

## ANNOUNCEMENT TO BURSA MALAYSIA SECURITIES BERHAD

### RCE CAPITAL BERHAD (“RCE” OR “COMPANY”)

- (A) **PROPOSED PRIVATE PLACEMENT OF UP TO 71,097,134 NEW ORDINARY SHARES OF RM0.10 EACH IN RCE TO INVESTOR(S) (“PROPOSED PRIVATE PLACEMENT”); AND**
- (B) **PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME (“PROPOSED ESOS”);**

**(COLLECTIVELY REFERRED AS THE “PROPOSALS”)**

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#### 1.0 INTRODUCTION

On behalf of the Board of Directors of RCE (“**Board**”), ECM Libra Investment Bank Berhad (“**ECM Libra**”) wishes to announce that the Company is proposing to undertake the following corporate exercises:-

- (a) proposed private placement of up to 71,097,134 new ordinary shares of RM0.10 each in RCE (“**RCE Shares** or “**Shares**”) to investor(s) to be identified (“**Placement Shares**”); and
- (b) proposed establishment of an employees’ share option scheme for the employees and directors of RCE and its subsidiaries (excluding subsidiaries which are dormant) (“**RCE Group**”).

#### 2.0 PROPOSED PRIVATE PLACEMENT

##### 2.1 Details of the Proposed Private Placement

The Proposed Private Placement entails the issuance of such amount of Placement Shares, representing approximately 10% of the issued and paid-up share capital of the Company. At present, the issued and paid-up share capital of the Company stood at RM71,097,134 comprising 710,971,340 RCE Shares.

The Placement Shares shall be placed to investor(s) (“**Placee(s)**”) to be identified, where such Placee(s) shall be person(s) who qualify under Schedules 6 and 7 of the Capital Market & Services Act 2007.

The Placement Shares shall be issued under the existing general mandate approved by the shareholders of RCE at the Company’s Fifty-Forth Annual General Meeting (“**AGM**”) held on 27 August 2008 pursuant to Section 132D of the Companies Act, 1965 for the directors to issue new ordinary shares in the Company, provided that the aggregate number of shares issued does not exceed 10% of the issued and paid-up share capital of RCE for the time being until the conclusion of the next AGM and provided that the Company complies with the relevant provisions under Paragraph 6.02 of the Securities Commission’s (“**SC**”) Guidelines on the Offering of Equity & Equity-Linked Securities (“**SC Guidelines**”).

##### 2.2 Issue price of the Placement Shares

The issue price of the Placement Shares shall be determined based on a discount of not more than 10% to the 5-day weighted average market price (“**WAMP**”) immediately preceding the price-fixing date, the date of which shall be after the approval of the SC is obtained for the Proposed Private Placement.

For illustrative purposes, applying a 10% discount on RM0.513, being the 5-day WAMP up to 22 May 2009 the issue price of the Placement Shares would be at RM0.462 per share.

### 2.3 Ranking of the Placement Shares

The Placement Shares to be issued pursuant to the Proposed Private Placement shall, upon allotment, issuance and full payment, rank *pari passu* in all respects with the existing RCE Shares except they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which is prior to the date of allotment of the Placement Shares.

### 3.0 PROPOSED ESOS

The Proposed ESOS will involve the granting of options to eligible employees and directors of the RCE Group who meet the criteria of eligibility for participation in the Proposed ESOS (“**Eligible Persons**”), to subscribe for new RCE Shares in accordance with the by-laws of the Proposed ESOS (“**By-laws**”).

The salient terms and conditions of the Proposed ESOS include, *inter-alia*, the following:

(i) **Total number of RCE Shares available under the Proposed ESOS**

The aggregate number of RCE Shares to be allotted and issued pursuant to the exercise of ESOS options granted under the Proposed ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point in time during the existence of the Proposed ESOS.

The new RCE Shares to be issued pursuant to the exercise of the ESOS options to be granted under the Proposed ESOS will be listed on the Main Board of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

(ii) **Maximum allowable allotment and basis of allocation**

The aggregate number of new RCE Shares that may be offered under the ESOS options to the Eligible Persons shall take into consideration, amongst other factors, the Eligible Persons’ length of services, seniority and performance in RCE Group subject to the following: -

- (a) not more than 50% of the total number of RCE Shares to be issued under the Proposed ESOS shall be allocated, in aggregate, to directors and senior management of RCE Group; and
- (b) not more than 10% of the total number of RCE Shares to be issued under the Proposed ESOS would be allocated to any Eligible Persons, who either singly or collectively through persons connected with them, holds 20% or more of the issued and paid-up share capital of RCE.

provided always that it is in accordance with any prevailing guidelines, the Listing Requirements of Bursa Securities or any other relevant authorities and as amended from time to time.

(iii) **Eligibility to participate in the Proposed ESOS**

Only directors and employees of the Group will be eligible for the Proposed ESOS.

Further details of the eligibility to participate in the Proposed ESOS will be set out in the circular to shareholders which will be despatched in due course.

(iv) **Duration of the Proposed ESOS**

The Proposed ESOS shall be in force for a period of 10 years from the effective date.

(v) **Exercise price**

The price payable for the RCE Shares upon the exercise of any option granted pursuant to the Proposed ESOS shall be based on the higher of the following: -

- (a) the WAMP of the RCE Shares for the 5 market days immediately preceding the date the option is offered, with a discount that does not exceed 10% on the said WAMP; and

(b) the par value of the RCE Shares.

The option price shall be subject to any adjustment in accordance with the By-Laws.

**(vi) Ranking of the RCE Shares arising from the Proposed ESOS**

The new RCE Shares to be allotted and issued upon any exercise of the ESOS options shall, upon allotment and issue, rank *pari passu* in all respects with the existing RCE Shares save and except that the new RCE Shares so allotted and issued shall not be entitled to any dividends, rights, allotments and/or other distributions, where the entitlement date (namely the date as to the close of business on which the shareholders of the Company must be entered in the Record of Depositors maintained with Bursa Malaysia Depository Sdn Bhd in order to be entitled to any dividends, rights, allotments and/or other distributions) is before the date of allotment of such new RCE Shares.

**(vii) Retention period**

Non-executive directors of RCE Group must not sell, transfer or assign any new RCE Shares obtained through the exercise of ESOS options offered to him pursuant to the Proposed ESOS within 1 year from the offer date of such options.

#### **4.0 RATIONALE FOR THE PROPOSALS**

##### **4.1 Proposed Private Placement**

The Proposed Private Placement will allow the Company to raise funds expeditiously to be utilised for working capital purposes. The enlarged capital base shall also strengthen the Company's balance sheet and improve liquidity for its Shares.

##### **4.2 Proposed ESOS**

The establishment of the Proposed ESOS is to: -

- (a) motivate, reward and retain the Eligible Persons whose services are vital for the operations and continued growth of the RCE Group, thus ensuring minimum loss of key personnel;
- (b) provide incentive for Eligible Persons to participate more actively in the operations of the RCE Group;
- (c) increase the level of commitment, dedication and loyalty amongst the Eligible Persons;
- (d) reward contributions of the directors (including non-executive directors) of the RCE Group, who are involved in the formulation of the group's strategy, through amongst others, participation in board deliberations and/or independent views in the decision making process, as well as to maintain good corporate practices at any one time;
- (e) enable Eligible Persons to participate directly in the equity of RCE and thus providing motivation to contribute to the growth of the RCE Group through enhanced sense of belonging; and
- (f) improve the liquidity of the trading in the RCE Shares.

## 5.0 UTILISATION OF PROCEEDS

Based on the illustrative issue price set out in the preceding Section 2.2, the Proposed Private Placement would raise gross proceeds of approximately RM32.85 million, which shall be utilized as follows:-

	RM'000
Working capital of RCE Group	32,647
Expenses related to the Proposals	200
<b>Total</b>	<b>32,847</b>

\* For illustrative purposes only. Please refer to Section 2.2 above for basis of arriving at the figures.

The actual amount to be raised from the Proposed Private Placement will depend on the final issue price to be determined, where a higher or lower issue price would correspondingly increase or decrease the amount available for utilisation as working capital.

In addition, any increase or decrease in the actual expenses related to the Proposals would be clawed back from or to working capital.

The actual proceeds to be received by the Company pursuant to the exercise of the options under the Proposed ESOS will depend on, the number of ESOS options granted and exercised and the exercise price of the ESOS options.

Proceeds raised from the exercise of the ESOS options shall be utilised for the Group's working capital.

## 6.0 FINANCIAL EFFECTS OF THE PROPOSALS

For illustration purposes, the effects of the Proposed Private Placement and Proposed ESOS are as follows:-

### 6.1 Share Capital

The effects of the Proposed Private Placement and Proposed ESOS on the issued and paid-up share capital of the Company are as follows:-

	No. of Shares	RM
Existing issued and paid-up share capital as at 22 May 2009	710,971,340	71,097,134
To be issued pursuant to the Proposed Private Placement	71,097,134	7,109,713
Enlarged issued and paid-up capital after the Proposed Private Placement	782,068,474	78,206,847
To be issued pursuant to the full exercise of the ESOS options granted under the Proposed ESOS	117,310,271	11,731,027
<b>Enlarged issued and paid-up share capital</b>	<b>899,378,745</b>	<b>89,937,875</b>

## 6.2 Net Assets

The proforma effects of the Proposed Private Placement on the net assets of the Group are as follows:-

	<b>Unaudited as at 31.12.2008 RM'000</b>	<b>After the Proposed Private Placement  RM'000</b>
Share capital	71,097	78,207
Share premium	26,394	51,931*#
Reserve on consolidation	-	-
Retained profits	182,055	182,055
	279,546	312,193
Minority interest	-	-
Net assets	279,546	312,193
Net assets per Share (RM)	0.39	0.40

Notes:-

\* After deducting the estimated expenses relating to the Proposals of approximately RM200,000.

# Assuming the Placement Shares are issued at RM0.462 per share.

The Proposed ESOS is not expected to have an immediate effect on the Net Assets of the Group until such time when the ESOS options granted pursuant to the Proposed ESOS are exercised. The potential effect on the Group's Net Assets would depend on the number of new RCE Shares to be issued pursuant to the exercise of the ESOS options granted under the Proposed ESOS and the exercise price(s) of the options. However, the Net Assets per RCE Share immediately following exercise of the ESOS options will increase if the exercise price exceeds the Net Assets per RCE Share at the point of exercise of the ESOS options and conversely will decrease if the exercise price is below the Net Assets per new RCE Share at the point of exercise of the ESOS options.

## 6.3 Earnings

The Proposed Private Placement and Proposed ESOS are not expected to have any material effects on the earnings of the RCE Group for the financial year ending 31 March 2010. Nevertheless, the Proposed Private Placement and the Proposed ESOS are expected to contribute positively to the future earnings of the RCE Group via interest savings from the portion of borrowings which would otherwise have been required to finance the working capital requirements of the RCE Group. Notwithstanding, the earnings per Share of the RCE Group will be correspondingly diluted as a result of the increase in the number of issued and paid-up Shares to be issued pursuant to the Proposed Private Placement and Proposed ESOS.

The Proposed ESOS is not expected to have any immediate effect on the earnings of the Group, until such time as and when the ESOS options granted are exercised. In addition, with the adoption of the Financial Reporting Standard 2 on Share Based Payment ("FRS2") issued by the Malaysian Accounting Standards Board, the cost relating to the ESOS options granted pursuant to Proposed ESOS will need to be measured at grant date and recognised as an expense in the income statement of RCE over the vesting period of such ESOS options. The total cost of the ESOS options granted would depend on, *inter alia*, the number ESOS options granted and the theoretical fair value of such ESOS options granted. However, the estimated cost does not represent a cash outflow by the Company as it is merely an accounting treatment.

## 6.4 Dividend

The Proposed Private Placement and Proposed ESOS will not have any effect on the dividend policy of the Company. Any future dividend to be declared by the Board is dependent on the Group's future profitability and cashflow.

## 6.5 Major Shareholders' Shareholdings

Based on the Register of Substantial Shareholders of RCE as at 22 May 2009, the proforma effects of the Proposed Private Placement and Proposed ESOS on the direct and indirect shareholdings of the major shareholders of RCE (holding 5% equity interest or more) are as follows:-

Major shareholders	Existing RCE Shares held as at 22 May 2009				After the Proposed Private Placement (I)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Cempaka Empayar Sdn Bhd	294,885,669	41.48	-	-	294,885,669	37.71	-	-
Aras Kreatif Sdn Bhd	79,403,700	11.17	-	-	79,403,700	10.15	-	-
AmcorpGroup Berhad @	-	-	294,885,669	41.48	-	-	294,885,669	37.71
Clear Goal Sdn Bhd@	-	-	294,885,669	41.48	-	-	294,885,669	37.71
Tan Sri Dato' Azman Hashim @	-	-	294,885,669	41.48	-	-	294,885,669	37.71
Mohamed Zamrus bin Ghazali*	-	-	79,403,700	11.17	-	-	79,403,700	10.15
Norsiha binti Othman*	-	-	79,403,700	11.17	-	-	79,403,700	10.15

Major shareholders	After (I) and the full exercise of the ESOS options granted under the Proposed ESOS (II)			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Cempaka Empayar Sdn Bhd	294,885,669	32.79	-	-
Aras Kreatif Sdn Bhd	79,403,700	8.83	-	-
AmcorpGroup Berhad @	-	-	294,885,669	32.79
Clear Goal Sdn Bhd@	-	-	294,885,669	32.79
Tan Sri Dato' Azman Hashim @^ ("TSDAH")	-	-	294,885,669	32.79
Mohamed Zamrus bin Ghazali*	-	-	79,403,700	8.83
Norsiha binti Othman*	-	-	79,403,700	8.83

Notes:

@ Deemed interested by virtue of Section 6(A)4 of the Companies Act, 1965 ("Act") through shareholdings in Cempaka Empayar Sdn. Bhd.

\* Deemed interested by virtue of Section 6(A)4 of the Act through shareholdings in Aras Kreatif Sdn Bhd.

^ Does not include shares that may arise pursuant to any exercise of ESOS options to be granted to him under the Proposed ESOS.

## **7.0 APPROVALS REQUIRED AND CONDITIONALITY OF THE PROPOSALS**

### **7.1 Proposed Private Placement**

The Proposed Private Placement is conditional upon approval being obtained from the following parties:-

- (a) the SC;
- (b) Bursa Securities for the listing of and quotation for the Placement Shares pursuant to the Proposed Private Placement; and
- (c) Any other relevant authorities.

### **7.2 Proposed ESOS**

The Proposed ESOS is subject to the following approvals: -

- (i) Bursa Securities for the listing of and quotation for the new RCE Shares to be issued upon exercise of the options under the Proposed ESOS;
- (ii) the shareholders of RCE at an extraordinary general meeting (“EGM”) to be convened; and
- (iii) other relevant authorities / parties, if required.

The Proposed Private Placement and the Proposed ESOS are not inter-conditional upon one another.

## **8.0 DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS**

### **8.1 Proposed Private Placement**

To the best knowledge of the Directors of the Company, none of the Directors and/or major shareholders of RCE and/or persons connected to them (as defined under the relevant provisions of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”) has any interest, whether directly or indirectly in the Proposed Private Placement, apart from that derived as shareholders of the Company.

In accordance with Paragraph 6.02(e) of the SC Guidelines, the Placement Shares would not be placed to interested persons, connected persons and nominee companies (as defined therein). Hence, the Proposed Private Placement would not involve any interest, direct and/or indirect, of the Directors and/or major shareholders of the Company.

### **8.2 Proposed ESOS**

As all Directors would be eligible to participate in the Proposed ESOS, they are deemed interested in the same. Notwithstanding, the Directors have deliberated on the Proposed ESOS, and have agreed to present the Proposed ESOS to the shareholders of RCE for their consideration and approval. All Directors shall abstain from voting on the Proposed ESOS at the EGM in respect of their shareholdings, if any.

In respect of any specific allocation of ESOS options to the Directors under the Proposed ESOS, the respective director(s) (and any other director(s) that may be connected to them) shall accordingly abstain from all board deliberations. In addition, the respective director(s) shall also abstain from voting in respect of their direct and/or indirect shareholdings (if any) at the EGM to be convened in respect of the resolution(s) to be tabled for their proposed allocation, if any. They will also ensure that any persons connected to them, if any, will abstain from voting on the relevant resolutions to be tabled at the forthcoming EGM.

One of the major shareholders of RCE, namely TSDAH, (hereinafter referred to as the “**Interested Major Shareholder**”), who is also a Director of the Company, is entitled to participate in the Proposed ESOS and proposed allocation and is therefore deemed interested in the Proposed ESOS and proposed allocation by virtue of his entitlement under the proposed allocation. The Interested Major Shareholder will abstain from voting in respect of his direct or indirect shareholdings in the Company, on the ordinary resolutions pertaining to the Proposed ESOS and proposed allocation(s) to himself and persons connected to him, if any, to be tabled at the forthcoming EGM. He will also ensure that persons connected to him, if any, will abstain

from voting on the relevant ordinary resolutions to be tabled at the forthcoming EGM, and vice versa.

#### **9.0 DIRECTORS' STATEMENT**

The Board of Directors of RCE, having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

#### **10.0 ADVISER**

ECM Libra has been appointed as adviser for the Proposals and as the Placement Agent for the Proposed Private Placement.

There are common major shareholders (direct and indirect) between RCE and ECM Libra, namely AmcorpGroup Berhad, Clear Goal Sdn Bhd and Tan Sri Dato' Azman Hashim. Notwithstanding, there is no potential conflict of interest arising from ECM Libra's appointment as the adviser and placement agent to RCE.

#### **11.0 DEPARTURE FROM THE SC GUIDELINES**

The Board of Directors and ECM Libra are not aware of any departure from the SC Guidelines in respect of the Proposed Private Placement (being the only proposal subject to the SC Guidelines).

#### **12.0 EGM**

A circular to the shareholders of the Company setting out the details of the Proposed ESOS, and the relevant proposed allocation of ESOS options to the Directors together with the Notice to convene the EGM will be despatched to the shareholders of RCE in due course.

#### **13.0 APPLICATION TO THE AUTHORITIES**

Barring any unforeseen circumstances, the Directors of RCE expect to submit an application to the SC in relation to the Proposed Private Placement within two (2) months from the date of this announcement.

For and on behalf of the Board of Directors  
**RCE CAPITAL BERHAD**

**ECM LIBRA INVESTMENT BANK BERHAD**

This announcement is dated 27 May 2009.