

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad has not perused the Share Buy-Back Statement prior to its issuance as it is an exempt statement.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular/Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular/Statement.

**RCE**

**RCE CAPITAL BERHAD**

(2444-M)

(Incorporated in Malaysia)

**PART A**

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED SHAREHOLDERS' MANDATE FOR**

**RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**PART B**

**SHARE BUY-BACK STATEMENT**

**IN RELATION TO THE**

**PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The ordinary resolutions in respect of the above proposals will be tabled at the Sixty-Third Annual General Meeting ("63rd AGM") of the Company. The Notice of the 63rd AGM to be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor, Malaysia on Tuesday, 29 August 2017 at 10.30 a.m. together with the Form of Proxy are set out in the Company's 2017 Annual Report.

The Form of Proxy must be lodged at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 27 August 2017 at 10.30 a.m.  
Date and time of the AGM : Tuesday, 29 August 2017 at 10.30 a.m.

This Circular is dated 21 July 2017

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## DEFINITIONS

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Unless otherwise stated, the following definitions shall apply throughout this Circular/Statement:

“Act”	Companies Act 2016, including any amendment made from time to time and any re-enactment thereof
“AGM”	Annual General Meeting
“Board”	Board of Directors of RCE
“Bursa Securities”	Bursa Malaysia Securities Berhad (Company No. 635998-W)
“CESB”	Cempaka Empayar Sdn Bhd (Company No. 402925-M)
“Code”	Malaysian Code on Take-Over and Mergers 2010, including any amendments thereto that may be made from time to time
“Director”	Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and for the purpose of the Proposed Shareholders’ Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director of the Company or any other company which is its subsidiary or holding company or a chief executive officer of the Company, its subsidiary or holding company
“EPS”	Earnings per share
“Listing Requirements”	Bursa Securities Main Market Listing Requirements, including any amendments thereto that may be made from time to time
“Major Shareholder”	<p>A person who has an interest or interests in one (1) or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:</p> <p>(a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the corporation; or</p> <p>(b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation</p> <p>For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act</p> <p>Major shareholder also includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer as defined above or any other corporation which is its subsidiary or holding company</p>
“NA”	Net assets
“Person Connected”	In relation to a Director or a Major Shareholder, means such person who falls under any one of the categories as defined in Paragraph 1.01 of the Listing Requirements
“Proposed Shareholders’ Mandate”	Proposed shareholders’ mandate for recurrent related party transactions of a revenue or trading nature to be entered into with the Related Parties
“Proposed Share Buy-Back”	Proposed renewal of the authorisation for RCE to purchase and/or hold up to 10% of its total number of issued shares
“Purchased Shares”	RCE Shares that are purchased pursuant to the Proposed Share Buy-Back

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**DEFINITIONS (Cont'd)**

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“RCE” or “the Company”	RCE Capital Berhad (Company No. 2444-M)
“RCE Group” or “the Group”	RCE and its subsidiary companies
“Recurrent Transaction(s)”	Recurrent related party transaction(s) of a revenue or trading nature which are necessary for the day-to-day operations and are in the ordinary course of business of RCE Group
“Related Party(ies)”	A Director, Major Shareholder or Person Connected with such Director or Major Shareholder
“RM” and “sen”	Ringgit Malaysia and sen respectively
“RRPT”	Recurrent Related Party Transactions
“Shares” or “RCE Shares”	Ordinary shares in RCE
“Substantial Shareholder”	Shall have the meaning given in Section 136 of the Act
“Treasury Shares”	The purchased shares which are retained by the Company and shall have the meaning given under Section 127 of the Act

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**PART A**

**PROPOSED SHAREHOLDERS' MANDATE  
FOR RECURRENT RELATED PARTY TRANSACTIONS  
OF A REVENUE OR TRADING NATURE**



**RCE CAPITAL BERHAD**  
(2444-M)

**Registered Office:**

802, 8th Floor, Block C  
Kelana Square  
17 Jalan SS 7/26  
47301 Petaling Jaya  
Selangor, Malaysia

21 July 2017

**Board of Directors:**

Shahman Azman (*Non-Independent Non-Executive Chairman*)  
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan (*Independent Director*)  
Dato' Che Md Nawawi bin Ismail (*Independent Director*)  
Datuk Mohamed Azmi bin Mahmood (*Independent Director*)  
Tan Bun Poo (*Independent Director*)  
Mahadzir bin Azizan (*Independent Director*)  
Soo Kim Wai (*Non-Independent Non-Executive Director*)  
Shalina Azman (*Non-Independent Non-Executive Director*)

**To: The Shareholders of RCE**

Dear Sir/Madam

**PROPOSED SHAREHOLDERS' MANDATE**

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**1. INTRODUCTION**

At the 62nd AGM of the Company held on 24 August 2016, the Company had obtained a shareholders' mandate for RCE Group to enter into Recurrent Transactions on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders. The shareholders' mandate for Recurrent Transactions shall lapse at the conclusion of the forthcoming 63rd AGM unless renewal is obtained from shareholders of RCE at the 63rd AGM.

Accordingly, the Board had on 26 May 2017 announced that RCE proposes to seek shareholders' approval for the Proposed Shareholders' Mandate.

The purpose of this Circular is to provide you with information on the Proposed Shareholders' Mandate and to seek your approval for the ordinary resolution to be tabled at the forthcoming 63rd AGM of RCE. The Notice of the 63rd AGM is set out in the 2017 Annual Report of RCE.

Shareholders of RCE are advised to read the contents of this Circular carefully before voting on the resolution pertaining to the Proposed Shareholders' Mandate.

**2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**

**2.1 Provision under the Listing Requirements**

Pursuant to paragraph 10.09 of the Listing Requirements, a listed issuer may seek shareholders' mandate in respect of the Recurrent Transactions of the listed company and its subsidiaries, subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Listing Requirements;
- (c) issuing of circular to shareholders; and
- (d) in a meeting to obtain shareholders' mandate, the interested Directors, interested Major Shareholders or interested Persons Connected with a Director or Major Shareholder; and where it involves the interest of an interested Person Connected with a Director or Major Shareholder, such Director or Major Shareholder must not vote on the resolution approving the transactions. An interested Director or interested Major Shareholder must ensure that Persons Connected with him abstain from voting on the resolution approving the transactions.

The Proposed Shareholders' Mandate, if approved by the shareholders at the forthcoming 63rd AGM, will be subject to annual renewal. In this respect, any authority conferred by shareholders in respect of the Proposed Shareholders' Mandate shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of RCE in general meeting, whichever is the earlier.

## **2.2 Nature of Recurrent Transactions and Classes of Related Parties**

The principal activities of RCE are that of investment holding and provision of management services. The subsidiary companies engage a wide range of activities as follows:

- investment holding;
- provision of general loan financing services;
- provision of financial administrative services;
- provision of information technology, financial and other related services;
- confirming, factoring and industrial hire purchase, specialising in trade-related activities and general trading;
- processing and administration of payroll collection system; and
- investment in securities.

It is anticipated that RCE and/or its subsidiary companies would, in the ordinary course of business, enter into transactions of a revenue or trading nature with various Related Parties as set out below.

All estimated values of the respective Recurrent Transactions expected to be entered into by RCE Group from the date of the forthcoming 63rd AGM until the conclusion of the next AGM of RCE, are estimated with reasonable efforts made in ascertaining their accuracy based on various factors involved in the transactions. However, the actual value of transactions may differ from these estimated value and will be disclosed in the Company's Annual Report, together with the types of Recurrent Transactions entered into, the names of the Related Parties involved in each type of related party transactions and their relationships with RCE Group.

The Recurrent Transactions for which the Proposed Shareholders' Mandate is sought at RCE's forthcoming 63rd AGM and the classes of Related Parties interested in the respective Recurrent Transactions are as follows:

## (I) Existing Shareholders' Mandate

Transacting Company	Related Party	Nature of transaction	Existing Shareholders' Mandate		Estimated aggregate value from the date of forthcoming 63rd AGM to the next AGM of RCE (RM'000)	Interested Directors and/or Major Shareholders and/or Person Connected to them <sup>(6)</sup>
			Estimated value as disclosed in the Circular to Shareholders dated 25 July 2016 (RM'000)	Actual value transacted from 24 August 2016 to 30 June 2017* (RM'000)		
RCE Group	Clear Goal Sdn Bhd ("CGSB") <sup>(1)</sup> and its non-listed subsidiaries ("CGSB Group")	<p>Acceptance of the following services and its charges from CGSB Group:</p> <ul style="list-style-type: none"> <li>• Office rental/management support services <sup>(2)</sup></li> <li>• Hospitality related services including accommodation arrangement, tour related services and airline ticketing</li> <li>• IT equipment, products and services</li> <li>• Consultancy services</li> <li>• Financial services</li> </ul> <p>Provision of the following services to CGSB Group:</p> <ul style="list-style-type: none"> <li>• Factoring and other financial services</li> </ul>	9,000	1,381.5	9,000	Shahman Azman ("SAH") Soo Kim Wai ("SKW") Shalina Azman ("SBA") Tan Sri Azman Hashim ("TSAH") CESB Amcorp Group Berhad ("AMCORP") CGSB (See Note A - CGSB RRPT Group)



Transacting Company	Related Party	Nature of transaction	Existing Shareholders' Mandate		Estimated aggregate value from the date of forthcoming 63rd AGM to the next AGM of RCE (RM'000)	Interested Directors and/or Major Shareholders and/or Person Connected to them <sup>(6)</sup>
			Estimated value as disclosed in the Circular to Shareholders dated 25 July 2016 (RM'000)	Actual value transacted from 24 August 2016 to 30 June 2017* (RM'000)		
RCE Group	AMMB Holdings Berhad ("AHB") <sup>(3)</sup> and its subsidiaries ("AHB Group")	Acceptance of the following services from AHB Group: <ul style="list-style-type: none"> <li>• Investment management and related financial services</li> <li>• Rental of office <sup>(5)</sup></li> </ul>	5,000	607.2	5,000	SAH SKW SBA TSAH CESB AMCORP CGSB  (See Note B - AHB RRPT Group)
RCE Group	Amcorp Properties Berhad ("AMPROP") <sup>(4)</sup> and its subsidiaries ("AMPROP Group")	Provision of factoring and other financial services to AMPROP Group	3,000	Nil	3,000	SAH SKW SBA TSAH CESB AMCORP CGSB  (See Note C - AMPROP RRPT Group)

(II) New Shareholders' Mandate

Transacting Company	Related Party	Nature of transaction	Estimated aggregate value from the date of forthcoming 63rd AGM to the next AGM of RCE (RM'000)	Interested Directors and/or Major Shareholders and/or Person Connected to them <sup>(6)</sup>
RCE Group	AHB Group	Provision of collection management services to AHB Group	4,000	SAH SKW SBA TSAH CESB AMCORP CGSB  (See Note B - AHB RRPT Group)

Notes:

\* The actual value transacted from the date of the last AGM, 24 August 2016 to 30 June 2017, being the latest practicable date prior to printing of this Circular.

- (1) The principal activity of CGSB is that of investment holding. Its subsidiaries are involved in, amongst others, investment holding, provision of investment/financial services, provision of management and support services, property development, provision of airline ticketing, tour and hospitality related services, provision of IT consultancy services and related projects.
- (2) The office rental and management support services fees to CGSB Group are payable on a monthly basis. The office premises with built-up area of 300 square feet is located at 2-01, Block B, Amcorp Tower, 18 Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan. The management support services fees include staff support services and outsourcing of internal audit function.
- (3) The principal activity of AHB is that of investment holding. Its subsidiaries provide a wide range of financial services comprising investment banking, commercial banking, retail financing and related financial services including Islamic banking business, underwriting of general and life insurance, family takaful, investment advisory and asset management, offshore banking, property and unit trust management, stock broking and future broking.
- (4) The principal activity of AMPROP is that of investment holding. Its subsidiaries are involved in property development, investment and management as well as contracting and renewable energy.
- (5) The office premise is located at Menara AmMetLife, 1 Jalan Lumut, 50400 Kuala Lumpur. The tenancy period does not exceed 3 years and rental is payable on a monthly basis.

- (6) The Directors, Major Shareholders and Persons Connected to them who are deemed interested in the Recurrent Transactions conducted with the respective Related Parties are indicated in the notes as follows:

<u>Note</u>	<u>Interested Director/Major Shareholder/Person Connected to them</u>
A	<p><u>CGSB RRPT GROUP</u></p> <p>SAH</p> <ul style="list-style-type: none"><li>• Chairman and shareholder of RCE, Director of AMCORP and CGSB</li><li>• Person Connected to TSAH</li></ul> <p>SKW</p> <ul style="list-style-type: none"><li>• Director of RCE and Group Managing Director of AMCORP</li></ul> <p>SBA</p> <ul style="list-style-type: none"><li>• Shareholder of RCE, Director of RCE Group and CGSB and Deputy Managing Director of AMCORP</li><li>• Person Connected to TSAH</li></ul> <p>TSAH</p> <ul style="list-style-type: none"><li>• Executive Chairman of AMCORP and Director of CGSB</li><li>• Major Shareholder of RCE, AMCORP and CGSB</li></ul> <p>CESB</p> <ul style="list-style-type: none"><li>• Major Shareholder of RCE</li><li>• Person Connected to TSAH</li></ul> <p>AMCORP</p> <ul style="list-style-type: none"><li>• Major Shareholder of RCE and CESB</li><li>• Person Connected to TSAH</li></ul> <p>CGSB</p> <ul style="list-style-type: none"><li>• Major Shareholder of RCE, AMCORP and CESB</li><li>• Person Connected to TSAH</li></ul>
B	<p><u>AHB RRPT GROUP</u></p> <p>SAH</p> <ul style="list-style-type: none"><li>• Chairman and shareholder of RCE, Director of AMCORP and CGSB</li><li>• Person Connected to TSAH</li></ul> <p>SKW</p> <ul style="list-style-type: none"><li>• Director of RCE and AHB, Group Managing Director of AMCORP</li></ul> <p>SBA</p> <ul style="list-style-type: none"><li>• Shareholder of RCE, Director of RCE Group and CGSB and Deputy Managing Director of AMCORP</li><li>• Person Connected to TSAH</li></ul> <p>TSAH</p> <ul style="list-style-type: none"><li>• Chairman of AHB, Executive Chairman of AMCORP and Director of CGSB</li><li>• Major Shareholder of RCE, AHB and CGSB</li></ul> <p>CESB</p> <ul style="list-style-type: none"><li>• Major Shareholder of RCE</li><li>• Person Connected to TSAH</li></ul> <p>AMCORP</p> <ul style="list-style-type: none"><li>• Major Shareholder of RCE and AHB</li><li>• Person Connected to TSAH</li></ul> <p>CGSB</p> <ul style="list-style-type: none"><li>• Major Shareholder of RCE, AHB and AMCORP</li><li>• Person Connected to TSAH</li></ul>

Note            Interested Director/Major Shareholder/Person Connected to them

C            AMPROP RRPT GROUP

SAH

- Chairman and shareholder of RCE, Deputy Managing Director of AMPROP, Director of AMCORP and CGSB
- Person connected to TSAH

SKW

- Director of RCE, AMPROP and Group Managing Director of AMCORP

SBA

- Chairman of AMPROP, Deputy Managing Director of AMCORP, shareholder of RCE and Director of RCE Group and CGSB
- Person Connected to TSAH

TSAH

- Executive Chairman of AMCORP and Director of CGSB
- Major Shareholder of RCE, CGSB and AMPROP

CESB

- Major Shareholder of RCE
- Person Connected to TSAH

AMCORP

- Major Shareholder of RCE and AMPROP
- Person Connected to TSAH

CGSB

- Major Shareholder of RCE, AMPROP and AMCORP
- Person Connected to TSAH

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### **2.3 Amount Due and Owing to RCE Group by Related Parties**

There is no amount due and owing to RCE Group by its Related Parties pursuant to the Recurrent Transactions, as such the disclosure as required under Paragraphs 16A and 16B in the Annexure PN12-A of the Listing Requirements are not applicable.

### **2.4 Guidelines and Review Procedures for the Recurrent Transactions**

RCE Group has established the following procedures to ensure that the Recurrent Transactions are undertaken at arm's length, on normal commercial terms which are not more favourable to the Related Party(ies) than those extended to third parties/public and are not detrimental to the interest of the minority shareholders of RCE:

- (a) A list of Related Parties is circulated within RCE Group on a quarterly basis. All heads of business units have been advised to report on all transactions involving the Related Parties.
- (b) All Recurrent Transactions are tabled to the Audit Committee for review on a quarterly basis. The Audit Committee will report its findings to the Board for further action if during the quarterly review the Audit Committee is of the view that the guidelines and procedures are insufficient to ensure normal commercial terms and/or the transaction is deemed detrimental to the minority shareholders.
- (c) Where a member of the Board or Audit Committee has an interest (direct or indirect) in the Recurrent Transactions, as the case may be, he/she shall declare his/her interest in the Recurrent Transactions and abstain from participating in the decisions of the Board or Audit Committee in respect of the said Recurrent Transactions.
- (d) The internal audit function conducts quarterly review of the Recurrent Transactions to determine whether internal guidelines and procedures have been complied with. Any divergence will be reported to the Audit Committee.
- (e) The Recurrent Transactions undertaken will be done on competitive terms where at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.
- (f) In the event that quotation or comparable pricing from unrelated third parties cannot be obtained, the transaction price will be reviewed to ensure that the Recurrent Transactions are not detrimental to RCE Group. The pricing for services and products to be provided/supplied and/or received is determined based on the Group's business practices and policies to ensure that prices and terms and conditions are based on competitive prices of similar products and services in the open market and ensure that the Recurrent Transactions are not detrimental to the RCE Group.

**2.5** There is no specific threshold for approval of Recurrent Transactions within the Group as the Recurrent Transactions contemplated under the Proposed Shareholders' Mandate will be carried out at arm's length basis, on terms not more favourable to the Related Parties than those generally available to the public and are not to the detrimental of the minority shareholders. All the Recurrent Transactions are tabled to the Audit Committee for review on a quarterly basis.

### **2.6 Statement by Audit Committee**

The Audit Committee is of the view that the guidelines and review procedures in respect of Recurrent Transactions as set out in Section 2.4 above are adequate to ensure that the Recurrent Transactions are/will be:

- undertaken on terms not more favourable to a Related Party than those generally available to the public/third parties;
- not detrimental to the interest of the minority shareholders of the Company; and
- at arm's length and on normal commercial terms, and the pricing of such Recurrent Transactions are in accordance with the Group's pricing policy which is consistent with similar types of transactions made by the Group with unrelated third parties and that the terms for the Recurrent Transactions are fair and reasonable compared to those offered to/provided by other unrelated parties for the same or substantially similar type of business/services.

The Audit Committee is also of the view that RCE Group has in place adequate procedures and processes to monitor, track and identify Recurrent Transaction in a timely and orderly manner and such procedures and processes are reviewed on a quarterly basis by the Audit Committee.

### 3. RATIONALE FOR AND BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE

The rationale for and benefits of the Proposed Shareholders' Mandate are as follows:

- (i) The Proposed Shareholders' Mandate will facilitate transactions with Related Parties in the ordinary course of business of RCE Group which are undertaken at arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public/third parties; and are not, in the Company's opinion, detrimental to the minority shareholders.
- (ii) The Proposed Shareholders' Mandate, if approved by the shareholders, will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential Recurrent Transactions arise. This will substantially reduce the administrative time and expenses associated with the convening of general meetings without compromising the corporate objectives or adversely affecting the business opportunities available to RCE Group.
- (iii) RCE Group will benefit from the Recurrent Transactions through the synergies that are derived from the Related Parties expertise and resources. The utilisation of the Related Parties' resources would result in cost and operational efficiencies, flexible credit terms and better control of delivery and service levels.
- (iv) The provision of collection management, factoring and other related financial services to Related Parties will benefit RCE Group as they contribute to the Group's revenue and profitability.

### 4. APPROVAL REQUIRED FOR THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of the Company at the forthcoming 63rd AGM to be convened.

### 5. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is not expected to have any material effect on the issued share capital, EPS, NA per share and substantial shareholders' shareholding of RCE Group.

### 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The interests of the interested Directors and interested Major Shareholders of RCE and/or Person Connected to them who are interested, as at 30 June 2017 are as follows:

Name/Company	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
<u>Directors</u>				
SAH	300,000	0.09 <sup>#</sup>	-	-
SKW	-	-	-	-
SBA	450,000	0.13 <sup>#</sup>	-	-
<u>Major Shareholders</u>				
CESB	207,009,554	60.82 <sup>#</sup>	-	-
TSAH	750,000	0.22 <sup>#</sup>	207,009,554 <sup>(1)</sup>	60.82 <sup>#</sup>
AMCORP	-	-	207,009,554 <sup>(1)</sup>	60.82 <sup>#</sup>
CGSB	-	-	207,009,554 <sup>(1)</sup>	60.82 <sup>#</sup>

Notes:

<sup>(1)</sup> Deemed interested by virtue of Section 8(4) of the Act through ordinary shareholdings in CESB.

<sup>#</sup> Net of 13,972,725 Treasury Shares held.

Save as disclosed above, none of the other Directors or Major Shareholders and/or Person(s) Connected to the Directors or Major Shareholders have any interests, direct or indirect, in the Proposed Shareholders' Mandate. Accordingly, the interested Directors have and will continue to abstain from all board deliberations and voting in relation to the Proposed Shareholders' Mandate.

The interested Directors and interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in RCE on the ordinary resolution in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming 63rd AGM.

The interested Directors and interested Major Shareholders of the Company have undertaken to ensure that Persons Connected to them will abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution in relation to the Proposed Shareholders' Mandate at the forthcoming 63rd AGM.

#### **7. DIRECTORS' RECOMMENDATION**

Your Board (save and except for SAH, SKW and SBA), having considered all aspects of the Proposed Shareholders' Mandate, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of RCE Group. Accordingly, they (save and except for SAH, SKW and SBA) recommend that you vote in favour of the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming 63rd AGM.

#### **8. AGM**

The 63rd AGM of RCE, the notice of which is enclosed in the 2017 Annual Report will be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor, Malaysia on Tuesday, 29 August 2017 at 10.30 a.m. for the purpose of considering and if thought fit, passing, *inter alia*, the ordinary resolution on the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the 63rd AGM and wish to appoint a person to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy which is enclosed in the 2017 Annual Report of the Company in accordance with the instructions printed therein, so as to arrive at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight (48) hours before the time set for holding the 63rd AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the forthcoming 63rd AGM should you subsequently wish to do so.

#### **9. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I for further information.

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

**TAN BUN POO**  
Independent Director

**PART B**

**SHARE BUY-BACK STATEMENT  
IN RELATION TO THE  
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**





## RCE CAPITAL BERHAD

(2444-M)

### STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

#### 1. INTRODUCTION

On 26 May 2017, the Board announced that the Company proposes to seek shareholders' approval for the Proposed Share Buy-Back at the forthcoming 63rd AGM.

The purpose of this Statement is to provide you with the relevant information in relation to the Proposed Share Buy-Back and to seek your approval on the ordinary resolution to be tabled at the forthcoming 63rd AGM of the Company to be held on Tuesday, 29 August 2017.

#### 2. DETAILS OF THE PROPOSED SHARE BUY-BACK

The Company had, at the 62nd AGM of the Company held on 24 August 2016, obtained its shareholders' approval for the Company to purchase and/or hold in aggregate up to ten per centum (10%) of the total number of issued shares of the Company at any point in time through Bursa Securities. In accordance with the Listing Requirements governing the purchase of its own shares by a listed company, the aforesaid approval will continue in force until the conclusion of the forthcoming 63rd AGM, which will be held on Tuesday, 29 August 2017.

The Company proposes to seek the authorisation from its shareholders for a renewal of the authority for the Company to purchase its own shares and/or hold as Treasury Shares representing up to ten per centum (10%) of the total number of issued shares of the Company at any point in time through Bursa Securities in accordance with Section 127 of the Act, the Listing Requirements and/or any other relevant authority.

As at 30 June 2017, the total number of ordinary shares issued by the Company is 354,350,636 Shares. As such, the maximum number of RCE Shares which may be purchased and/or held by the Company will be not more than 35,435,063 RCE Shares based on the total number of issued shares of the Company as at 30 June 2017, the amount of which includes 13,972,725 Treasury Shares.

The authorisation, if given, shall be effective immediately upon the passing of the ordinary resolution relating thereto at the 63rd AGM and will continue in force until:

- (i) the conclusion of the next AGM of the Company following the general meeting, at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first.

#### 3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will enable the Company to utilise its surplus financial resources not immediately required, to purchase the Company's Shares. It may stabilise the supply and demand of its Shares traded on the Main Market of Bursa Securities and thereby support the fundamental value of the Shares.

The Proposed Share Buy-Back is expected to enhance the value for shareholders from the resultant reduction in the number of Shares in the open market. Assuming all things being equal, the EPS of the Group may be enhanced as the consolidated earnings would be divided by a reduced number of Shares. This is expected to have a positive impact on the market price of the Company's Shares which will benefit the shareholders.

The Purchased Shares can also be retained as Treasury Shares and resold on Bursa Securities at a higher price. The distribution of Treasury Shares as share dividends (if any) will also reward the shareholders of the Company as it would increase the number of shares held which can subsequently be resold in the open market. Alternatively, the Treasury Shares can be transferred for purposes of or under the employees' share scheme of the Company or such other purposes as allowed under the Act.

#### 4. SOURCE OF FUNDS

The maximum amount of funds to be allocated for the purchase of RCE Shares pursuant to the Proposed Share Buy-Back shall not exceed the retained profits of the Company at the time of purchase(s). Based on the latest audited financial statements as at 31 March 2017, the retained profits of the Company was RM227,131,682.

The amount of funds allocated for the purchase of RCE Shares pursuant to the Proposed Share Buy-Back will be financed through internally generated funds and/or external borrowings, the proportion of which will depend on the actual number of RCE Shares to be purchased, the price of the Shares, available funds at the time of purchase and other relevant cost factors.

In the event the Company purchases its own shares using external borrowings, the Board does not foresee any difficulty in repayment of the borrowings and that the repayment will have no material effect on the cash flow of the Company.

#### 5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

(a) Potential advantages of the Proposed Share Buy-Back are as follows:

- (i) allows the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of RCE Shares and hence, enhance investors' confidence;
- (ii) the Company's share capital base will be reduced pursuant to the Proposed Share Buy-Back which will increase EPS or the amount of dividend received, all else being equal; and
- (iii) if the Purchased Shares are retained as Treasury Shares, the Company may increase its financial resources from the resale of Treasury Shares at a higher price than when it was purchased.

(b) Potential disadvantages of the Proposed Share Buy-Back are as follows:

- (i) The Proposed Share Buy-Back will reduce the financial resources of RCE Group and may result in RCE Group foregoing any investment opportunity that may emerge in the future; and
- (ii) the funds to be allocated from retained earnings may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Board will be mindful of the interests of RCE and its shareholders in implementing the Proposed Share Buy-Back.

#### 6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

On the assumption that the Proposed Share Buy-Back is implemented in full by RCE, the effects of the Proposed Share Buy-Back on the share capital, NA, working capital and earnings of RCE are set out below:

##### 6.1 Share Capital

There will be no effect on the issued share capital of RCE if the Purchased Shares are retained as Treasury Shares.

Assuming that all the Purchased Shares are subsequently cancelled, the effect on the issued share capital of RCE will be as follows:

	No. of Shares
Total number of issued shares as at 30 June 2017	354,350,636*
Less : Cancellation of all Treasury Shares	(35,435,063)*
Total number of issued shares upon completion of the Proposed Share Buy-Back	318,915,573

Note:

\* Inclusive of 13,972,725 Treasury Shares as at 30 June 2017

## **6.2 NA**

The effect on the NA per share of RCE Group will depend on the purchase prices of RCE Shares and the effective funding cost to RCE Group to finance the purchase of RCE Shares or any loss in interest income.

The consolidated NA per share of RCE Group will reduce when the purchase price per RCE Share exceeds the NA per share at the time of purchase. Conversely, the consolidated NA per share of RCE Group will increase at the time of purchase if the purchase price per share is less than the consolidated NA per share.

If the Purchased Shares were subsequently resold through Bursa Securities, the consolidated NA per share of RCE Group would increase if the Company realises a gain from the resale, and vice-versa. However, the quantum of the increase in NA will depend on the selling price and the number of RCE Shares resold.

If the Treasury Shares are distributed as share dividends, the NA per share of RCE Group would decrease by the cost of the Treasury Shares.

## **6.3 Working Capital**

The Proposed Share Buy-Back will reduce the working capital of RCE Group, the quantum of which will depend on the purchase price and the number of RCE Shares purchased.

## **6.4 EPS**

The effect of the Proposed Share Buy-Back on the EPS of RCE Group would depend on the number of RCE Shares purchased, purchase price of RCE Shares and the effective funding cost to finance the purchase or loss in interest income to the Company.

Assuming the Purchased Shares are retained as Treasury Shares and resold, the effects on the EPS of RCE Group will depend on the actual selling price, the number of Treasury Shares resold and the effective gain or interest savings arising from the exercise.

If the Purchased Shares are retained or cancelled, the Proposed Share Buy-Back will increase the EPS of RCE Group provided the income foregone and/or interest expense incurred is less than the effect of the reduced number of shares in calculating EPS.

## **7. PURCHASE OR RESALE OF TREASURY SHARES DURING THE FINANCIAL YEAR ENDED 31 MARCH 2017**

During the financial year ended 31 March 2017, the Company bought back 10,000 of its own shares from the open market at a purchase price of RM1.16 per RCE Share. The total consideration paid for the share buy-back including transaction costs was RM11,689.47. The Shares bought back are being held as Treasury Shares in accordance with Section 127 of the Act. Between 8 September 2016 to 22 September 2016, the Company re-sold 2,124,500 of its Treasury Shares in the open market for a total consideration of RM2,608,171.97, at an average price of RM1.23 per RCE Share, the highest price being RM1.26 and lowest price being RM1.20.

As at 31 March 2017, the Company held a total of 13,972,725 Treasury Shares.

Further information on Shares bought back and resold of Treasury Shares by RCE during the financial year is set out in Note 29 of the audited financial statements for the financial year ended 31 March 2017 in the 2017 Annual Report of the Company.

## **8. PUBLIC SHAREHOLDING SPREAD**

The public shareholding spread of the Company as at 30 June 2017 was 38.33%. Assuming the Proposed Share Buy-Back is implemented in full, the public shareholding spread of the Company is expected to be reduced to 34.18%.

The Board is mindful of the compliance with public shareholding spread as required by the Listing Requirements and will take into consideration the requirement when making any purchase of the RCE Shares pursuant to the Proposed Share Buy-Back.

**9. IMPLICATIONS OF THE CODE**

On 30 June 2017, CESB holds 60.82% of the total number of issued shares of RCE. Based on the total number of issued shares of RCE of 354,350,636 Shares as at 30 June 2017 and assuming the Proposed Share Buy-Back is carried out in full and that all the RCE Shares purchased are cancelled, the shareholding of CESB in RCE will increase to 64.91%.

Pursuant to the Code, if a person or a group of persons acting in concert holds more than 50% of the voting shares of a company, there is no obligation to undertake a mandatory general offer for the remaining shares of the company not already owned by the said person or persons acting in concert. Accordingly, the Proposed Share Buy-Back would not give rise to any mandatory offer obligation under the Code.

**10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Save for the inadvertent increase in the percentage of shareholdings and/or voting rights of the shareholders of RCE as a consequence of the implementation of the Proposed Share Buy-Back, none of the Directors or Substantial Shareholders and/or Persons Connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back.

**11. DIRECTORS' RECOMMENDATION**

Your Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders.

Accordingly, your Board recommend that you vote in favour of the ordinary resolution in respect of the Proposed Share Buy-Back to be tabled at the forthcoming 63rd AGM.

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**FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts the omission of which would make any statement herein misleading.

**2. MATERIAL CONTRACTS**

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by RCE and its subsidiaries within the two (2) years preceding the date of this Circular.

**3. MATERIAL LITIGATION**

RCE and its subsidiaries are not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Directors of RCE are not aware of any proceedings pending or threatened against RCE Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of RCE Group.

**4. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of RCE at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor, Malaysia during normal business hours on Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the 63rd AGM:

- (i) Memorandum and Articles of Association of RCE; and
- (ii) Audited Financial Statements of RCE for the past two (2) financial years ended 31 March 2016 and 31 March 2017.

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