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RCE CAPITAL BERHAD

Registration No. 195301000151 (2444-M)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE SCHEME

Adviser



AmInvestment Bank

AmInvestment Bank Berhad

Registration No. 197501002220 (23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolutions in respect of the above proposal will be tabled as Special Business at the Sixty-Sixth Annual General Meeting ("**66th AGM**") of the Company which will be conducted on a fully virtual basis via live streaming from the broadcast venue at Main Hall, Level 1, PJ Tower, No. 18 Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, Malaysia on Tuesday, 22 September 2020 at 10.30 a.m., using the Remote Participation and Voting facilities which are available on Securities Services e-Portal at <https://sshb.net.my/>. Shareholders/proxies will not be allowed to be physically present at the broadcast venue for 66th AGM. The Notice of the 66th AGM together with the Administrative Guide and the Form of Proxy are available for download from the Company's website at www.rce.com.my.

The Form of Proxy must be completed and lodged at SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting. Alternatively, you may submit the Form of Proxy electronically via Securities Services e-Portal at <https://sshb.net.my/> before the Form of Proxy lodgement cut-off time as mentioned above.

Last date and time for lodging the Form of Proxy : Sunday, 20 September 2020 at 10.30 a.m.

Date and time of the AGM : Tuesday, 22 September 2020 at 10.30 a.m.

This Circular is dated 24 August 2020

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply:-

2015 ESS	: The existing ESS which is effective for a period of five (5) years commencing from 31 December 2015 to 30 December 2020
Act	: Companies Act 2016, as amended from time to time and any re-enactment thereof
AGM	: Annual General Meeting
AmBank Group	: AMMB Holdings Berhad (Registration No. 199101012723 (223035-V)) and its group of companies
AmInvestment Bank or Adviser	: AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V))
Awards	: Collectively, ESOS Options and/or RSG Awards
Board	: Board of Directors of RCE
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
By-Laws	: By-Laws governing the Proposed ESS as amended, modified, altered and/or supplemented from time to time
CDS Account	: The account established by Bursa Depository for the recording of deposit and withdrawal of securities and for dealing in such securities by the depositor
Circular	: This circular dated 24 August 2020 in relation to the Proposed ESS
Eligible Person(s)	: An executive director or employee of RCE Group who fulfils the criteria of eligibility to participate in the Proposed ESS as indicated in the By-Laws
EPS	: Earnings per share
ESOS	: Employees' share option scheme
ESOS Exercise Price	: The price which an Eligible Person is required to pay to be entitled to subscribe for or acquire each Share pursuant to the exercise of an ESOS Option granted under the Proposed ESOS
ESOS Option(s)	: The right of an Eligible Person to subscribe for new and/or existing RCE Shares at the ESOS Exercise Price pursuant to the contract constituted by the acceptance of an offer by an Eligible Person in the manner indicated in By-Laws
ESS or Scheme	: The employees' share scheme to be known as "RCE Capital Berhad Employees' Share Scheme"
ESS Committee	: The committee to be appointed and authorised by the Board to administer the Scheme in accordance with the By-Laws

DEFINITIONS (CONT'D)

Existing Options	: A total of 1,989,600 unexercised share options granted under the 2015 ESS as at LPD
Listing Requirements	: Main Market Listing Requirements of Bursa Securities as amended from time to time
LPD	: 30 July 2020, being the latest practicable date before the issuance of this Circular
NA	: Net assets
Proposed ESOS	: Proposed establishment of an ESOS which will entitle the Eligible Persons, upon exercise, to subscribe for new and/or existing RCE Shares at a specified future date at a pre-determined price in accordance with the terms as set out in the By-Laws
Proposed ESS	: Proposed establishment of a new ESS of up to fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) at any point in time during the duration of the Scheme, comprising the Proposed ESOS and Proposed RSG
Proposed RSG	: Proposed establishment of a restricted share grant plan in accordance with the terms as set out in the By-Laws
RCE or Company	: RCE Capital Berhad (Registration No. 195301000151 (2444-M))
RCE Group or Group	: Collectively, RCE and its subsidiaries
RCE Share(s) or Share(s)	: Ordinary shares in RCE
RM and sen	: Ringgit Malaysia and sen, respectively
RSG Award(s)	: The rights of an 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
Share Grant Price	: The reference price of the RCE Shares to be granted pursuant to the RSG Awards
Trust	: The trust which may be established to facilitate the implementation of the Proposed ESS (if required)
Trustee	: The trustee (if required) to be appointed by the Company to facilitate the implementation of the Proposed ESS
Trust Deed	: The trust deed constituting the Trust
VWAP	: Volume weighted average market price

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and/or neuter gender, and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted or guidelines. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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RCE CAPITAL BERHAD

Registration No. 195301000151 (2444-M)

Registered Office:-

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

24 August 2020

Board of Directors

Shahman Azman (*Non-Independent Non-Executive Chairman*)
Datuk Mohamed Azmi bin Mahmood (*Independent Director*)
Tan Bun Poo (*Independent Director*)
Mahadzir bin Azizan (*Independent Director*)
Thein Kim Mon (*Independent Director*)
Soo Kim Wai (*Non-Independent Non-Executive Director*)
Shalina Azman (*Non-Independent Non-Executive Director*)
Lum Sing Fai (*Non-Independent Non-Executive Director*)

To: The Shareholders of RCE

Dear Sir/Madam,

PROPOSED ESS

1. INTRODUCTION

On 16 June 2020, AmInvestment Bank had on behalf of the Board, announced that the Company proposed to establish a new ESS which comprises:-

- (a) Proposed ESOS; and
- (b) Proposed RSG

collectively, of up to fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) at any point of time.

On 14 August 2020, AmInvestment Bank had on behalf of the Board, announced that Bursa Securities had vide its letter dated 13 August 2020, approved the listing of and quotation for such number of new RCE Shares, representing up to 15% of the total number of issued Shares (excluding treasury shares), to be issued pursuant to the Proposed ESS on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in Section 6 of this Circular.

For information purposes, the existing 2015 ESS is expiring on 30 December 2020. In this respect, taking into consideration the upcoming expiry of the 2015 ESS as well as to facilitate sufficient number of Shares being made available under the ESS to achieve the Company's objectives to incentivize/reward its employees, the Company has decided to establish a new ESS to replace the 2015 ESS.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT DETAILS OF THE PROPOSED ESS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED ESS TO BE TABLED AT THE FORTHCOMING 66TH AGM. THE NOTICE OF AGM AND THE FORM OF PROXY ARE ENCLOSED IN THE COMPANY'S ANNUAL REPORT 2020 WHICH ARE AVAILABLE TO BE DOWNLOADED FROM THE COMPANY'S WEBSITE AT WWW.RCE.COM.MY.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE FORTHCOMING AGM.

2. PROPOSED ESS

The Proposed ESS will be administered by ESS Committee and governed by the By-Laws. The ESS Committee will have absolute discretion in administering the Scheme including prescribing financial and/or performance criteria and/or such other conditions as it may deem fit.

The ESS Committee shall decide in relation to the Awards, amongst others, the date of offer, the condition(s) (if any) as may be stipulated by the ESS Committee and the extent to which the RCE Shares to be issued or granted under the Proposed ESS shall be released on the condition(s) to be satisfied, as the case may be, at the end of the Awards' vesting period. As at LPD, the Company has yet to ascertain any vesting period and performance target(s) that must be achieved before the vesting of the Awards. Any such performance target(s) may take into consideration, amongst others, the Group's financial performance and the Eligible Person's individual performance over the vesting period, if applicable. In any event, such vesting period and performance target(s) (if any) will be determined by the ESS Committee.

A copy of the draft By-Laws is set out in Appendix I of this Circular.

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

2.1 Details of the Proposed ESS

(a) Proposed ESOS

The Proposed ESOS will involve the granting of ESOS Options to Eligible Persons to subscribe for new and/or existing RCE Shares at a pre-determined price, in accordance with the By-Laws.

(b) Proposed RSG

The Proposed RSG entails a share grant which entitles Eligible Persons to receive RSG Awards, in accordance with the By-Laws. As such, no proceeds would be raised by the Company pursuant to the Proposed RSG.

Mode of settlement

Subject to prevailing legislations and Listing Requirements, the Company will have the flexibility and discretion in determining the mode of settlement of the Awards by way of:-

- i) issuance of new RCE Shares;
- ii) transfer of RCE Shares held in treasury;
- iii) acquisition of existing RCE Shares from the market;
- iv) payment of the equivalent cash value of such new Shares and/or existing Shares;
- v) any other mode of satisfaction that may be permitted by the Act and Listing Requirements (as amended from time to time or any re-enactment thereof); or
- vi) a combination of any of the above.

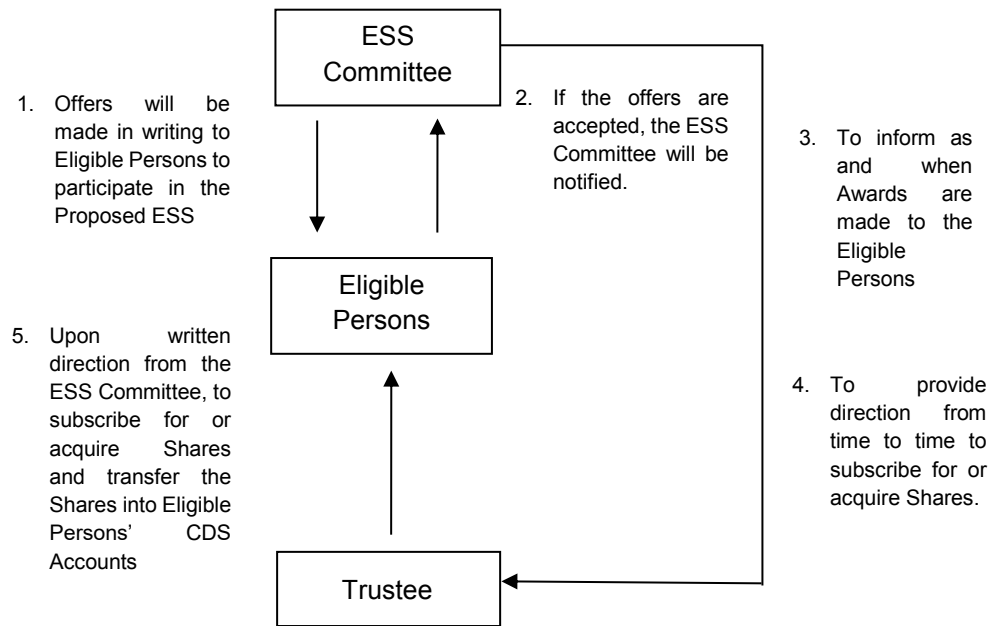
In determining the various modes of settlement, the ESS Committee will take into account factors such as the amount of cash available, the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company as well as the dilutive effects on the Company's capital base. The Company shall have the flexibility to approve the vesting of the Awards, 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, subject to provisions in the By-Laws.

To facilitate the implementation of the Proposed ESS, the Company may establish a Trust to be administered by a Trustee 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.

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.

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A summary of the implementation flow in the event that the Awards are settled in the form of existing Shares is set out below:-



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 total number of issued Shares (excluding treasury shares) or such other percentage of the total number of issued Shares (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.

2.3 Eligibility

Any Eligible Person who has attained the age of eighteen (18) years and is not an undischarged bankrupt and meets the following criteria as at the date of Offer shall be eligible for consideration and selection by the ESS Committee:-

- (i) if he/she is appointed or confirmed in service, as the case may be, by the Group, subject to any minimum period as maybe determined by the ESS Committee from time to time and has not served a notice of resignation or received a notice of termination or subject to any disciplinary proceedings. In determining the period of employment, the ESS Committee will take into account the period commencing from the date the relevant Eligible Person became part of the Group and/or related companies and other qualitative factors; or
- (ii) if he/she fulfils any other criteria at the discretion of the ESS Committee from time to time.

If the Eligible Person is:-

- (i) a director or chief executive of RCE; or
- (ii) a person connected with the director or chief executive referred to above,

the specific allocation of ESOS Options and/or RSG Awards granted by the Company to him/her under the Proposed ESS has to be approved by shareholders of RCE at a general meeting unless such approval is no longer required under the Listing Requirements.

For avoidance of doubt, employees of dormant companies within the RCE Group are not eligible to participate in the Proposed ESS.

Directors or employees who represent the Government or Government institutions/agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible to participate in the Proposed ESS.

Eligibility for consideration under the Proposed ESS does not confer an Eligible Person with any rights whatsoever under or to participate in the Proposed ESS.

The selection of any Eligible Person for participation in the Proposed ESS shall be made by the ESS Committee whose decisions shall be final and binding.

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 and after taking into consideration, amongst others, the Eligible Person's position, performance, length of service and seniority in RCE Group respectively, or such other matters that the ESS Committee may in its discretion deem fit, An Eligible Person shall abstain from deliberations or discussions in respect of their respective allocation.

The Board has yet to determine the maximum quantum/percentage of Awards to be granted in a particular year to allow the ESS Committee flexibility in determining the number of Awards to be granted in any particular year. Any grant of Awards will be decided by the ESS Committee after taking into consideration, amongst others, factors that ESS Committee deem fit and the financial impact on the Group.

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:-

- (i) not more than 50% of the total number of RCE Shares to be issued and/or transferred under the Scheme shall be allocated in aggregate to the executive directors and senior management of the Group who are Eligible Persons. The aggregate maximum allocation was arrived at after taking into consideration, amongst others, they are key drivers of the Group's business growth as well as the number of Awards that may be awarded to each executive director and senior management based on, amongst others, their position, seniority, length of service and contribution to the Group; and

- (ii) not more than 10% (or such percentage as allowable by relevant authorities) of the total number of RCE Shares to be issued and/or transferred 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 total number of issued Shares (excluding treasury shares).

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.

For avoidance of doubt, the Scheme will be implemented after the termination or expiry of the 2015 ESS, as the case may be. In relation thereto, the Company will make the requisite announcements in compliance with the Listing Requirements.

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.

All unvested Awards which are not vested shall forthwith lapse upon the expiry of the Proposed ESS.

2.6 Pricing

The ESOS Exercise Price and the Share Grant Price shall be based on the five (5)-day VWAP of RCE Shares, immediately preceding the date of offer/grant, with a discount of not more than 10% on the said VWAP or such basis as the relevant authorities may permit.

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

2.7 Ranking of RCE Shares pursuant to the Proposed ESS

RCE Shares to be issued and/or transferred pursuant to the Proposed ESS shall upon allotment and issue, rank *pari passu* in all respects with the then existing Shares except that the 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 before the date the RCE Shares are credited into the relevant securities accounts of the Scheme participants maintained by Bursa Depository.

2.8 Utilisation of proceeds

Proceeds to be received by RCE pursuant to the exercise of ESOS Options will depend on, amongst others, 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.

2.9 Retention period

The RCE Shares to be issued/granted 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 Awards.

2.10 Fees, costs and expenses

All fees, costs and expenses incurred in relation to the Proposed ESS including but not limited to the costs and expenses in respect of the issue and allotment of RCE Shares, shall be borne by the Company.

2.11 Alteration of capital

In the event of any alteration in the capital structure of the Company during the duration of the Proposed ESS, whether by way of a capitalisation issue from profits or reserves (including bonus issue), rights issue, consolidation or subdivision of Shares or capital reduction or any other variation of capital or if the Company shall make an announcement of a special dividend (whether in cash or in specie), then the Company shall cause the following adjustments to be made to the Proposed ESS:-

- (a) the ESOS Exercise Price and/or Share Grant Price;
- (b) the number of Shares which are the subject of an ESOS Option and/or RSG Award to the extent not yet vested and/or vested but not credited into CDS Account;
- (c) the number of Shares over which future ESOS Options may be offered and/or future RSG Awards may be granted; and/or
- (d) the maximum number of existing Shares which may be delivered in settlement pursuant to the Awards,

provided always that any such adjustment shall be made in such a way that an Eligible Person will not receive a benefit that a shareholder does not receive and provided further that no adjustment shall be made unless the ESS Committee, after considering all relevant circumstances, considers it equitable to do so.

Such adjustments (other than on a bonus issue, subdivision or consolidation of shares) must be confirmed in writing by either the external auditors of RCE or principal advisers (acting as experts and not as arbitrators).

2.12 Amendment, variation and/or modification to the Proposed ESS

Subject to the compliance with the requirements of Bursa Securities and any other relevant authorities, the ESS Committee may at any time and from time to time recommend to the Board any additions, amendments to, modifications and/or deletions of the By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend, modify or delete all or any of these By-Laws upon such recommendation.

The approval of the shareholders of RCE in a general meeting shall not be required in respect of additions or amendments to or modification and/or deletions of the By-Laws provided that no such additions, modifications or amendments and/or deletions of the By-Laws shall be made which will:-

- (a) prejudice any rights of shareholders of the Company unless such amendment, modification or deletion arises as a consequence to the amendment, modification or deletion of the Listing Requirements; or
- (b) alter to the advantage of Eligible Persons in respect of any matters which are required to be contained in the By-Laws by virtue of the Listing Requirements.

Where any amendments and/or modification is made to the By-Laws, the Company shall submit to Bursa Securities, the amendments and/or modifications to the By-Laws and a confirmation letter that the amendments and/or modifications complies with the provisions of the guidelines on employees' share scheme stipulated under the Listing Requirements no later than five (5) market days from the effective date of the said amendments and/or modifications.

2.13 Listing of and quotation for new RCE Shares

Bursa Securities had vide its letter dated 13 August 2020 approved the listing of and quotation for such number of new RCE Shares, representing up to 15% of the total number of issued Shares (excluding treasury shares), to be issued pursuant to the Proposed ESS on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 6 of this Circular.

2.14 Proposed specific allocation

As part of the implementation of the Proposed ESS, the Board seeks the approval of shareholders of RCE for the Board to offer and grant specific allocation of Awards to the Company's Chief Executive Officer, Mr. Loh Kam Chuin, subject always to such terms and conditions of the By-Laws and Listing Requirements.

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3. RATIONALE FOR THE PROPOSED ESS

The employees of the Group have been the driving force behind the Group's commendable performance and will continue to be one of the Group's most critical and valued assets.

In line with the above, the Board believes that the Proposed ESS will act as an incentive plan, of which the opportunity to directly participate in the equity of the Company will align the interests of the Eligible Persons with the objectives of the Group to create sustainable value enhancement for shareholders.

Accordingly, the Proposed ESS is intended to:-

- i) continue the Company's efforts to recognise, reward, retain and motivate Eligible Persons whose contributions are important to the Group;
- ii) attract prospective skilled and experienced employees to the Group by making the total compensation package more competitive;
- iii) motivate Eligible Persons towards better performance through greater productivity and loyalty;
- iv) 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) reinforce pay for performance to achieve a balance between retention and value creation; and
- vi) foster an ownership culture within the Group by aligning the interests of Eligible Persons with the interests of shareholders of the Company.

The objective of incorporating both the Proposed ESOS and Proposed RSG under the Scheme is to accord the Company flexibility in determining the mode/manner of rewarding its employees at the relevant point in time which will take into account various factors such as impact to the earnings and funding requirements of the Group, amongst others.

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4. EFFECTS OF THE PROPOSED ESS

As at LPD, the Company has a total Existing Options of 1,989,600. Further, the Company hold 22,605,225 treasury shares as at LPD.

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

Minimum Scenario : Assuming none of the treasury shares are resold and none of the Existing Options as at LPD are exercised.

Maximum Scenario : Assuming none of the treasury shares are resold and Existing Options as at LPD are exercised into 562,000 Shares at RM1.37 per Share and 1,427,600 Shares at RM1.45 per Share.

4.1 Issued share capital

The Proposed ESS will not have an immediate effect on the existing share capital of the Company. However, the share capital of RCE will increase progressively as and when new Shares are issued under the Scheme, as the case may be. Nevertheless, there will be no effect on the share capital of the Company if the Awards granted under the Proposed ESS are satisfied via transfer of existing RCE Shares or settled in cash to the relevant Eligible Persons.

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

	Minimum Scenario		Maximum Scenario	
	Number of RCE Shares ('000)	RM ('000)	Number of RCE Shares ('000)	RM ('000)
As at LPD ⁽¹⁾	355,823	154,178	355,823	154,178
To be issued assuming full exercise of Existing Options ⁽²⁾	-	-	1,990	2,840
Maximum number of Shares to be issued under the Proposed ESS (i.e. 15% of the total number of issued Shares, excluding treasury shares) ⁽³⁾	53,373	92,869	53,672	93,389
Enlarged issued share capital	409,196	247,047	411,485	250,407

Notes:-

(1) Excluding 22,605,225 treasury shares held as at LPD.

(2) Assuming Existing Options are fully exercised into 1,989,600 Shares.

(3) Assuming the ESOS Exercise Price and Share Grant Price are RM1.74, being 10% discount to the 5-day VWAP of RCE up to LPD.

4.2 NA and gearing

The Proposed ESS will not have an immediate effect on the NA and NA per Share of RCE until such time when new Shares are issued or treasury shares are transferred, as the case may be, in connection with the exercise of ESOS options and/or vesting of RSG Awards. Any potential effect on the NA and NA per share of RCE would depend on the number of such Shares to be issued arising from the exercise of ESOS Options and/or vesting of RSG Awards, as well as the ESOS Exercise Price.

The Proposed ESS is not expected to have any material effect on RCE's gearing level.

4.3 Earnings and EPS

The Proposed ESS is not expected to have any immediate material effect on the earnings of RCE Group until such time when the ESOS Options and/or RSG Awards are granted. In accordance with MFRS 2 "Share-Based Payment" issued by the Malaysian Accounting Standards Board, 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 the earnings and EPS of the Group cannot be determined at this juncture as it would depend on, amongst others, the number of ESOS Options and/or RSG Awards granted and exercised and various factors that affect the fair value of the ESOS Options and/or RSG Awards at the relevant point in time.

The Board will take proactive measures to manage the effect on the earnings and EPS of the Group in 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 or treasury shares are transferred, as the case may be, to Eligible Persons. Any potential effect on their shareholdings will depend on the number of such new Shares/treasury shares pursuant to the Proposed ESS at the relevant point in time.

In the event that existing Shares are transferred to Eligible Persons as a mode of settlement for the Awards, 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 Existing Options under the 2015 ESS, RCE does not have any existing and outstanding convertible securities.

5. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, RCE expects to implement the Proposed ESS by the first (1st) quarter of year 2021.

6. APPROVALS REQUIRED

The Proposed ESS is subject to the following approvals being obtained:-

- i) the approval of Bursa Securities for the listing of and quotation for such number of new RCE Shares, representing up to 15% of the total number of issued Shares (excluding treasury shares), to be issued pursuant to the Proposed ESS on the Main Market of Bursa Securities which was obtained vide its letter dated 13 August 2020 subject to amongst others the following conditions:-
 - (a) RCE and AmInvestment Bank must fully comply with Paragraph 8.19 of the Listing Requirements pertaining to the implementation of the Proposed ESS;
 - (b) AmInvestment Bank is required to submit a confirmation to Bursa Securities of full compliance of the ESS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting; and
 - (c) RCE is required to furnish Bursa Securities on a quarterly basis a summary of the total number of RCE Shares listed as at the end of each quarter together with a detailed computation of listing fees payables.
- ii) the approval of shareholders of RCE at the forthcoming 66th AGM to be convened for the Proposed ESS; and
- iii) the approval of any other relevant regulatory authorities, if applicable.

The Proposed ESS is not conditional upon any other corporate exercise of the Company.

7. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed ESS which is the subject of this Circular, there are no other corporate proposals which have been announced by RCE but have yet to be completed as at LPD.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Presently, all directors of RCE are non-executive directors and accordingly, they are not eligible to participate in the Proposed ESS.

Save as disclosed below, none of the directors, major shareholders of RCE and/or persons connected with the directors, major shareholders or chief executive of RCE has any interest, whether direct or indirect, in the Proposed ESS.

The Chief Executive Officer of RCE, namely, Loh Kam Chuin is an Eligible Person under the Proposed ESS. He is therefore interested in the Proposed ESS only in respect of his specific allocation under the Proposed ESS. He will abstain and has undertaken to ensure that persons connected with him (if any) will abstain from voting in respect of their direct and/or indirect shareholdings in RCE, on the resolution pertaining to the specific allocation of Awards to him at the 66th AGM to be convened.

9. DIRECTORS' RECOMMENDATION

The Board having considered all aspects of the Proposed ESS, is of the opinion that the Proposed ESS is in the best interest of the Company and its shareholders. Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposed ESS at the forthcoming 66th AGM.

10. AGM

The 66th AGM of RCE, the notice of which is enclosed in the Annual Report 2020 will be conducted on a fully virtual basis via live streaming from the broadcast venue at Main Hall, Level 1, PJ Tower, No. 18 Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, Malaysia on Tuesday, 22 September 2020 at 10.30 a.m. for the purpose of considering and if thought fit, passing, *inter alia*, the ordinary resolutions on the Proposed ESS.

The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders/proxies will not be allowed to be physically present at the broadcast venue.

If you are not able to attend the 66th AGM via Remote Participation and Voting facilities and wish to appoint a person to participate and vote in your stead, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions contained therein, so as to arrive at SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting. Alternatively, you may submit the Form of Proxy electronically via Securities Services e-Portal at <https://sshsb.net.my/> before the Form of Proxy lodgement cut-off time as mentioned above.

11. FURTHER INFORMATION

You are requested to refer to the enclosed appendices of this Circular for further information.

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

SHAHMAN AZMAN
Non-Independent Non-Executive Chairman

APPENDIX I – DRAFT BY-LAWS

RCE CAPITAL BERHAD
[REGISTRATION NO.: 195301000151 (2444-M)]
BY-LAWS OF THE PROPOSED ESS

1. DEFINITIONS

1.1 In the ESS, unless the context otherwise requires, the following words and expressions shall have the following meanings:

- “Act”** : Companies Act 2016, as amended from time to time and includes every statutory modification or any re-enactment thereof.
- “Adviser”** : A corporate finance adviser who may act as a principal adviser under the Securities Commission’s Principal Adviser Guidelines.
- “Auditors”** : The auditors of the Company for the time being, or, in the event of them being unable or unwilling to carry out any action requested of them pursuant to the provisions of the By-Laws, such other auditors as may be nominated by the Board for that purpose.
- “Awards”** : The ESOS Award and the RSG Award collectively and “Award” shall mean any one of them in the context of the By-Laws.
- “Award Date”** : In relation to an Award, the date on which the Award is granted.
- “Award Letter”** : A letter in such form as the ESS Committee shall approve confirming an Award granted to a Participant by the ESS Committee.
- “Board”** : The board of directors of the Company.
- “Bursa Depository”** : Bursa Malaysia Depository Sdn Bhd [Registration No. 198701006854 (165570-W)].
- “Bursa Securities”** : Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)].
- “By-Laws”** : The rules, terms and conditions governing the ESS, as amended, modified, altered and/or supplemented from time to time.
- “CDS”** : Central Depository System.
- “CDS Account”** : The account established by Bursa Depository for the recording of deposits and withdrawal of securities and for dealing in such securities by the depositor.
- “Constitution”** : The constitution of the Company.
- “Director”** : A natural person who holds a directorship within the RCE Group, whether in an Executive or Non-Executive capacity.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- “Effective Date”** : The date on which the ESS takes effect, being the date on which the last of the approvals and/or conditions referred to pursuant to By-Law 10.1 have been obtained and/or complied with.
- “Eligible Person(s)”** : An Executive Director or Employee who fulfils the conditions of eligibility stipulated in By-Law 5.
- “Employee(s)”** : A natural person who is employed by or holding a position of service of any company within the RCE Group. Employees include any Executive Director.
- “ESOS”** : The RCE Employees’ Share Option Scheme.
- “ESOS Award”** : The ESOS award referred to in By-Law 34.3.
- “ESOS Offer”** : An offer made by the ESS Committee to Eligible Person(s) pursuant to By-Law 34.
- “ESOS Offer Date”** : The date on which an ESOS Offer is made or deemed made by the ESS Committee to an Eligible Person which shall be the date the ESOS Offer is served in accordance with By-Law 19.
- “ESOS Offer Period”** : The period of thirty (30) days from the ESOS Offer Date or such other period as may be determined by the ESS Committee having regard to the Terms of Reference and specified in the ESOS Offer during which an ESOS Offer may be accepted.
- “ESOS Option(s)”** : An option under the ESOS Award pursuant to the By-Laws that is exercisable pursuant to By-Laws 34.5 and 34.6.
- “ESOS Option Period”** : The period during which an ESOS Option may be exercised as may be specified in the ESOS Offer.
- “ESOS Option Price”** : The price which a Participant is required to pay to be entitled to subscribe for or acquire each Share pursuant to the exercise of an ESOS Option.
- “ESOS Vesting Conditions”** : The performance targets (if any) determined by the ESS Committee, as stipulated in the ESOS Award, which must be fulfilled within the performance period as determined by the ESS Committee for the shares to be vested upon the Participants.
- “ESOS Vesting Date”** : The date on which the Participant becomes entitled to exercise the ESOS Options or any part thereof pursuant to an ESOS Award.
- “ESS”** : The employees’ share scheme of RCE which is governed by the By-Laws.
- “ESS Committee”** : A committee comprising members of the Board and/or senior management of the Company and/or any other person(s) appointed by the Board from time to time, to administer the ESS.
- “Executive Director(s)”** : A natural person who holds a directorship in RCE and performs an executive function.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

“Exercise Notice”	: The notice that is given by an Eligible Person to exercise his ESOS Options.
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities, as amended from time to time.
“Market Day”	: A day on which Bursa Securities is open for trading in securities.
“Maximum Allowable Allotment”	: The aggregate maximum number of Shares that may be allocated to any one category/designation of Eligible Persons pursuant to By-Law 6.
“Non-Executive Director”	: A Director who is not an Executive Director.
“Participant(s)”	: The holder of an Award (including, where applicable, the executor or personal representative of such holder).
“Persons Connected”	: Persons connected as defined in paragraph 1.01 of the Listing Requirements.
“RCE” or “Company”	: RCE Capital Berhad [Registration No. 195301000151 (2444-M)].
“RCE Group” or “Group”	: RCE and its Subsidiaries.
“RCE Shares” or “Shares”	: Ordinary share(s) in RCE.
“Record Date”	: In relation to any of the transactions (including but not limited to any consolidation, subdivision, conversion or issue of Shares and capital distribution to shareholders) described in By-Law 15 shall mean the date as at the close of business on which persons must be registered as shareholders to participate in such transactions.
“Release”	: In relation to an RSG Award, the release of all or some of the Shares to which that RSG Award relates in accordance with By-Law 41 and, to the extent that any Shares which are the subject of the RSG Award are not released pursuant to By-Law 41, the RSG Award in relation to those Shares shall lapse accordingly and “Released” shall be construed accordingly.
“Retention Period”	: In relation to an RSG Award, such period commencing on the RSG Vesting Date in relation to that RSG Award as may be determined by the ESS Committee on the RSG Date.
“RSG”	: The RCE Restricted Share Grant.
“RSG Award”	: The RSG award referred to in By-Law 39.
“RSG Date”	: The date on which an RSG Award is made or deemed made by the ESS Committee to an Eligible Person in accordance with By-Law 39.
“RSG Grant Price”	: The price which is used to determine the number of Shares to be granted under the RSG Award.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- “RSG Letter”** : A letter in such form as the ESS Committee shall approve confirming an RSG Award granted to a Participant by the ESS Committee.
- “RSG Vesting Condition(s)”** : The performance targets (if any) determined by the ESS Committee, as stipulated in the RSG Award, which must be fulfilled within the performance period as determined by the ESS Committee for the shares to be vested upon the Participants.
- “RSG Vesting Date”** : The date as stated in the RSG Award as the date on which the Shares granted under the RSG Award are to be allotted and/or delivered to a Participant provided that no RSG Vesting Date shall fall on a date after the expiry date of the ESS.
- “RSG Vesting Period”** : The duration of which is determined by the ESS Committee on the RSG Date after the expiry of which the relevant number of Shares which are subject to the applicable period shall be vested to the relevant Participant on the relevant RSG Vesting Date, and provided that no RSG Vesting Period shall extend beyond the date of the ESS.
- “RSG Vesting Price”** : The reference price (based on the fair value at the RSG Vesting Date) which is used to determine the cash settlement amount to be paid to a Participant under the RSG Award in the event the Company elects to settle the vesting of the Shares in cash.
- “RM” and “sen”** : Ringgit Malaysia and sen respectively.
- “Scheme Period”** : The period of the ESS as set out in By-Law 10.
- “Service Period”** : The period determined by the ESS Committee and stipulated in the ESOS Offer and/or RSG Award during which a Participant: (i) must remain/continue in continuous employment with RCE and/or any Subsidiaries within the Group; and (ii) must not have given a notice to resign or received a notice of termination.
- “Special Dividend”** : Any dividend declared or proposed pertaining to any period where the net dividend amount per share declared or proposed for at any given time is more than five percent (5%) of the five (5) day volume weighted average market price of the Shares immediately prior to the announcement of the dividend.
- “Subsidiary(ies)”** : Subsidiary of the Company within the meaning of Section 4 of the Act and shall include such subsidiaries which are existing as at the Effective Date and those subsequently acquired or incorporated at any time during the Scheme Period unless determined otherwise by the Board and/or ESS Committee .
- “Terms of Reference”** : The terms of reference which the Board may establish to regulate and govern the ESS Committee’s functions and/or responsibilities under the By-Laws as amended from time to time.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- “Trust”** : The trust established to facilitate the implementation of the ESS (if required).
- “Trust Deed”** : The trust deed constituting the Trust.
- “Trustee”** : The trustee (if required) shall be the Trustee as appointed by the Company for the ESS pursuant to By-Law 31.
- “Unexercised ESOS Options”** : ESOS Options and any part thereof which has not been fully exercised at the relevant time and in respect of which the ESOS Option Period has not expired.
- “Unvested ESOS Option(s)” or “Unvested RSG Award(s)”** : Unvested ESOS Option(s) or RSG Award(s) or any part thereof which has not been vested in the Participant pursuant to an ESOS Award and/or pursuant to an RSG Award, as the case may be.
- “Vesting Date”** : The ESOS Vesting Date and the RSG Vesting Date collectively and **“Vest”** and **“Vested”** shall be construed accordingly.
- “year”** : Calendar year, unless otherwise stated.
- 1.2 Headings are for ease of reference only and do not affect the interpretation and meaning of the By-Laws.
- 1.3 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.
- 1.4 Any reference to a statute, statutory provisions, guidelines, regulations or rules includes a reference to that statute, statutory provisions (and all statutory instruments or orders made pursuant to it), guidelines, regulations and rules, as from time to time amended, extended, re-enacted or consolidated.
- 1.5 Any liberty, power or discretion which may be exercised or any decision or determination which may be made hereunder by the ESS Committee (including any selection) may be exercised by the ESS Committee’s sole and absolute discretion having regard only the Terms of Reference (where applicable) and the ESS Committee shall not under any obligation to give any reasons therefore, except as may be required by the relevant authorities.
- 1.6 Any reference to a time of a day is a reference to Malaysian time.
- 1.7 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the date of expiry then the stipulated day shall be taken to be the last Market Day of the Scheme Period.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

PART A: GENERAL PROVISIONS

1. THE SCHEME

- 1.1 This scheme shall be called “RCE Capital Berhad Employees’ Share Scheme” (“**ESS**”) and shall comprise the “ESOS” and the “RSG” (both as defined).

2. APPLICATION OF PART A: GENERAL PROVISIONS

- 2.1 Unless expressly provided, the provisions of this Part A shall apply generally to the ESOS and the RSG.

3. OBJECTIVES OF ESS

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

4. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE ESS

- 4.1 Subject to By-Law 4.2, the maximum number of Shares which may be made available under the ESS including the new Shares which may be issued and allotted pursuant to the exercise of the ESOS Options and/or RSG Award and any other schemes involving issuance of Shares to be implemented by the Company shall not at any point in time in aggregate exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) or such other percentage of the total number of issued Shares (excluding treasury shares) permitted by the Bursa Securities and/or any other relevant authorities from time to time during the duration of the ESS as provided in By-Law 10 (“**Maximum Shares**”).

APPENDIX I – DRAFT BY-LAWS (CONT'D)

4.2 In the event that the Company purchases or cancels its own shares in accordance with the provisions of the Act or otherwise howsoever or undertakes any other corporate proposal resulting in the reduction of its issued ordinary share capital, the following provisions shall apply in respect of future Awards but the ESOS Options and/or RSG Awards granted prior to such purchase and/or the reduction/adjustment of the issued ordinary share capital of the Company shall remain valid or exercisable in accordance with the provisions of the ESS as if that reduction/adjustment had not occurred:

- (i) if, after such purchase, cancellation or reduction, the aggregate number of Shares in respect of the Awards granted (including Shares comprised in the ESOS Options and/or RSG Award granted pursuant thereto) by the Company as at the date of purchase, cancellation or reduction of shares is greater than the Maximum Shares, no further Awards shall be made by the ESS Committee until such aggregate number of Shares in respect of the Awards granted falls below the Maximum Shares; and
- (ii) if, after such purchase, cancellation or reduction, the aggregate number of Shares in respect of the Awards granted (including Shares comprised in the ESOS Options and/or RSG Award granted pursuant thereto) by the Company as at the date of purchase, cancellation or reduction of shares is less than the Maximum Shares, the ESS Committee may make further Awards but only until such aggregate number of Shares in respect of the Awards granted is equivalent to the Maximum Shares after such purchase, cancellation or reduction.

5. ELIGIBILITY

5.1 Any Eligible Person who has attained the age of eighteen (18) years and is not an undischarged bankrupt and meets the following criteria as at the ESOS Offer Date and RSG Date shall be eligible for consideration and selection by the ESS Committee:

- (i) if he is appointed or confirmed in service, as the case may be, by the Group, subject to any minimum period as maybe determined by the ESS Committee from time to time and has not served a notice of resignation or received a notice of termination or subject to any disciplinary proceedings. In determining the period of employment, the ESS Committee will take into account the period commencing from the date the relevant Eligible Person became part of the Group and/or related companies and other qualitative factors; or
- (ii) if he fulfils any other criteria at the discretion of the ESS Committee from time to time and the decision of the ESS Committee shall be final and binding.

5.2 If the Eligible Person is:

- (i) a Director or chief executive of RCE; or
- (ii) a Person Connected with the individuals referred to in By-Law 5.2(i),

the specific allocation of Shares and ESOS Options granted by the Company to him under the ESS has to be approved by the shareholders of RCE at a general meeting unless such approval is no longer required under the Listing Requirements.

5.3 Employees of dormant companies within the RCE Group are not eligible to participate in the ESS.

5.4 Eligible Persons who represent the Government or Government institutions/agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible to participate in the ESS.

5.5 Eligibility for consideration under the ESS does not confer an Eligible Person with any rights whatsoever under or to participate in the ESS.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

5.6 The selection of any Eligible Person for participation in the ESS shall be made by the ESS Committee whose decisions shall be final and binding.

6. MAXIMUM ALLOCATION AND BASIS OF ALLOCATION

6.1 Subject to By-Law 4.1 and any adjustments which may be made under By-Law 15 the aggregate maximum number of Shares that may be allocated to any one category/designation of Eligible Persons shall be determined and entirely at the discretion of the ESS Committee.

6.2 A Participant who is a member of the ESS Committee shall abstain from deliberations in respect of any offer of ESOS Options and/or RSG Award to be granted to him or held or to be held by him.

6.3 To the extent possible and subject always to By-Laws 6.4 and 6.5, the ESS Committee will ensure that there should be equitable allocation to the various grades of Eligible Persons.

6.4 Not more than fifty percent (50%) of the total number of RCE Shares to be issued and/or transferred under the ESS shall be allocated in aggregate to the Executive Directors and senior management of the Group who are Eligible Persons.

6.5 Not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the total number of RCE Shares to be issued and/or transferred under the ESS shall be allocated to any Eligible Persons who, either singly or collectively through Persons Connected with the Eligible Persons, holds twenty percent (20%) or more of the total number of issued Shares (excluding treasury shares).

6.6 Subject to By-Law 5.1 hereof and any adjustment which may be made under By-Law 15 hereof, the maximum number of Shares that may be offered to an Eligible Person shall be determined at the discretion of the ESS Committee, subject always to the provision of the Listing Requirements relating to allocation to Directors and Employees.

In the circumstance where “Part G – Requirements Relating to a Share Issuance Scheme” of the Listing Requirements is amended by Bursa Securities from time to time, the ESS Committee shall determine and shall have the absolute discretion to make the necessary adjustments so that the number of new Shares that may be offered and/or allotted and/or delivered to any Eligible Person shall be in accordance with the provisions of the Listing Requirements prevailing at any time during the duration of the ESS.

6.7 Notwithstanding anything to the contrary herein contained, the ESS Committee shall not in any way be obliged to offer the ESOS Options or to grant the RSG Award to any Eligible Person.

6.8 (a) In the event that an Eligible Person is redesignated or promoted to a higher category, his Maximum Allowable Allotment shall be increased at the discretion of the ESS Committee.

(b) In the event that an Eligible Person is redesignated or demoted to a lower category, the following provisions shall apply:

(i) his Maximum Allowable Allotment shall be reduced in accordance with the category corresponding to his new grade;

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (ii) in the event that the total number of ESOS Options which has been offered or granted to, and accepted by him pursuant to the ESS up to the date he is redesignated or demoted to a lower category is greater than his Maximum Allowable Allotment under such lower category, he shall be entitled to exercise the ESOS Options which have been offered, granted to, and accepted by him on a date prior to his redesignation but he shall not be offered any further ESOS Option and/or granted any further RSG Award unless and until he is subsequently moved to a higher category so that his Maximum Allowable Allotment is increased to an amount greater than the total number of Shares which has been offered to, and accepted by, him pursuant to an ESOS Offer (subject to the final discretion of the ESS Committee, taking into account the performance target of the Eligible Persons); and
- (iii) in the event that there are Unvested ESOS Options or Unvested RSG Awards from the total number of Shares which has been granted or offered to, and accepted by him pursuant to an ESOS Options and/or RSG Award up to the date he is redesignated or demoted to the lower category, and if such Unvested ESOS Options or Unvested RSG Awards would cause the Maximum Allowable Allotment under such lower category to be exceeded, he shall not be entitled to exercise such Unvested ESOS Options or Unvested RSG Awards unless allowed by the ESS Committee and, subject to By-Law 6.5, will not be offered or granted further ESOS Award and/or RSG Award.

6.9 In accordance with the Listing Requirements, the ESS Committee shall ensure that the allocation of Shares and ESOS Options be verified by the audit committee of the Company, as being in compliance with the criteria as set out in By-Laws 6.1, 6.2, 6.3, 6.4 and 6.5 at the end of each financial year of the Company. In this respect, the ESS Committee shall ensure that a statement is made by the audit committee, verifying such allocation, is included in the Company's annual report.

7. DIVESTMENT FROM THE GROUP

7.1 In the event that a company within the Group shall be divested from the Group, the ESS Committee may permit the vesting of Unvested RSG Award or the vesting of ESOS Options or the exercise of Unexercised ESOS Options (or any part thereof) in a Participant at any time subject to such terms and conditions as may be prescribed, notwithstanding that a relevant Vesting Date is not due or has not occurred and/or other terms and conditions of the ESOS Award and the RSG Award or as set out in ESOS Award and the RSG Award respectively have not been fulfilled or satisfied.

7.2 For the purposes of By-Law 7.1, a company shall no longer be a Subsidiary once it no longer meets the definition of Subsidiary pursuant to Section 4 of the Act.

8. ACQUISITIONS OF SUBSIDIARIES

8.1 Notwithstanding anything to the contrary, an employee who is in employment of a company which is not a Subsidiary ("**Previous Company**") but subsequently becomes a Subsidiary as a result of an acquisition or other exercise involving the Company and/or any Subsidiary or transferred to the Subsidiary subsequent to the acquisition in the case of an employee of a Previous Company, such an employee ("**Affected Employee**"):

- (i) will be entitled to continue to exercise all such unexercised rights or options that were granted to him under the Previous Company's employees' share scheme or employees' share option scheme in accordance with the by-laws of that Previous Company's employees' share scheme or employees' share option scheme, but he shall not upon that Previous Company becoming a Subsidiary be eligible to participate for further rights or options under such Previous Company's employees' share scheme or employees' share option scheme unless permitted by the ESS Committee; and

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (ii) may be eligible to participate in the ESS only for remaining duration of the ESS (subject to the approval of the ESS Committee);

provided that, notwithstanding anything to the contrary, the number of new Shares pursuant to an RSG Award and/or ESOS Award that may be offered to such an Affected Employee under By-Law 8.1 (ii) will always be subject to the discretion of the ESS Committee.

9. WINDING UP

- 9.1 Any ESOS Award or RSG Award then held by a Participant shall, save as otherwise provided in the By-Laws and to the extent not yet vested, not exercised and/or not accepted, immediately lapse and shall become null and void by the date prescribed without any claim whatsoever against the Company, in the event that a resolution is passed or a Court order is made for the winding-up of the Company.

10. DURATION AND TERMINATION OF THE ESS

- 10.1 The ESS shall be in force for a period of five (5) years commencing from the Effective Date ("**Initial Period**") provided always that on or before the expiry of the Initial Period, the Board upon recommendation by the ESS Committee, shall have the absolute discretion, without the Company's shareholders approval, to extend the duration or tenure of the ESS for up to another five (5) years, provided that the ESS shall not exceed the maximum period of ten (10) years in its entirety. The ESS shall take effect on the date on which the last of the following approvals and/or conditions shall have been obtained and/or complied with ("**Effective Date**"):
 - a) the approval of the shareholders of the Company;
 - b) the approval of Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the ESS;
 - c) the approval of any other relevant regulatory authorities or parties, if applicable;
 - d) submission to Bursa Securities of the final copy of the By-Laws; and
 - e) fulfilment of all conditions attached to the abovementioned approvals (if any).
- 10.2 All unvested Shares under the ESOS and/or RSG which are not vested shall forthwith lapse upon the expiry of the ESS.
- 10.3 Within five (5) market days from the Effective Date, the Company shall, through the Adviser, submit a confirmation to the Bursa Securities of full compliance with approvals and/or conditions set out in By-Law 10.1 stating the Effective Date, together with a certified true copy of the relevant resolution passed by the shareholders of the Company in the general meeting approving the ESS.
- 10.4 The ESOS and RSG can only be made during the duration of the ESS.
- 10.5 Notwithstanding anything set out in the By-Laws and subject always to compliance with Bursa Securities' and any other regulatory authorities' guidelines or directives, the Company may terminate the ESS at any time before the expiry of the ESS provided that the Company must immediately announce to the Bursa Securities:
 - (a) the effective date of termination ("**Termination Date**");
 - (b) the number of Shares vested and ESOS Options exercised; and
 - (c) the reasons and justification for termination.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- 10.6 The ESS Committee may in its discretion, permit the vesting of unvested ESOS Options and/or RSG Award (or any part thereof) in the Participant or the exercise of any ESOS Options at any time prior to the Termination Date subject to such terms and conditions as may be prescribed notwithstanding that:
- (a) the ESOS Vesting Date and/or RSG Vesting Date is not due or has not occurred; and/or
 - (b) the ESOS Option Period has not commenced; and/or
 - (c) other terms and conditions set out in the ESOS Offer and/or RSG Award have not been fulfilled/satisfied.
- 10.7 For the avoidance of doubt, approval or consent from the shareholders of the Company at a general meeting and written consent of Participants, including those who have yet to exercise their ESOS Options vested in them, are not required to effect a termination of the ESS.

11. TERMINATION OF ESOS OFFERS, UNEXERCISED ESOS OPTIONS, RSG AWARDS AND UNVESTED RSG AWARDS

11.1 Resignation / Termination

- 11.1.1 Subject to By-Laws 11.2 and 11.3, any unaccepted ESOS Offers in respect of an Eligible Person and/or any Unexercised or Unvested ESOS Option and/or any Unvested RSG Awards in respect of a Participant shall forthwith lapse and/or be deemed to be cancelled and/or cease to be exercisable, as the case may be, without any liability to or right to claim against the Company, the ESS Committee and/or the Trustee (if applicable) upon the occurrence of anyone or more of the following events:
- (i) service of a notice of resignation by the Eligible Persons or Participants, as the case may be;
 - (ii) service of a notice of termination or termination or cessation of employment of the Eligible Persons or Participants with the Group by reason of misconduct, as the case may be; or
 - (iii) bankruptcy of the Eligible Persons or Participants, as the case may be.

11.2 Retirement / Redundancy / Winding-up / Liquidation

- 11.2.1 In the event of the cessation of employment of the Participants with the Group in any of the following circumstances:
- (i) retirement on attaining the retirement age under the Group's retirement policy;
 - (ii) retirement before attaining the normal retirement age by reason of ill-health, injury, medically boarded-out, physical or mental disability;
 - (iii) redundancy or voluntary separation scheme;
 - (iv) any other circumstance acceptable to the ESS Committee in its sole and absolute discretion; or
 - (v) winding-up or liquidation of the Company or a Subsidiary,

the ESS Committee may in its discretion permit the exercise of any Unexercised ESOS Options or Unvested ESOS Options and/or Unvested RSG Award by the Participant at any time subject to such terms and conditions as may be prescribed notwithstanding that:

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (a) the ESOS Vesting Date and/or RSG Vesting Date is not due or has not occurred; and/or
- (b) the ESOS Option Period has not commence; and/or
- (c) other terms and conditions set out in the ESOS Offer and/or RSG Award have not been fulfilled/satisfied,

provided that unless the ESS Committee in its sole discretion so permits such vesting or exercise, as the case may be by notice in writing to the Participant, any unaccepted ESOS Offers in respect of an Eligible Person and/or any Unexercised or Unvested ESOS Option and/or Unvested RSG Award in respect of a Participant shall forthwith lapse and/or be deemed to be cancelled and/or cease to be capable of vesting in a Participant and/or cease to be exercisable, as the case may be, without any liability to or right to claim against the Company, ESS Committee and/or Trustee (if required).

11.3 Death

- 11.3.1 Where a Participant dies before the expiry of the ESOS Option Period, any unexercised or partially exercised ESOS Option held by the Participant may be exercised by the legal representatives of the Participant provided always that no ESOS Option and/or RSG Award shall be exercised after eighteen (18) months (or such other period of time as may be determined by the ESS Committee in its absolute discretion) of the death of the Participant provided that immediately prior to his death, the Participant could have exercised the same. Any Unvested ESOS Options or RSG Award will be deemed forfeited in the event the Participant dies before the end of the Vesting Period.

12. ADMINISTRATION

- 12.1 The ESS shall be administered by the ESS Committee. The ESS Committee shall, subject to the By-Laws, administer the ESS and regulate the ESS Committee's own proceedings in such manner as it shall think fit, provided always that the ESS is administered in accordance with the applicable laws and/or rules and/or regulations of Malaysia currently in force (or any amendments subsequent thereto).
- 12.2 Without limiting the generality of By-Law 12.3, the ESS Committee may, for the purpose of administering the ESS, do all acts and things, execute all documents and delegate any of its powers and duties relating to the ESS as it may in its discretion, consider to be necessary or desirable for giving effect to the ESS including powers to:
- (a) subject to the provisions of the ESS, construe and interpret the ESS, to define therein and to establish and amend (subject to the consent of RCE's shareholders at a general meeting) the By-Laws and its administration. The ESS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the ESS or in any agreement providing for an RSG in a manner and to the extent it shall deem necessary to expedite and make the ESS fully effective; and
 - (b) determine all questions of policy and expediency that may arise in the administration of the ESS and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.
- 12.3 The ESS Committee shall comprise persons appointed by the Board. If the ESS Committee comprises members of the Board and/or senior management of the Company, the ESS Committee must ensure that the Directors and/or senior management of the Company do not participate in the deliberation or discussion of their own allocation.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- 12.4 The Board shall have power at any time and from time to time to:
- (i) approve, rescind and/or revoke the appointment of any person appointed to the ESS Committee as it shall deem fit; or
 - (ii) assume and/or exercise or execute any of the powers and authorities conferred upon the ESS Committee pursuant to those By-Laws.

13. DISCIPLINARY PROCEEDINGS

- 13.1 In the event an Eligible Person and/or Participant is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), after an ESOS Offer and/or RSG Award is made but before the acceptance thereof by such Eligible Person, the ESOS Offer and/or RSG Award is deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the ESS Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the Eligible Person. Nothing in the By-Laws shall prevent the ESS Committee (but the ESS Committee shall not be obliged to do so) from making a fresh ESOS Offer and/or RSG Award to such Eligible Persons in the event that such disciplinary actions are not found against him or if such disciplinary actions are withdrawn provided that such ESOS Offer and/or RSG Award is made within the duration of the Scheme Period.
- 13.2 In the event an Eligible Person and/or Participant is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), the right of the Participant to have vested any Unvested ESOS Options and/or RSG Award or to exercise any Unexercised ESOS Option shall be suspended pending the outcome of the disciplinary proceedings unless otherwise decided by the ESS Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the Participant. Nothing herein shall prevent the ESS Committee (but the ESS Committee shall not be obliged to do so) from making a fresh ESOS Offer and/or reinstating the right of the Participant to have vested any Unvested Scheme Share and/or to exercise any Unexercised ESOS Options in the event that such disciplinary actions are not decided against him or if such disciplinary actions are withdrawn provided that such ESOS Offer and/or reinstatement is made within the duration of the Scheme Period. If the ESS Committee does not reinstate such right of the Participant prior to the expiry of the Scheme Period, the ESOS Offer and/or RSG Award and acceptance thereof shall automatically lapse and shall immediately become null and void.
- 13.3 In the event a Participant had been given a letter in relation to the Participant being subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), the ESS Committee has the right to recall any Unexercised ESOS Options and/or RSG Award.

14. AMENDMENT, VARIATION AND/OR MODIFICATION TO THE ESS

- 14.1 Subject to the compliance with the requirements of Bursa Securities and any other relevant authorities, the ESS Committee may at any time and from time to time, recommend to the Board any additions, amendments to, modifications and/or deletions of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend, modify or delete all or any of these By-Laws upon such recommendation provided that no additions or amendments to or modifications or deletion of these By-Laws shall be made which will:
- (a) prejudice any rights of the shareholders of the Company without the prior approval of the shareholders of the Company in a general meeting unless such amendment, modification or deletion arises as a consequence to the amendment, modification or deletion of the Listing Requirements; or

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (b) alter to the advantage of Eligible Persons, any matter prohibited by the Listing Requirements, without the prior approval of the shareholders of the Company in a general meeting.

14.2 Where any amendment and/or modification is made to the By-Laws of the ESS, the Company shall submit to Bursa Securities, the amendment and/or modification to the By-Laws of the ESS and a confirmation letter that the amendment and/or modification complies with the provisions of the guidelines on employees' share scheme stipulated under the Listing Requirements no later than five (5) Market Days from the effective date of the said amendment and/or modification.

15. ALTERATION OF CAPITAL

15.1 In the event of any alteration in the capital structure of the Company during the duration of the ESS, whether by way of a capitalisation issue from profits or reserves (including bonus issue), rights issue, consolidation or subdivision of Shares or capital reduction or any other variation of capital or if the Company shall announce a Special Dividend (whether in cash or in specie), then the Company shall cause the following adjustments to be made to the ESS:

- (a) the ESOS Option Price and/or RSG Grant Price;
- (b) the number of Shares which are the subject of an ESOS Option and/or RSG Award to the extent not yet vested and/or vested but not credited into the CDS Account;
- (c) the number of Shares over which future ESOS Options may be offered and/or future RSG Award may be granted; and/or
- (d) the maximum number of existing Shares which may be delivered in settlement pursuant to the Awards,

as shall be necessary to ensure that any adjustment (other than an adjustment pursuant to a bonus issue, subdivision or consolidation of Shares) made in such manner as the ESS Committee may determine to be appropriate must be confirmed in writing either by the Auditors or the Adviser (acting as experts and not as arbitrators) that, in their opinion, such adjustment is fair and reasonable.

Provided always that any such adjustment shall be made in such a way that a Participant will not receive a benefit that a shareholder of the Company does not receive and provided further that no adjustment shall be made unless the ESS Committee, after considering all relevant circumstances, considers it equitable to do so.

15.2 By-Law 15.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (a) an issue of Shares and/or release of Cash Award (pursuant to By-Law 41) pursuant to the vesting of Shares under an RSG Award; or
- (b) an issue of new Shares arising from the conversion of securities with a right of conversion into new Shares; or
- (c) an issue of securities as consideration or part consideration for an acquisition or settlement of liabilities or part settlement of liabilities; or
- (d) an issue of securities pursuant to a private placement and/or a restricted issue of securities; or
- (e) an issue of securities pursuant to a special issue approved by the relevant governmental authorities; or

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (f) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to the Act (pursuant to By-Law 4.2); or
- (g) if as a result, the Participant receives a benefit that a shareholder of the Company does not receive.

15.3 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part III of the Act, By-Law 15.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 is applicable, but By-Law 15.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company as described in By-Law 15.2.

15.4 The ESS Committee shall give notice in writing within thirty (30) days from the date of adjustment to a Participant or the Participant’s personal representative where the Participant is deceased, to inform him of the adjustment and the event giving rise thereto.

15.5 Any adjustment pursuant to this By-Law 15 shall be made in accordance with the formulae below, pursuant to By-Law 15.4:

- (a) If and whenever a Share, by reason of any consolidation or subdivision shall have a different share price, then the ESOS Option Price and/or RSG Grant Price shall be adjusted and the additional number of Shares comprised in the ESOS Offer and/or RSG Award shall be calculated in accordance with the following formula:

$$\text{New ESOS Option Price and/or RSG Grant Price} = S \times \frac{\text{Total number of issued Shares (excluding treasury shares) immediately preceding such consolidation or subdivision}}{\text{Total number of Shares (excluding treasury shares) after such consolidation or subdivision}}$$

$$\text{Additional/ (Reduced) number of Shares} = T \times \left[\frac{\text{Total number of Shares (excluding treasury shares) after such consolidation or subdivision}}{\text{Total number of Shares (excluding treasury shares) immediately preceding such consolidation or subdivision}} \right] - T$$

where

S = existing ESOS Option Price and/or RSG Grant Price; and

T = existing number of Shares comprised in the ESOS Offer and/or RSG Award.

Each such adjustment will be effective from the close of business on the Market Day immediately preceding the date on which the consolidation or subdivision becomes effective (being the date when the Shares are traded on Bursa Securities), or such period as may be prescribed by Bursa Securities.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (b) If and whenever the Company shall make any issue of Shares to its ordinary shareholders of the Company credited as fully paid, by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature), the ESOS Option Price and/or RSG Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the additional number of Shares comprised in the ESOS Offer and/or RSG Award shall be calculated as follows:

$$\text{Additional number of Shares} = T \times \left[\frac{A+B}{A} \right] - T$$

where

- A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue;
- B = the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature); and
- T = existing number of Shares comprised in the ESOS Offer and/or RSG Award.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the book closure date for such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution (as defined below) to its ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
 - (iii) any offer or invitation to its ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in respect of each such case, the ESOS Option Price and/or RSG Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Laws 15.5(c)(ii) and (c)(iii) hereof, the additional number of Shares comprised in the ESOS Offer and/or RSG Award shall be calculated as follows:

$$\text{Additional number of Shares} = T \times \left[\frac{C}{C-D^*} \right] - T$$

APPENDIX I – DRAFT BY-LAWS (CONT'D)

where

- C = the Current Market Price (as defined in By-Law 15.5(h) below) of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;
- D = (aa) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under By-Law 15.5(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for Shares under By-Law 15.5(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or
- (bb) in the case of any other transaction falling within By-Law 15.5(c) hereof, the fair market value, as determined by an auditor and/or Adviser of the Company, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of definition (aa) of D above, the “value of the rights attributable to one (1) Share” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where

- C = as C above;
- E = the subscription price for one (1) additional Share under the terms of such offer or invitation or subscription price for one (1) additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;
- F = the number of Shares necessary for an RCE shareholder to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share; and
- D* = the value of rights attributable to one (1) Share (as defined below).

For the purpose of definition D* above, the “value of rights attributable to one (1) RCE Share” shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

where

- C = as C above;
- E* = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for RCE Shares; and
- F* = the number of Shares necessary for an RCE shareholder to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

T = as T above.

For the purpose of By-Law 15.5(c) hereof, “Capital Distribution” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not falling under By-Law 15.5(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature).

Any dividend charged in the accounts pertaining to any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution in the event the net dividend amount per share declared at any given time is more than five percent (5%) of the five (5) day volume weighted average market price of the Shares immediately prior to the announcement of the dividend.

Such adjustments will be effective (if appropriate retroactively) from the commencement of the next Market Day following the book closure date for the above transactions.

- (d) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.5(b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 15.5(c)(ii) or (c)(iii) above and the record date for the purpose of the allotment is also book closure date for the purpose of the offer or invitation, the ESOS Option Price and/or RSG Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.5(b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 15.5(c)(ii) above and the record date for the purpose of the allotment is also the book closure date for the purpose of the offer or invitation, the additional number of Shares comprised in the ESOS Offer and/or RSG Award shall be calculated as follows:

Additional number of Shares comprised in ESOS Options

$$= T \times \left[\frac{(G+H^*+B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Additional number of Shares to be vested

$$= T \times \left[\frac{(G+H+B) \times C}{(G \times C) + (H \times I)} \right] - T$$

where

B = as B above;

C = as C above;

G = the aggregate number of issued and fully paid-up Shares on the book closure date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
- I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares; and
- T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the book closure date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 15.5(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for RCE Shares as provided in By-Law 15.5(c)(iii) above, the ESOS Option Price and/or RSG Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the additional number of Shares comprised in the ESOS Offer and/or RSG Award shall be calculated as follows:

Additional number of Shares comprised in ESOS Options

$$= T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Additional number of Shares to be vested

$$= T \times \left[\frac{(G + H^* + J) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right] - T$$

where

- C = as C above;
- G = as G above;
- H = as H above;
- H* = as H* above;
- I = as I above;
- I* = as I* above;
- J = the aggregate number of Shares to be issued to its ordinary shareholders of the Company upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders of the Company;
- K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and

APPENDIX I – DRAFT BY-LAWS (CONT'D)

T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the book closure date for the above transactions.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.5(b) above and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 15.5(c)(ii) above, together with rights to acquire or subscribe for securities convertible into Shares or with rights to acquire or subscribe for Shares as provided in By-Law 15.5(c)(iii) above, and the record date for the purpose of allotment is also the book closure for the purpose of the offer or invitation, the ESOS Option Price and/or RSG Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the additional number of Shares comprised in the ESOS Offer and/or RSG Award shall be calculated as follows:

Additional number of Shares comprised in ESOS Options

$$= T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Additional number of Shares to be vested

$$= T \times \left[\frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right] - T$$

where

B = as B above;

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = as J above;

K = as K above; and

T = as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the book closure date for the above transactions.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under By-Laws 15.5(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any RCE Shares or any securities convertible into RCE Shares or any rights to acquire or subscribe for RCE Shares, and in any such case, the Total Effective Consideration per RCE Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) RCE Share (as defined below) or, as the case may be, the price at which the RCE Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determined, the ESOS Option Price and/or RSG Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

where

- L = the number of RCE Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- M = the number of RCE Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and
- N = the aggregate number of RCE Shares so issued or, in the case of securities convertible into RCE Shares or rights to acquire or subscribe for RCE Shares, the maximum number (assuming no adjustment of such rights) of RCE Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of By-Law 15.5(g), the “Total Effective Consideration” shall be determined by the Board with the concurrence of an Auditor and/or Adviser of the Company and shall be:

- (i) in the case of the issue of RCE Shares, the aggregate consideration receivable by the Company on payment in full for such RCE Shares; or
- (ii) in the case of the issue by the Company of securities wholly or partly convertible into RCE Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for RCE Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights,

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and “Total Effective Consideration per RCE Share” shall be the Total Effective Consideration divided by the number of RCE Shares issued as aforesaid or, in the case of securities convertible into RCE Shares or securities with rights to acquire or subscribe for RCE Shares, by the maximum number of RCE Shares issuable on full conversion of such securities or on exercise in full of such rights.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

For the purpose of By-Law 15.5(g), the Average Price of a RCE Share shall be the average price of one (1) RCE Share as derived from the last dealt prices for one or more board lots of RCE Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such RCE Shares is determined.

Each such adjustment will be calculated (if appropriate retroactively) from the close of business on Bursa Securities on the Market Day following the date on which the issue is announced, or (failing any such announcement) on the Market Day following the date on which the Company determines the offering price of such RCE Shares. Each such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the date of the completion of the above transaction.

- (h) For the purpose of By-Law 15.5(c), (d), (e) and (f), the “Current Market Price” in relation to one (1) RCE Share for any relevant day shall be the volume weighted average market price for the five (5) consecutive Market Days before such date.
- 15.6 If an event occurs that is not set out in By-Law 15.5 or if the application of any of the formulae to an event results in a manifest error or does not, in the opinion of the ESS Committee, achieve the desired result of preventing the dilution or enlargement of the Participant's rights, the ESS Committee may agree to an adjustment subject to the provision of By-Law 15.3 provided that the Participants shall be notified of the adjustment through an announcement to all Eligible Persons to be made in such manner deemed appropriate by the ESS Committee.
- 15.7 In the event that a fraction of an RCE Share arises from the adjustments pursuant to this By-Law 15, the number of Shares shall automatically be rounded down to the nearest whole number. Any adjustment to the Share Price shall automatically be rounded down to the nearest one (1) Sen.
- 15.8 The provisions of By-Law 15 shall also apply to a situation where the ESOS Offer Period and/or RSG Vesting Period has not lapsed and the ESOS Offer has not been accepted by the Eligible Person or withdrawn by the ESS Committee.

16. ESS NOT A TERM OF EMPLOYMENT

- 16.1 This ESS shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The ESS shall not form part of or constitute or be in any way construed as a term or condition of employment of any Eligible Person.

17. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

- 17.1 All Participants are entitled to inspect the latest audited financial statements of the Company at the Registered Office during normal business hours on any working day of the Registered Office.

18. ERRORS AND OMISSIONS

- 18.1 If in consequence of an error or omission, the ESS Committee discovers/determines that:
- (a) an Eligible Person who was selected by the ESS Committee as a Participant, has not been given the opportunity to participate in the ESS on any occasion; or
- (b) the number of Shares allotted and issued and/or transferred to any Participant on any occasion is found to be incorrect,

APPENDIX I – DRAFT BY-LAWS (CONT'D)

and such error or omission cannot be corrected, the ESS Committee may do all such acts and things to rectify such error or omission and ensure that the Eligible Person, as the case may be, is given the opportunity to participate in the ESS and/or the aggregate number of Shares to which the Participant is correctly entitled to is credited into his CDS Account.

- 18.2 In the event of any error in the ESOS Offer and/or RSG Award, the ESS Committee may issue a supplemental ESOS Offer and/or RSG Award stating the correct particulars of the ESOS Offer and/or RSG Award.

19. NOTICE

- 19.1 Any notice under the ESS required to be given to or served upon the ESS Committee by an Eligible Person or a Participant or any correspondence to be made between an Eligible Person or Participant to the ESS Committee shall be given or made in writing and sent to the registered office of the Company or such other office which the ESS Committee may have stipulated for a particular purpose by hand (with acknowledgement of receipt) or registered letter.

- 19.2 Unless otherwise provided in the By-Laws, any notice which under the ESS is required to be given to or served upon an Eligible Person or a Participant or any correspondence to be made with an Eligible Person or a Participant shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, electronic mail, facsimile or post addressed to the Eligible Person or the Participant at the place of employment or to the last electronic mail address known to the Company as being his electronic mail address or at the last facsimile number or address known to the Company as being his facsimile number or address, respectively. Any notice served by hand, electronic mail, facsimile or post as aforesaid shall be deemed to have been received at the time when such notice if by hand is received and duly acknowledged, if by electronic mail at the time sent (as recorded on the device from which the sender sent the electronic mail), if by facsimile is transmitted with a confirmed log printout for the transmission indicating the date, time and transmission of all pages and if by post would in the ordinary course of post be delivered.

- 19.3 Notwithstanding By-Law 19.2, where any notice is required to be given by the Company or the ESS Committee under the By-Laws in relation to matters which may affect all the Eligible Persons or Participants, as the case may be, the Company or ESS Committee may give notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the ESS Committee. Upon the making of such an announcement, the notice to be made under By-Law 19.2 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or Participants, as the case may be.

20. CONSTITUTION

- 20.1 Notwithstanding the terms and conditions contained in this ESS, if a situation of conflict should arise between this ESS and the Constitution, the provisions of the Constitution shall prevail at all times.

21. COMPENSATION

- 21.1 No Eligible Persons or Participants who ceases/ fails to commence to hold office in or employment with the Group shall be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the ESS.

- 21.2 The Company, the Board and/or the ESS Committee shall not be liable for any compensation, loss or damages of any claim, action or proceeding by any Eligible Person or Participant or legal or personal representatives whatsoever and howsoever arising from the suspension, termination, cancellation and/or non-vesting of any rights pursuant to the provisions of the By-Laws.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

22. TAXES

- 22.1 All taxes (including income tax) arising from the grant or Release of any Award granted to any Participant under the ESS shall be borne by the Participant.

23. COSTS AND EXPENSES OF THE ESS

- 23.1 Each Participant shall bear all expenses relating to or in connection with the opening and maintenance of the CDS Account.
- 23.2 Save for the taxes referred to in By-Law 22 and such other costs and expenses expressly provided in the ESS to be payable by the Participants, the Company shall bear all fees, costs and expenses incurred in relation to the ESS including but not limited to the costs and expenses relating to the issue and allotment, purchase and/or transfer of the Shares pursuant to the Awards.

24. SEVERABILITY

- 24.1 If at any time any provision of the By-Laws is or becomes illegal, void, unenforceable in any respect, the same shall be ineffective to the extent of such illegality, voidness, or unenforceability without invalidating the remainder thereof, and such illegality, voidness, or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision contained in the By-Laws.

25. DISCLAIMER OF LIABILITY

- 25.1 Notwithstanding any provisions herein contained, the Committee, the Trustee (if applicable), the Company and the Company's directors and employees shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing, or procuring the transfer of, the Shares or applying for or procuring the listing of and quotation for the new Shares on Bursa Securities in accordance with the By-Laws for any reason whatsoever.

26. DISCLOSURES IN ANNUAL REPORT

- 26.1 The Company will make such disclosures in its annual report for as long as the ESS continues in operation as from time to time required by the Listing Requirements including (where applicable) a statement by the audit committee verifying that the allocation of Shares pursuant to the ESS is in compliance with the criteria for allocation.

27. DISPUTES

- 27.1 In the event of any dispute between the ESS Committee and/or Trustee with an Eligible Person or Participant as to any matter or thing of any nature arising hereunder shall be referred to the Board whose decision shall be final and binding on all parties in all respects.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

28. TAKEOVER / SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, MERGER

28.1 In the event of:

- (i) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror); or
- (ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date; or
- (iii) the court sanctioning a compromise or arrangement between the Company and its members for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other company or companies; or
- (iv) the Company decides to merge with other company or companies,

the ESS Committee may at its discretion to the extent permitted by law allow the vesting of Unvested RSG Awards (or any part thereof) in the Participant or the Participant's legal and personal representatives, as the case may be, and/or the exercise of any Unexercised ESOS Options or Unvested ESOS Options by the Participant or the Participant's legal representatives as the case may be, at any time subject to such terms and conditions as maybe prescribed notwithstanding that:

- (a) the ESOS Vesting Date and/or RSG Vesting Date is not due or has not occurred; and/or
- (b) the ESOS Option Period has not commenced; and/or
- (c) other terms and conditions set out in the ESOS Offer and/or RSG Award have not been fulfilled/satisfied.

28.2 All ESOS Options which the ESS Committee permits to be exercisable pursuant to By-Law 29.1 shall automatically lapse and shall become null and void to the extent unexercised by the date prescribed notwithstanding that the ESOS Option Period has not commenced or expired.

29. NON-TRANSFERABILITY

29.1 The rights of a Participant to the vesting of Shares and where applicable, to the ESOS Options shall be personal to him and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever unless By-Laws 11.3 and 28.1 (where applicable) apply.

30. GOVERNING LAW

30.1 The ESS, the By-Laws, all Offers and Awards made and granted and actions taken under the ESS shall be governed by and construed in accordance with the laws of Malaysia. The Participant, by accepting the ESOS Offer and/or RSG Award in accordance with the By-Laws and terms of the ESS and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

31. IMPLEMENTATION OF THE ESS AND TRUST (IF REQUIRED)

- 31.1 In implementing the ESS, the ESS Committee shall subject to compliance with the provisions of the Act and the Listing Requirements decide that the Awards shall be satisfied by way of:
- (a) issuance of new Shares;
 - (b) transfer of RCE Shares held in treasury;
 - (c) acquisition of existing Shares from the market;
 - (d) payment of the equivalent cash value of such new Shares and/or existing Shares;
 - (e) any other mode of satisfaction that may be permitted by the Act and the Listing Requirements (as amended from time to time or any re-enactment thereof); or
 - (f) a combination of any of the above.
- 31.2 If required, the Board and/or the ESS Committee will establish a Trust to be administered by the Trustee consisting of such trustee appointed by the Company from time to time for purposes of subscribing for new Shares or purchasing existing Shares from the market and transferring them to the Participants at such time as the ESS Committee may direct. To enable the Trustee to subscribe for new Shares and/or purchase existing Shares from the market for purposes of implementing the ESS and to pay expenses in relation to the administration of the Trust, the Trustee will, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Company, its subsidiaries and/or third parties. The ESS Committee shall have the discretion to direct the Trustee to subscribe for new Shares at any time and from time to time and also to revoke or suspend any such direction that has earlier been given to the Trustee, subject to the provisions of the Trust Deed.
- 31.3 The Trustee shall exercise the voting rights attached to such Shares in such manner and extent as may be directed by the ESS Committee in writing.
- 31.4 The Trustee shall administer the Trust in accordance with the Trust Deed. For purposes of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust as the ESS Committee may in its discretion direct for the implementation and administration of the Trust.
- 31.5 The Company shall have power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed.
- 31.6 The Company will use all reasonable efforts to make available/ensure that the Trustee has available sufficient Shares for vesting in the Participants on the Vesting Dates during the Scheme Period.

32. RIGHTS ATTACHED TO SHARES

- 32.1 The Shares to be allotted and issued pursuant to the ESS and held by the Trustee (if required) shall rank equally in all respects with the then existing issued Shares.
- 32.2 The Shares to be allotted upon exercise of the ESOS shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the Company's shareholders, for which the book closure date is prior to the date on which the Shares are credited into CDS Account of the Participants.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- 32.3 The Shares to be transferred to the Participants pursuant to the RSG Letter shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the Company's shareholders for which the book closure date is prior to the date on which the Shares are credited into CDS Account of the Trustee or its authorised nominee at the instructions of the Participants.
- 32.4 For the purposes of this By-Law, "book closure date" shall mean the date as at the close of business on which shareholders of the Company must be registered as a member and whose names appear in the record of depositors maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments or other distributions.
- 32.5 The Shares shall be subjected to all the provisions of the Constitution of the Company in relation to their transfer, transmission or otherwise. For the avoidance of doubt, any dividends, rights, allotments and/or any other distributions which are attributable to the Shares, held by the Trustee but are not transferred, vested or given to any Participants pursuant to the provisions of By-Law 32.2 and By-Law 32.3 above shall accrue to the Trustee and be dealt with in accordance with the Trust Deed.

33. RETENTION PERIOD

- 33.1 The Shares to be allotted and issued or transferred to Participants pursuant to these By-Laws will not be subjected to any retention period unless the ESS Committee stipulates otherwise in the ESOS Offer and/or RSG Award.
- 33.2 The expression "retention period" referred to in By-Law 33.1 shall mean the period in which the Shares allotted and issued or transferred pursuant to the ESS must not be sold, transferred, assigned or otherwise disposed of by the Participant.

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APPENDIX I – DRAFT BY-LAWS (CONT'D)

PART B: ESOS AWARD**34. ESOS OFFER**

- 34.1 Pursuant to the ESS, the ESS Committee may, from time to time during the Scheme Period, make an ESOS Offer to an Eligible Person to participate in the ESS.
- 34.2 Upon acceptance of the ESOS Offer in accordance with By-Law 37.1, the Eligible Person shall be referred to as a Participant for the purposes of the By-Laws.
- 34.3 Subject to By-Law 34.4, an ESOS Award wherein the Company may from time to time within the Scheme Period, at the discretion of the ESS Committee, offer to Eligible Persons a certain number of options at the ESOS Offer Date, subject to applicable terms and conditions whereupon if the Participant decided to accept the offer, he/she will be granted the ESOS Options which can then be exercised within the ESOS Option Period to subscribe for or purchase or acquire fully paid-up RCE Shares, provided that the ESOS Vesting Conditions, Service Period and such other conditions (if any) that may be stipulated by the ESS Committee in the ESOS Offer are duly and fully satisfied. The decision of the ESS Committee on whether the ESOS Vesting Conditions, Service Period and such other conditions have been met shall be conclusive and binding on Participant and shall not be challenged by any Participant.
- 34.4 Nothing herein shall prevent the ESS Committee from making:
- (i) an ESOS Offer to an Eligible Person; or
 - (ii) more than one ESOS Offer to any Eligible Person provided always that the aggregate number of Shares in respect of the Awards granted (including Shares under ESOS Options granted pursuant thereto) shall not exceed the Maximum Allowable Allocation.
- 34.5 The ESOS Option granted to an Eligible Person is exercisable only by that employee during his/her lifetime and whilst he/she is appointed or employed by RCE Group and/or other related companies of the RCE Group prior to any notice of resignation or termination, as the case may be, on the first three (3) Market Days of every calendar month and/or any other date as determined by the ESS Committee from time to time during the ESOS Option Period except under the provisions of By-Law 10, provided that no ESOS Option shall be exercised beyond the Scheme Period or the Termination Date if the ESS is terminated before its expiry date. The ESOS Option may be exercised in respect of all or any part of the Shares, such part being one hundred (100) Shares or multiples of one hundred (100) Shares or such other quantum as may from time to time be determined by the ESS Committee and as permitted by the relevant authorities. Such partial exercise of an ESOS Option shall not preclude the Participant from exercising the ESOS Option as to the balance unexercised within the ESOS Option Period.
- 34.6 The Participant shall notify the Company in writing of his/her intention to exercise the ESOS Option during the ESOS Option Period. Every written notice to exercise the ESOS Option by a Participant must be accompanied by a remittance (calculated in accordance with the provisions of By-Law 15 and By-Law 36) for the full amount of the subscription monies for the Shares in respect of which the notice is given.

35. TERMS OF THE ESOS OFFER

- 35.1 The ESS Committee may stipulate any terms and conditions it deems appropriate in an ESOS Offer and the terms and conditions of each ESOS Offer may differ.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

35.2 The terms and conditions set out in the ESOS Offer relating to an ESOS Award must include the following:

- (i) ESOS Option Price;
- (ii) Number of Shares which the Eligible Person shall be entitled to subscribe for or purchase or acquire upon the exercise of the ESOS Option upon satisfying the conditions set out in the ESOS Award;
- (iii) ESOS Option Period;
- (iv) ESOS Offer Date; and
- (v) ESOS Offer Period,

and may include such/any other conditions as may be stipulated by the ESS Committee including ESOS Vesting Date, Service Period and ESOS Vesting Conditions.

35.3 In the event of any error in the stating of any particulars referred to in By-Law 35.2 or otherwise in the ESOS Offer, the ESS Committee may to the extent permitted by law issue a supplemental ESOS Offer, stating the correct particulars referred to in By-Law 35.2.

36. ESOS OPTION PRICE

36.1 The exercise price for each ESOS Option shall be based on the five (5) day volume weighted average market price of the Shares immediately preceding the ESOS Offer Date, with a discount (if any) of not more than 10% or such basis as the relevant authorities may permit.

37. ACCEPTANCE OF THE ESOS OFFER

37.1 The ESOS Offer may only be accepted by the Eligible Person during the ESOS Offer Period in such form and manner as may be prescribed in the ESOS Offer and must be accompanied by the non-refundable sum of RM1.00 only. The date of receipt by the ESS Committee of such form together with the money shall be the date of acceptance of the ESOS Offer by the Eligible Person.

37.2 In the event that the Eligible Person fails to accept the ESOS Offer in the manner prescribed within the ESOS Offer Period, the ESOS Offer shall automatically lapse and shall be then null and void provided that the ESS Committee shall not be precluded from making afresh ESOS Offer to the Eligible Person subsequently.

38. DELIVERY OF ESOS OPTIONS

38.1 The ESS Committee shall procure that, where applicable, not later than eight (8) Market Days after the exercise of the relevant ESOS Options and the receipt of the ESOS Option Price (or such period as may be prescribed or allowed by Bursa Securities):

- (a) to issue and allot such number of Shares to the Participant;
- (b) despatch a notice of allotment or transfer of such Shares to the Participant; and
- (c) make an application for the listing of and quotation for such relevant number of Shares,

and thereafter, as soon as practicable, to credit the relevant number of Shares into the Participant's CDS Account as notified by the Participant in writing to the Company.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

PART C: RSG AWARD

39. RSG AWARD

- 39.1 The ESS Committee may grant RSG Awards to Eligible Persons as the ESS Committee may select, in its absolute discretion, at any time during the period when the ESS is in force.
- 39.2 The number of Shares which are the subject of each RSG Award to be granted to a Participant in accordance with the RSG shall be determined at the absolute discretion of the ESS Committee, provided that the RSG Vesting Conditions, RSG Vesting Date, Service Period and such other conditions (if any) that may be stipulated by the ESS Committee in the RSG are duly and fully satisfied.

40. RSG GRANT PRICE

- 40.1 The RSG Grant Price for each Share to be granted will be based on the five (5) day volume weighted average market price of the Shares immediately preceding the RSG Date, with a discount (if any) of not more than 10% or such basis as the relevant authorities may permit.

41. TERMS OF THE RSG AWARD

- 41.1 The ESS Committee may stipulate any terms and conditions it deems appropriate in an RSG Award and the terms and conditions of each ESOS Offer may differ.
- 41.2 The terms and conditions set out in the RSG Award must include the following:
- (a) the Participant;
 - (b) the RSG Date;
 - (c) the number of Shares which are the subject of the RSG Award; and
 - (d) any other applicable condition which the ESS Committee may determine, if any, in relation to the RSG Award including the RSG Vesting Period, RSG Vesting Date, RSG Vesting Conditions, Service Period and Retention Period.
- 41.3 As soon as reasonably practicable after making an RSG Award the ESS Committee shall send to each Participant an RSG Letter confirming the RSG Award and specifying in relation to the RSG Award and the terms and conditions as stated in 41.2.
- 41.4 Participants are not required to pay for the grants of RSG Awards save for any individual income tax that may be incurred as a result of the receipt of the grant.
- 41.5 The ESS Committee may amend or waive the RSG Vesting Period(s), the RSG Vesting Date(s), the Release Schedule, the Retention Period and any condition applicable to an RSG Award and, in the case of a performance related award, the RSG Vesting Condition(s) and/or the extent to which Shares which are the subject of that Award shall be Released on the RSG Vesting Condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the RSG Vesting Period in respect of that RSG Award in the event of a take-over offer being made for the Shares or if a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies being approved by shareholders of the Company and/or sanctioned by the court under the Act or in the event of an order being made or a resolution passed for the winding-up of the Company (other than as provided in By-Law 9.1 or for reconstruction or amalgamation) or a proposal to sell or substantially all of the assets of the Company.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

41.6 An RSG Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the RSG Award relates, shall not be transferred (other than to a Participant's personal representative on the death of the Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the ESS Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an RSG Award without the prior approval of the ESS Committee, that RSG Award shall immediately lapse.

42. REVIEW OF RSG VESTING CONDITION(S), VESTING OF AWARDS, RELEASE OF AWARDS AND CASH AWARDS

42.1 Review of RSG Vesting Condition(s)

42.1.1 The ESS Committee shall, as soon as reasonably practicable after the end of the relevant review of the RSG Vesting Condition(s) specified in respect of such RSG Award, determine at its discretion:

- (a) whether an RSG Vesting Condition has been satisfied and if so, the extent to which it has been satisfied;
- (b) whether any other condition applicable to such RSG Award has been satisfied; and
- (c) the number of Shares (if any) comprised in such RSG Award to be Released to the relevant Participant.

42.1.2 The ESS Committee shall have full discretion to determine whether any RSG Vesting Conditions has been satisfied (whether fully or partially) or exceeded and in making any such determination, the ESS Committee shall have the right to make reference to (among others) the audited results of the Company or the Group (as the case may be) to take into account such factors as the ESS Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend any RSG Vesting Conditions if the ESS Committee decides that a changed performance target would be a fairer measure of performance. If the ESS Committee determines, in its sole discretion, that the RSG Vesting Conditions and/or any other condition applicable to that RSG Award has not been satisfied (whether fully or partially) or (subject to By-Law 11.2.1) if the relevant Participant has not continued to be an Employee from the Award Date up to the end of the relevant RSG Vesting Conditions, that RSG Award shall lapse and be of no value.

42.1.3 The ESS Committee shall, subject to By-Law 42.1.1 and 42.1.2 and provided that the relevant Participant has continued to be an Employee from the RSG Date up to the end of the RSG Vesting Conditions Release to that Participant the number of Shares determined by the ESS Committee under By-Law 42.1.1(c) on the RSG Vesting Date relating thereto. Such part of an RSG Award not Released shall lapse and be of no value.

42.2 Delivery of Shares

42.2.1 In respect of Shares which are Released to a Participant pursuant to By-Law 41.1, the ESS Committee shall procure the following, on or before the relevant Vesting Date but not later than eight (8) Market Days after the relevant RSG Vesting Date, as the case may be (or such period as may be prescribed or allowed by Bursa Securities):

- (a) credit the relevant number of Shares into the Participant's CDS Account as notified by the Participant in writing to the Company;
- (b) despatch a notice of transfer of such Shares to the Participant; and
- (c) make an application for the listing of and quotation for such relevant number of Shares (where applicable).

APPENDIX I – DRAFT BY-LAWS (CONT'D)

42.3 Ranking of Shares

42.3.1 New Shares allotted and issued, and existing Shares procured by the Company, via the Trustee, for transfer, pursuant to the Release of any RSG Award shall:

- (a) be subject to all the provisions of the Constitution of the Company; and
- (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the date on which the Shares are transferred to the CDS Account of the Participant, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

42.4 Cash Awards

42.4.1 The ESS Committee may determine to make a Release of Award, wholly or partly, in the form of cash rather than Shares which would otherwise have been Released to the Participant on the relevant RSG Vesting Date, in which event the Company shall pay to the Participant as soon as practicable but not later than eight (8) Market Days after such RSG Vesting Date, in lieu of all or part of such Shares, the market price of the Shares at the time of the RSG Vesting Date.

42.5 Moratorium

42.5.1 If a Retention Period is specified in an Award, Shares which are allotted or transferred on the Release of an Award to a Participant shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during such Retention Period, except to the extent set out in the Award Letter or with the prior approval of the ESS Committee. The Company shall be at liberty to take any steps which it considers necessary or appropriate to enforce or give effect to the restriction on the transfer, charge, assignment, pledge or disposal of Shares during the Retention Period otherwise than in accordance with the RSG Letter or as approved by the ESS Committee.

42.6 Rights to Share

42.6.1 Notwithstanding any provision in the By-Laws, the Participants shall not be entitled to any rights attached to the Shares prior to the date on which the Shares are credited into the CDS Accounts of the respective Participants.

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APPENDIX II - SALIENT TERMS OF THE DRAFT TRUST DEED

The following words and expressions shall have the following meaning:-

Trust Assets: All the assets (including the ESOS Options and RSG Awards) for the time being and from time to time held or deemed to be held by the Trustee upon trust pursuant to the Trust Deed.

Unless the context of the Trust Deed otherwise provides, all definitions herein shall have the same meanings as provided for in the By-Laws.

1. The purpose of the Trust is to facilitate the implementation of the ESS. The Trustee shall:-
 - (i) hold the capital and income of the Trust Assets for the purposes of the ESS, to be dealt with in accordance to the terms of the Trust and the By-Laws; and
 - (ii) at the direction of the ESS Committee, from time to time:-
 - (a) subscribe for new Shares and/or acquire existing Shares from the open market; and
 - (b) hold the Shares subscribed for and/or transfer such number of Shares as the ESS shall stipulate, to the participants.
2. Subject to the Trustee:-
 - (i) receiving sufficient funds from RCE, its Subsidiaries and/or third parties, as the case may be; or
 - (ii) having sufficient funds in the Trust;and receiving written direction and/or instructions from the ESS Committee,

the Trustee shall subscribe for such number of new Shares and/or acquire existing Shares from the open market as may be specified in the ESS Committee's written direction and such RCE Shares subscribed for and/or acquired are to be registered in the name of the Authorised Nominee (for the Trustee) on subscription and shall be held on trust by the Trustee for the purposes of the ESS.
3. In respect of Shares held by the Trustee that are yet to be deposited in any Participant's CDS Account, all rights, dividends, allotments and/or distributions in respect thereof shall attach and/or accrue and be attached and/or accumulated and form part of the Trust Assets.
4. Such RCE Shares subscribed for and/or acquired by the Trustee pursuant to the Trust Deed shall remain registered in the Authorised Nominee (for the Trustee)'s name until such time as the ESS Committee may direct in writing whereupon the Trustee shall transfer such number of Awards to such participants at such time as shall be specified in the ESS Committee's written directions. For the avoidance of doubt, a Participant shall not be entitled to any such Shares until the transfer thereof to such Participant.
5. Notwithstanding that the Trustee is the legal and registered holder of the Shares held upon trust pursuant to the Trust Deed, the Trustee shall only exercise the voting and/or other rights attached to such Awards, including by not limited to the rights arising from any rights issue undertaken by the Company, in such manner and extent as may be directed by the ESS Committee in writing.

APPENDIX II - SALIENT TERMS OF THE DRAFT TRUST DEED (CONT'D)

6. To enable the Trustee to subscribe for the new Shares and/or acquire existing Shares from the open market for the purposes of the ESS and to pay expenses in relation to the administration of the Trust, the Trustee will, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from RCE, its subsidiaries and/or third parties upon such terms and conditions as RCE and the Trustee may agree.
7. At the direction of RCE and/or the ESS Committee, the Trustee shall utilise any:-
- (a) proceeds from the sale of Shares which are remaining with the Trustee and not intended for any Participant;
 - (b) dividends or distributions in respect thereof; or
 - (c) any other funds then held by the Trustee in respect of the ESS;
- in such manner as the ESS Committee may stipulate in writing for purposes of the Scheme.
8. The Trust shall terminate upon the Trustee receiving a written notice from RCE or the ESS Committee on:-
- (i) the termination of the ESS; or
 - (ii) the expiration of the ESS period.
9. Immediately upon termination of the Trust, the Trustee shall:-
- (i) transfer to such participants such number of ESOS Options and/or RSG Awards as may be directed by the ESS Committee in writing; and
 - (ii) sell all remaining Shares at the then prevailing market price and convert such other Trust Assets into money to be dealt with in the following manner:-
 - (a) firstly, to pay all debts of the Trust other than debts arising from financial assistance taken by the Trustee for the purposes of the Trust;
 - (b) secondly, to repay all debts arising from financial assistance (if any) taken by the Trustee for the purposes of the Trust;
 - (c) thirdly, to retain a sum to be agreed by the Trustee and RCE as a fee for the services of the Trustee under the Trust Deed to the extent it is unpaid; and
 - (d) lastly, to deal with any remaining Trust Assets in accordance with the instructions in writing of the RCE and/or the ESS Committee.

and to provide RCE and/or the ESS Committee with the relevant accounting documents and/or all necessary documents to evidence items (a) to (d) abovementioned.

Note: The Trust Deed shall only be executed before the appointment of a Trustee and hence, the draft is not made available for inspection. However, the salient terms of the Trust Deed which shall be incorporated are disclosed above for shareholders' information purposes.

APPENDIX III – FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular. The Board hereby confirms that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement herein misleading.

2. CONSENT AND CONFLICT OF INTEREST

2.1 Consent

AmInvestment Bank has, before the issuance of this Circular, given and has not subsequently withdrawn its written consent for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

2.2 Conflict of interest

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AmBank Group forms a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of RCE Group.

As at LPD, AmBank Group has extended certain credit facilities amounting to approximately RM78 million to RCE Group, comprising term loan and revolving credit. The said credit facilities represent less than 1% compared to the total audited loans, advances and financing of AMMB Holdings Berhad (being the holding company of AmBank Group) as at 31 March 2020.

In addition, Tan Sri Azman Hashim, is a common substantial shareholder of AmInvestment Bank (held via his shareholding in AMMB Holdings Berhad) and RCE.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Adviser for the Proposed ESS does not give rise to a conflict of interest situation in view that AmBank Group form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. Further, save for the professional fees charged in relation to the Proposed ESS, AmInvestment Bank will not be deriving any direct monetary benefit from the Proposed ESS outside of its aforesaid capacities.

APPENDIX III – FURTHER INFORMATION (CONT'D)

3. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of RCE Shares traded on Bursa Securities for the past twelve (12) months preceding the date of this Circular are as follows:-

Month	High (RM)	Low (RM)
2019		
August	1.63	1.55
September	1.58	1.54
October	1.58	1.52
November	1.81	1.56
December	1.71	1.61
2020		
January	1.74	1.63
February	1.84	1.61
March	1.75	1.22
April	1.65	1.47
May	1.97	1.62
June	1.93	1.73
July	2.13	1.88

The last transacted market price of RCE Shares on 15 June 2020 (being the last market day immediately before the announcement of the Proposed ESS) 1.74

The last transacted market price of RCE Shares as at LPD 1.90

(Source: Bloomberg)

4. MATERIAL LITIGATION

As at LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

5. CONTINGENT LIABILITIES

The Board is not aware of any material contingent liabilities, incurred or known to be incurred by the Group as at LPD which upon becoming enforceable, have a material impact on the financial position or the business of the Group.

6. MATERIAL COMMITMENTS

As at LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group, which may have a material impact on the financial results or business of the Group.

APPENDIX III – FURTHER INFORMATION (CONT'D)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection 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 during normal office hours on Mondays to Fridays (except for public holidays) from the date of this Circular up to and including the date of the 66th AGM:-

- (i) Constitution of RCE;
- (ii) audited consolidated financial statements of RCE Group for the past two (2) financial years ended 31 March 2019 and 31 March 2020 and the latest unaudited consolidated results of the Group for the financial period ended 30 June 2020;
- (iii) letter of consent and declaration of conflict of interest referred to in Section 2 above; and
- (iv) draft By-Laws as set out in Appendix I of this Circular.