

## RCE CAPITAL BERHAD ("RCE" OR THE "COMPANY")

### (I) PROPOSED TERMINATION OF THE COMPANY'S EXISTING EMPLOYEES' SHARE OPTION SCHEME; AND

### (II) PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE SCHEME

### (COLLECTIVELY REFERRED TO AS "PROPOSALS")

---

## 1. INTRODUCTION

On behalf of the Board of Directors of RCE ("**Board**"), AmInvestment Bank Berhad ("**AmInvestment Bank**") wishes to announce that RCE proposes to undertake the following:-

- i) to terminate the Company's existing Employees' Share Option Scheme ("**ESOS**") ("**Proposed ESOS Termination**"); and
- ii) to establish a new Employees' Share Scheme ("**Proposed ESS**" or "**Scheme**") which comprises:-
  - a) a new ESOS which will entitle the Eligible Persons (as defined herein), upon exercise, to subscribe for new ordinary shares of RM0.10 each in RCE ("**RCE Shares**" or "**Shares**") at a specified future date at a pre-determined price ("**Proposed New ESOS**"); and
  - b) a restricted share grant which entitles the Eligible Persons (as defined herein) to receive fully paid RCE Shares and/or the equivalent cash value of such Shares or combination thereof ("**Proposed RSG**")

collectively, of up to fifteen percent (15%) of the issued and paid-up capital of the Company (excluding treasury shares) at any point in time.

(collectively referred to as the "**Proposals**").

## 2. DETAILS OF THE PROPOSALS

### 2.1 PROPOSED ESOS TERMINATION

RCE had on 15 September 2009, established the existing ESOS for a duration of ten (10) years which will expire on 14 September 2019 ("**2009 ESOS**"). Currently, the Board proposes to terminate the 2009 ESOS to be replaced with the Proposed ESS.

According to By-Law 21.1 of the 2009 ESOS, the Company may terminate the 2009 ESOS at any time prior to its expiry subject to the following:-

- i) approval of the shareholders of RCE by ordinary resolution in a general meeting for the termination; and
- ii) written consent of all option holders who have yet to exercise their options, whether in part or in whole, for the termination.

As at 30 June 2015, being the latest practicable date of this announcement ("**LPD**"), RCE has a total of 28,415,600 unexercised options granted under the 2009 ESOS. The Company will seek the written consent of such option holders referred to above for the Proposed ESOS Termination.

## 2.2 PROPOSED ESS

The Proposed ESS will be administered by a committee, comprising members who shall be duly appointed and authorised by the Board ("**ESS Committee**") and governed by a set of By-Laws ("**By-Laws**"). The ESS Committee will have absolute discretion in administering the Scheme including prescribing financial and performance criteria and such other conditions as it may deem fit. Offers will be granted to Executive Directors and employees of RCE and its subsidiaries ("**RCE Group**" or the "**Group**") who meet the criteria of eligibility for participation ("**Eligible Persons**") under the Proposed ESS.

The principal features of the Proposed ESS are as follows:-

### 2.2.1 Details of the Proposed ESS

#### (i) Proposed New ESOS

The Proposed New ESOS will involve the granting of options ("**ESOS Options**") to Eligible Persons to subscribe for new RCE Shares at a pre-determined price, in accordance with the By-Laws.

#### (ii) Proposed RSG

The Proposed RSG entails a share grant which entitles Eligible Persons to receive fully paid RCE Shares on a vesting date, their equivalent cash value or combinations thereof, without any cash consideration payable by the Eligible Person, upon them achieving pre-determined financial and/or performance conditions and/or other service conditions ("**RSG Awards**"), in accordance with the By-Laws. As such, no proceeds would be raised by the Company pursuant to the Proposed RSG.

Subject to the prevailing legislation and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Company will have the flexibility and discretion in determining the mode of settlement of the RSG Awards by way of:-

- i) an issue of new Shares;
- ii) delivery of existing Shares;
- iii) payment of the equivalent cash value of such new Shares and/or existing Shares; or
- iv) a combination of (i) and/or (ii) and/or (iii) stated above.

In determining the various modes of settlement, the ESS Committee will take into account factors such as the amount of cash available, the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company. The Company shall have the flexibility to approve the vesting of the RSG Award, wholly or partly, in the form of cash rather than Shares, in which event the Eligible Person shall receive the aggregate value of the relevant number of Shares in cash, with value of each Share being for this purpose, based on the fair value of the Shares on or prior to the vesting date.

To facilitate the implementation of the Proposed RSG, the Company may establish a trust to be administered by a trustee (“**Trustee**”). The Trustee shall, at such times as the ESS Committee shall direct, subscribe for and/or purchase the necessary number of existing RCE Shares to accommodate any transfer of RCE Shares to the Eligible Persons. For this purpose, the Trustee will be entitled from time to time to the extent permitted by law to accept funding and/or assistance, financial or otherwise from the Company, its subsidiaries and/or third parties.

The Trustee for the Proposed RSG will be appointed to administer the trust in accordance with a trust deed. The Company shall have the power to appoint or rescind the appointment of any trustee as it deems fit in accordance with the provisions of the trust deed.

#### **2.2.2 Quantum**

The maximum number of Shares to be allotted and issued pursuant to the Proposed ESS shall not at any point in time in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares) or such other percentage of the issued and paid-up share capital of the Company (excluding treasury shares) that may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Proposed ESS.

#### **2.2.3 Eligibility**

The eligibility for participation in the Proposed ESS shall be at the discretion of the ESS Committee and subject to conditions for eligibility stipulated in the By-Laws.

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

#### **2.2.4 Maximum allowable allotment and basis of allocation**

The basis of allocation of the number of Shares which may be comprised in an ESOS Option / RSG Award and the maximum number of Shares which may be offered to an Eligible Person shall be determined entirely at the discretion of the ESS Committee subject to provisions in the By-Laws. An Eligible Person who is a member of the ESS Committee shall abstain from deliberations in respect of any ESOS Options / RSG Awards to be granted to him or held or to be held by him.

To the extent possible and subject always to provisions in the By-Laws, the ESS Committee will ensure that there should be equitable allocation to the various grades of Eligible Persons. The ESS Committee will also ensure that not more than 10% (or such percentage as allowable by relevant authorities) of the total number of RCE Shares to be issued under the Proposed ESS shall 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 (excluding treasury shares) of RCE.

#### **2.2.5 Duration of the Proposed ESS**

The Proposed ESS shall be in force for a duration of five (5) years from the effective date of the implementation of the Scheme, being the date of full compliance with all relevant requirements of the Listing Requirements in relation to the Proposed ESS.

The Proposed ESS may be extended or renewed, as the case may be, for a further period of five (5) years, at the sole and absolute discretion of the Board upon recommendation by the ESS Committee, provided that the initial Proposed ESS period stipulated above and such extension of the Proposed ESS made pursuant to the By-Laws shall not, in aggregate, exceed a duration of ten (10) years from the effective date. For avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal, as the case may be.

#### **2.2.6 Pricing**

The price payable for new RCE Shares upon exercise of any ESOS Options granted under the Proposed New ESOS ("**ESOS Exercise Price**") and the RSG Award grant price ("**RSG Grant Price**") shall be based on the five (5) day weighted average market price ("**WAMP**") of RCE Shares, immediately preceding the date of offer / grant, with a discount of not more than 10% on the said WAMP or such basis as the relevant authorities may permit.

The ESOS Exercise Price and RSG Grant Price shall be subject to adjustments in accordance with the By-Laws.

#### **2.2.7 Rights attaching to Shares**

New RCE Shares to be issued pursuant to the Proposed ESS shall upon allotment and issue, rank *pari passu* in all respects with the then existing Shares except that the new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders of RCE, for which the entitlement date is prior to the date the new RCE Shares are credited into the relevant securities accounts of the Scheme participants maintained by Bursa Malaysia Depository Sdn Bhd.

#### **2.2.8 Utilisation of proceeds**

Proceeds to be received by RCE pursuant to the exercise of ESOS Options will depend on, *inter-alia*, the number of ESOS Options granted and exercised at the relevant point in time and the ESOS Exercise Price, which are not determinable at this juncture. Any proceeds from the exercise of ESOS Options are expected to be used for working capital requirements of the Group.

No proceeds will be received pursuant to the Proposed RSG as Eligible Persons will not be required to pay for the RCE Shares that may be issued and/or transferred to them.

#### **2.2.9 Retention period**

The new RCE Shares to be allotted and issued to Eligible Persons pursuant to the Proposed ESS will not be subjected to any retention period unless the ESS Committee stipulates otherwise in the offer of ESOS Options and/or RSG Awards.

### 3. RATIONALE OF THE PROPOSALS

The Proposed ESOS Termination is intended to replace 2009 ESOS with the Proposed ESS after taking into consideration the rationale of the Proposed ESS as follows:-

- i) to increase the Company's flexibility and effectiveness in its continuous efforts to recognise, reward, retain and motivate Eligible Persons who have made and who continue to make significant contributions to the Group;
- ii) to attract prospective skilled and experienced employees to the Group by making the total compensation package more competitive;
- iii) to motivate Eligible Persons towards better performance through greater productivity and loyalty;
- iv) to create a greater sense of dedication and belonging of Eligible Persons as they will be able to participate directly in the long term development and growth of the Group;
- v) to reinforce pay for performance to achieve a balance between retention and value creation; and
- vi) to foster an ownership culture within the Group by aligning the interests of Eligible Persons with the interests of shareholders of the Company.

### 4. EFFECTS OF THE PROPOSALS

The Proposed ESOS Termination will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings in RCE, as well as net assets ("**NA**"), gearing and earnings per Share ("**EPS**") of the Group.

The effects of the Proposed ESS are shown based on the following scenarios:-

- |                  |   |  |
|------------------|---|--|
| Minimum Scenario | : | Assuming none of the treasury shares are resold, no further treasury shares are accumulated and none of the outstanding options under the 2009 ESOS as at LPD are exercised.   |
| Maximum Scenario | : | Assuming none of the treasury shares are resold, no further treasury shares are accumulated and 16,018,400 outstanding exercisable options under the 2009 ESOS as at LPD (" <b>Exercisable Options</b> ") are exercised into 24,027,600 Shares at RM0.32 per Share. The remaining 12,397,200 outstanding options with an exercise price of RM0.40 per Share are assumed not exercised and will be cancelled under the Proposed ESOS Termination. |

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

#### 4.1 Issued and paid-up share capital

The Proposed ESS is not expected to have any immediate effect on the existing issued and paid-up share capital of RCE. The issued and paid-up share capital of the Company will increase progressively depending on the number of new Shares that may be issued in connection with the Proposed ESS.

The proforma effects of the Proposed ESS on the issued and paid-up share capital of RCE are shown in the table below:-

	Par value (RM)	Minimum Scenario		Maximum Scenario	
		Number of RCE Shares (‘000)	RM (‘000)	Number of RCE Shares (‘000)	RM (‘000)
As at LPD <sup>(1)</sup>	0.10	1,271,122	127,112	1,271,122	127,112
To be issued assuming full exercise of Exercisable Options <sup>(2)</sup>	0.10	-	-	24,028	2,403
Maximum number of Shares to be issued under the Proposed ESS (i.e. 15% of the issued and paid-up share capital of RCE (excluding treasury shares))	0.10	1,271,122	127,112	1,295,150	129,515
	0.10	190,668	19,067	194,272	19,427
<b>Enlarged issued and paid-up share capital</b>	<b>0.10</b>	<b>1,461,790</b>	<b>146,179</b>	<b>1,489,422</b>	<b>148,942</b>

Notes:-

(1) Excluding 62,878,900 treasury shares held as at LPD.

(2) Assuming approximately 16.02 million Exercisable Options under the 2009 ESOS are exercised into 24.03 million Shares.

If existing Shares are purchased for delivery to Eligible Persons or RCE pays the equivalent cash value, the Proposed RSG will have no impact on the Company's issued and paid-up share capital.

#### 4.2 NA and gearing

The Proposed ESS is not expected to have an immediate effect on the NA and gearing of RCE Group until such time when new Shares are issued in connection with the exercise of ESOS Options and/or vesting of the RSG Awards. Any potential effect on the NA per Share and gearing of the Group will depend on the number of Shares issued and/or granted which will only be determined at the point of:-

- (i) exercise of ESOS Options and ESOS Exercise Price; and/or
- (ii) grant of RSG Awards and mode of settlement for the RSG Awards at vesting date.

The NA per Share of the Group immediately following the exercise of ESOS Options can be expected to increase if ESOS Exercise Price is higher than the Group's NA per Share at the point of exercise and conversely, would be expected to decrease if ESOS Exercise Price is below the Group's NA per Share at the point of exercise.

Upon vesting of RSG Awards, the Group's NA per Share can be expected to decrease resulting from the allotment and issuance of new Shares to satisfy any RSG Awards pursuant to the Proposed ESS.

#### **4.3 Earnings**

The Proposed ESS is not expected to have any immediate material effect on the earnings of RCE Group. In accordance with MFRS 2 “Share-Based Payment” issued by the Malaysian Accounting Standards Board (“**MFRS 2**”), the Proposed ESS will result in a charge to the earnings of the Group on the grant date over the period from the grant date to the vesting date of the ESOS Options and/or RSG Awards, as the case may be.

However, the potential effect of the Proposed ESS on EPS of RCE Group in future, as a consequence of the recognising expense at each date of the ESOS Options grant and/or RSG Awards offer cannot be determined at this juncture as it would depend on various factors that affect the fair value of the ESOS Options and/or RSG Awards at the relevant point in time.

The Board has taken note of the potential effect of MFRS 2 on the earnings of RCE Group and will take proactive measures to manage the effect on the EPS of the Group in the granting of ESOS Options and/or RSG Awards.

#### **4.4 Substantial shareholders’ shareholdings**

The Proposed ESS will not have any effect on the shareholdings of RCE’s substantial shareholders until and unless new Shares are issued to Eligible Persons. Any potential effect on their shareholdings will depend on the number of new Shares to be issued pursuant to the Proposed ESS at the relevant point in time.

In the event that existing Shares are purchased for delivery to Eligible Persons as a mode of settlement for the RSG Awards pursuant to the Proposed RSG, there will be no impact on the shareholdings of RCE’s substantial shareholders. Similarly, if RCE pays the equivalent cash value pursuant to the Proposed RSG, there will be no effect on the shareholdings of RCE’s substantial shareholders.

#### **4.5 Convertible securities**

Save for the outstanding options under the 2009 ESOS, RCE does not have any existing and outstanding convertible securities. For avoidance of doubt, the Proposed ESS is intended to replace the 2009 ESOS.

### **5. APPROVALS REQUIRED**

The Proposals are subject to, *inter-alia*, the following being obtained:-

- i) approval of the shareholders of RCE at an extraordinary general meeting (“**EGM**”) to be convened;
- ii) written consent of all option holders who have yet to exercise their options under the 2009 ESOS, whether in part or in whole, for the Proposed ESOS Termination;
- iii) approval of Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the Proposed ESS; and
- iv) the approval of any other relevant regulatory authorities, if applicable.

The Proposed ESOS Termination and Proposed ESS are inter-conditional with each other but are not conditional or inter-conditional upon any other corporate exercise undertaken or to be undertaken by RCE.

**6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

Presently, all Directors of RCE are Non-Executive Directors. Accordingly, they are not eligible to participate in the Proposed ESS and hence, not entitled to any allocations under the Proposed ESS.

As at the date of this announcement, none of the persons connected with the Directors and/or major shareholders are eligible to participate in the Proposed ESS.

Therefore, none of the Directors, major shareholders of RCE and/or persons connected with them has any interest, whether direct or indirect, in the Proposals.

**7. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, RCE expects to complete the Proposals by the first (1<sup>st</sup>) quarter of year 2016.

**8. APPLICATION TO RELEVANT AUTHORITIES**

Application(s) to relevant regulatory authorities seeking approval for the Proposals is expected to be made within one (1) month from the date of this announcement.

**9. ADVISER**

AmInvestment Bank has been appointed by RCE as the Adviser for the Proposals.

**10. DIRECTORS' RECOMMENDATION**

The Board having considered the rationale of the Proposals, is of the opinion that the Proposals are in the best interest of the Company and its shareholders.

This announcement is dated 15 July 2015.