

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

- (I) PROPOSED CAPITAL REPAYMENT; AND
- (II) PROPOSED SHARE CONSOLIDATION

(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) proposed capital repayment to the Company's shareholders of up to approximately RM98.3 million or RM0.075 for each ordinary share of RM0.10 each in RCE ("**RCE Shares**") by way of a Proposed Share Capital Reduction (as defined herein) ("**Proposed Capital Repayment**"); and
- ii) proposed share consolidation involving the consolidation of every four (4) ordinary shares of RM0.025 each into one (1) ordinary share of RM0.10 each ("**Consolidated Shares**") after the Proposed Share Capital Reduction (as defined herein) ("**Proposed Share Consolidation**").

2. DETAILS OF THE PROPOSALS

2.1 PROPOSED CAPITAL REPAYMENT

The Proposed Capital Repayment involves a capital repayment of up to approximately RM98.3 million to RCE's shareholders. RCE's shareholders, whose names appear in RCE's Record of Depositors at the close of business on a date to be determined and announced later ("**Entitlement Date**"), shall be entitled to receive a cash distribution under the Proposed Capital Repayment of RM0.075 for each RCE Share held as at the Entitlement Date.

The Proposed Capital Repayment will be implemented by way of a reduction of the issued and paid-up share capital of RCE under Section 64 of the Companies Act, 1965 ("**Act**"), whereby the par value of each RCE Share will be reduced from RM0.10 to RM0.025 ("**Proposed Share Capital Reduction**").

For illustration purposes and under the Maximum Scenario (as defined herein), the issued and paid-up share capital of the Company after the Proposed Share Capital Reduction will be RM32.8 million comprising 1,311.0 million ordinary shares of RM0.025 each (excluding treasury shares).

The cash distribution to be made under the Proposed Capital Repayment will be funded via RCE's internally generated funds.

The effective date of the Proposed Share Capital Reduction will be the date the sealed copy of the order by the High Court of Malaya confirming the Proposed Share Capital Reduction is lodged with the Companies Commission of Malaysia.

2.2 PROPOSED SHARE CONSOLIDATION

Immediately after the Proposed Share Capital Reduction, the Company will undertake the Proposed Share Consolidation which involves the consolidation of every four (4) ordinary shares of RM0.025 each held by the registered shareholders of RCE whose names appear in RCE's Record of Depositors at the close of business on a date to be determined and announced later into one (1) ordinary share of RM0.10 each.

For illustration purposes and under the Maximum Scenario (as defined hereinafter), the issued and paid-up share capital of the Company of RM32.8 million after the Proposed Share Capital Reduction will remain unchanged subsequent to the Proposed Share Consolidation with the total number of shares in issue reduced from 1,311.0 million ordinary shares of RM0.025 each (excluding treasury shares) to 327.8 million Consolidated Shares (excluding treasury shares).

In determining the shareholders' entitlement to the Consolidated Shares, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in order to minimize the incidence of odd lots, and in the best interest of the Company.

There will be no suspension of trading of RCE shares on Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the purpose of implementing the Proposed Share Consolidation.

The Consolidated Shares shall rank *pari passu* in all respects with each other.

3. RATIONALE OF THE PROPOSALS

The Proposals form part of RCE's capital management strategy which seeks to achieve a more efficient capital structure. In this respect, the Proposals are expected to improve the earnings per share ("**EPS**"), net assets per share and return on equity ("**ROE**") of RCE group of companies ("**RCE Group**" or "**Group**") without affecting shareholders' shareholdings percentage following the completion of the Proposals.

Accordingly, RCE after taking consideration its objectives above and future financial obligations and operations requirements, proposes to undertake the Proposed Capital Repayment which is also intended to reward the Company's shareholders for their continuous support towards the Group.

After the completion of the Proposed Capital Repayment, the Group's financial position is expected to remain healthy, supported by the Group's cash and cash equivalents reserves and continued cash flow generated from its operations, which are expected to support, *inter-alia*, its operational needs, debt repayment obligations, as well as any investment opportunities which may arise in the immediate to medium term.

In addition to rewarding shareholders through cash distribution, the returning of equity to shareholders is expected to enhance shareholders' long term rates of return.

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4. EFFECTS OF THE PROPOSALS

For information purposes, shareholders of RCE had via an extraordinary general meeting (“EGM”) held on 2 September 2015 approved the termination of the Company’s existing employees’ share option scheme (“ESOS”) as well as the establishment of a new employees’ share scheme (“ESS”) which has yet to be effected as at the date of this announcement.

The effects of the Proposals are illustrated based on the following assumptions:-

Minimum Scenario

As at the Entitlement Date, assuming:-

- (i) None of the 18.9 million ESOS options outstanding as at 30 September 2015, being the latest practicable date prior to this announcement (“LPD”) are exercised;
- (ii) None of the 64.3 million treasury shares as at the LPD are cancelled or resold; and
- (iii) No new RCE Shares are issued under the ESS, should the ESS become effective prior to the completion of the Proposals.

Maximum Scenario

As at the Entitlement Date, assuming:-

- (i) All of the 18.9 million ESOS options outstanding as at the LPD are exercised into 28.4 million new RCE Shares;
- (ii) None of the 64.3 million treasury shares as at the LPD are cancelled or resold; and
- (iii) No new RCE Shares are issued under the ESS, should the ESS become effective prior to the completion of the Proposals.

4.1 Issued and paid-up share capital

	Par value (RM)	Minimum Scenario		Maximum Scenario	
		Number of ordinary shares ('000)	RM ('000)	Number of ordinary shares ('000)	RM ('000)
As at the LPD	0.10	1,346,970	134,697	1,346,970	134,697
Treasury shares as at the LPD	0.10	(64,319)	(6,431)	(64,319)	(6,431)
ESOS options exercised	0.10	1,282,651	128,265	1,282,651	128,265
	0.10	-	-	28,359	2,836
Issued and paid-up capital	0.10	1,282,651	128,265	1,311,010	131,101
Proposed Share Capital Reduction	(0.075)	-	(96,199)	-	(98,326)
After the Proposed Share Capital Reduction	0.025	1,282,651	32,066	1,311,010	32,775
Proposed Share Consolidation	0.075	(961,988)	-	(983,257)	-
After the Proposed Share Consolidation	0.10	320,663	32,066	327,753	32,775
Issued and paid-up share capital (including treasury shares)	0.10	336,743	33,674	343,833	34,383

4.2 Net assets ("NA") and gearing

Based on RCE's audited consolidated financial statements as at 31 March 2015, the proforma effects of the Proposals on the Group's NA and gearing are set out below:-

Minimum Scenario

	Audited as at 31 March 2015 (RM'000)	(I) After adjusting for Completed Events ⁽¹⁾ (RM'000)	(II) After (I) and Proposed Capital Repayment (RM'000)	(III) After (II) and Proposed Share Consolidation (RM'000)
Share capital	133,400	134,697	33,674	33,674
Treasury shares	(16,784)	(20,158)	(15,334)	(15,334)
Reserves	449,598	298,534	298,234 ⁽²⁾	298,234 ⁽²⁾
Shareholders equity / NA	566,214	413,072	316,574	316,574
Number of ordinary shares (excluding treasury shares) ('000)	1,279,492	1,282,651	1,282,651	320,663
NA per share (RM)	0.44	0.32	0.25	0.99
Total borrowings (RM'000)	631,695	631,695	631,695	631,695
Gearing ratio (times)	1.12	1.53	2.00	2.00

Notes:-

(1) Denotes the following:-

- (a) Exercise of 8.6 million ESOS options into 13.0 million RCE Shares and cancellation of 2.5 million ESOS options from 1 April 2015 up to the LPD;
 - (b) Share buy-back exercise from 1 April 2015 up to the LPD, involving the acquisition of 9.8 million RCE Shares from the open market; and
 - (c) An aggregate of RM153.9 million, representing the final dividend and special dividend of RCE, paid on 8 October 2015.
- (collectively, the "**Completed Events**")

(2) After deducting estimated expenses to be incurred for the Proposals of approximately RM300,000.

Maximum Scenario

	Audited as at 31 March 2015 (RM'000)	(I) After adjusting for Completed Events and full exercise of outstanding ESOS options ⁽¹⁾ (RM'000)	(II) After (I) and Proposed Capital Repayment (RM'000)	(III) After (II) and Proposed Share Consolidation (RM'000)
Share capital	133,400	137,533	34,383	34,383
Treasury shares	(16,784)	(20,158)	(15,334)	(15,334)
Reserves	449,598	302,273	301,973 ⁽²⁾	301,973 ⁽²⁾
Shareholders equity / NA	566,214	419,648	321,022	321,022
Number of ordinary shares (excluding treasury shares) ('000)	1,279,492	1,311,010	1,311,010	327,753
NA per share (RM)	0.44	0.32	0.24	0.98
Total borrowings (RM'000)	631,695	631,695	631,695	631,695
Gearing ratio (times)	1.12	1.51	1.97	1.97

Notes:-

- (1) *Include Completed Events and assuming full exercise of all ESOS options outstanding as at the LPD.*
- (2) *After deducting estimated expenses to be incurred for the Proposals of approximately RM300,000.*

4.3 Earnings

The Proposals are not expected to have a material impact on the Group's earnings for the financial year ending 31 March 2016. Nonetheless, any potential loss of income (including interest income) from the cash reserves utilised for purposes of the Proposed Capital Repayment is in line with the Company's intended capital management initiatives as RCE's shareholders will benefit directly through monies received under the Proposed Capital Repayment.

Notwithstanding the above, the Proposals are expected to have a positive impact on the Group's EPS and ROE as a result of the reduced issued and paid-up share capital of the Company after the completion of the Proposals.

4.4 Substantial shareholders' shareholdings

The Proposals will not have any effect on the percentage shareholdings of the substantial shareholders of RCE.

5. APPROVALS REQUIRED

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

- i) the approval of the shareholders of the Company at an EGM to be convened;
- ii) the approval of Bursa Securities for the listing of and quotation for the new Consolidated Shares to be issued pursuant to the Proposed Share Consolidation;
- iii) the order by the High Court of Malaya confirming the Proposed Share Capital Reduction; and
- iv) the approval or consent of any other relevant regulatory authorities and/or parties, if applicable.

The Proposed Capital Repayment and Proposed Share Consolidation are inter-conditional upon each other. The Proposals are not conditional or inter-conditional upon any other corporate exercise/scheme of the Company.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors, major shareholders and/or persons connected with them have any interest, either direct or indirect, in the Proposals beyond their respective entitlements under the Proposals for which all shareholders of RCE are similarly entitled to.

7. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, RCE expects to complete / implement the Proposals by the end of financial year ending 31 March 2016.

8. APPLICATION TO THE RELEVANT AUTHORITIES

An application to the relevant regulatory authorities seeking approval for the Proposals is expected to be made within two (2) months from the date of this announcement.

9. ADVISER

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

10. DIRECTORS' RECOMMENDATION

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

This announcement is dated 5 November 2015.