

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

TERM SHEET FOR THE PROPOSED INVESTMENT IN PRIVATE DEBT SECURITIES OF CREDIT CULTURE PTE. LTD. BY RCE AND/OR ITS WHOLLY-OWNED SUBSIDIARY

Unless otherwise indicated, the exchange rate of Singapore Dollar (“SGD”) is based on Bank Negara Malaysia’s middle rate of RM3.0360 to SGD1.00 on 22 January 2019 and is applicable throughout this announcement.

1. INTRODUCTION

RCE wishes to announce that it had, on 22 January 2019, entered into a term sheet (“**Term Sheet**”) with Credit Culture Pte. Ltd. (“**CC**”) for the proposed subscription of private debt securities (“**PDS**”) of up to the nominal value of SGD40.0 million (equivalent to approximately RM121.4 million) to be issued by CC in different tranches from time to time (“**Proposed Investment**”). As part of the Proposed Investment, CC will grant call options to RCE to subscribe for up to 30% equity stake in CC on an enlarged basis (“**Proposed Call Options**”).

The Proposed Investment and Proposed Call Options shall collectively be referred to as the Proposed Transaction. The Proposed Transaction may be undertaken by RCE and/or its subsidiary.

The Term Sheet is intended to form a basis for further discussions and negotiation and no legally binding obligations shall be created and inferred until the definitive agreements for the Proposed Transaction are fully negotiated, executed and delivered.

2. INFORMATION ON CC

CC is a financial technology (“**Fintech**”) start-up company in Singapore founded by a group of veteran bankers/ex-bankers having in-depth experience and knowledge in consumer credit and technology domain.

CC was incorporated and registered in Singapore under the Companies Act of Singapore on 18 March 2016 as an exempt private company limited by shares and its registered office is at 9 Craig Road, #02-01, Singapore (089669).

The issued and fully paid-up share capital of CC is SGD1,000,000 comprising 1,000,000 ordinary shares.

The holding company of CC, DEY Pte. Ltd. (“**DEY**”), is one of six applicants approved to operate moneylending business under a recent pilot by the Ministry of Law of Singapore. DEY will operate its moneylending business in Singapore via CC. CC will be principally engaged in the distribution of personal financing to Singaporean and Singapore Permanent Residents via online and mobile platforms.

CC is currently undertaking a fundraising exercise to fund its initial lending book. It has already received SGD4.0 million from a seed investor who currently holds approximately 20% equity stake in DEY.

The directors and shareholders of CC are as follows:-

Name	Designation	No. of ordinary shares held
Sim Khim Yeow Edmund	Director	-
Lee Kwok Bun	Director	-
Eva Richelle	Director	-
DEY	Shareholder	1,000,000 (100.0%)

The directors and shareholders of DEY are as follows:-

Name	Designation	No. of ordinary shares held
Sim Kim Yeow Edmund	Director and Shareholder	5,850 (62.6%)
Lee Kwok Bun	Director and Shareholder	2,000 (21.4%)
Eva Richelle	Director and Shareholder	1,250 (13.4%)
Shirley Ong	Shareholder	200 (2.1%)
Tan Yi Ling	Shareholder	50 (0.5%)

Lee Kwok Bun also holds 2,000 redeemable preference shares in DEY.

3. SALIENT TERMS OF THE PROPOSED TRANSACTION

3.1. Proposed Investment

The Proposed Investment is secured by loan receivables from CC. It is for a tenure of five years from the date of the first issuance, and redeemable at the discretion of CC. The redeemed PDS may be reissued by CC during the tenure of the Proposed Investment.

Coupon rate on the first SGD20.0 million (equivalent to approximately RM60.7 million) PDS is 10.0% per annum, while the rate for the balance SGD20.0 million will be determined at a later stage.

3.2. Proposed Call Options

The Proposed Call Options form part of the conditions of the Proposed Investment where RCE and/or its subsidiary has the options to subscribe for:-

- a. 20% equity stake in the enlarged issued shares of CC at a total consideration of SGD4.0 million (equivalent to approximately RM12.1 million); and
- b. up to 10% equity stake in the enlarged issued shares of CC based on CC's future valuation at the point of exercise.

The Proposed Call Options can be exercised via cash or principal conversion of the PDS subscribed by RCE and/or its subsidiary under the Proposed Investment at the prescribed rates above, at the discretion of RCE.

4. RATIONALE FOR THE PROPOSED TRANSACTION

The Proposed Transaction represents an opportunity for RCE to expand into the Fintech industry as well as personal financing markets outside Malaysia. RCE is able to leverage on CC's management expertise in both consumer financial services and digital solutions for potential growth in new markets.

Apart from attractive yield from the Proposed Investment, RCE also has the opportunity to ride on potential upswings in the Fintech cycle. The Proposed Call Options will also allow RCE flexibility to participate in equity upside and share in future profits as CC's business grows while protecting RCE from exposure to any initial start-up losses typically associated with Fintech companies.

5. FUNDING FOR THE PROPOSED TRANSACTION

The Proposed Transaction will be funded by advances from RCE by way of internally generated funds of RCE Group and/or bank borrowings, the breakdown of which would be ascertained at a later date.

6. RISK FACTOR

The Proposed Transaction carries credit risks customary to an investment in PDS. There is limited start-up risk as RCE will only be taking an equity stake in CC upon exercise of the Proposed Call Options. Exposure to foreign exchange risk is minimal in view of historical performance of the SGD against RM.

To mitigate the credit risk, the Proposed Investment is secured with the loan receivables by CC. RCE also has internal controls in place to actively manage the risks under the Proposed Transaction.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

8. DIRECTORS' STATEMENT

The Board of Directors of RCE, having considered all aspects of the Proposed Transaction, is of the view that the Proposed Transaction is in the best interest of RCE Group.

9. FURTHER DISCLOSURE ON THE PROPOSED TRANSACTION

RCE will make further announcement(s) to Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") in relation to the Proposed Transaction in a timely manner in accordance with Bursa Malaysia Main Market Listing Requirements, as and when necessary.

10. DOCUMENTS FOR INSPECTION

The Term Sheet is available for inspection at the registered office of RCE during normal office hours from Mondays to Fridays (except public holidays) at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor for a period of three (3) months from the date of this announcement.

This announcement is dated 22 January 2019.