annual reviews of the Recurrent Transactions to determine whether internal guidelines and procedures have been complied with. Any divergence will be reported to the Audit Committee.

## 2.4 Statement by Audit Committee

The Audit Committee is of the view that the guidelines and review procedures in respect of Recurrent Transactions as set out in Section 2.3 above are adequate to ensure that the Recurrent Transactions are/will be:

- undertaken on terms not more favourable to a Related Party than those generally available to the public/third parties;
- not detrimental to the interest of the minority shareholders of the Company; and
- at arm's length and on normal commercial terms, and the pricing of such Recurrent Transactions are in accordance with the Group's pricing policy which is consistent with similar types of transactions made by the Group with unrelated third parties and that the terms for the Recurrent Transactions are fair and reasonable compared to those offered to/provided by other unrelated parties for the same or substantially similar type of business/services.

## 3. RATIONALE FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The rationale for and benefits of the Proposed Renewal of Shareholders' Mandate are as follows:

- (i) The Proposed Renewal of Shareholders' Mandate will facilitate transactions with Related Parties in the ordinary course of business of RCE Group which are undertaken at arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public/third parties; and are not, in the Company's opinion, detrimental to the minority shareholders.
- (ii) The Proposed Renewal of Shareholders' Mandate, if approved by the shareholders, will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential Recurrent Transactions arise. This will substantially reduce the administrative time and expenses associated with the convening of general meetings without compromising the corporate objectives or adversely affecting the business opportunities available to RCE Group.

## 4. APPROVAL REQUIRED FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The Proposed Renewal of Shareholders' Mandate is subject to the approval of the shareholders of the Company at the forthcoming 54<sup>th</sup> AGM to be convened.

## 5. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The Proposed Renewal of Shareholders' Mandate is not expected to have any material effect on the issued and paid-up share capital, EPS, NA per share and substantial shareholders' shareholding of RCE Group.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The interest of the interested Directors and interested Major Shareholders of RCE as at 15 July 2008 are as follows:

Name/Company	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
<u>Director/Major Shareholder</u>				
TSDAH	-	-	280,777,169 <sup>(1)</sup>	39.49
<u>Directors</u>				
SKW	-	-	-	-
SBA	-	-	-	-
SAH	-	-	-	-

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

**Notes:**

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

<sup>(2)</sup> 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 54<sup>th</sup> 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 54<sup>th</sup> 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 54<sup>th</sup> AGM.

## 8. AGM

The 54<sup>th</sup> AGM of RCE, the notice of which is enclosed in the 2008 Annual Report will be held at Dewan AmBank Group, 7<sup>th</sup> 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 54<sup>th</sup> 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, 3<sup>rd</sup> 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 54<sup>th</sup> 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 54<sup>th</sup> 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**





## **RCE CAPITAL BERHAD**

(Company No. 2444-M)

(Incorporated in Malaysia)

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

#### **1. INTRODUCTION**

On 30 June 2008, the Board announced that the Company proposes to seek shareholders' approval for the Proposed Share Buy-Back at the forthcoming 54<sup>th</sup> AGM.

The purpose of this Statement is to provide you with the relevant information in relation to the Proposed Share Buy-Back and to seek your approval on the ordinary resolution to be tabled at the forthcoming 54<sup>th</sup> AGM. The notice of the 54<sup>th</sup> AGM is set out in the 2008 Annual Report of RCE.

#### **2. DETAILS OF THE PROPOSED SHARE BUY-BACK**

The Company had, at the 53<sup>rd</sup> AGM of the Company held on 13 September 2007, obtained its shareholders' approval for the Company to purchase its own shares and the said approval is valid until the conclusion of the forthcoming 54<sup>th</sup> AGM.

The Company proposes to seek the authorisation from its shareholders for a renewal of the authority for the Company to purchase its own shares and/or hold as treasury shares representing up to ten per cent (10%) of the total issued and paid-up share capital of the Company through Bursa Securities in accordance with Section 67A of the Act.

The authorisation, if given, shall be effective immediately upon the passing of the ordinary resolution relating thereto at the 54<sup>th</sup> AGM and will continue in force until:

- (i) the conclusion of the next AGM of the Company following the forthcoming 54<sup>th</sup> AGM, at which such resolution was passed, at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

#### **3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

The Proposed Share Buy-Back will enable the Company to utilise its surplus financial resources not immediately required, to purchase the Company's shares. It may stabilise the supply and demand of its shares traded on the Main Board of Bursa Securities and thereby support the fundamental value of the shares.

The Proposed Share Buy-Back is expected to enhance the value for shareholders from the resultant reduction in the number of shares in the open market. Assuming all things being equal, the EPS of the Group may be enhanced as the consolidated earnings would be divided by a reduced number of shares. This is expected to have a positive impact on the market price of the Company's shares which will benefit the shareholders.

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 RESALE 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 54<sup>th</sup> AGM.

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**FURTHER INFORMATION**


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**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, 3<sup>rd</sup> 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 54<sup>th</sup> 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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