

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

- **Proposed Bonus Issue**
- **Proposed Rights Issue**
- **Proposed Exemption**
- **Proposed Increase In Authorised Share Capital**
- **Proposed Amendments I**
- **Proposed Amendments II**

1. INTRODUCTION

On behalf of the Board of Directors of RCE (“**Board**”), Hong Leong Investment Bank Berhad (“**HLIB**”), is pleased to announce that the Company proposes to undertake the following:

- proposed bonus issue of up to 399,332,037 new ordinary shares of RM0.10 each in RCE (“**Bonus Shares**”) to be credited as fully paid-up on the basis of 1 Bonus Share for every 2 existing ordinary shares of RM0.10 each held in RCE (“**Shares**”) (“**Proposed Bonus Issue**”);
- proposed renounceable rights issue of up to 479,198,444 new redeemable convertible non-cumulative preference shares of RM0.10 each in RCE (“**RCPS**”) on the basis of 2 RCPS for every 5 Shares held after the Proposed Bonus Issue (“**Proposed Rights Issue**”);
- proposed exemption for Cempaka Empayar Sdn Bhd (“**Cempaka**”) and persons acting in concert with Cempaka (“**PACs**”) from the obligation to undertake a take-over offer for all the remaining Shares and convertible securities in RCE not already owned by them under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 (“**Code**”) (“**Proposed Exemption**”);
- proposed increase in the authorised share capital of RCE from RM200,000,000 comprising 2,000,000,000 Shares to RM400,000,000 comprising 3,000,000,000 Shares and 1,000,000,000 RCPS (“**Proposed Increase In Authorised Share Capital**”);
- proposed amendments to the Memorandum and Articles of Association of RCE in respect of the issuance of RCPS pursuant to the Proposed Rights Issue and Proposed Increase in Authorised Share Capital (“**Proposed Amendments I**”); and
- proposed amendments to the Articles of Association of RCE to reflect the amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Proposed Amendments II**”).

The Proposed Bonus Issue, Proposed Rights Issue, Proposed Exemption, Proposed Increase in Authorised Share Capital and Proposed Amendments I are collectively referred to as the “**Proposals**”.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Bonus Issue

2.1.1 Details of the Proposed Bonus Issue

The Proposed Bonus Issue involves the issuance of up to 399,332,037 Bonus Shares to be credited as fully paid-up on the basis of 1 Bonus Share for every 2 existing Shares held by the shareholders of RCE whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later (“**Entitlement Date**”).

As at 14 February 2012, the issued and paid-up share capital of the Company stood at RM78,239,517 comprising 782,395,174 Shares. The Company has, as at 31 March 2011, 16,268,900 outstanding options granted under its employees' share option scheme ("ESOS") (subject to any increase or decrease in the number of options as a result of any cancellation, lapse or new issue of options, as the case may be), which entitle the option holders until 14 September 2019 to subscribe to 16,268,900 new Shares.

The actual number of Bonus Shares to be issued will depend on the issued and paid-up share capital of the Company on the Entitlement Date.

Assuming none of the outstanding ESOS options are exercised on or prior to the Entitlement Date, 391,197,587 Bonus Shares will be issued pursuant to the Proposed Bonus Issue hence, increasing the issued and paid-up share capital of RCE to RM117,359,276 comprising 1,173,592,761 Shares ("**Minimum Bonus Issue Scenario**").

Assuming all of the outstanding ESOS options are exercised on or prior to the Entitlement Date, 399,332,037 Bonus Shares will be issued pursuant to the Proposed Bonus Issue hence, increasing the issued and paid-up share capital of RCE to RM119,799,611 comprising 1,197,996,111 Shares ("**Maximum Bonus Issue Scenario**").

Any fractional entitlements under the Proposed Bonus Issue, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in the best interests of the Company.

The Bonus Shares to be issued pursuant to the Proposed Bonus Issue will be issued in a single tranche.

2.1.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the share premium account of the Company.

An illustration of the share premium account upon completion of the Proposed Bonus Issue based on the Company's latest audited financial statements for the financial year ended ("FYE") 31 March 2011 and the latest unaudited financial report for the 9-month financial period ended ("FPE") 31 December 2011 at company level is as follows:

Company level	Audited FYE 31 March 2011		Unaudited FPE 31 December 2011	
	Minimum Bonus Issue Scenario	Maximum Bonus Issue Scenario	Minimum Bonus Issue Scenario	Maximum Bonus Issue Scenario
	RM'000	RM'000	RM'000	RM'000
Share premium	58,584	58,584	58,584	58,584
Assuming full exercise of outstanding ESOS options	-	13,948 ⁽¹⁾	-	13,395 ⁽²⁾
Adjusted share premium	58,584	72,532	58,584	71,979
Less:				
Capitalisation for the Bonus Shares ⁽³⁾	(39,120)	(39,933)	(39,120)	(39,933)
Balance after the Proposed Bonus Issue	19,464	32,599	19,464	32,046

Notes:

(1) Comprises the transfer of approximately RM5.98 million from the share options reserve and the increase in share premium of approximately RM7.97 million pursuant to the exercise of all 16,268,900 outstanding ESOS options as at 31 March 2011 at the subscription price of RM0.59 per Share.

- (2) *Comprises the transfer of approximately RM5.74 million from the share options reserve and the increase in share premium of approximately RM7.65 million pursuant to the exercise of all 15,623,100 outstanding ESOS options as at 31 December 2011 at the subscription price of RM0.59 per Share.*
- (3) *Based on 391,197,587 and 399,332,037 Bonus Shares to be issued under the Minimum Bonus Issue Scenario and Maximum Bonus Issue Scenario respectively.*

Based on the latest audited financial statements for the FYE 31 March 2011 as well as the latest unaudited financial report for the 9-month FPE 31 December 2011, the Board confirms that the Company has sufficient reserves which are unimpaired by losses on a consolidated basis for the capitalisation of the Proposed Bonus Issue, in accordance with paragraph 6.30(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

Further, pursuant to paragraph 6.30(3) of the Listing Requirements, the Company will obtain a confirmation letter from the reporting accountants on the adequacy of reserves for the capitalisation of the Proposed Bonus Issue, details of which will be disclosed in the circular to shareholders to be issued in relation to the Proposals.

2.1.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank pari passu in all respects with the then existing Shares, save and except that the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Bonus Shares.

2.1.4 Listing status of the Bonus Shares

An application will be made for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities ("**Main Market**").

2.2 Proposed Rights Issue

2.2.1 Details of the Proposed Rights Issue

The Proposed Rights Issue entails the issuance of up to 479,198,444 new RCPS on the basis of 2 RCPS for every 5 Shares held after the Proposed Bonus Issue.

The enlarged issued and paid-up share capital of RCE after the Proposed Bonus Issue based on the Minimum Bonus Issue Scenario and Maximum Bonus Issue Scenario is RM117,359,276 comprising 1,173,592,761 Shares and RM119,799,611 comprising 1,197,996,111 Shares respectively.

Assuming none of the outstanding ESOS options are exercised on or prior to the Entitlement Date and all entitled shareholders subscribe for their respective entitlements, the Proposed Rights Issue would entail the minimum issuance of 469,437,104 RCPS ("**Minimum Rights Issue Scenario**").

Assuming all of the outstanding ESOS options are exercised on or prior to the Entitlement Date and all entitled shareholders subscribe for their respective entitlements, the Proposed Rights Issue would entail the maximum issuance of 479,198,444 RCPS ("**Maximum Rights Issue Scenario**").

The actual number of RCPS to be issued pursuant to the Proposed Rights Issue will only be determined on the Entitlement Date based on the then issued and paid-up share capital of RCE after the Proposed Bonus Issue, which takes into account the actual number of ESOS options exercised on or prior to the Entitlement Date.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the entitled shareholders may subscribe for their respective entitlements of the RCPS in full or in part. Any unsubscribed RCPS shall be offered to the other entitled shareholders and/or their renouncee(s) under the excess RCPS application. It is the intention of the Board to allocate the excess RCPS in a fair and equitable manner, and on a basis to be determined by the Board.

Any fractional entitlements under the Proposed Rights Issue shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in the best interest of the Company.

The salient terms of the RCPS are set out in **Table 1** of this announcement.

2.2.2 Basis of determining the issue price and conversion price of the RCPS

The issue price and the conversion price will be determined by the Board at a date to be determined and announced later, after taking into consideration the following:

- (i) the prevailing market conditions on the price-fixing date;
- (ii) a premium to the theoretical ex-bonus price of Shares based on the 5-day volume weighted average market price (“**VWAMP**”) of the Shares immediately preceding the price-fixing date; and
- (iii) the par value of RCPS of RM0.10 each.

In any case, the issue price shall not be lower than the par value of RM0.10 per RCPS. For illustrative purposes, the issue price and conversion price of the RCPS are assumed to be at an indicative price of RM0.38 per RCPS. Both the indicative issue price and conversion price represent a premium of approximately 10.92% to the theoretical ex-bonus price of RM0.3426 based on the 5-day VWAMP up to and inclusive of 13 February 2012 of RM0.5139.

2.2.3 Ranking of the RCPS and new Shares arising from the conversion of the RCPS

The RCPS shall rank pari passu amongst themselves.

The new Shares to be issued upon conversion of the RCPS shall rank pari passu in all respects with the then existing Shares, except that the new Shares shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of conversion of the RCPS into new Shares.

2.2.4 Undertakings

The Company intends to procure an irrevocable written undertaking from Cempaka that it will:

- (i) subscribe in full for its entitlements under the Proposed Rights Issue as at the Entitlement Date (“**Entitlement Undertaking**”); and
- (ii) subscribe for the remaining “open portion” of RCPS through excess RCPS application under the Proposed Rights Issue (“**Additional Undertaking**”) subject to Cempaka and the PACs obtaining approval from the Securities Commission (“**SC**”) and non-interested shareholders of RCE for the Proposed Exemption.

The Entitlement Undertaking and Additional Undertaking are collectively referred to as “**Undertakings**”.

As a result of the abovementioned Undertakings to be provided by Cempaka, the Proposed Rights Issue will not be undertaken on a minimum subscription basis.

In the event the Undertakings cannot be procured in the manner aforesaid, underwriting arrangements will be made to ensure the successful completion of the Proposed Rights Issue.

Details of the implication of the Code which may arise as a result of the Undertakings vis-a-vis Cempaka are set out in Section 2.3 of this announcement.

2.2.5 Listing status of the RCPS and new Shares to be issued arising from the conversion of the RCPS

An application will be made for the admission of the RCPS to the Official List of Bursa Securities and for the listing of and quotation for the RCPS and Shares to be issued arising from the conversion of the RCPS on the Main Market.

2.3 Proposed Exemption

As at 14 February 2012, Cempaka is a major shareholder, holding 339,427,169 Shares representing 43.38% equity interest in RCE. Cempaka is wholly-owned by Amcorp Group Berhad ("**Amcorp**") which in turn is wholly-owned by Clear Goal Sdn Bhd ("**Clear Goal**"). Hence, Amcorp and Clear Goal are deemed as PACs in relation to the Proposed Exemption.

Tan Sri Azman Hashim ("**TSAH**"), the Executive Chairman of RCE, is an Executive Chairman of Amcorp and a Director of Clear Goal. TSAH is also an indirect major shareholder of RCE, Cempaka and Amcorp. As at 14 February 2012, TSAH does not have any direct shareholdings in RCE but has 2,000,000 ESOS options. As such, he is deemed as a PAC under the Proposed Exemption.

Soo Kim Wai, a Non-Independent Non-Executive Director of RCE, is the Group Managing Director of Amcorp. As at 14 February 2012, he does not have any direct shareholdings in RCE but has 1,500,000 ESOS options. As such, he is deemed as a PAC under the Proposed Exemption.

Shalina Azman, a Non-Independent Non-Executive Director of RCE, is the Deputy Group Managing Director of Amcorp and a Director of Clear Goal. She is also the daughter of TSAH. As at 14 February 2012, she does not have any direct shareholdings in RCE but has 1,200,000 ESOS options. As such, she is deemed as a PAC under the Proposed Exemption.

Shahman Azman, a Non-Independent Non-Executive Director of RCE, is a Director of Amcorp and Clear Goal. He is also the son of TSAH. As at 14 February 2012, he does not have any direct shareholdings in RCE but has 900,000 ESOS options. As such, he is deemed as a PAC under the Proposed Exemption.

The potential minimum and maximum holdings of Cempaka and the PACs in RCE upon completion of the Proposals are as follows:

Potential minimum holdings – assuming *Minimum Rights Issue Scenario* and only the *Entitlement Undertaking* is called upon (i.e., all shareholders fully subscribe for their respective entitlements under the *Proposed Rights Issue*)

	Shareholdings as at 14 February 2012		Entitlement Undertaking (B)	After Proposed Bonus Issue and Proposed Rights Issue		After Proposed Bonus Issue, Proposed Rights Issue and full conversion of RCPS	
	(A) No. of Shares held*	%		(A) + (B) No. of Shares held*	% [^]	No. of Shares held*	% [#]
Cempaka	339,427,169	43.38	203,656,301 RCPS	509,140,753 Shares (and 203,656,301 RCPS)	43.38	712,797,054	43.38
Amcorp	-	-	-	-	-	-	-
Clear Goal	-	-	-	-	-	-	-
TSAH	-	-	-	-	-	-	-
Soo Kim Wai	-	-	-	-	-	-	-
Shalina Azman	-	-	-	-	-	-	-
Shahman Azman	-	-	-	-	-	-	-
Total	339,427,169	43.38	203,656,301 RCPS	509,140,753 Shares (and 203,656,301 RCPS)	43.38	712,797,054	43.38

Notes:

* Direct shareholdings.

[^] Based on enlarged share capital of 1,173,592,761 Shares after the Proposed Bonus Issue and Proposed Rights Issue under the *Minimum Bonus Issue Scenario* and *Minimum Rights Issue Scenario* respectively.

[#] Based on enlarged share capital of 1,643,029,865 Shares after full conversion of RCPS under *Minimum Rights Issue Scenario*.

Potential maximum holdings – assuming Maximum Rights Issue Scenario and Additional Undertaking is fully called upon

	Shareholdings as at 14 February 2012		Entitlement Undertaking (B)	Additional Undertaking (C)	After full exercise of ESOS options, Proposed Bonus Issue and Proposed Rights Issue		After full exercise of ESOS options, Proposed Bonus Issue, Proposed Rights Issue and full conversion of RCPS	
	(A) No. of Shares held*	%			(A) + (B) + (C) No. of Shares held*	% [^]	No. of Shares held*	% [#]
Cempaka	339,427,169	43.38	203,656,301 RCPS	275,542,143 RCPS	509,140,753 Shares (and 479,198,444 RCPS)	42.50	988,339,197	58.93
Amcorp	-	-	-	-	-	-	-	-
Clear Goal	-	-	-	-	-	-	-	-
TSAH	-	-	-	-	3,000,000	0.25	3,000,000	0.18
Soo Kim Wai	-	-	-	-	2,250,000	0.19	2,250,000	0.13
Shalina Azman	-	-	-	-	1,800,000	0.15	1,800,000	0.11
Shahman Azman	-	-	-	-	1,350,000	0.11	1,350,000	0.08
Total	339,427,169	43.38	203,656,301 RCPS	275,542,143 RCPS	517,540,753 Shares (and 482,258,444 RCPS)	43.20	996,739,197	59.43

Notes:

* Direct shareholdings.

[^] Based on enlarged share capital of 1,197,996,111 Shares after the Proposed Bonus Issue and Proposed Rights Issue under the Maximum Bonus Issue Scenario and Maximum Rights Issue Scenario respectively.

[#] Based on enlarged share capital of 1,677,194,555 Shares after full conversion of RCPS under Maximum Rights Issue Scenario.

Pursuant to Part III of the Code, if a person or a group of persons acting in concert holding more than 33% but less than 50% of the voting shares of a company has acquired more than 2% of the voting shares of a company in any period of 6 months, there is an obligation to undertake a general offer for all the remaining shares of the company not already owned by the said person or persons acting in concert (“Offer”). Under Part VIII of the Code, the Offer would also give rise to a corresponding obligation to make a take-over offer to purchase all the convertible securities issued by the company.

Premised on the above, the collective shareholdings of Cempaka and the PACs could increase by more than 2% in any 6-month period due to the issuance of new Shares arising from the conversion of their RCPS. As such, pursuant to the provisions of the Code, Cempaka and the PACs will be obliged to undertake a take-over offer for all the remaining Shares and convertible securities not already owned by them.

In relation to the above, an application will be submitted to the SC for the Proposed Exemption. The Proposed Exemption is subject to approval from the SC and the non-interested shareholders of RCE.

2.4 Proposed Increase in Authorised Share Capital

The present authorised share capital of RCE is RM200,000,000 comprising 2,000,000,000 Shares, of which RM78,239,517.40 comprising 782,395,174 Shares have been issued and fully paid up.

In order to accommodate the issuance of the Bonus Shares, RCPS, any future increase in share capital due to conversion of RCPS and any future corporate exercises involving the issuance of Shares, RCE proposes to increase its authorised share capital from RM200,000,000 comprising 2,000,000,000 Shares to RM400,000,000 comprising 3,000,000,000 Shares and 1,000,000,000 RCPS by the creation of an additional 1,000,000,000 new Shares and 1,000,000,000 new RCPS.

2.5 Proposed Amendments I

The Proposed Amendments I will involve amendments to relevant clause and articles of the Memorandum and Articles of Association of RCE to facilitate the issuance of RCPS under the Proposed Rights Issue and the Proposed Increase in Authorised Share Capital.

2.6 Proposed Amendments II

The Proposed Amendments II is to streamline the Articles of Association of RCE with the Listing Requirements.

3. UTILISATION OF PROCEEDS

The quantum of gross proceeds to be raised from the Proposed Rights Issue will depend on the final issue price of the RCPS which shall be determined later by the Board and the actual number of RCPS issued.

For illustrative purposes only, assuming the indicative issue price of RM0.38 per RCPS, the Proposed Rights Issue is expected to raise total gross proceeds of approximately RM178.39 million to RM182.10 million based on the Minimum Rights Issue Scenario and Maximum Rights Issue Scenario respectively. The proceeds are expected to be utilised as follows:

	Note	Minimum Rights Issue Scenario RM'000	Maximum Rights Issue Scenario RM'000	Estimated timeframe for utilisation of proceeds from the date of listing of RCPS
Repayment of bank borrowings	(1)	150,000	150,000	Within 6 months
Working capital requirements	(2)	27,186	30,895	Within 12 months
Estimated expenses	(3)	1,200	1,200	Within 6 months
		<u>178,386</u>	<u>182,095</u>	

Notes:

- (1) RCE Marketing Sdn Bhd, a wholly-owned subsidiary of RCE had obtained a syndicated bridging loan facility of up to RM150 million for purposes of loan disbursements in its ordinary course of business. Up to RM150 million of total gross proceeds to be raised from the Proposed Rights Issue will be used to repay the bridging loan facility, which is short-term in nature. Based on the effective cost of borrowing for the bridging loan facility and after deducting the financing cost of the RCPS (assuming indicative dividend yield of the RCPS of 5.26% per annum calculated based on dividend rate of 20% per annum on the nominal value of RCPS and the indicative issue price of RM0.38 per RCPS), such repayment is expected to result in annual interest savings of approximately RM1.5 million. As at 31 December 2011, total borrowings (including hire purchase payables) of the RCE group of companies ("**Group**") amounted to approximately RM829 million.

- (2) *Working capital requirements of the Group refer to loan disbursements to customers in the ordinary course of business of providing consumer financing.*
- (3) *Estimated expenses pertain to the Proposals and Proposed Amendments II, which comprises, amongst others, the professional fees, fees payable to the relevant authorities, printing costs, advertising and other miscellaneous expenses.*

Any variation to the amount of repayment of borrowings and estimated expenses will result in an adjustment from/to the portion being earmarked for working capital requirements. Pending utilisation of proceeds from the Proposed Rights Issue, the proceeds will be placed in deposit accounts with financial institutions or short-term money market instruments.

No proceeds will be raised upon conversion of the RCPS into new Shares as the conversion will be satisfied by the RCPS holders surrendering 1 RCPS in order to receive 1 new Share.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Bonus Issue

The Proposed Bonus Issue is undertaken to reward shareholders of RCE for their continuous support by enabling them to have a greater participation in the equity (including any future dividend distributions) of RCE in terms of the increased number of Shares held. With a larger capital base, the Proposed Bonus Issue is also expected to increase the liquidity and marketability of the Shares.

4.2 Proposed Rights Issue

The Proposed Rights Issue is undertaken to raise funds for the purposes as stated in Section 3 above.

After due consideration of various fund raising methods available, the Board is of the view that the Proposed Rights Issue is currently the most appropriate avenue of fund raising after taking into consideration, amongst others, the following factors:

- (i) the issuance of RCPS will not result in an immediate dilution effect on the earnings per share of the Group, which would otherwise arise from a full issue of Shares;
- (ii) the Proposed Rights Issue will enable RCE to have interest savings and lower financing cost as the indicative dividend yield for the RCPS of 5.26% per annum (based on the indicative issue price of RM0.38) is lower than the Group's existing effective cost of borrowings and further, the dividend rate is fixed and will not subject to any fluctuations;
- (iii) given the current low interest rate environment, the RCPS bearing an indicative dividend yield of 5.26% per annum will serve as an attractive investment alternative for RCE's shareholders. Shareholders may also benefit from any upside from potential future capital appreciation of the RCPS and Shares;
- (iv) an opportunity for RCE's shareholders to maintain their equity participation in the Company (without taking into account the dilution upon the exercise of outstanding ESOS options) upon conversion of the RCPS into Shares; and
- (v) any conversion of the RCPS will further strengthen the Company's capital base and hence improve its gearing levels as well as to potentially increase the liquidity of Shares.

4.3 Proposed Exemption

The Undertakings will demonstrate the support from Cempaka, being the major shareholder of RCE, for the Proposed Rights Issue which will allow RCE to raise necessary funds.

As set out in Section 2.3 above, as a result of the Undertakings, the collective shareholdings of Cempaka and the PACs could increase by more than 2% in any 6-month period due to the issuance of new Shares arising from the conversion of their RCPS.

As it is not the intention of Cempaka and the PACs to undertake the Offer, the Proposed Exemption will be sought.

4.4 Proposed Increase in Authorised Share Capital and Proposed Amendments I

The Proposed Increase in Authorised Share Capital is required to facilitate the issuance of Bonus Shares pursuant to the Proposed Bonus Issue, and the issuance of RCPS and new Shares arising from the conversion of RCPS pursuant to the Proposed Rights Issue.

The Proposed Amendments I is to facilitate the issuance of RCPS and the Proposed Increase in Authorised Share Capital.

4.4 Proposed Amendments II

The Proposed Amendments II is to streamline the Articles of Association of RCE with the Listing Requirements.

5. EFFECTS OF THE PROPOSALS

The Proposed Exemption, Proposed Increase in Authorised Share Capital, Proposed Amendments I and Proposed Amendments II will not have any effect on the share capital, net assets ("**NA**") per share, gearing, earnings per share ("**EPS**") and substantial shareholders' shareholdings in RCE.

For illustration purposes, the proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the share capital, NA per share, gearing, EPS and the substantial shareholders' shareholdings in RCE are based on the following scenarios:

Minimum Scenario : Assuming Minimum Bonus Issue Scenario and full conversion of the RCPS based on the Minimum Rights Issue Scenario.

Maximum Scenario : Assuming Maximum Bonus Issue Scenario and full conversion of RCPS based on Maximum Rights Issue Scenario.

5.1 Share Capital

The proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the issued and paid-up share capital of the Company are shown below:

	Minimum Scenario				Maximum Scenario			
	No. of Shares		No. of RCPS		No. of Shares		No. of RCPS	
	('000)	RM'000	('000)	RM'000	('000)	RM'000	('000)	RM'000
Issued and paid-up share capital as at 14 February 2012	782,395	78,239	-	-	782,395	78,239	-	-
To be issued pursuant to:								
Assuming full exercise of the ESOS options	-	-	-	-	16,269	1,627	-	-
	782,395	78,239	-	-	798,664	79,866	-	-
Proposed Bonus Issue	391,198	39,120	-	-	399,332	39,933	-	-
	1,173,593	117,359	-	-	1,197,996	119,799	-	-
Proposed Rights Issue	-	-	469,437	46,944	-	-	479,198	47,920
	1,173,593	117,359	469,437	46,944	1,197,996	119,799	479,198	47,920
Full conversion of RCPS	469,437	46,944	(469,437)	(46,944)	479,198	47,920	(479,198)	(47,920)
Enlarged issued and paid-up share capital	1,643,030	164,303	-	-	1,677,194	167,719	-	-

5.2 NA per share and gearing

For the purpose of illustration, the proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the consolidated NA of the Group based on the latest audited consolidated statements of financial position of RCE as at 31 March 2011 are shown below:

Minimum Scenario:

		Proforma I	Proforma II	Proforma III
	Audited as at 31 March 2011 RM'000	After the Proposed Bonus Issue RM'000	After Proforma I and the Proposed Rights Issue RM'000	After Proforma II and assuming full conversion of RCPS RM'000
Share capital	78,239	117,359	117,359	164,303
Share premium	58,584	19,464	149,706 ⁽¹⁾	149,706
RCPS	-	-	46,944 ⁽²⁾	-
ESOS reserve	5,977	5,977	5,977	5,977
AFS reserve	8,779	8,779	8,779	8,779
Retained earnings	296,803	296,803	296,803	296,803
Shareholders' funds/NA	448,382	448,382	625,568	625,568
No. of Shares in issue ('000)	782,395	1,173,593	1,173,593	1,643,030
NA per Share (RM)	0.57	0.38	0.53	0.38
Borrowings (RM'000)	1,182,847	1,182,847	1,182,847	1,182,847
Gearing ratio (times)	2.64	2.64	1.89	1.89

Maximum Scenario:

		Proforma I	Proforma II	Proforma III	Proforma IV
	Audited as at 31 March 2011 RM'000	Assuming full exercise of outstanding ESOS options ⁽³⁾ RM'000	After Proforma I and the Proposed Bonus Issue RM'000	After Proforma II and the Proposed Rights Issue RM'000	After Proforma III and assuming full conversion of RCPS RM'000
Share capital	78,239	79,866	119,799	119,799	167,719
Share premium	58,584	72,532	32,599	165,575 ⁽¹⁾	165,575
RCPS	-	-	-	47,920 ⁽²⁾	-
ESOS reserve	5,977	-	-	-	-
AFS reserve	8,779	8,779	8,779	8,779	8,779
Retained earnings	296,803	296,803	296,803	296,803	296,803
Shareholders' funds/NA	448,382	457,980	457,980	638,876	638,876
No. of Shares in issue ('000)	782,395	798,664	1,197,996	1,197,996	1,677,194
NA per Share (RM)	0.57	0.57	0.38	0.53	0.38
Borrowings (RM'000)	1,182,847	1,182,847	1,182,847	1,182,847	1,182,847
Gearing ratio (times)	2.64	2.58	2.58	1.85	1.85

Notes:

- (1) *Assuming an indicative issue price of RM0.38 per RCPS and after deducting estimated expenses of approximately RM1,200,000.*
- (2) *Based on the par value of RCPS of RM0.10 each and assuming that the RCPS is deemed as an equity instrument.*
- (3) *Based on the ESOS option subscription price of RM0.59 per Share.*

5.3 Earnings and EPS

The Proposed Bonus Issue and Proposed Rights Issue are not expected to have a material effect on the earnings of the Group for the financial year ending 31 March 2013 as the Proposals are only expected to be completed by the third quarter of 2012. Proceeds to be raised are expected to be utilised within 12 months from the completion date of the Proposals.

The effect of the Proposed Bonus Issue and Proposed Rights Issue on the future earnings of the Group will depend on the eventual returns derived from the utilisation of proceeds. However, the EPS of the Group may be diluted as a result of the increase in the number of Shares in issue after the issuance of Bonus Shares pursuant to the Proposed Bonus Issue and the issuance of Shares arising from the conversion of the RCPS in the future.

The Proposed Bonus Issue and Proposed Rights Issue are not expected to have any material and immediate effect on the earnings of the Group.

5.4 Substantial shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the substantial shareholders' percentage of shareholdings in RCE as the Bonus Shares will be allotted on a pro-rated basis to all shareholders of RCE. Accordingly, the number of Shares held by each shareholder will increase proportionately pursuant to the Proposed Bonus Issue.

The Proposed Rights Issue is not expected to have any immediate effect on the shareholdings of RCE's substantial shareholders until such time the RCPS is converted into new Shares, the potential effect of which is also dependent on the total issued and paid-up share capital of the Company at the relevant point in time.

Assuming all entitled shareholders subscribe for their respective entitlements and full conversion of the RCPS into new Shares, the Proposed Rights Issue will not have any effect on the substantial shareholders' percentage of shareholdings in RCE as the RCPS will be allotted on a pro-rated basis to all the entitled shareholders. Accordingly, the number of Shares held by each shareholder will increase proportionately pursuant to the conversion of the RCPS into new Shares.

For the purpose of illustration, the proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the shareholdings of the substantial shareholders of RCE based on the Record of Depositors as at 14 February 2012 are as below:

Potential minimum holdings – assuming *Minimum Scenario* and only the *Entitlement Undertaking* is called upon (i.e. all shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue)

	Existing as at 14 February 2012				Proforma I After the Proposed Bonus Issue and Proposed Rights Issue				Proforma II After Proforma I and assuming full conversion of RCPS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Cempaka	339,427	43.38	-	-	509,141	43.38	-	-	712,797	43.38	-	-
Amcorp	-	-	339,427	43.38 ⁽¹⁾	-	-	509,141	43.38 ⁽¹⁾	-	-	712,797	43.38 ⁽¹⁾
Clear Goal	-	-	339,427	43.38 ⁽¹⁾	-	-	509,141	43.38 ⁽¹⁾	-	-	712,797	43.38 ⁽¹⁾
TSAH	-	-	339,427	43.38 ⁽¹⁾	-	-	509,141	43.38 ⁽¹⁾	-	-	712,797	43.38 ⁽¹⁾
Aras Kreatif Sdn Bhd	65,004	8.31	-	-	97,506	8.31	-	-	136,508	8.31	-	-
Mohamed Zamrus bin Ghazali	-	-	65,004	8.31 ⁽²⁾	-	-	97,506	8.31 ⁽²⁾	-	-	136,508	8.31 ⁽²⁾
Norsiha binti Othman	-	-	65,004	8.31 ⁽²⁾	-	-	97,506	8.31 ⁽²⁾	-	-	136,508	8.31 ⁽²⁾

Potential maximum holdings – assuming *Maximum Scenario* and the maximum *Undertakings* are called upon

	Existing as at 14 February 2012				Proforma I After full exercise of ESOS options, Proposed Bonus Issue and Proposed Rights Issue				Proforma II After Proforma I and assuming full conversion of RCPS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Cempaka	339,427	43.38	-	-	509,141	42.50	-	-	988,339	58.93	-	-
Amcorp	-	-	339,427	43.38 ⁽¹⁾	-	-	509,141	42.50 ⁽¹⁾	-	-	988,339	58.93 ⁽¹⁾
Clear Goal	-	-	339,427	43.38 ⁽¹⁾	-	-	509,141	42.50 ⁽¹⁾	-	-	988,339	58.93 ⁽¹⁾
TSAH	-	-	339,427	43.38 ⁽¹⁾	-	-	509,141	42.50 ⁽¹⁾	-	-	988,339	58.93 ⁽¹⁾
Aras Kreatif Sdn Bhd	65,004	8.31	-	-	97,506	8.14	-	-	97,506	5.81	-	-
Mohamed Zamrus bin Ghazali	-	-	65,004	8.31 ⁽²⁾	-	-	97,506	8.14 ⁽²⁾	-	-	97,506	5.81 ⁽²⁾
Norsiha binti Othman	-	-	65,004	8.31 ⁽²⁾	-	-	97,506	8.14 ⁽²⁾	-	-	97,506	5.81 ⁽²⁾

Notes:

(1) Deemed interested by virtue of Section 6A of the Companies Act, 1965 through shareholdings in Cempaka.

(2) Deemed interested by virtue of Section 6A of the Companies Act, 1965 through shareholdings in Aras Kreatif Sdn Bhd.

5.5 Existing convertible securities

As at 14 February 2012, save for the outstanding ESOS options, RCE does not have any other existing convertible securities. Any necessary adjustments to the ESOS options arising from the Proposed Bonus Issue and Proposed Rights Issue will be governed by the existing bylaws of the ESOS. A notification to the holders of the ESOS options on such adjustments will be issued in accordance with the bylaws.

6. INTER-CONDITIONALITY OF THE PROPOSALS AND PROPOSED AMENDMENTS II

The Proposals are inter-conditional upon each other. The Proposed Amendments II is not conditional upon the Proposals and vice versa.

The Proposals and Proposed Amendments II are not conditional upon any other corporate exercise of the Company.

7. APPROVALS REQUIRED

The Proposals are conditional upon approvals being obtained from the following:

- (i) Bursa Securities for the following:
 - (a) admission of the RCPS to the Official List of Bursa Securities;
 - (b) the listing of and quotation for new Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market;
 - (c) the listing of and quotation for the RCPS to be issued pursuant to the Proposed Rights Issue on the Main Market; and
 - (d) the listing of and quotation for the new Shares to be issued pursuant to the conversion of RCPS, on the Main Market;
- (ii) SC for the Proposed Exemption;
- (iii) Bank Negara Malaysia for the issuance of RCPS to non-residents pursuant to the Proposed Rights Issue;
- (iv) the shareholders of RCE at an extraordinary general meeting (“EGM”) to be convened; and
- (v) other relevant authorities/parties, if required.

The Proposed Amendments II is conditional upon approval being obtained from the shareholders of RCE at an EGM to be convened.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors and major shareholders of RCE and/or persons connected to them have any interest, whether direct or indirect, in the Proposals apart from their respective entitlements as shareholders of the Company under the Proposed Bonus Issue and Proposed Rights Issue, which are also available to other shareholders of the Company.

Interested Major Shareholders

Cempaka is a major shareholder of RCE and its undertaking will be procured to provide the Additional Undertaking. Cempaka is wholly-owned by Amcorp which in turn is wholly-owned by Clear Goal. Hence, Amcorp and Clear Goal are deemed as PACs in relation to the Proposed Exemption and deemed major shareholders of RCE.

TSAH, an Executive Chairman of RCE, is an Executive Chairman of Amcorp and a Director of Clear Goal. TSAH is also a major and controlling shareholder of Clear Goal. Therefore, TSAH is deemed as a major shareholder of RCE, Cempaka and Amcorp through his direct shareholdings of 99.99% in Clear Goal.

Accordingly, Cempaka, Amcorp, Clear Goal and TSAH (collectively, the “**Interested Major Shareholders**”) are deemed interested in the Proposals.

As at 14 February 2012, the direct and indirect interests of the Interested Major Shareholders in RCE are as follows:

	<----- Direct ----->		<----- Indirect ----->	
	No. of Shares held	%	No. of Shares held	%
Cempaka	339,427,169	43.38	-	-
Amcorp	-	-	339,427,169	43.38 ⁽¹⁾
Clear Goal	-	-	339,427,169	43.38 ⁽¹⁾
TSAH	-	-	339,427,169	43.38 ⁽¹⁾

Note:

(1) *Deemed interested by virtue of Section 6A of the Companies Act, 1965 through shareholdings in Cempaka.*

The Interested Major Shareholders are interested in the Proposed Exemption by virtue of them being the applicants seeking the Proposed Exemption. In view that the Proposals are inter-conditional upon each other, the Interested Major Shareholders are also deemed interested in the Proposed Bonus Issue, Proposed Rights Issue, Proposed Increase in Authorised Share Capital and Proposed Amendments I.

The Interested Major Shareholders will abstain and will also undertake to ensure that persons connected to them will abstain from voting, in respect of their direct and indirect shareholdings in RCE, on the resolutions to approve the Proposals at an EGM to be convened.

Interested Directors

As set out in Section 2.3 above, the following Directors are deemed PACs in relation to the Proposed Exemption and hence, are deemed interested in the Proposals:

- (i) TSAH is an Executive Chairman of RCE and Amcorp and a Director of Clear Goal. He is also an indirect major shareholder of RCE, Cempaka and Amcorp by virtue of his direct major shareholdings in Clear Goal;
- (ii) Soo Kim Wai is a Non-Independent Non-Executive Director of RCE and the Group Managing Director of Amcorp;
- (iii) Shalina Azman is a Non-Independent Non-Executive Director of RCE and daughter of TSAH. She is also the Deputy Group Managing Director of Amcorp and a Director of Clear Goal; and
- (iv) Shahman Azman is a Non-Independent Non-Executive Director of RCE and son of TSAH. He is also a Director of Amcorp and Clear Goal.

The above Directors are collectively referred to as the “Interested Directors”.

As at 14 February 2012, the direct and indirect interests of the Interested Directors in RCE are as follows:

	←----- Direct ----->		←----- Indirect ----->	
	No. of Shares held	% held	No. of Shares held	% held
TSAH	-	-	339,427,169	43.38 ⁽¹⁾
Soo Kim Wai	-	-	-	-
Shalina Azman	-	-	-	-
Shahman Azman	-	-	-	-

Note:

(1) Deemed interested by virtue of Section 6A of the Companies Act, 1965 through shareholdings in Cempaka.

The ESOS options of the Interested Directors are disclosed in Section 2.3 of this announcement.

The Interested Directors are interested in the Proposed Exemption by virtue of them being the applicants seeking the Proposed Exemption. In view that the Proposals are inter-conditional upon each other, the Interested Directors are also deemed interested in the Proposed Bonus Issue, Proposed Rights Issue, Proposed Increase in Authorised Share Capital and Proposed Amendments I.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting on the Proposals at Board meetings to consider the Proposals.

The Interested Directors will abstain and will also undertake to ensure that persons connected with them will abstain from voting, in respect of their direct and indirect shareholdings in RCE, on the resolutions to approve the Proposals at the EGM to be convened.

None of the Directors and/or major shareholders of RCE and/or persons connected with them have any interest, direct or indirect, in the Proposed Amendments II.

9. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), having considered all aspects of the Proposals, is of the view that the Proposals are in the best interests of the Company.

In addition, the Board, having considered all aspects of the Proposed Amendments II, is of the view that the Proposed Amendments II is in the best interests of the Company.

10. ADVISER

HLIB has been appointed as the Adviser for the Proposals. The Board will appoint an Independent Adviser to advise the non-interested Directors and non-interested shareholders of RCE on the Proposed Exemption.

11. APPLICATION TO THE RELEVANT AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the submission to the relevant authorities is expected to be made within 2 months from the date of this announcement.

Subject to the relevant approvals being obtained and barring any unforeseen circumstances, the Proposals and Proposed Amendments II are expected to be completed by the third quarter of 2012.

This announcement is dated 14 February 2012.

Table 1 – Indicative salient terms of the RCPS

Issuer	:	RCE
Issue Size	:	Up to 479,198,444 RCPS, convertible into up to 479,198,444 new Shares, subject to adjustment, if any
Issue Price	:	Indicative at RM0.38 per RCPS. The final issue price will be determined and announced later by the Board
Par Value or Nominal Value	:	RM0.10 per RCPS
Form and Denomination	:	The RCPS will be issued in registered form and in denominations or multiples of RM0.10 each
Board Lot	:	For the purpose of trading Bursa Securities, a board lot of RCPS will be 100 RCPS carrying the right to subscribe for 100 new Shares or in such other denomination permitted by Bursa Securities from time to time
Tenure	:	7 years commencing from and including the date of issuance of the RCPS
Maturity Date	:	The date occurring on the day immediately preceding the 7 th anniversary from the date of issue of the RCPS
Dividend Rate	:	The RCPS shall carry the right to receive a non-cumulative preferential dividend rate of 20% per annum calculated based on the nominal value of the RCPS, payable annually in arrears, subject to availability of distributable profits
Redemption	:	<p>All outstanding RCPS shall be redeemable at the option of the Company at any time after the 2nd anniversary of the issue date up to the maturity date (both dates inclusive), unless previously converted, by giving not less than 30 days' notice to the holders of the RCPS. Redemption shall be at a redemption price to be calculated as follows:</p> <ul style="list-style-type: none">(a) the dividends declared up to redemption date less any dividends paid; and(b) after payment of any dividend payable under subparagraph (a) above, and prior and in preference to any payment or distribution (or any setting apart of any payment or distribution) of any available funds and assets on any Shares or Junior Securities (any other class of shares or other securities which by its terms ranks junior to the RCPS), an amount per share equal to the Issue Price for each RCPS. <p>Any RCPS not redeemed at the Maturity Date shall be automatically converted into new Shares</p>
Transferability	:	The RCPS shall be freely transferable
Conversion Rights	:	The RCPS shall be convertible, at the option of the holder, at any time after the 2 nd anniversary of its issuance and up to the Maturity Date (both dates inclusive) without the payment of additional consideration by the holder thereof, into such number of fully-paid Shares as is determined by dividing the Issue Price by the Conversion Price in effect at the time of conversion
Conversion Price	:	The conversion price shall initially be equal to the Issue Price, subject to adjustment, if any

Adjustment to Conversion Price	:	<p>The Conversion Price will be adjusted at the determination of the Board in the event of alteration to the share capital of the Company on or before the Maturity Date such as by way of consolidation or subdivision of shares, reduction of capital or under any other circumstances that are deemed necessary by the Board.</p> <p>No adjustment to the Conversion Price shall be made unless it has been certified by a professional adviser or the external auditors of the Company. Under no circumstances will any adjustment result in the Conversion Price falling below the par value of Shares.</p>
Voting rights	:	<p>An RCPS does not carry any right to vote at any general meeting of the Company except for the right to vote in person or by proxy or by attorney at such meeting in each of the following circumstances:</p> <ul style="list-style-type: none"> (a) when the dividend or part of the dividend on the RCPS is in arrears for more than 6 months; (b) on a proposal to reduce the Company's share capital; (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking; (d) on a proposal that affects rights attached to the RCPS; (e) on a proposal to wind up the Company; and (f) during the winding-up of the Company.
Ranking of RCPS	:	The RCPS will rank ahead in regards to payment of dividends in all classes of shares of RCE
Changes in capital	:	RCE may create and issue further preference shares ranking in all respects pari passu with, but not ranking in priority to the RCPS save with the prior approval of the RCPS holders
Priority on winding-up or liquidation	:	The RCPS shall rank in priority to the Shares in any distribution of assets in the event of liquidation, dissolution or winding-up of RCE
Listing	:	The RCPS shall be listed on the Main Market
Ranking and rights of new Shares to be issued arising from the conversion of the RCPS	:	The new Shares to be issued upon conversion of the RCPS shall rank pari passu in all respects with the existing Shares, except that they shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the new Shares
Listing status of new Shares	:	The new Shares to be issued upon conversion of the RCPS will be listed on the Main Market
Governing law	:	Laws of Malaysia