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RCE CAPITAL BERHAD

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

INFORMATION CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED DISPOSAL OF LAND HELD UNDER GRANT 24607 TO 24613, GRANT 33223 TO 33227, GRANT 18617 AND GRANT 37511, CORRESPONDING TO LOT NUMBERS 109 TO 115, 443 TO 447, 471 AND 435, IN THE TOWN AND DISTRICT OF KUALA LUMPUR BY EFFUSION.COM SDN BHD, A WHOLLY-OWNED SUBSIDIARY COMPANY OF RCE CAPITAL BERHAD TO ABI'S LAND & PROPERTIES SDN BERHAD FOR A TOTAL CASH CONSIDERATION OF RM7,717,500-00

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply in this Information Circular:-

“ABILP”	:	ABI’s Land & Properties Sdn Berhad (452967-H)
“Board”	:	The Board of Directors of RCE
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Consideration Sum”	:	The sum of RM7,717,500-00
“Effusion.Com”	:	Effusion.Com Sdn Bhd (177089-V), a wholly-owned subsidiary of RCE
“Jalan Pahang Land”	:	All the 14 pieces of land held under Grant 24607 to 24613, Grant 33223 to 33227, Grant 18617 and Grant 37511, corresponding to Lot Numbers 109 to 115, 443 to 447, 471 and 435, in the Town and District of Kuala Lumpur
“Listing Requirements”	:	Listing requirements of Bursa Securities, including any amendments thereto that may be made from time to time
“NTA”	:	Net tangible assets
“p.a.”	:	Per annum
“Proposed Disposal”	:	Proposed disposal of Jalan Pahang Land by Effusion.Com to ABILP for a total cash consideration of RM7,717,500-00
“RCE” or “the Company”	:	RCE Capital Berhad (2444-M)
“RCE Group”	:	RCE and its subsidiary companies, collectively
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“SPA”	:	Sale and Purchase Agreement dated 29 April 2005 entered into between Effusion.Com and ABILP for the Proposed Disposal
“sq. ft.”	:	Square feet

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RCE CAPITAL BERHAD

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

Registered Office

7th Floor, Wisma Tan Kim San
No. 518A, 3rd Mile
Jalan Ipoh
51200 Kuala Lumpur

3 August 2005

Board of Directors

Y. Bhg. Tan Sri Dato' Azman Hashim (Non-Executive Chairman)
En. Azmi Hashim (Non-Executive Vice 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)
Mr. Wong Bin Chen (Independent Non-Executive Director)
Mr. Soo Kim Wai (Non-Executive Director)
Pn. Shalina Azman (Non-Executive Director)
Mr. Chew Keng Yong (Non-Executive Director)

To: The Shareholders of RCE

Dear Sir/Madam,

PROPOSED DISPOSAL OF THE JALAN PAHANG LAND BY EFFUSION.COM TO ABILP FOR A TOTAL CASH CONSIDERATION OF RM7,717,500-00

1. INTRODUCTION

The Board had on 24 June 2005 announced that its wholly-owned subsidiary, Effusion.Com, had entered into an SPA with ABILP for the proposed disposal of the Jalan Pahang Land for a total cash consideration of RM7,717,500-00 computed at RM250-00 per sq. ft. based on the estimated total area of 30,870 sq. ft.

The purpose of this Information Circular is to provide the shareholders of RCE with further information on the Proposed Disposal. No action is required to be taken by the shareholders of RCE.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Background of the Proposed Disposal

The Proposed Disposal involves the disposal by Effusion.Com of the Jalan Pahang Land to ABILP for a total sale consideration of RM7,717,500-00 to be satisfied wholly in cash.

The Jalan Pahang Land shall be disposed of with vacant possession on an as-is-where-is basis and free from all encumbrances.

The Consideration Sum, equivalent to RM250-00 per sq. ft., was arrived at on a "willing buyer-willing seller" basis negotiated between Effusion.Com and ABILP.

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the fourth (4th) quarter of the calendar year 2005.

2.2 Information on Jalan Pahang Land

The Jalan Pahang Land is a freehold land measuring 30,870 sq. ft. with no buildings erected on it.

Effusion.Com has on 11 May 2005 created a third party charge over the Jalan Pahang Land in favour of Malayan Banking Berhad in respect of banking facilities granted to RCE.

The Jalan Pahang Land is currently rented to a tenant at a rental rate of RM48,000-00 p.a. for use as car park.

2.3 Information on Effusion.Com

Effusion.Com is a private limited company incorporated on 20 December 1988 under the Companies Act, 1965 with an authorized share capital of RM1,000,000-00 divided into 1,000,000 ordinary shares of RM1-00 each, of which 500,000 ordinary shares of RM1-00 have been issued and fully paid-up.

Effusion.Com is principally involved in property investment.

The Jalan Pahang Land was acquired by Effusion.Com from RCE on 29 April 2004 at a cost of RM10.2 million based on RCE's carrying value and was satisfied via inter-company advances.

Effusion.Com is a wholly-owned subsidiary company of RCE. The Directors of Effusion.Com as at 15 July 2005 are as follows: -

- i) Loh Kam Chuin
- ii) Shahman Azman
- iii) Goh Jue Jin

2.4 Information on ABILP

ABILP is a private limited company incorporated on 15 November 1997 under the Companies Act, 1965. Presently, ABILP has an authorized share capital of RM100,000-00 divided into 100,000 ordinary shares of RM1-00 each, of which 100,000 ordinary shares of RM1-00 each have been issued and fully paid-up.

ABILP is principally involved in property investment and development.

The Directors of ABILP as at 15 July 2005 are as follows: -

- i) Datuk G. Chidambaram @ GN. Chidammparam a/l Dato' Dr. Ganesha
- ii) Datin Meenachi a/k Ganapathy Chettiar
- iii) Datin Periyakaruppan Chettiar Meenal @ Datin C. Meenal
- iv) Umaganesh a/p G. Chidambaram

2.5 Salient terms of the SPA

The Jalan Pahang Land shall be disposed of with vacant possession on an as-is-where-is basis and free from all encumbrances.

2.5.1 Terms of payment

The Consideration Sum shall be paid by ABILP to Effusion.Com in the following manner: -

- (a) a deposit of RM154,350-00, representing 2% of Consideration Sum prior to the execution of the SPA;
- (b) a sum of RM617,400-00, representing 8% of the Consideration Sum upon execution of the SPA; and
- (c) a sum of RM6,945,750-00, representing 90% of the Consideration Sum to be paid on the completion of the Proposed Disposal.

2.5.2 Completion

The Proposed Disposal shall be completed upon receipt by Effusion.Com the balance of 90% of the Consideration Sum amounting to RM6,945,750-00, subject to fulfillment of Section 2.5.3, within six (6) months from the date of the SPA.

In the event that ABILP shall request for an extension of time to pay the balance 90% of the Consideration Sum, Effusion.Com shall grant to ABILP an extension of an additional one (1) month. ABILP shall then pay to Effusion.Com interest of ten percentum (10%) per annum on any amount outstanding unpaid of the Consideration Sum, based on a three hundred and sixty five (365) days year on the actual number of days lapsed.

2.5.3 Conditions to the SPA

The Proposed Disposal is conditional upon the following being obtained by Effusion.Com within six (6) months from the date of the SPA: -

- (a) the original development order from Dewan Bandaraya Kuala Lumpur in respect of the proposed development of a 20 storey building on the Jalan Pahang Land by RCE and/ or Effusion.Com dated 19 October 1995 together with all other plans, drawings and related documents, if any, in the possession of Effusion.Com in respect of the development order; and
- (b) the release letters from all the architects, engineers and other consultants appointed by Effusion.Com in connection with the development order.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The net proceeds from the Proposed Disposal will be utilised for the RCE Group's working capital requirements.

4. EFFECTS OF THE PROPOSED DISPOSAL

4.1 Share Capital and Major Shareholders' Shareholdings

The Proposed Disposal will not have any effect on the share capital and the major shareholders' shareholdings of RCE.

4.2 Earnings

The Proposed Disposal will not have any material effect on the earnings of the RCE Group for the year ending 31 March 2006.

4.3 Net Tangible Assets

The Proposed Disposal will not have any material effect on the consolidated net tangible assets of the RCE Group.

5. UTILISATION OF PROCEEDS

The net proceeds from the Proposed Disposal will be utilized for the RCE Group's working capital requirements.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders of RCE or persons who are connected or associated with them, have any interest, direct or indirect, in the Proposed Disposal.

7. DIRECTORS' OPINION

The Board, after taking into consideration of the above factors, is of the opinion that the Proposed Disposal is in the best interest of the RCE Group.

8. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

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

SOO KIM WAI
Non-Executive Director

APPENDIX I - FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Information 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 other material facts the omission of which would make any statement herein misleading.

2. MATERIAL LITIGATION

Neither RCE nor its subsidiaries are engaged in any material litigation, claims and arbitration either as plaintiff or defendant, and the Directors of RCE are not aware of any proceedings pending or threatened against RCE and/or its subsidiaries or of any other facts likely to give rise to any proceedings which may materially or adversely affect the position or business or title to or possession of any of the properties of the Company and/or its subsidiaries.

3. MATERIAL CONTRACTS

Save as disclosed below, the RCE Group has not entered into any material contracts (other than contracts entered into in the ordinary course of business) during the past two (2) years preceding the date of this Circular.

- (a) Sale and Purchase Agreement dated 24 February 2004 between RCE and Rekaweb.com Sdn Bhd for the disposal of 10,269,000 ordinary shares of RM1-00 each in POS AD Sdn Bhd or approximately 70% of the issued and paid up share capital in POS AD Sdn Bhd by RCE for a cash consideration of RM11.0 million;
- (b) Sale and Purchase Agreement dated 29 April 2004 between RCE and Effusion.Com for the disposal of all the pieces of freehold vacant land bearing postal address of No. 17, Jalan Pahang, 53000 Kuala Lumpur held under Title Nos. Geran 24607 to 24613, Grant 33223 to Grant 33227, Grant 18617 and Grant 37511, corresponding to Lot Numbers 109 to 115, 443 to 447, 471 and 435, in the town and district of Kuala Lumpur for a total cash consideration of RM10.2 million.

RCE, Effusion.Com and Malayan Banking Berhad ("Bank") entered into a supplementary agreement dated 31 March 2005 wherein the Bank agreed, amongst others, to consent to transfer the Property from RCE to the Effusion.Com, being the chargor on the condition that RCE shall cause Effusion.Com to create a third party first legal charge over the Jalan Pahang Land in favor of the Bank as security for the payment and repayment of the facilities together with interest thereon due and payable by RCE to the Bank;

- (c) Sale and Purchase Agreement dated 29 April 2005 between Verbundsoft Sdn Bhd (now known as RCE Synergy Sdn Bhd) ("Verbundsoft"), a wholly-owned subsidiary of RCE, and AMDB Berhad in relation to the proposed acquisition of 29,064,452 units in AmFirst AmProperty Trust by Verbundsoft from AMDB Berhad for a cash consideration of RM31,970,897-20;
- (d) Sale and Purchase Agreement dated 21 October 2004 between RCE and E-Drama Sdn Bhd (now known as RCE Enterprise Sdn Bhd) ("E-Drama") for the disposal by RCE, Meridian Mode Sdn Bhd and RCE Ventures Sdn Bhd of 100% of the issued and paid up share capital in RCE Marketing Sdn Bhd pursuant to an internal re-organisation at a total consideration of RM63.165 million to be satisfied by the issuance and allotment of 69,998 ordinary shares of RM1-00 each in E-Drama to RCE, 10,000 ordinary shares of RM1-00 each in E-Drama to Meridian Mode Sdn Bhd and 387,800 redeemable convertible and non-cumulative preference shares of RM1-00 each in E-Drama to RCE Ventures Sdn Bhd; and

- (e) Sale and Purchase Agreement dated 24 June 2005 between Effusion.Com and ABILP in relation to the Proposed Disposal, which is the subject matter of this Information Circular.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of RCE at 7th Floor, Wisma Tan Kim San, No.518A, 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur from Mondays to Fridays (except public holidays) during business hours for a period of two (2) weeks from the date of this Information Circular:-

- a) Memorandum and Articles of Association of RCE;
- b) Memorandum and Articles of Association of Effusion.Com;
- c) The audited financial statements of RCE for the past two (2) financial years ended 31 March 2004 and 31 March 2005;
- d) The audited financial statements of Effusion.Com for the past two (2) financial years ended 31 March 2004 and 31 March 2005;
- e) The latest management accounts of Effusion.Com for the period ended 31 July 2005; and
- f) The material contracts referred to in section (3) above.