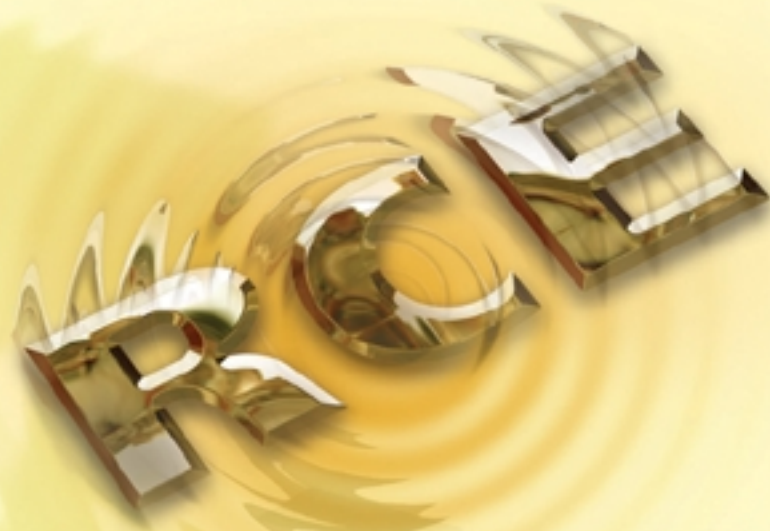


The logo for RCE, consisting of the letters 'RCE' in a bold, red, sans-serif font, set against a bright yellow rectangular background.

**RCE CAPITAL BERHAD**

(Company No. 2444-M)  
(Incorporated in Malaysia)



annual report **2005**

# Contents

<b>2</b>	Notice of Annual General Meeting
<b>4</b>	Statement Accompanying Notice of Annual General Meeting
<b>5</b>	Corporate Information
<b>6</b>	Five-Year Group Financial Highlights
<b>7</b>	Corporate Structure
<b>9</b>	Directors' Profile
<b>13</b>	Chairman's Statement
<b>19</b>	Penyata Pengerusi
<b>25</b>	Statement on Corporate Governance
<b>31</b>	Statement on Internal Control
<b>32</b>	Audit Committee Report
<b>37</b>	Financial Statements
<b>94</b>	Analysis of Shareholdings
<b>96</b>	List of Properties
	Form of Proxy

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifty-First Annual General Meeting of RCE Capital Berhad will be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 25 August 2005 at 9.30 a.m. to transact the following businesses:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2005 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees of RM113,959 in respect of the financial year ended 31 March 2005. **Resolution 2**
3. To re-elect the following Directors retiring by rotation in accordance with Article 106 of the Company's Articles of Association:
  - (i) Y. Bhg. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan **Resolution 3**
  - (ii) Mr. Soo Kim Wai **Resolution 4**
4. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965.

"THAT Mr. Wong Bin Chen who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."

**Resolution 5**
5. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to determine their remuneration. **Resolution 6**
6. As Special Business to consider and if thought fit, to pass the following resolution, with or without modifications, as ordinary resolution:

**Authority to Directors to issue shares**

"THAT subject always to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association and the approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**Resolution 7**

7. To transact any other business for which due notice shall have been given.

By Order of the Board

**JOHNSON YAP CHOON SENG**  
**SELENA LEONG SIEW TEE**  
Secretaries

Kuala Lumpur  
3 August 2005

NOTE:

1. Proxy

- (a) A member entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
- (b) Where a member appoints more than two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
- (c) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (d) This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of the attorney.
- (e) This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 7th Floor, Wisma Tan Kim San, No. 518A, 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Fifty-First Annual General Meeting or at any adjournment thereof.

Explanatory note on Special Business:

Resolution 7

The resolution proposed under item 6, if passed, will give the Directors of the Company the authority to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

# Statement Accompanying the Notice of Annual General Meeting

## 1. Directors standing for re-election/re-appointment at the Fifty-First Annual General Meeting of the Company

Directors retiring by rotation pursuant to Article 106 of the Company's Articles of Association and seeking re-election are as follows:

- (i) Y. Bhg. Datuk Zaman Khan @ Hassan bin Rahim Khan
- (ii) Mr. Soo Kim Wai

Directors who is over the age of seventy years and seeking re-appointment pursuant to Section 129(2) of the Companies Act, 1965 is Mr. Wong Bin Chen.

Details of the director standing for re-election/re-appointment are set out in the Directors' Profile on pages 9 to 12 of the Annual Report.

## 2. Details of attendance of Directors at Board Meetings

During the financial year, five (5) Board Meetings were held. Details of attendance of Directors at Board Meetings are disclosed in the Statement on Corporate Governance on page 26 of the Annual Report.

## 3. Place, date and time of the Fifty-First Annual General Meeting of the Company

Place : Dewan AmBank Group  
7th Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur

Date & Time : Thursday, 25 August 2005 at 9.30 a.m.

## BOARD OF DIRECTORS

### **Tan Sri Dato' Azman Hashim**

Chairman, Non-Independent  
Non-Executive Director

### **Azmi Hashim**

Vice Chairman, Non-Independent  
Non-Executive Director

### **Major General (Rtd) Dato' Haji Fauzi bin Hussain**

Independent Non-Executive Director

### **Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan**

Independent Non-Executive Director

### **Wong Bin Chen**

Independent Non-Executive Director

### **Soo Kim Wai**

Non-Independent Non-Executive Director

### **Shalina Azman**

Non-Independent Non-Executive Director

### **Chew Keng Yong**

Non-Independent Non-Executive Director

## COMPANY SECRETARIES

**Johnson Yap Choon Seng** (MIA 20766)

**Selena Leong Siew Tee** (MAICSA 7017630)

## REGISTERED OFFICE

7th Floor, Wisma Tan Kim San  
No. 518A, 3rd Mile, Jalan Ipoh  
51200 Kuala Lumpur  
Tel : 603-4042 8788  
Fax : 603-4042 8877

## PRINCIPAL PLACE OF BUSINESS

2-01, Block B, AMCORP Tower  
AMCORP Trade Centre  
No. 18, Jalan Persiaran Barat  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 603-7966 2300  
Fax : 603-7966 2525

## AUDITORS

### **Deloitte KassimChan**

Chartered Accountants  
Level 19, Uptown 1  
1 Jalan SS 21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 603-7723 6500  
Fax : 603-7726 3986

## SHARE REGISTRAR

### **PFA Registration Services Sdn Bhd**

1301, Level 13, Uptown 1  
No. 1, Jalan SS21/58,  
47400 Petaling Jaya  
Damansara Uptown  
Selangor Darul Ehsan  
Tel : 603-7725 4888  
Fax : 603-7722 2311

## STOCK EXCHANGE LISTING

### **Bursa Malaysia Securities Berhad**

Second Board  
(listed since 20 September 1994)  
Stock name : RCECAP  
Stock code : 9296

# Five-year Financial Highlights

## Consolidated balance sheets

As at 31st March (RM'000)

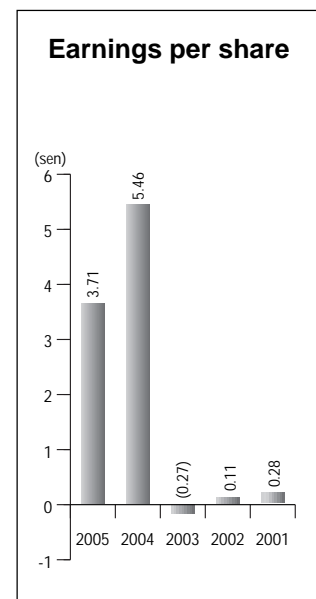
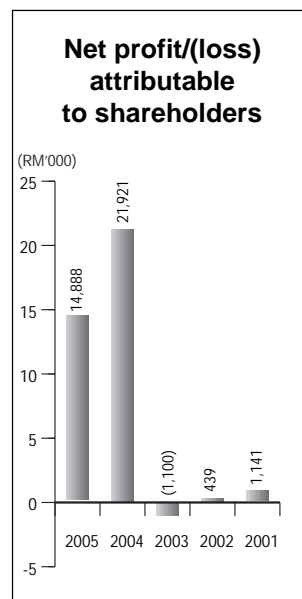
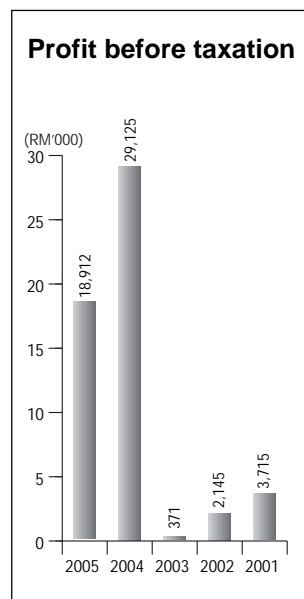
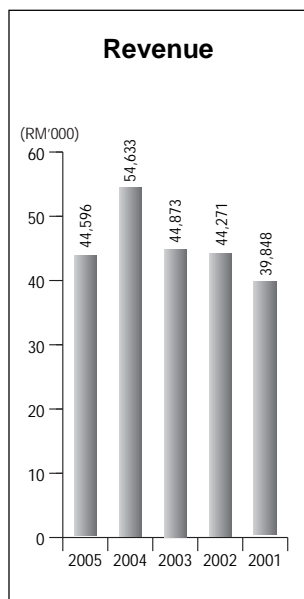
	2005	2004	2003	2002	2001
Property, plant and equipment	10,079	14,500	24,356	27,286	28,473
Loan and hire purchase receivables					
- Non-current portion	59,598	57,203	-	-	-
Investments	29,199	5,294	-	-	-
Deferred tax	4,000	-	-	-	-
Current assets	35,019	66,293	36,490	18,657	18,774
Long term and deferred liabilities	(72,614)	(3,216)	(2,721)	(3,931)	(4,686)
Current liabilities	(22,782)	(48,388)	(36,681)	(15,713)	17,530
Share capital	40,151	40,151	18,675	18,675	18,675
Shareholders' funds	58,368	44,470	21,121	22,222	21,783
Goodwill on consolidation	19,002	-	269	539	808
Net tangible assets (NTA)	39,366	44,470	20,852	21,683	20,975
NTA per share (sen)	9.80	11.08 #	5.19 #	5.40 #	5.22 #

## Consolidated income statements

Year ended 31st March (RM'000)

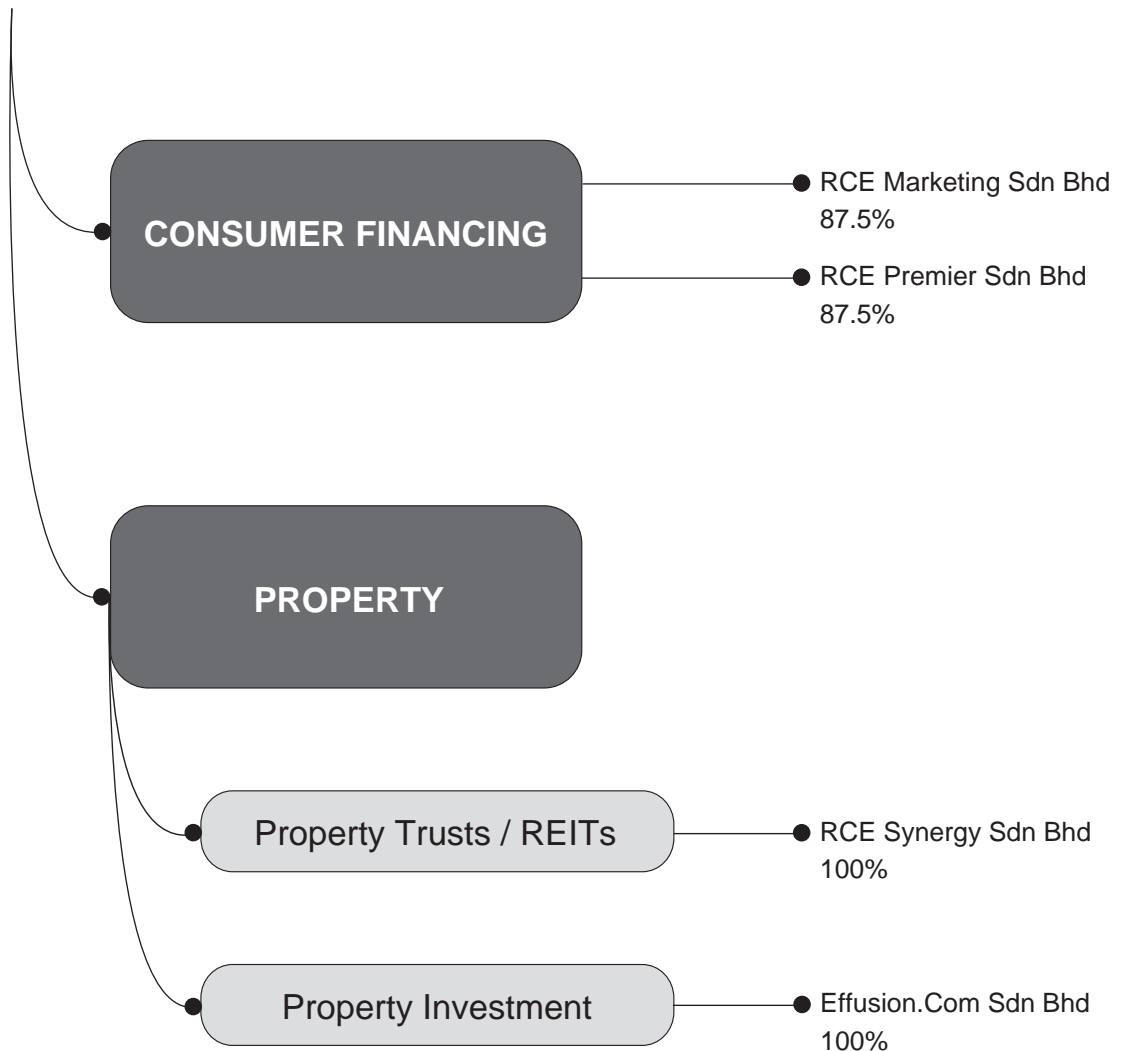
	2005	2004	2003	2002	2001
Revenue	44,596	54,633	44,873	44,271	39,848
Profit before taxation	18,912	29,125	371	2,145	3,715
Profit/(loss) after taxation	17,001	23,476	(1,272)	998	1,880
Net profit/(loss) attributable to shareholders	14,888	21,921	(1,100)	439	1,141
Earning per share (sen)	3.71	5.46 #	(0.27) #	0.11 #	0.28 #

# Adjusted for share split in June 2004





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





## Board of Directors



**Y. Bhg. Tan Sri Dato'  
Azman Hashim**  
*Chairman,  
Non-Independent  
Non-Executive Director*



**En. Azmi Hashim**  
*Vice Chairman,  
Non-Independent  
Non-Executive Director*



**Y. Bhg. Major General (Rtd)  
Dato' Haji Fauzi Bin Hussain**  
*Independent  
Non-Executive Director*



**Y. Bhg. Datuk Mohd Zaman  
Khan @ Hassan  
Bin Rahim Khan**  
*Independent  
Non-Executive Director*



**Mr. Wong Bin Chen**  
*Independent  
Non-Executive Director*



**Mr. Soo Kim Wai**  
*Non-Independent  
Non-Executive Director*



**Pn. Shalina Azman**  
*Non-Independent  
Non-Executive Director*



**Mr. Chew Keng Yong**  
*Non-Independent  
Non-Executive Director*

**Y. BHG. TAN SRI DATO' AZMAN HASHIM** *Chairman, Non-Independent Non-Executive Director*

Tan Sri Dato' Azman Hashim, a Malaysian, aged 66, was appointed to the Board on 2 December 1988.

Tan Sri Dato' Azman is a Chartered Accountant, a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators. He has been involved in the banking industry since 1960, when he joined Bank Negara Malaysia and served there until 1964. Between 1964 and 1971, he practised as a Chartered Accountant in Azman Wong Salleh & Co and later joined the Board of Malayan Banking Berhad (Maybank) from 1966 to 1980. He was the Executive Director of Maybank from 1971 until 1980. In 1980, he was appointed the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Maybank. He held the position until April 1982, when he acquired AmMerchant Bank Berhad.

At the national level, Tan Sri Dato' Azman is Chairman of the Association of Merchant Banks in Malaysia, the National Productivity Corporation, the Pacific Basin Economic Council (PBEC) Malaysia, the East Asia Business Council and Co-Chairman of Malaysia-Singapore Roundtable. He is President of the Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and Non-Aligned Movement's (NAM's) Business Council.

Tan Sri Dato' Azman also serves as Treasurer for the Malaysia-US Private Sector Consultative Group and the Malaysia-Australia Foundation and Vice-Chairman of the Malaysia Business Council and PBEC International. He is a member of the APEC Business Advisory Council, the Trilateral Commission (Asia-Pacific Group), the Malaysia-British Business Council, the Malaysia-China Business Council and the UNESCAP Business Advisory Council. He is also the Leader of ASEAN-Japanese Business Meeting (Malaysia Committee, Keizai Doyukai) and sits on the Board of Advisors, AIM Centre for Corporate Social Responsibility.

Tan Sri Dato' Azman is the Executive Chairman of Arab-Malaysian Corporation Berhad, the Chairman of AMMB Holdings Berhad (AHB) and several subsidiary companies of AHB, namely AmInvestment Group Berhad, AMFB Holdings Berhad, AmBank (M) Berhad, AmMerchant Bank Berhad, AmBank Berhad, Arab-Malaysian Credit Berhad, AmProperty Trust Management Berhad and AmAssurance Berhad. Apart from the AHB group of companies, he is also Chairman of other public companies, namely AMDB Berhad, MCM Technologies Berhad, Malaysian South-South Corporation Berhad, and a Director of Cagamas Berhad and Pembangunan MasMelayu Berhad. He is also a Trustee of AmGroup Foundation, ECM Libra Foundation and Perdana Leadership Foundation.

**EN. AZMI HASHIM** *Vice Chairman, Non-Independent Non-Executive Director*

En. Azmi Hashim, a Malaysian, aged 57, was appointed to the Board on 2 December 1988.

En. Azmi Hashim was in the accounting profession with several professional accounting firms both internationally and locally. Prior to his current appointment as Chief Executive Officer of AMDB Berhad (AMDB), he has held the position of General Manager in AMDB and was subsequently promoted to Managing Director in 1991 and Director/Advisor of AMDB in 1998.

His directorships in other public companies are in AMDB Berhad (Chief Executive Officer), AMDB Construction & Engineering Berhad, Arab-Malaysian Corporation Berhad, Kesas Holdings Berhad, Sapura Industrial Berhad, Seban Golf & Marina Resort Berhad and Sogelease (Malaysia) Berhad.

**Y. BHG. MAJOR GENERAL (RTD) DATO' HAJI FAUZI BIN HUSSAIN** *Independent Non-Executive Director*

Major General (Rtd) Dato' Haji Fauzi bin Hussain, a Malaysian, aged 65, was appointed to the Board on 25 April 2003.

He is a graduate of the Command and Staff College of Indonesia and the Joint Services Staff College of Australia. He also attended management training courses in South Korea and the United States of America.

Major General (Rtd) Dato' Haji Fauzi served in the Malaysian Armed Forces for nearly 35 years. He has served in many capacities from platoon commander, base commander, staff officer to commander of training, support and air defence commands of the air force before retiring in November 1994 as Deputy Chief of Air Force. He was Joint-Chairman of the planning and execution committee of air exercises with Thailand and Indonesia and was also involved in the training and operations along the border of Malaysia and Thailand.

Major General (Rtd) Dato' Haji Fauzi currently sits on the Board of Atis Corporation Berhad and MCM Technologies Berhad.

**Y. BHG. DATUK MOHD ZAMAN KHAN @ HASSAN BIN RAHIM KHAN** *Independent Non-Executive Director*

Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan, a Malaysian, aged 63, was appointed to the Board on 26 March 1998.

He graduated from the Royal College of Defense Studies, United Kingdom and also holds a Graduate Certificate in Management from the Monash Mt. Eliza Business School.

He served the Police Forces for 35 years and had held several key positions, namely as Commissioner of Police, Director of Criminal Investigation and Director-General for the Prisons Department.

**MR. WONG BIN CHEN** *Independent Non-Executive Director*

Mr. Wong Bin Chen, a Malaysian, aged 74, was appointed to the Board on 8 October 1993.

Mr. Wong Bin Chen has wide experience in business and property development in a career spanning over 40 years. He is also an active committee member of a few educational and welfare organisations, which include Chung De Culture & Education Foundation and Yayasan Pendidikan Mun Choong.

Apart from the Company, Mr. Wong Bin Chen is also a director of General Corporation Berhad and Asia Motor Berhad.

**MR. SOO KIM WAI** *Non-Independent Non-Executive Director*

Mr. Soo Kim Wai, a Malaysian, aged 44, was appointed to the Board on 11 August 1997.

Mr. Soo Kim Wai is a Chartered Accountant (Malaysian Institute of Accountants) and a Certified Public Accountant (Malaysian Institute of Certified Public Accountants).

He joined Arab-Malaysian Corporation Berhad (AMCORP) in 1989 as Senior Manager-Finance and has since held various positions. He was appointed as a Director of AMCORP on 13 March 1996 and subsequently as Managing Director on 1 January 1999. Before joining AMCORP, he was in the accounting profession for 5 years with Deloitte KassimChan from 1980 to 1985 and with Plantation Agencies Sdn Bhd from 1985 to 1988.

His directorships in public companies are in AMMB Holdings Berhad, AmProperty Trust Management Berhad, AMCORP and MCM Technologies Berhad.

**PN. SHALINA AZMAN** *Non-Independent Non-Executive Director*

Pn. Shalina Azman, a Malaysian, aged 38, was appointed to the Board on 6 January 2000.

She holds a Bachelor of Science in Business Administration majoring in Finance and Economics from the Chapman University in California and she obtained her Masters in Business Administration from the University of Hull in United Kingdom in 1993.

Pn. Shalina Azman's involvement with the Company dates back to 1990 where she first gained invaluable experience in the media industry as a Business Development Officer. Prior to joining the Company, she was with Arab-Malaysian Corporation Berhad (AMCORP) from 1995 to 1999 as a Senior Manager, Corporate Planning. She was subsequently appointed as the Managing Director of the Company on 1 September 2000. On 31 July 2002, Pn. Shalina resigned as the Managing Director of the Company to join AMCORP and on 1 August 2002, she was appointed as the Deputy Managing Director of AMCORP.

Apart from the Company and AMCORP, Pn. Shalina Azman is also a Director of AMMB Holdings Berhad and MCM Technologies Berhad.

**MR. CHEW KENG YONG** *Non-Independent Non-Executive Director*

Mr. Chew Keng Yong, a Malaysian, aged 51, was appointed to the Board on 17 April 2001.

Mr. Chew Keng Yong obtained his Diploma in Management from the Malaysian Institute of Management in 1985.

He is the founder of Pos-Ad Sdn Bhd, the first in-store advertising company in Asia. He has extensive experience in the business of in-store advertising which specialises in promoting and marketing fast-moving consumer goods for companies and supermarkets in East and West Malaysia.

He is a board member of Focus-On-The-Family (M) Sdn Bhd, a non-profit organisation dedicated with a clear vision to strengthen the preservation of family. In 1998, he was elected as one of the winners of the 1998 Chivas Regal Achievement Award to Malaysian businessmen, in recognition of their excellence accomplishments in business.

DETAILS OF MEMBERSHIP IN BOARD COMMITTEES

COMMITTEES OF THE BOARD			
	Audit Committee	Remuneration Committee	Nomination Committee
Azmi Hashim			Member
Major General (Rtd) Dato' Haji Fauzi bin Hussain	Chairman	Member	Member
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan		Chairman	Chairman
Wong Bin Chen	Member	Member	Member
Soo Kim Wai	Member		

- Family Relationship**  
None of the Directors have any family relationship with any Director and/or major shareholder of the Company, except for Tan Sri Dato' Azman Hashim and En. Azmi Hashim, who are brothers and Pn. Shalina Azman is the daughter of Tan Sri Dato' Azman Hashim.
- Conflict of Interest**  
Other than permitted related party transactions, none of the Directors have any conflict of interest with the Company.
- Conviction for Offences**  
For the past 10 years, none of the Directors have any conviction for offences.



Y. Bhg. Tan Sri Dato' Azman Hashim  
Chairman

On behalf of the Board of Directors, I am pleased to present another year of strong performance for the Group which reflects the full impact of the steps we have taken to restructure our core business from media related to financing and investments.

I must acknowledge that this strategic shift (throughout 2003 and 2004) was a demanding and challenging phase for the Group, yet a necessary and deliberate attempt to reverse its declining financial performance.

However, the performance oriented culture that we have developed throughout the organisation has enabled us to accomplish this task within a short period of time. Now, I am happy to note that RCE is out of the red for the second year since 2003.

**ECONOMIC REVIEW**

The Malaysian economy performed well with a GDP growth of 7.1% last year. We saw credit consumption expanded by 16.4% in 2004, rebounding from 11.1% in 2003. As at March 2005, this leading private consumption indicator continues to strengthen to 17.4%, an all time high since 2001.

In some ways, the expansion of private credit consumption has facilitated the growth of our personal financing business. Another market factor that contributed positively to our financial performance is the review of remuneration scheme in the public sector, following our Prime Minister's 2005 Budget Speech in September 2004.

**HIGHLIGHTS**

For the past 12 months, we have added RM13.9 million of wealth to our shareholders equity. As a result, RCE's book value per share has strengthened 31%, from 11.1 sen in 2004 to 14.5 sen in 2005.

Since January 2004, RCE share price has appreciated strongly. This was given due recognition when RCE was featured in the financial media league tables twice, first in January 2005, and then again in June 2005.

Published by  
The Edge Communications Sdn Bhd  
(266980-X)  
G501-G801, Level 5-8, Block G,  
Phileo Damansara I, 9 Jalan 16/11,  
Off Jalan Damansara,  
46350 Petaling Jaya, Selangor, Malaysia  
Phone: (603) 7660 3838  
Fax: (603) 7660 8568

Copyright ©2004, The Edge Communications Sdn Bhd.  
All rights reserved.

Editor: Ho Kay Tat  
Research: Anna Taing, Maryann Tan,  
Cindy Tham  
Design: Sharon Khoh, Azuree Halldar

Printed by  
Kam Printers Sdn Bhd  
Lot 9, Jalan 51A, 46100 Petaling Jaya  
Selangor, Malaysia  
Phone: (603) 7676 2288 Fax: (603) 7676 8388

For extra copies, please contact The Edge

Top 10 gainers and losers	Top 10 Main Board gainers				Top 10 Main Board losers				Top 10 Second Board gainers					
	Description	Jan 2, 2004	Dec 14, 2004	Difference(%)	Description	Jan 2, 2004	Dec 14, 2004	Difference(%)	Description	Jan 2, 2004	Dec 14, 2004	Difference(%)		
	1	FA Peninsular Bhd	0.315	1.190	277.780	1	PSC Industries Bhd	6.300	0.755	-88.020	1	Concrete Engineering Products Bhd	1.000	3.040
2	Lion Industries Corporation Bhd	0.530	1.700	220.750	2	Ayer Hitam Tin Dredging Malaysia	0.650	0.080	-87.690	2	Lion Forest Industries Bhd	1.500	2.820	88.000
3	Lion Corporation Bhd	0.530	1.680	216.980	3	Datuk Keramat Holdings Bhd	0.400	0.100	-75.000	3	Scientex Packaging Bhd	1.100	2.200	86.440
4	Integrated Logistics Bhd	0.720	1.800	150.000	4	MBF Corporation Bhd	0.440	0.120	-72.730	4	RCE Capital Bhd	0.134	0.240	79.100
5	Wileva Baru Global Bhd	0.805	1.980	145.960	5	Nylex Malaysia Bhd	2.300	0.645	-71.960	5	Leader Steel Holdings Bhd	0.682	1.130	65.690
6	Golden Plus Holdings Bhd	0.590	1.350	128.810	6	Innovest Bhd	0.050	0.015	-70.000	6	Lebar Daun Bhd	4.100	6.750	64.630
7	Inch Kenneth Kalang Rubber PLC	21.000	48.000	128.570	7	FCW Holdings Bhd	0.935	0.315	-66.310	7	VADS Bhd	2.380	3.880	63.030
8	Amalgamated Containers Bhd	0.460	0.995	116.300	8	Naim Indah Corporation Bhd	0.450	0.155	-65.560	8	Foremost Holdings Bhd	0.820	1.220	48.780
9	Lion Diversified Holdings Bhd	0.941	1.970	109.350	9	Lityan Holdings Bhd	0.665	0.235	-64.660	9	Chin Foh Bhd	0.930	1.380	48.390
10	Malaysia Aica Bhd	0.840	1.750	108.330	10	Paracorp Bhd	0.550	0.195	-64.550	10	Flitters Holdings Bhd	1.170	1.720	47.010

**TOP 100** COMPANIES

**FUNDAMENTAL  
STOCKS  
DOMINATE**

This is the third year we are doing this. And all you companies out there waiting to make a quick buck in terms of share prices, bear this in mind and remember it well. It's what you do with the business and how you create value that matters.

Concepts may come and concepts may go but if you want to make a long-term difference to your share price and what you return to shareholders, you must focus on your business and do it well — there is no short cut.

Top 100 companies that gave the best returns (5 years)

Company	Price (RM)	Price (RM)	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
	Jan 1, 00	Dec 31, 04					
Transmile Grp Bhd	1,450	8,900	0.13	9.03	523.1	44.2	1
IOIOleochemical Industries Bhd	1,700	9,600	0.72	10.32	507.1	43.4	2
YTL Cement Bhd	0,553	2,450	0.35	2.80	406.3	38.3	3
IOI Corporation Bhd	2,220	9,500	0.83	10.33	365.1	36.0	4
OYL Industries Bhd	9,800	38,000	6.78	44.78	356.9	35.5	5
YLI Holdings Bhd	1,120	4,340	0.23	4.57	307.7	32.5	6
Nama Industries Bhd	0,675	1,650	1.00	2.65	292.6	31.5	7
Perusahaan Sadur Timah (M) Bhd	0,735	2,550	0.32	2.87	290.5	31.3	8
Kwantas Corporation Bhd	1,470	5,050	0.25	5.30	260.3	29.2	9
TSH Resources Bhd	0,590	2,000	0.06	2.06	249.9	28.5	10
Thong Guan Industries Bhd	0,680	2,190	0.11	2.30	238.9	27.7	11
Sapranest Petroleum Bhd	0,356	1,130	0.01	1.13	218.8	26.1	12
Concrete Engineering Products Bhd	1,050	3,310	0.00	3.31	215.2	25.8	13
ECM Libra Bhd	0,526	1,560	0.04	1.60	204.2	24.9	14
Leidner Steel Holdings Bhd	0,416	1,120	0.07	1.19	185.3	23.3	15
Inch Kenneth Kajang Rubber	18,000	51,250	0.00	51.25	184.7	23.3	16
<b>RCE Capital Bhd</b>	<b>0,097</b>	<b>0,250</b>	<b>0.00</b>	<b>0.26</b>	<b>168.0</b>	<b>21.8</b>	<b>17</b>
Malaysia Smelting Corporation Bhd	2,700	6,000	1.18	7.18	165.9	21.6	18
WCT Engineering Bhd	2,040	4,500	0.91	5.41	165.2	21.5	19
Public Bank Bhd	3,240	7,100	1.45	8.55	163.9	21.4	20
Mah Sing Group Bhd	0,629	1,540	0.09	1.63	159.8	21.0	21
Shell Refining Co (M) Bhd	4,320	9,700	1.41	11.11	157.2	20.8	22

Progressively, investors are favoring RCE's strong earnings growth and prospects. This is evident from our net profit achievement of RM14.9 million in 2005, backed by underlying earnings of RM13.6 million. Relative to 2004, the latter has surged 92%, from RM7.1 million.

**TOP 100** COMPANIES

**IN THE LONG  
RUN, VALUE  
SHINES  
THROUGH**

Sometimes we wonder whether we should have picked 10 years for our shareholder returns rankings. That's because it fits the textbook pattern expected from long-term investing very well.

By a rare coincidence, only the top 100 companies gave zero or positive returns over the period — only one out of four. It was not a great time to have been invested in the stock market.

Top 100 companies that gave the best returns (10 years)

Company	Price (RM)	Price (RM)	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
	Jan 1, 95	Dec 31, 04					
SP Setia Bhd	0.86	4.32	0.66	4.98	477.6	19.2	1
British American Tobacco (M) Bhd	16.70	45.75	25.55	71.30	326.9	15.6	2
Malakoff Bhd	1.97	7.20	1.11	8.31	321.7	15.5	3
Malaysian Pacific Industries Bhd	4.52	15.00	3.39	18.39	306.9	15.1	4
Public Bank Bhd	2.26	7.10	1.65	8.75	287.4	14.5	5
IOI Corporation Bhd	2.95	9.50	1.04	10.54	257.3	13.6	6
OYL Industries Bhd	13.00	38.00	8.04	46.04	254.2	13.5	7
YTL Cement Bhd	0.81	2.45	0.41	2.86	253.5	13.5	8
Gamuda Bhd	1.83	5.30	0.82	6.12	234.2	12.8	9
IOI Oleochemical Industries Bhd	3.20	9.60	0.85	10.45	226.4	12.6	10
LPI Capital Bhd	2.45	5.90	2.09	7.99	226.1	12.5	11
QSR Brands Bhd	0.99	2.69	0.31	3.00	204.2	11.8	12
Southern Bank Bhd	1.42	3.32	0.87	4.19	194.9	11.4	13
Pacificmas Bhd	2.85	7.00	0.89	7.89	176.8	10.7	14
Malaysia International Shipping Corporation Bhd	6.45	15.30	2.27	17.57	172.4	10.5	15
TSH Resources Bhd	0.78	2.00	0.10	2.10	170.8	10.5	16
Malayan Banking Bhd	5.13	11.80	1.79	13.59	164.9	10.2	17
Smelting Corporation Bhd	3.02	6.00	1.92	7.92	162.3	10.1	18
<b>RCE Capital Bhd</b>	<b>3.50</b>	<b>5.10</b>	<b>0.97</b>	<b>8.93</b>	<b>156.1</b>	<b>9.7</b>	<b>19</b>
LB Aluminium	1.11	1.64	0.12	1.76	58.9	4.7	49
UMW Holdings Bhd	8.10	9.70	3.02	12.72	57.0	4.6	50
AIC Corporation Bhd	1.97	2.12	0.89	3.01	53.0	4.3	51
Shell Refining Co (M) Bhd	3.99	4.56	1.50	6.06	51.9	4.3	52
Melwar Industrial Group Bhd	0.18	0.26	0.01	0.27	30.3	4.2	53
Dutch Lady Milk Industries (M) Bhd	4.16	3.78	2.35	6.13	47.4	4.0	54

Based on the Return on Equity ("ROE") of companies trading on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") RCE's ROE of 26% has outperformed the market at large and is quite a distance above the average performer. Despite recording two consecutive years of solid performance, we remain bullish on the Group's earnings prospect and profitability growth.

## TOP 100 COMPANIES

## THE PARTY'S OVER

We put our hands up in despair yet again. Over 100 companies gave returns of better than 33%, but, and this is important, almost double that number lost at least a third of their stock market value. That definitely shows that the market was considerably skewed downwards.

## Top 100 companies that gave the best returns (1 year)

Company	Price (RM) Jan 1, 04	Price (RM) Dec 31, 04	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
FA Peninsular Bhd	0.30	1.42	0.00	1.42	373.3	373.3	1
Concrete Engineering Products Bhd	0.82	3.31	0.00	3.31	304.2	304.2	2
Lion Industries Corporation Bhd	0.52	1.77	0.01	1.78	245.6	245.6	3
Lion Corporation Bhd	0.53	1.77	0.00	1.77	237.1	237.1	4
Inchi Kenneth Kajang Rubber PLC	20.00	51.25	0.00	51.25	156.3	156.3	5
Integrated Logistics Bhd	0.72	1.81	0.02	1.83	154.2	154.2	6
Wjaya Baru Global Bhd	0.80	2.02	0.00	2.02	152.5	152.5	7
Golden Plus Holdings Bhd	0.59	1.47	0.00	1.47	149.2	149.2	8
LI Hen Industries Bhd	0.95	2.23	0.00	2.23	134.7	134.7	9
Lion Diversified Holdings Bhd	0.91	2.07	0.05	2.12	133.0	133.0	10
Shell Refining Co. (M) Bhd	4.46	9.70	0.65	10.35	132.1	132.1	11
Amalgamated Containers Bhd	0.46	1.04	0.00	1.04	126.3	126.3	12
PDZ Holdings Bhd	1.11	2.47	0.00	2.47	122.5	122.5	13
TSH Resources Bhd	0.92	2.00	0.02	2.02	119.9	119.9	14
Mah Sing Group Bhd	0.76	1.54	0.06	1.60	110.0	110.0	15
KVM Group Bhd	1.43	2.85	0.03	2.88	101.4	101.4	16
Malaysia Aica Bhd	0.88	1.74	0.00	1.74	98.9	98.9	17
Lion Forest Industries Bhd	1.51	2.80	0.18	2.98	97.0	97.0	18
Hup Teck Venture Bhd	0.76	1.47	0.03	1.50	96.7	96.7	19
RCE Capital Bhd	0.13	0.26	0.00	0.26	94.0	94.0	20
Aluminium Co of Malaysia Bhd	1.12	1.98	0.15	2.13	90.2	90.2	21
VADS Bhd	1.60	2.88	0.10	2.98	86.5	86.5	22
Scientex Packaging Bhd	1.18	2.20	0.00	2.20	86.4	86.4	23
Top Glove Corporation Bhd	2.43	4.38	0.07	4.45	83.1	83.1	24
Tong Heng Resources Bhd	2.55	4.30	0.30	4.60	80.4	80.4	25
Transmile Grp Bhd	4.96	8.90	0.03	8.93	80.0	80.0	26
PDS Malaysia & Services Holdings Bhd	1.49	2.60	0.08	2.68	79.5	79.5	27

## Top companies that gave the best returns by sector

Company	Price (RM) Jan 1, 04	Price (RM) Dec 31, 04	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
<b>SECOND BOARD TRADING/SERVICES</b>							
Tapaswari Petroleum Bhd	0.36	1.33	0.01	1.34	218.8	26.1	1
RCE Capital Bhd	0.13	0.26	0.00	0.26	100.0	21.8	2
Finest Holdings Bhd	0.58	1.84	0.04	1.88	93.1	14.1	3
Agia Kue Corporation Bhd	0.86	1.55	0.00	1.55	79.8	12.5	4
Yunan Holdings Bhd	1.04	1.35	0.04	1.39	31.2	5.4	5
Lion Forest Industries Bhd	2.58	2.80	0.17	3.07	18.9	1.5	6
Emerging (M) Bhd	3.42	3.20	0.09	3.29	-1.0	-0.2	7
Triumphal Associates Bhd	1.71	1.29	0.19	1.48	-13.5	-2.9	8
Semi Jaya Corporation Bhd	1.13	0.85	0.07	0.92	-13.7	-1.8	9
Seri Rapi Consolidated Bhd	1.76	1.20	0.17	1.37	-21.0	-4.8	10

## BUSINESS DEVELOPMENT

Following the acquisition of RCE Marketing Sdn Bhd ("RCEM") in June 2003, we have been focusing our resources and efforts towards expanding its personal loan financing business.

As of May 2005, RCEM's receivables portfolio has grown by 142% to RM328.1 million, compared to the previous year's RM135.8 million. Our customer base has also expanded 3 times relative to the sector expansion, as well as 3.6 times relative to the sub-sector expansion. Consequently, we registered a double-digit growth in terms of market share by servicing close to 25,000 accounts.



	<b>Growth (May-05 vs. Feb-04)</b>	<b>Growth (Annualized)</b>	<b>RCEM's Relative Growth</b>
Sector	9.4%	7.5%	303%
Sub-sector:			
Co-operative Segment	7.8%	6.3%	361%
RCEM	28.3%	22.6%	

Source: National Co-operative Organisation of Malaysia

This commendable achievement was driven by an integration of various tactical plans, which include expansion of distribution network through strategic alliances, investment in information technology to increase productivity, penetration of new market segments and product innovation. In addition, RCEM also doubled its marketing channels through smart partnerships with co-operative societies to approximately 40 branches nationwide.

## CORPORATE DEVELOPMENT

During the year, we embarked on several corporate exercises to restructure our business units and streamline RCE with the core objective of enhancing shareholder value.

### Access to Capital Markets

Subsequent to securing a RM95.0 million financing facility from the Malaysian debt capital markets in July 2004, RCE has successfully issued RM77.0 million worth of private debt securities since October 2004, through its subsidiary, RCE Premier Sdn Bhd ("RCEP").

This has effectively translated the Group's future cash flows into current working capital, fuelling the exponential growth of RCEM. Going forward, we will be leveraging on the confidence that the capital markets has placed on the Group to raise additional funding for RCEM.

### Strategic Investment

Recently, there has been renewed investors' interest in Real Estate Investment Trusts ("REITs") in Malaysia following the introduction of favourable tax legislation and Securities Commission guidelines governing such trusts.

We believe that there is excellent growth opportunity for REITs in Malaysia, given the current low interest rate environment and that investors are increasingly looking for high-yielding instruments.

With this outlook, RCE is poised to increase its stake in AmFirst Property Trust ("AMFPT") by another 29.1 million units, further to an earlier acquisition of 29.2 million units in August 2004. The transaction is expected to be completed by the end of 2005.

Beyond the inherent opportunistic gains driven by the potential of REITs, AMFPT also has an attractive income distribution track record over the last 3 years, when its gross income distribution had ranged between 7.0 sen to 7.5 sen per annum.

## Initial Coverage



MALAYSIA EQUITY RESEARCH

15 April 2005

## RCE Capital Bhd

RM0.22

Market Cap : RM88.3m  
 Board : Second Board  
 Sector : Trading / Services  
 Stock Code : 9296

**BUY**

Fair value: RM0.29

## Key Stock Statistics

	2005F	2006F
EPS (sen)	2.95	3.75
P/E (x)	7.5	5.9
Dividend/Share	—	—
N/A/Share (RM)	0.09	0.13
Book Value/Share	0.14	0.17
Issued Cap (mil shares)	401.51	
52-Week Price Range:	RM0.34 - RM0.20	
Major Shareholders:		
Cempaka Empayar Sdn Bhd	41.4	
Blue Ribbon International	14.2	
Charter Green Ltd	8.1	

## 1. Investment Highlights

- In 2004, RCE Capital Bhd (RCEB) undertook efforts to streamline its businesses and shift its strategic focus to concentrate on the provision of general loan financing services and property investment and discontinue its operations in advertising media services, general trading, licensing and merchandising, and broadcasting.
- As part of its restructuring, in July 2004, RCEB disposed its entire 70% equity interest in Pos Ad Sdn Bhd, which was one of its main businesses involved in store advertising and provision of on-site product trialing services business.
- RCEB's loan financing services is targeted at government servants who are members of three cooperatives: Koperasi Belia Nasional Bhd (KOBENA), Koperasi Sejati Bhd (KSB) and Koperasi Wawasan Pekerja-Pekerja Berhad (KOWAJA). The sound business model undertaken by RCEB has relatively low default risk and provides it with opportunities to tap into the strong credit consumption growth in Malaysia.
- The stock is currently trading at a low PER05 of 7.5 times and PER06 of 5.9 times with its FY-end March. Based on comparative valuations as well as the group's strong ROE potential, we assign a BUY recommendation with fair value of RM0.29 based on target PER05 of 10 times.

## Investor Relations

In line with our commitment to keep our shareholders and the investing public informed of the Group's performance and potential, RCE participated in a "small-cap" stocks research scheme initiated by Bursa Securities Capital Market Development Fund.

An established local research team and a leading regional research house have been appointed by Bursa Securities to cover the performance of RCE. Since then, there has been an increase in awareness of RCE among both institutional and retail investors. As a result, we saw a healthy growth of 11% in the number of our shareholders, from 915 in June 2004 to 1,015 in June 2005.

## Viable business, low risk make RCE attractive

BY YIOWI POO LING

RCE Capital Bhd's low valuations coupled with its viable business model and low risk-operating environment are seen as attractive, said analysts.

"We continue to like the stock for its sound business model and low risk, its position as a non-financial institution financing entity with a competitive advantage in terms of its service model and turnaround time should bode well for the stock," Mayban Securities said.

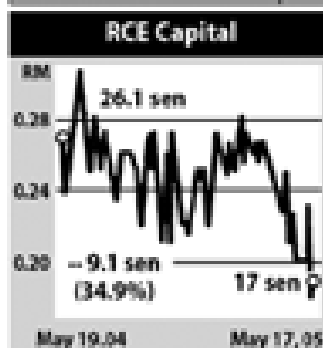
The research house said the stock was trading at a low price-to-earnings ratio (PER) of 7.5 times, with an expected return-on-equity of 22% for the financial year ending Dec 31.

It noted that the stock was among the best performing Second Board stocks on Bursa Malaysia last year, with its share price surging by 94% over the year.

The company is now involved in the provision of general loan financing services and property investment after disposing of its advertising media services, general trading, licensing and merchandising, and broadcasting operations last year.

Its loan financing services are targeted at government servants who are members of three cooperatives: Koperasi Belia Nasional Bhd, Koperasi

RCE Financial Highlights		2004	2003	2002	2001	2000
FYI Dec 31 (RM mil)						
Revenue		54.6	44.9	44.3	39.8	37.2
Pre-tax		29.1	6.37	2.1		4.3



strict eligibility criteria, it said, adding that the low job transfers and resignations in the government sector also helped maintain the cash flow.

The research house said RCE was increasing its portfolio of personal loans in order to establish itself as a leading consumer financier.

Sejati Bhd and Koperasi Wawasan Pekerja-Pekerja Bhd.

Mayban Securities said RCE's business model had a relatively low default risk, providing it with opportunities to tap the strong credit consumption growth in Malaysia.

Credit risk was mitigated as consumer loans were only extended to public servants, with instalments being made via salary deductions.

Furthermore, funds were only remitted to members that meet the

## **PROSPECTS AND FUTURE DIRECTION**

The Malaysian economy is expected to remain strong for 2005. Consumer spending will continue to be one of its key growth drivers and this is expected to provide further impetus for the expansion of RCE's personal financing business. Therefore, barring unforeseen circumstances, we are confident that there will be further improvement in the Group's performance for the next financial year.

## **IN GRATITUDE**

I would like to take this opportunity to thank my fellow Board members, the Management and all employees for their dedication and contribution to the Group.

Not forgetting the others who have contributed significantly to our continued success, we also wish to express our gratitude for the endorsement and support from our customers, business associates and the regulatory authorities.

To our valued shareholders, we thank you for your confidence in us and reaffirm our commitment to enhancing the value of your investment in the RCE Group.

**Tan Sri Dato' Azman Hashim**

Chairman

25 July 2005



Y. Bhg. Tan Sri Dato' Azman Hashim  
Pengerusi

Saya, bagi pihak Lembaga Pengarah, dengan bangganya mengemukakan keputusan prestasi yang kukuh sekali lagi untuk tahun ini bagi Kumpulan RCE. Langkah-langkah yang telah diambil untuk menyusun semula perniagaan teras kami iaitu dari media kepada pembiayaan dan pelaburan telah membawa keputusan prestasi ini.

Saya mengakui bahawa peralihan strategi ini (sepanjang 2003 dan 2004) merupakan fasa yang amat mencabarkan bagi Kumpulan RCE. Namun, komitmen untuk memulihkan kembali prestasi kewangan yang semakin merosot telah mendesak kami mengambil langkah tersebut.

Walau bagaimanapun, penumpuan kami terhadap matlamat meningkatkan prestasi telah mewujudkan satu organisasi yang membolehkan kami menyempurnakan peralihan strategi ini dalam tempoh masa yang agak singkat. Kini, saya gembira untuk mengumumkan bahawa RCE telah mencatat keuntungan dua tahun berturut-turut, sejak 2003.

## KAJIAN EKONOMI

Ekonomi Malaysia telah menunjukkan prestasi yang baik dengan pertumbuhan KDNK sebanyak 7.1% bagi tahun lepas. Kita menyaksikan kadar pertumbuhan kredit pengguna mencecah setinggi 16.4% pada 2004, berbanding dengan 11.1% pada 2003. Pada Mac 2005, penunjuk penggunaan swasta utama ini terus meningkat kepada 17.4%, prestasi tertinggi sejak 2001.

Peningkatan penggunaan kredit swasta telah memudahkan pertumbuhan perniagaan pembiayaan peribadi kami. Satu lagi faktor pasaran yang telah menyumbang secara positif kepada prestasi kewangan kami adalah kajian semula skim imbuhan dalam sektor awam, berikutan Ucapan Bajet 2005 Perdana Menteri kita pada September 2004.

## SOROTAN

Bagi 12 bulan yang lepas, kami telah menambahkan RM13.9 juta kepada ekuiti pemegang saham kami. Akibatnya, nilai buku setiap saham RCE telah bertumbuh sebanyak 31%, daripada 11.1 sen pada 2004 kepada 14.5 sen pada 2005.

Sejak Januari 2004, nilai saham RCE telah bertambah kukuh. Pencapaian ini telah diberi pengiktirafan sewajarnya apabila RCE telah dicatatkan dalam jadual liga media kewangan sebanyak dua kali, iaitu pada Januari 2005 dan kemudiannya pada Jun 2005.

Published by  
The Edge Communications Sdn Bhd  
(266980-X)  
G501-G801, Level 5-8, Block G,  
Phileo Damansara I, 9 Jalan 16/11,  
Off Jalan Damansara,  
46350 Petaling Jaya, Selangor, Malaysia  
Phone: (603) 7660 3838  
Fax: (603) 7660 8568

Editor: Ho Kay Tat  
Research: Anna Taing, Maryann Tan,  
Cindy Tham  
Design: Sharon Khoh, Azuree Haliddar

Printed by  
Kum Printers Sdn Bhd  
Lot 9, Jalan 51A, 46100 Petaling Jaya  
Selangor, Malaysia  
Phone: (603) 7676 2288 Fax: (603) 7676 8388

Copyright ©2004, The Edge Communications Sdn Bhd.  
All rights reserved.

For extra copies, please contact The Edge

	Top 10 Main Board gainers				Top 10 Main Board losers				Top 10 Second Board gainers			
	Description	Jan 2, 2004	Dec 14, 2004	Difference(%)	Description	Jan 2, 2004	Dec 14, 2004	Difference(%)	Description	Jan 2, 2004	Dec 14, 2004	Difference(%)
<b>Top 10 gainers and losers</b>	1 FA Peninsular Bhd	0.315	1.190	277.780	1 PSC Industries Bhd	6.300	0.755	-88.020	1 Concrete Engineering Products Bhd	1.000	3.040	204.000
	2 Lion Industries Corporation Bhd	0.530	1.700	220.750	2 Ayer Hitam Tin Dredging Malaysia	0.650	0.080	-87.690	2 Lion Forest Industries Bhd	1.500	2.820	88.000
	3 Lion Corporation Bhd	0.530	1.680	216.980	3 Datuk Keramat Holdings Bhd	0.400	0.100	-75.000	3 Scientex Packaging Bhd	1.180	2.200	86.440
	4 Integrated Logistics Bhd	0.720	1.800	150.000	4 MBF Corporation Bhd	0.440	0.120	-72.730	4 RCE Capital Bhd	0.134	0.240	79.100
	5 Wileva Baru Global Bhd	0.865	1.980	145.960	5 Nylex Malaysia Bhd	2.300	0.645	-71.960	5 Leader Steel Holdings Bhd	0.682	1.130	65.690
	6 Golden Plus Holdings Bhd	0.590	1.350	128.810	6 Innovest Bhd	0.050	0.015	-70.000	6 Lebar Daun Bhd	4.100	6.750	64.630
	7 Inch Kenneth Kajang Rubber PLC	21.000	48.000	128.570	7 FCW Holdings Bhd	0.935	0.315	-66.310	7 VADS Bhd	2.380	3.880	63.030
	8 Amalgamated Containers Bhd	0.460	0.995	116.300	8 Naim Indah Corporation Bhd	0.450	0.155	-65.560	8 Foremost Holdings Bhd	0.820	1.220	48.780
	9 Lion Diversified Holdings Bhd	0.941	1.970	109.350	9 Lityan Holdings Bhd	0.665	0.235	-64.660	9 Chin Foh Bhd	0.930	1.380	48.390
	10 Malaysia Aica Bhd	0.840	1.750	108.330	10 Peracorp Bhd	0.550	0.195	-64.550	10 Fitters Holdings Bhd	1.170	1.720	47.010

**TOP 100** COMPANIES

**FUNDAMENTAL STOCKS DOMINATE**

This is the third year we are doing this. And all you companies out there waiting to make a quick buck in terms of share prices, bear this in mind and remember it well. It's what you do with the business and how you create value that matters.

Concepts may come and concepts may go but if you want to make a long-term difference to your share price and what you return to shareholders, you must focus on your business and do it well — there is no short cut.

Top 100 companies that gave the best returns (5 years)

Company	Price (RM)	Price (RM)	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
	Jan 1, 00	Dec 31, 04					
Transmile Grp Bhd	1,450	8,900	0.13	9.03	523.1	44.2	1
IOIOleochemical Industries Bhd	1,700	9,600	0.72	10.32	507.1	43.4	2
YTL Cement Bhd	0,553	2,450	0.35	2.80	406.3	38.3	3
IOI Corporation Bhd	2,220	9,500	0.83	10.33	365.1	36.0	4
OYL Industries Bhd	9,800	38,000	6.78	44.78	356.9	35.5	5
YLI Holdings Bhd	1,120	4,340	0.23	4.57	307.7	32.5	6
Nama Industries Bhd	0,675	1,650	1.00	2.65	292.6	31.5	7
Perusahaan Sadur Timah (M) Bhd	0,735	2,550	0.32	2.87	290.5	31.3	8
Kwantas Corporation Bhd	1,470	5,050	0.25	5.30	260.3	29.2	9
TSH Resources Bhd	0,590	2,000	0.06	2.06	249.9	28.5	10
Thong Guan Industries Bhd	0,680	2,190	0.11	2.30	238.9	27.7	11
Sapranest Petroleum Bhd	0,356	1,130	0.01	1.13	218.8	26.1	12
Concrete Engineering Products Bhd	1,050	3,310	0.00	3.31	215.2	25.8	13
ECM Libra Bhd	0,526	1,560	0.04	1.60	204.2	24.9	14
Leader Steel Holdings Bhd	0,416	1,120	0.07	1.19	185.3	23.3	15
Inch Kenneth Kajang Rubber	18,000	51,250	0.00	51.25	184.7	23.3	16
<b>RCE Capital Bhd</b>	<b>0,097</b>	<b>0,250</b>	<b>0.00</b>	<b>0.26</b>	<b>168.0</b>	<b>21.8</b>	<b>17</b>
Malaysia Smelting Corporation Bhd	2,700	6,000	1.18	7.18	165.9	21.6	18
WCT Engineering Bhd	2,040	4,500	0.91	5.41	165.2	21.5	19
Public Bank Bhd	3,240	7,100	1.45	8.55	163.9	21.4	20
Mah Sing Group Bhd	0,629	1,540	0.09	1.63	159.8	21.0	21
Shell Refining Co (M) Bhd	4,320	9,700	1.41	11.11	157.2	20.8	22

Justeru itu, semakin ramai pelabur berminat dalam potensi RCE yang sedang berkembang. Ini jelas terbukti dengan pencapaian keuntungan bersih sebanyak RM14.9 juta pada tahun 2005 di mana keuntungan sebelum hasil pelupusan anak syarikat adalah sebanyak RM13.6 juta. Jumlah ini jauh berbeza jika dibandingkan dengan tahun 2004 di mana peratus kenaikan adalah 92%, iaitu dari RM7.1 juta.

**TOP 100** COMPANIES

**IN THE LONG RUN, VALUE SHINES THROUGH**

Sometimes we wonder whether we should have picked 10 years for our shareholder returns rankings. That's because it fits the textbook pattern expected from long-term investing very well.

By a rare coincidence, only the top 100 companies gave zero or positive returns over the period — only one out of four. It was not a great time to have been invested in the stock market.

Top 100 companies that gave the best returns (10 years)

Company	Price (RM)	Price (RM)	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
	Jan 1, 95	Dec 31, 04					
SP Setia Bhd	0.86	4.32	0.66	4.98	477.6	19.2	1
British American Tobacco (M) Bhd	16.70	45.75	25.55	71.30	326.9	15.6	2
Malakoff Bhd	1.97	7.20	1.11	8.31	321.7	15.5	3
Malaysian Pacific Industries Bhd	4.52	15.00	3.39	18.39	306.9	15.1	4
Public Bank Bhd	2.26	7.10	1.65	8.75	287.4	14.5	5
IOI Corporation Bhd	2.95	9.50	1.04	10.54	257.3	13.6	6
OYL Industries Bhd	13.00	38.00	8.04	46.04	254.2	13.5	7
YTL Cement Bhd	0.81	2.45	0.41	2.86	253.5	13.5	8
Gamuda Bhd	1.83	5.30	0.82	6.12	234.2	12.8	9
IOI Oleochemical Industries Bhd	3.20	9.60	0.85	10.45	226.4	12.6	10
LPI Capital Bhd	2.45	5.90	2.09	7.99	226.1	12.5	11
QSR Brands Bhd	0.99	2.69	0.31	3.00	204.2	11.8	12
Southern Bank Bhd	1.42	3.32	0.87	4.19	194.9	11.4	13
Pacificmas Bhd	2.85	7.00	0.89	7.89	176.8	10.7	14
Malaysia International Shipping Corporation Bhd	6.45	15.30	2.27	17.57	172.4	10.5	15
TSH Resources Bhd	0.78	2.00	0.10	2.10	170.8	10.5	16
Malayan Banking Bhd	5.13	11.80	1.79	13.59	164.9	10.2	17
Smelting Corporation Bhd	3.02	6.00	1.92	7.92	162.3	10.1	18
<b>RCE Capital Bhd</b>	<b>3.50</b>	<b>7.10</b>	<b>0.97</b>	<b>8.93</b>	<b>158.8</b>	<b>10.1</b>	<b>19</b>
LB Aluminium	1.11	1.64	0.12	1.76	58.9	4.7	49
UMW Holdings Bhd	8.10	9.70	3.02	12.72	57.0	4.6	50
AIC Corporation Bhd	1.97	2.12	0.89	3.01	53.0	4.3	51
Melewar Industrial Group Bhd	3.99	4.56	1.50	6.06	51.9	4.3	52
Dutch Lady Milk Industries (M) Bhd	0.18	0.26	0.01	0.27	30.3	4.2	53
<b>RCE Capital Bhd</b>	<b>4.16</b>	<b>3.78</b>	<b>2.35</b>	<b>6.13</b>	<b>47.4</b>	<b>4.0</b>	<b>54</b>

Berasaskan kepada Pulangan ke atas Ekuiti ("ROE") bagi syarikat-syarikat yang diurus niaga pada Papan Kedua Bursa Malaysia Securities Berhad ("Bursa Securities"), RCE yang mencapai ROE sebanyak 26% telah mengatasi prestasi pasaran umum. Setelah mencatat prestasi kukuh selama dua tahun berturut-turut, kami masih yakin dapat meningkatkan pertumbuhan dan keuntungan yang lebih tinggi pada masa yang akan datang bagi Kumpulan RCE.

**TOP 100 COMPANIES**

# THE PARTY'S OVER

We put our hands up in despair yet again. Over 100 companies gave returns of better than 33%, but, and this is important, almost double that number lost at least a third of their stock market value. That definitely shows that the market was considerably skewed downwards.

Top 100 companies that gave the best returns (1 year)

Company	Price (RM) Jan 1, 04	Price (RM) Dec 31, 04	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
FA Peninsular Bhd	0.30	1.42	0.00	1.42	373.3	373.3	1
Concrete Engineering Products Bhd	0.82	3.31	0.00	3.31	304.2	304.2	2
Lion Industries Corporation Bhd	0.52	1.77	0.01	1.78	245.6	245.6	3
Lion Corporation Bhd	0.53	1.77	0.00	1.77	237.1	237.1	4
Inch Kenneth Kajang Rubber PLC	20.00	51.25	0.00	51.25	156.3	156.3	5
Integrated Logistics Bhd	0.72	1.81	0.02	1.83	154.2	154.2	6
Wijaya Baru Global Bhd	0.80	2.02	0.00	2.02	152.5	152.5	7
Golden Plus Holdings Bhd	0.59	1.47	0.00	1.47	149.2	149.2	8
Li Hen Industries Bhd	0.95	2.23	0.00	2.23	134.7	134.7	9
Lion Diversified Holdings Bhd	0.91	2.07	0.05	2.12	133.0	133.0	10
Shell Refining Co. (M) Bhd	4.46	9.70	0.65	10.35	132.1	132.1	11
Amalgamated Containers Bhd	0.46	1.04	0.00	1.04	126.3	126.3	12
PDZ Holdings Bhd	1.11	2.47	0.00	2.47	122.5	122.5	13
TSH Resources Bhd	0.92	2.00	0.02	2.02	119.9	119.9	14
Mah Sing Group Bhd	0.76	1.54	0.06	1.60	110.0	110.0	15
KVM Group Bhd	1.43	2.85	0.03	2.88	101.4	101.4	16
Malaysia Aica Bhd	0.88	1.74	0.00	1.74	98.9	98.9	17
Lion Forest Industries Bhd	1.51	2.80	0.18	2.98	97.0	97.0	18
Huip Teck Venture Bhd	0.76	1.47	0.03	1.50	96.7	96.7	19
RCE Capital Bhd	0.13	0.26	0.00	0.26	94.0	94.0	20
Aluminium Co of Malaysia Bhd	1.12	1.98	0.15	2.13	90.2	90.2	21
WATS Bhd	1.60	2.88	0.10	2.98	86.5	86.5	22
Scientex Packaging Bhd	1.18	2.20	0.00	2.20	86.4	86.4	23
Top Glove Corporation Bhd	2.43	4.38	0.07	4.45	83.1	83.1	24
Tong Heng Resources Bhd	2.55	4.30	0.30	4.60	80.4	80.4	25
Transmile Grp Bhd	4.96	8.50	0.03	8.53	80.0	80.0	26
POS Malaysia & Services Holdings Bhd	1.49	2.60	0.08	2.68	79.5	79.5	27

Top companies that gave the best returns by sector

Company	Price (RM) Jan 1, 04	Price (RM) Dec 31, 04	Total Divs (RM)	New price + total divs (RM)	Shareholder Returns (%)	CAGR (%)	Rank
<b>SECOND BOARD LISTED COMPANIES</b>							
Liquorice Petroleum Bhd	0.36	1.33	0.01	1.34	218.8	21.1	1
RCE Capital Bhd	0.13	0.36	0.00	0.36	180.0	21.8	2
Fines Holdings Bhd	0.58	1.84	0.04	1.88	93.1	14.1	3
Agri-Kor Corporation Bhd	0.86	1.55	0.00	1.55	79.8	12.5	4
Yaman Holdings Bhd	1.04	1.35	0.04	1.39	31.2	5.4	5
Lion Forest Industries Bhd	2.58	2.80	0.17	3.07	18.9	1.5	6
Emerging (M) Bhd	3.42	3.20	0.09	3.29	-1.0	-0.2	7
Triumphal Associates Bhd	1.71	1.28	0.19	1.48	-13.5	-2.9	8
Semi Jaya Corporation Bhd	1.13	0.85	0.07	0.92	-17.7	-3.8	9
Sun Hup Consolidated Bhd	1.76	1.20	0.17	1.37	-21.0	-4.8	10

**PERKEMBANGAN PERNIAGAAN**

Berikutan pengambilalihan RCE Marketing Sdn Bhd ("RCEM") pada Jun 2003, kami telah menumpukan sumber-sumber dan usaha kami ke arah mengembangkan perniagaan pembiayaan pinjaman peribadi.

Setakat Mei 2005, portfolio peminjam RCEM telah meningkat sebanyak 142% kepada RM328.1 juta, berbanding tahun sebelumnya iaitu sebanyak RM135.8 juta. Peningkatan pelanggan kami juga telah berkembang 3 kali berbanding dengan pengembangan sektor, dan 3.6 kali berbanding dengan pengembangan sub-sektor. Dengan itu, kami mencatat pertumbuhan dua angka dari segi bahagian pasaran dengan menyelenggara hampir 25,000 akaun.

	Pertumbuhan (Mei-05 lwn. Feb-04)	Pertumbuhan (Setahun)	Pertumbuhan Relatif RCEM Sektor RCEM
Sektor	9.4%	7.5%	303%
Sub-sektor:			
Segmen Koperasi	7.8%	6.3%	361%
RCEM	28.3%	22.6%	

Sumber: Angkatan Koperasi Kebangsaan Malaysia

Pencapaian yang membanggakan ini telah diperolehi dengan beberapa rancangan taktikal, termasuk pengembangan rangkaian pengedaran melalui perikatan strategik, pelaburan dalam teknologi maklumat untuk meningkatkan produktiviti, penembusan segmen pasaran baru dan inovasi produk. Selain daripada itu, RCEM juga menggandakan saluran pemasarannya kepada kira-kira 40 cawangan di seluruh negara melalui perkongsian pintar dengan koperasi.

## PERKEMBANGAN KORPORAT

Tahun ini, kami memulakan beberapa langkah korporat untuk menyusun semula unit perniagaan kami dan menyelaraskan RCE dengan objektif untuk meningkatkan nilai pemegang saham.

### Akses kepada Pasaran Modal

Selepas memperolehi kemudahan pembiayaan sebanyak RM95.0 juta daripada pasaran modal hutang Malaysia pada Julai 2004, RCE telah berjaya menerbitkan sekuriti hutang swasta bernilai RM77.0 juta sejak Oktober 2004, melalui anak syarikat, RCE Premier Sdn Bhd ("RCEP").

Ini bermakna sumber pengaliran kewangan yang disediakan untuk masa hadapan telah disalurkan kepada modal kerja semasa, menyumbangkan kepada pertumbuhan eksponen RCEM. Justeru itu, kami akan mengambil kesempatan ke atas keyakinan padu yang diberi oleh pasaran modal kepada Kumpulan RCE untuk mengaturkan pembiayaan tambahan bagi RCEM.

### Pelaburan Strategik

Baru-baru ini, semakin ramai pelabur berminat dalam Amanah Pelaburan Hartanah ("REITs") di Malaysia berikutan pengenalan undang-undang cukai dan garis panduan Suruhanjaya Sekuriti yang menggalakkan.

Kami percaya bahawa terdapat peluang pertumbuhan yang amat baik bagi REITs di Malaysia, mengambil kira persekitaran kadar faedah yang rendah pada masa kini. Para pelabur juga semakin giat mencari instrumen yang mempunyai kadar pulangan yang tinggi.

Berasaskan harapan ini, RCE bersedia untuk meningkatkan lagi kepentingannya dalam AmFirst Property Trust ("AMFPT") sebanyak 29.1 juta unit lagi, lanjutan dari pengambilalihan sebelum ini sebanyak 29.2 juta unit pada Ogos 2004. Pelaburan ini dijangka akan selesai dilaksanakan pada akhir tahun 2005.

Selain dari peluang keuntungan yang digerakkan oleh potensi REITs, AMFPT juga mempunyai rekod pengagihan pendapatan yang menarik sejak 3 tahun yang lalu di mana pengagihan pendapatan kasar adalah di antara 7.0 sen hingga 7.5 sen setahun.

Initial Coverage



15 April 2005

RCE Capital Bhd

RM0.22

Market Cap : RM88.3m  
Board : Second Board  
Sector : Trading / Services  
Stock Code : 9296

**BUY**

Fair value: RM0.29

Key Stock Statistics

	2005F	2006F
EPS (sen)	2.95	3.75
P/E (x.)	7.5	5.9
Dividend/Share	—	—
N/A/Share (RM)	0.09	0.13
Book Value/Share	0.14	0.17
Issued Cap.(mil shares)	401.51	
52-Week Price Range:	RM0.34 - RM0.20	
Major Shareholders:		
Compass Empayar Sdn Bhd	41.4	
Blue Ribbon International	14.2	
Charter Green Ltd	8.1	

1. Investment Highlights

- In 2004, RCE Capital Bhd (RCEB) undertook efforts to streamline its businesses and shift its strategic focus to concentrate on the provision of general loan financing services and property investment and discontinue its operations in advertising media services, general trading, licensing and merchandising, and broadcasting.
- As part of its restructuring, in July 2004, RCEB disposed its entire 70% equity interest in Pos Ad Sdn Bhd, which was one of its main businesses involved in store advertising and provision of on-site product trialing services business.
- RCEB's loan financing services is targeted at government servants who are members of three cooperatives: Koperasi Belia Nasional Bhd (KOBENA), Koperasi Sejahtera Bhd (KSB) and Koperasi Wawasan Pekerja-Pekerja Berhad (KOWAJA). The sound business model undertaken by RCEB has relatively low default risk and provides it with opportunities to tap into the strong credit consumption growth in Malaysia.
- The stock is currently trading at a low PER05 of 7.5 times and PER06 of 5.9 times with its FY-end March. Based on comparative valuations as well as the group's strong ROE potential, we assign a BUY recommendation with fair value of RM0.29 based on target PER05 of 10 times.

Hubungan Pelabur

Sejajar dengan komitmen kami untuk memastikan pemegang-pemegang saham kami dan para pelabur awam sentiasa dimaklumkan mengenai prestasi dan potensi Kumpulan RCE, kami telah mengambil bahagian dalam skim penyelidikan stok "small-cap" yang dimulakan oleh Dana Pembangunan Pasaran Modal Bursa Securities.

Sebuah syarikat penyelidikan tempatan yang terkenal dan sebuah syarikat penyelidikan serantau termasyhur telah dilantik oleh Bursa Securities untuk mengikuti perkembangan prestasi RCE. Semenjak itu, RCE telah mendapat perhatian yang lebih dari para pelabur institusi dan tetap. Maka, kami telah menyaksikan peningkatan sebanyak 11% dalam jumlah pemegang-pemegang saham RCE, daripada 915 orang pada Jun 2004 kepada 1,015 orang pada Jun 2005.

Viable business, low risk make RCE attractive

BY TIEW POOI LING

RCE Capital Bhd's low valuations coupled with its viable business model and low risk-operating environment are seen as attractive, said analysts.

"We continue to like the stock for its sound business model and low risk, its position as a non-financial institution financing entity with a competitive advantage in terms of its service model and turnaround time should bode well for the stock," Mayban Securities said.

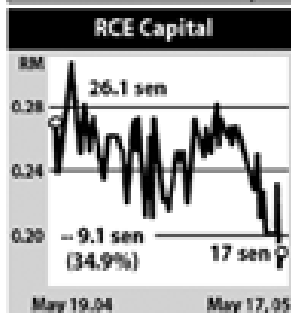
The research house said the stock was trading at a low price-to-earnings ratio (PER) of 7.5 times, with an expected return-on-equity of 22% for the financial year ending Dec 31.

It noted that the stock was among the best performing Second Board stocks on Bursa Malaysia last year, with its share price surging by 94% over the year.

The company is now involved in the provision of general loan financing services and property investment after disposing of its advertising media services, general trading, licensing and merchandising, and broadcasting operations last year.

Its loan financing services are targeted at government servants who are members of three cooperatives: Koperasi Belia Nasional Bhd, Koperasi

RCE Financial Highlights	2004	2003	2002	2001	2000
FY1 Dec 31 (RM mil)					
Revenue	54.6	48.9	44.3	39.8	37.2
Pre-tax	29.1	0.37	2.1		4.3



strict eligibility criteria, it said, adding that the low job transfers and resignations in the government sector also helped maintain the cash flow.

The research house said RCE was increasing its portfolio of personal loans in order to establish itself as a leading consumer financier.

Sejahtera Bhd and Koperasi Wawasan Pekerja-Pekerja Bhd.

Mayban Securities said RCE's business model had a relatively low default risk, providing it with opportunities to tap the strong credit consumption growth in Malaysia.

Credit risk was mitigated as consumer loans were only extended to public servants, with instalments being made via salary deductions.

Furthermore, funds were only remitted to members that meet the



## **PROSPEK DAN HALA TUJU MASA HADAPAN**

Ekonomi Malaysia dijangka akan terus kukuh bagi tahun 2005. Perbelanjaan konsumen akan terus menjadi salah satu faktor pertumbuhan yang penting dan ini akan memberi dorongan yang berterusan bagi perkembangan perniagaan pembiayaan peribadi RCE. Maka, sekiranya tiada peristiwa di luar jangkaan, kami yakin bahawa akan terdapat peningkatan selanjutnya dalam prestasi Kumpulan bagi tahun kewangan yang akan datang.

## **PENGHARGAAN**

Saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada ahli-ahli Lembaga, pihak Pengurusan dan semua kakitangan terhadap dedikasi dan sumbangan mereka kepada Kumpulan RCE.

Tidak dilupakan juga pihak lain yang telah memberi sumbangan yang besar kepada kejayaan kami. Kami juga ingin menyampaikan penghargaan kami kepada pengiktirafan dan sokongan daripada pelanggan kami, sekutu perniagaan dan pihak berkuasa.

Kepada pemegang-pemegang saham kami yang dihormati, kami mengucapkan terima kasih bagi keyakinan terhadap kami dan mengesahkan semula komitmen kami untuk meningkatkan nilai pelaburan dalam Kumpulan RCE.

**Tan Sri Dato' Azman Hashim**

Pengerusi

25 Julai 2005

The Board of Directors of RCE Capital Berhad (“RCE”) is committed in ensuring that the principles and best practices in corporate governance established by the Malaysian Code on Corporate Governance (“Code”) are well applied in RCE. The Board views this as a fundamental part of its responsibilities to protect and enhance shareholders’ value. Accordingly, the Board has and will continue to play an active role in improving governance practices in the Group’s operations and timeliness in corporate disclosure and financial reporting.

This statement below sets out the manner in which RCE has applied and complied with the best practices of the Code throughout the financial year.

## **BOARD OF DIRECTORS**

### **Composition of the Board**

The Board consists of eight (8) Non-Executive Directors, of whom three (3) are independent as defined by the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements. The profile of each member of the Board is set out in pages 9 to 12 of this Annual Report.

The independent directors have been providing strong support towards the effective discharge of duties and responsibilities of the Board and fulfill their role by the exercise of independent judgment and objective participation in the proceedings and decision-making process of the Board.

The Board has not appointed any independent directors to fulfill the role of a Senior Independent Non-Executive Director as recommended in the Code. Instead, concerns pertaining to the Group may be conveyed by the shareholders and the public individually to any of the independent directors.

### **Duties and Responsibilities of the Board**

The Board’s principal focus is the overall strategic direction, development and control of the Group. In support of this focus, the Board maps out and reviews the Group’s medium term and long term strategic plans on an annual basis, so as to align the Group’s business directions and goals with the prevailing economic and market conditions. The Board also reviews the action plans that are implemented by the Management to achieve business targets. The Board’s other main duties include regular oversight of the Group’s business operations and performance, and ensuring that the internal controls and risk management processes of the Group are well in place and are implemented consistently.

### **Board Meetings**

Board meetings are held at least five (5) times annually, with additional meetings convened as and when necessary. During the financial year, five (5) board meetings were held. Details of each Director’s meeting attendance during the financial year are as follows:

Name of Director	Board Meetings Attendance
Tan Sri Dato' Azman Hashim (Chairman, Non-Independent Non-Executive Director)	5/5
Azmi Hashim (Vice Chairman, Non-Independent Non-Executive Director)	4/5
Major General (Rtd) Dato' Haji Fauzi bin Hussain (Independent Non-Executive Director)	4/5
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan (Independent Non-Executive Director)	5/5
Wong Bin Chen (Independent Non-Executive Director)	5/5
Soo Kim Wai (Non-Independent Non-Executive Director)	5/5
Shalina Azman (Non-Independent Non-Executive Director)	4/5
Chew Keng Yong (Non-Independent Non-Executive Director)	5/5

#### Access to Information

The Board and the board committees are supplied with an agenda and relevant up-to-date information for review prior to each meeting to enable them to make informed decisions.

The Board members, whether as a full board or in their individual capacity, have full and timely access to all relevant information on the Group's businesses and affairs to discharge their duties effectively. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretaries. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. Procedures are also in place for the Directors and board committees to seek independent professional advice if so required by them.

#### Appointment of Board Members

The Company has in place formal and transparent procedures for the appointment of new Board members as well as the proposed re-appointment/re-election of Directors seeking re-appointment/re-election at the annual general meeting. These procedures ensure that all nominees to the Board are first considered by the Nomination Committee taking into account the required mix of skills and experience and other qualities, before making a recommendation to the Board for their approval.

#### Re-election of Directors

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

In accordance with the Articles of Association of RCE, all Directors are subject to re-election by rotation at least once in every three (3) years and a re-election of Directors shall take place at each annual general meeting.

### Continuing Education of Directors

All members of the Board have attended the Mandatory Accreditation Programme.

During the financial year ended 31 March 2005, the Directors have also attended various courses accredited by Bursa Securities under the Continuing Education Programme ("CEP").

With the repeal of the Practice Note No. 15/2003, being guidelines on CEP requirements, effective from 1 January 2005, the Board will keep track and monitor the progress of Directors' training on a regular basis and a report on the status of Directors' training activities would be compiled and tabled at the Board meetings.

### Directors' Remuneration

The determination of the remuneration of the Non-Executive Directors is a matter of the Board as a whole with the interested Directors abstaining from discussions with respect to their remuneration.

Details of the remuneration of the Directors for the financial year ended 31 March 2005 are as follows:

Aggregate Remuneration by Category	Non-Executive Directors (RM'000)
Fees and allowances	159

The number of Directors whose total remuneration fall within the respective bands are as follows:

Range of Remuneration	Non-Executive Directors
RM50,000 & below	8

### BOARD COMMITTEES

The Board has delegated certain responsibilities to Board committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee to support and assist the Board in discharging its fiduciary duties and responsibilities.

The functions and/or terms of reference of the Board committees, as well as the authority delegated by the Board to the respective committees have been clearly defined by the Board. The Chairman of the various committees report the outcome of the committee meetings to the Board and minutes of the meetings of Board Committees are tabled for the Board's perusal.

The Board committees in RCE are as follows:

**Audit Committee**

A full Audit Committee Report enumerating its membership, terms of reference and activities during the financial year is set out on pages 32 to 36 of this Annual Report.

**Nomination Committee**

The members of the Nomination Committee are as follows:

Chairman : Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan  
(Independent Non-Executive Director)

Members : Major General (Rtd) Dato' Haji Fauzi bin Hussain  
(Independent Non-Executive Director)

Wong Bin Chen  
(Independent Non-Executive Director)

Azmi Hashim  
(Non-Independent Non-Executive Director)

The Nomination Committee is responsible for reviewing the Board's structure, size and composition regularly, as well as making recommendation to the Board with regard to any changes that are deemed necessary. It also recommends the appointment of new members to the Board and reviews the required mix of skills, experience, competence and other qualities which non-executive directors should bring to the Board. The Nomination Committee shall meet at least once a year or as and when required.

**Remuneration Committee**

The members of the Remuneration Committee are as follows:

Chairman : Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan  
(Independent Non-Executive Director)

Members : Major General (Rtd) Dato' Haji Fauzi bin Hussain  
(Independent Non-Executive Director)

Wong Bin Chen  
(Independent Non-Executive Director)

The main objective of the Remuneration Committee is to set the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for the Group's Chief Executive and other members of the staff of the Group with the aim to attract, retain and motivate individuals of highest quality. The Remuneration Committee shall meet at least once a year or as and when required.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Company is committed to regular and proactive communication with shareholders and investors. Formal channels of communication are used to communicate to the shareholders and investors on all major developments of the Group on a timely basis.

In addition to quarterly financial reports and various disclosure and announcements made to Bursa Securities, the other key channel of communication with shareholders and investors is the annual report of RCE, where comprehensive details on the financial results and activities of the Group are provided.

The Company's annual general meeting is an important forum for dialogue and interaction with shareholders. Shareholders have the liberty to raise questions on the proposed resolutions at the meeting as well as matters relating to the Group's businesses and affairs.

The Company is also committed to its investor relations activities to ensure that the Group's strategies, operational activities and financial performance are well understood and that such information is made available to the investors in a timely manner. Open discussions and briefings for research analysts, fund managers and institutional investors are conducted from time to time upon request.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

The Board aims to present a balanced and comprehensive assessment of the Group's financial performance through the annual audited financial statements and quarterly financial results to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### **Directors' Responsibility Statement**

The Directors are required by the Companies Act, 1965 to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year. The Directors consider that in preparing the financial statements, the Directors have consistently used and applied the appropriate and relevant accounting policies and made judgments and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Company and the Group keep proper accounting records in accordance with the provisions of the Companies Act, 1965 to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

### **Internal Control**

The Board acknowledges its overall responsibility in maintaining an internal control system that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as internal procedures and guidelines.

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out in page 31 of this Annual report.

### **Audit Committee**

The Audit Committee conducts review of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter adopted by the Group.

The minutes of the Audit Committee meetings are tabled to the Board for perusal and for action where appropriate. Highlights of activities carried out by the Audit Committee during the year are detailed in the Audit Committee Report on pages 32 to 36.

### **Relationship with Auditors**

It is the policy of the Audit Committee to meet the external auditors at least once a year to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the Management whenever deemed necessary.

The roles of both the external and internal auditors are further described in the Audit Committee Report.

## **OTHER INFORMATION**

### **Non-audit Fees**

The amount of non-audit fees paid to external auditors for the financial year ended 31 March 2005 is RM3,000/-.

### **Material Contracts**

Other than disclosed in the financial statements, there were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests.

## STATEMENT ON INTERNAL CONTROL

The Board of Directors ("Board") is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

However, the Group's system of internal control is designed to manage and not eliminate the risk of failure to achieve the Group's objectives, hence it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of RCE Capital Berhad is pleased to disclose that:

- (i) there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year; and
- (ii) the said process is regularly reviewed by the Board and accords with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board summarises below the process it has applied in reviewing the adequacy and the integrity of the system of internal control:

- (i) The Board has appointed the Audit Committee to examine the effectiveness of the Group's systems of internal control on behalf of the Board. This is accomplished through the review of the internal audit department's work, which focuses on areas of priority as identified by risk analysis and in accordance with audit plan approved by the Audit Committee.
- (ii) The Group's Risk Management framework is outlined in the Group's Risk Management Policy. The Audit Committee shall assist the Board in evaluating the adequacy of the Group's Risk Management framework. A Risk Management Committee comprising members of senior management monitors the risks faced by the Group and the Risk Management Committee reports to the Audit Committee.
- (iii) The framework of the Group's system of internal control and key procedures include:
  - A management structure exists with clearly defined lines of responsibility and the appropriate levels of delegation.
  - Key functions such as accounts, tax, treasury, insurance and legal matters are controlled centrally.
  - The management determines the applicability of risk monitoring and reporting procedures and is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls.
  - Policies and procedures are clearly documented in the Corporate Policy Manual and Standard Operating Procedures of most of the Operating Units in the Group with which its operations must comply.
  - Corporate values, which emphasise on ethical behaviour, quality products and services, are set out in the Group's Employee Handbook.
- (iv) The Group also practises Annual Budgeting and monitoring process as follows:
  - There is an annual budgeting process for each area of business and approval of the annual budget by the Board.
  - Actual performance compared with budget is reviewed monthly with detailed explanation of any major variances and budget for the current year is reviewed at least once in 6 months.

There were no material losses incurred during the financial year as a result of weaknesses in internal control.



## MEMBERSHIP AND ATTENDANCE

The Audit Committee of RCE comprises the following members and details of attendance of each member at the Audit Committee meetings held during the financial year 2005 are as follows:

Composition of Audit Committee	Audit Committee Meetings Attendance
<b>Major. General (Rtd) Dato' Haji Fauzi bin Hussain</b> Chairman/Independent Non-Executive Director	5/5
<b>Soo Kim Wai</b> Member/Non-Independent Non-Executive Director	5/5
<b>Wong Bin Chen</b> Member/Independent Non-Executive Director	5/5

The representatives of the Internal Audit attended four (4) out of the five (5) meetings held during the financial year. Other senior management members and the representatives of the external auditors also attended these meetings upon invitation to brief the Audit Committee on specific issues.

## TERMS OF REFERENCE

The terms of reference of the Audit Committee are as set out below:

### 1.0 Composition

- 1.1 The Audit Committee shall be appointed by the Board of Directors from among their number and shall consist of not less than three (3) members, the majority of whom shall be independent non-executive Directors of the Company.
- 1.2 The Board shall at all times ensures that at least one (1) member of the Audit Committee:
  - must be a member of the Malaysian Institute of Accountants (MIA); or
  - if he or she is not a member of the MIA, he must have at least 3 years' working experience and:
    - (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (b) he or she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants' Act 1967; or
  - fulfils such other requirements as prescribed by the Exchange.
- 1.3 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.4 The Chairman of the Audit Committee shall be approved by the Board of Directors and shall be an independent non-executive director.
- 1.5 No alternate director is to be appointed as a member of the Audit Committee.

- 1.6 The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

## **2. Quorum and Procedures of Meetings**

- 2.1 Meetings shall be held not less than four (4) times in a financial year.
- 2.2 The quorum of meetings of the Audit Committee shall consist of not less than three (3) members; the majority of those present must be Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from among the members present.
- 2.3 The Company Secretary shall act as Secretary of the Audit Committee.
- 2.4 The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel and external independent professional advisers to attend the meetings.
- 2.5 The Audit Committee shall meet with the external auditor without executive board members' presence, at least once in a financial year.
- 2.6 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board.

## **3. Authority**

- 3.1 The Audit Committee is authorised to seek any information if requires from any employee of the Group and all employees are directed to co-operate with any request made by the Audit Committee.
- 3.2 The Audit Committee shall have full and unrestricted access to any information pertaining to the Company and the Group.
- 3.3 The Audit Committee shall have direct communication channels with the internal and external auditors, and with the management of the Group, and shall be able to convene meetings with the external auditors, whenever deemed necessary.
- 3.4 The Audit Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, external legal or other independent professional advice it considers necessary.
- 3.5 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to the Exchange.

## **4. Duties and Responsibilities**

The Audit Committee shall review and, where appropriate, report to the Board of Directors the following:

- (a) Risk Management and Internal Control
  - The adequacy and effectiveness of risk management, internal control and governance systems instituted in the Company and the Group
  - The Group's risk management policy and implementation of the risk management framework
  - The appointment or termination of members of the risk management committee
  - The report of the risk management committee
  
- (b) Internal Audit
  - The adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work
  - Any appraisal or assessment of the performance of members of the internal audit function, including the Head of Internal Audit; and approve any appointment or termination of senior members of the internal audit function
  
- (c) External Audit
  - The external auditors' audit plan and scope of their audits, including any changes to the planned scope of the audit plan
  - The appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board
  - The assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work
  
- (d) Audit Reports
  - Internal and external audit reports to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified
  - Major internal and external audit findings and management responses, including status of previous audit recommendations
  
- (e) Financing Reporting

The quarterly results and the year end financial statements of the Company and the Group for recommendation to the Board of Directors for approval, focusing particularly on:

  - changes in or implementation of accounting policies and practices
  - significant adjustments arising from the audit
  - significant and unusual events
  - going concern assumption
  - compliance with accounting standards and other legal requirements
  
- (f) Related Party Transactions

Any related party transaction and conflict of interest situation that may arise within the Company or the Group.
  
- (g) Allocation of Share Options

Verification on the allocation of share options to ensure compliance with the criteria for allocation of share options pursuant to the share scheme for employees of the Group at the end of each financial year.
  
- (h) Other Functions

Any such other functions as the Audit Committee considers appropriate or as authorised by the Board of Directors.

## **SUMMARY OF ACTIVITIES**

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the year:

- **Financial Results**

- (a) Reviewed the quarterly unaudited financial results of the Group prior to recommending them for the approval by the Board.
- (b) Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for their consideration and approval. The review was focusing particularly on changes of accounting policy, significant and usual event and compliance with applicable approved accounting standards in Malaysia and other legal and regulatory requirements.

- **Internal Audit**

- (a) Reviewed the annual audit plan for adequacy of scope and comprehensive coverage on the activities of the Group.
- (b) Reviewed the audit programmes, resource requirements for the year and assessed the performance of the internal audit function.
- (c) Reviewed the internal audit reports, audit recommendations made and management responses to these recommendations and actions taken to improve the system of internal control and procedures.
- (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- (e) Reviewed the Control Self-Assessment ratings submitted by the respective operations management.

- **External Audit**

- (a) Reviewed with the external auditors:
  - the audit planning memorandum, audit strategy and scope of work for the year.
  - the results of the annual audit, their audit report and management letter together with management's responses to the findings of the external auditors.
- (b) Reviewed the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.

- **Related Party Transactions**

Reviewed the related party transactions entered into by the Group.

## **INTERNAL AUDIT FUNCTION**

The Company engaged the services of its holding company, Arab-Malaysian Corporation Berhad's internal audit department to perform its internal audit functions. The scope of the internal audit functions performed by internal audit encompasses audit visits to all relevant subsidiaries and associates of the Group on a regular basis.

The objectives of such audit visits are to determine whether adequate controls have been established and are operating in the Group, to provide reasonable assurance that:

- business objectives and policies are adhered to
- operations are cost effective and efficient
- assets and resources are safeguarded and effectively used
- integrity of records and information is protected
- applicable laws and regulations are complied with

The emphasis of such audit visits encompass critical areas of the Group such as revenue, cost of sales, expenditure, assets, internal controls, operating performance and financial statement review. Audit reports are issued to highlight any deficiency or findings requiring the management's attention. Such reports also include practical and cost effective recommendations as well as proposed corrective actions to be adopted by the management. The audit reports and management's responses are circulated to the Managing Director, the Audit Committee and the Group Chairman for review and comments. Follow-up audits are then carried out to determine whether corrective actions have been taken by the management.

# Financial Statements

for the year ended March 31, 2005

- 38 Directors' Report
- 42 Report of the Auditors
- 43 Income Statements
- 44 Balance Sheets
- 46 Statements of Changes in Equity
- 48 Cash Flow Statements
- 52 Notes to the Financial Statements
- 93 Statement by Directors
- 93 Declaration by the Officer primarily responsible for the financial management of the Company

# Directors' Report

The directors of **RCE CAPITAL BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended March 31, 2005.

## PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and provision of management services.

The principal activities of the subsidiary companies are as disclosed in Note 13 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year .

## RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	<b>The Group RM</b>	<b>The Company RM</b>
Profit before tax	18,912,005	337,206
Income tax expense	(1,911,146)	(502,009)
Profit/(Loss) after tax	17,000,859	(164,803)
Minority interest	(2,113,329)	-
Net profit/(loss) for the year	14,887,530	(164,803)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the acquisition and disposal of subsidiary companies as disclosed in Note 13 to the Financial Statements.

## DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year . The directors also do not recommend any dividend payment in respect of the current financial year .

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year .

As approved by the shareholders at an Extraordinary General Meeting held on May 7, 2004, the Company sub-divided its authorised share capital of 50,000,000 ordinary shares of RM1 each into 500,000,000 ordinary shares of RM0.10 each and accordingly , its existing issued and fully paid-up capital of 40,151,250 ordinary shares of RM1 each became 401,512,500 ordinary shares of RM0.10 each.

## SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company .

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company . As of the end of the financial year , there were no unissued shares of the Company under options.

## OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would require the writing off of bad debts or render the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year .

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.



In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year .

## DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Tan Sri Dato' Azman Hashim  
 Datuk Mohd Zaman Khan @ Hassan Bin Rahim Khan  
 Mej. Gen. (Rtd) Dato' Haji Fauzi Bin Hussain  
 Wong Bin Chen  
 Chew Keng Yong  
 Azmi Hashim  
 Soo Kim W ai  
 Shalina Azman

In accordance with Article 106 of the Company's Articles of Association, Y. Bhg. Datuk Mohd Zaman Khan @ Hassan Bin Rahim Khan and Mr . Soo Kim W ai retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

Mr. Wong Bin Chen retires pursuant to Section 129 (2) of the Companies Act, 1965 at the forthcoming Annual General Meeting and offers himself for re-appointment in accordance with Section 129 of the said Act to hold office until the next Annual General Meeting of the Company .

## DIRECTORS' INTERESTS

The shareholdings in the Company and in related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965, are as follows:

Shares in the Company	Number of capital ordinary shares of RM0.10 each (RM1 each as of 1.4.2004)			
	Balance as of 1.4.2004	Share split	Bought/ (Sold)	Balance as of 31.3.2005
<b>Direct interests</b>				
Azmi Hashim	32	288	-	320
Chew Keng Yong	3,225	29,025	-	32,250
Wong Bin Chen	2,150	19,350	-	21,500
<b>Indirect interests</b>				
Tan Sri Dato' Azman Hashim	16,606,968	149,462,712	-	166,069,680

By virtue of his shareholdings being more than 15% of the share capital of the Company, Tan Sri Dato' Azman Hashim is deemed to have an interest in all its subsidiary companies to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year held any shares in the Company or its related companies.

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **AUDITORS**

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,



---

**TAN SRI DATO' AZMAN HASHIM**



---

**SOO KIM WAI**

Kuala Lumpur,  
May 25, 2005

# Report of the Auditors to the members of RCE Capital Berhad

We have audited the accompanying balance sheets as of March 31, 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of March 31, 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of subsidiary companies of which we have not acted as auditors as shown in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.



**DELOITTE KASSIMCHAN**

AF 0080

Chartered Accountants



**LAI CAN YIEW**

2179/09/05 (J)

Partner

May 25, 2005

# Income Statements

For the year ended March 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	4	44,595,908	54,633,158	2,829,074	977,985
Other operating income	7	5,779,603	2,275,458	845,137	65,000
Changes in inventories		-	(3,318)	-	-
Directors' remuneration	6	(957,707)	(2,336,991)	(159,298)	(181,173)
Staff costs	7	(3,620,240)	(9,409,006)	(169,145)	-
Depreciation of property, plant and equipment	12	(558,787)	(1,225,373)	(186,598)	(178,348)
Amortisation of goodwill on consolidation	15	-	(269,443)	-	-
Other operating expenses	7	(27,466,118)	(29,224,692)	(489,247)	(844,061)
<b>Profit/(Loss) from operations</b>		<b>17,772,659</b>	<b>14,439,793</b>	<b>2,669,923</b>	<b>(160,597)</b>
Gain/(Loss) on disposal of subsidiary companies	13	1,332,660	14,854,034	(2,174,407)	15,576,115
Finance costs	8	(547,630)	(308,501)	(169,638)	(130,060)
Income from other investments	9	354,316	139,564	11,328	-
<b>Profit before tax</b>		<b>18,912,005</b>	<b>29,124,890</b>	<b>337,206</b>	<b>15,285,458</b>
Income tax expense	10	(1,911,146)	(5,648,628)	(502,009)	(22,649)
<b>Profit/(Loss) after tax</b>		<b>17,000,859</b>	<b>23,476,262</b>	<b>(164,803)</b>	<b>15,262,809</b>
Minority interest		(2,113,329)	(1,555,150)	-	-
<b>Net profit/(loss) for the year</b>		<b>14,887,530</b>	<b>21,921,112</b>	<b>(164,803)</b>	<b>15,262,809</b>
Earnings per ordinary share					
<b>Basic (sen)</b>	11	<b>3.71</b>	<b>5.46</b>		

*The accompanying Notes form an integral part of the Financial Statements.*

# Balance Sheets

as of March 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>ASSETS</b>					
Property , plant and equipment	12	10,078,977	14,500,059	326,751	10,713,349
Investment in subsidiary companies	13	-	-	41,336,802	34,511,208
Investment in associated companies	14	-	-	-	-
Goodwill on consolidation	15	19,002,200	-	-	-
Investment in quoted corporate bonds	16	-	5,293,850	-	-
Loans and hire-purchase receivables - non-current portion	17	59,597,593	57,203,469	-	-
Other investment	18	29,199,074	-	-	-
Deferred tax asset	19	4,000,200	-	-	-

## Current Assets

Inventories	20	-	85,771	-	-
Trade receivables	21	1,634,623	5,825,418	-	-
Loans and hire-purchase receivables	17	10,505,172	10,352,605	-	-
Other receivables, deposits and prepaid expenses	21	4,127,629	4,114,941	38,888	136,810
Amount owing by subsidiary companies	22	-	-	80,295,275	4,519,724
Amount owing by a related party	22	-	32,965,298	-	-
Fixed deposits with licensed banks		14,564,931	3,334,846	-	-
Cash and bank balances		4,186,985	9,614,369	8,753	8,753
		<b>35,019,340</b>	<b>66,293,248</b>	<b>80,342,916</b>	<b>4,665,287</b>

## Current Liabilities

Trade payables	23	-	2,779,128	-	-
Other payables and accrued expenses	24	12,752,925	41,656,571	188,968	3,296,566
Amount owing to subsidiary company	22	-	-	77,119,488	1,977,068
Hire-purchase payables	25	62,527	58,032	-	-
Borrowings	26	7,780,496	1,050,670	780,496	536,890
Tax liabilities		2,185,794	2,843,706	24,000	21,000
		<b>22,781,742</b>	<b>48,388,107</b>	<b>78,112,952</b>	<b>5,831,524</b>

(Forward)

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Net Current Assets/(Liabilities)</b>		12,237,598	17,905,141	2,229,964	(1,166,237)
<b>Long-term and Deferred Liabilities</b>					
Hire-purchase payables - non-current portion	25	103,048	165,575	-	-
Borrowings - non-current portion	26	72,500,000	2,624,659	2,000,000	2,000,000
Deferred tax liabilities	19	11,000	426,000	-	381,000
		(72,614,048)	(3,216,234)	(2,000,000)	(2,381,000)
<b>Minority Interest</b>	27	(3,134,037)	(47,216,516)	-	-
<b>Net Assets</b>		<b>58,367,557</b>	<b>44,469,769</b>	<b>41,893,517</b>	<b>41,677,320</b>
<b>Represented by:</b>					
Issued capital	28	40,151,250	40,151,250	40,151,250	40,151,250
Reserves	29	2,155,312	3,145,054	-	1,717,670
Unappropriated profit/ (Accumulated loss)		16,060,995	1,173,465	1,742,267	(191,600)
<b>Shareholders' Equity</b>		<b>58,367,557</b>	<b>44,469,769</b>	<b>41,893,517</b>	<b>41,677,320</b>

The accompanying Notes form an integral part of the Financial Statements.

# Statements of Changes in Equity

for the year ended March 31, 2005

The Group	Note	Non-Distributable Reserves				Distributable Reserves			Total RM
		Issued Capital RM	Share Premium RM	Revaluation Reserve RM	Reserve on Consolidation RM	Translation Reserve RM	General Reserve RM	Unappropriated Profit/ (Accumulated Loss) RM	
<b>Balance as of April 1, 2003</b>		18,675,000	5,037,783	3,804,069	-	-	95,818	(6,491,397)	21,121,273
Bonus issue	28	21,476,250	(5,037,783)	(2,086,399)	-	-	(95,818)	(14,256,250)	-
Net profit for the year		-	-	-	-	-	-	21,921,112	21,921,112
Foreign exchange translation difference		-	-	-	-	(12,553)	-	-	(12,553)
Reserve arising from consolidation		-	-	-	1,439,937	-	-	-	1,439,937
<b>Balance as of March 31, 2004</b>		40,151,250	-	1,717,670	1,439,937	(12,553)	-	1,173,465	44,469,769
Net profit for the year		-	-	-	-	-	-	14,887,530	14,887,530
Foreign exchange translation difference		-	-	-	-	12,553	-	-	12,553
Reversal of deferred tax liabilities on revaluation reserve	29	-	-	381,000	-	-	-	-	381,000
Set-off of impairment loss against revaluation reserve	29	-	-	(2,098,670)	-	-	-	-	(2,098,670)
Reserve arising from consolidation		-	-	-	715,375	-	-	-	715,375
<b>Balance as of March 31, 2005</b>		40,151,250	-	-	2,155,312	-	-	16,060,995	58,367,557

(Forward)

The Company	Note	Non-Distributable Reserves			Distributable Reserves			Total
		Issued Capital RM	Share Premium RM	Revaluation Reserve RM	General Reserve RM	Unappropriated Profit RM	(Accumulated Loss) / RM	
<b>Balance as of April 1, 2003</b>		18,675,000	5,037,783	3,804,069	95,818	(1,198,159)	26,414,511	
Net profit for the year		-	-	-	-	15,262,809	15,262,809	
Bonus issue	28	21,476,250	(5,037,783)	(2,086,399)	(95,818)	(14,256,250)	-	
<b>Balance as of March 31, 2004</b>		40,151,250	-	1,717,670	-	(191,600)	41,677,320	
Net loss for the year		-	-	-	-	(164,803)	(164,803)	
Reversal of deferred tax liabilities on revaluation reserve	29	-	-	381,000	-	-	381,000	
Transfer of revaluation surplus from revaluation reserve account upon disposal of property	29	-	-	(2,098,670)	-	2,098,670	-	
<b>Balance as of March 31, 2005</b>		40,151,250	-	-	-	1,742,267	41,893,517	

The accompanying Notes form an integral part of the Financial Statements.



# Cash Flow Statements

for the year ended March 31, 2005

The Group	2005 RM	2004 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	18,912,005	29,124,890
Adjustments for:		
Allowance for doubtful debts	12,932,026	4,580,921
Finance costs	4,440,229	2,078,844
Depreciation of property, plant and equipment	558,787	1,225,373
Impairment loss of freehold land	383,830	-
Property, plant and equipment written off	10,010	2,531
Amortisation of goodwill on consolidation	-	269,443
Bad debts written off	-	180,843
Goodwill on consolidation written off	-	171,426
Amortisation of premium on corporate bonds	-	32,650
Waiver of debt by a related party	(3,940,056)	-
Interest income	(1,339,505)	(1,736,291)
Gain on disposal of subsidiary company	(1,332,660)	(14,854,034)
Dividend income	(1,167,963)	-
Gain on disposal of corporate bonds	(39,150)	-
Allowance for doubtful debts no longer required	-	(1,484,449)
Gain on disposal of property, plant and equipment	-	(107,308)
Operating Profit Before Working Capital Changes	29,417,553	19,484,839
(Increase)/Decrease in:		
Loan and hire-purchase receivables	(15,413,071)	(1,735,466)
Inventories	237	3,318
Trade receivables	(2,048,921)	(4,827,162)
Other receivables, deposits and prepaid expenses	(2,542,904)	33,207,132
Increase/(Decrease) in:		
Trade payables	(896,606)	437,476
Other payables and accrued expenses	(24,799,611)	(14,282,493)
Cash (Used In)/Generated From Operations	(16,283,323)	32,287,644
Interest received	1,024,339	1,529,584
Tax refunded	2,095	-
Tax paid	(6,209,829)	(4,226,236)
Finance costs paid	(3,892,599)	(1,770,343)
Net Cash (Used In)/From Operating Activities	(25,359,317)	27,820,649
(Forward)		

The Group	Note	2005 RM	2004 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease/(Increase) in amount owing by a related party		32,965,298	(32,578,639)
Proceeds from disposal of corporate bonds		5,333,000	-
Disposal of subsidiary company	13	5,188,321	18,171,809
Dividend received		856,467	-
Interest received		315,166	206,707
Proceeds from disposal of property, plant and equipment		-	110,529
Additions to property, plant and equipment		(316,758)	(667,833)
Acquisition of subsidiary companies	13	(4)	(18,165,243)
Purchase of corporate bonds		-	(5,326,500)
Net Cash From/(Used In) Investing Activities		44,341,490	(38,249,170)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of bonds and commercial papers		77,000,000	-
Proceeds from issuance of shares to minority shareholder of a subsidiary company		-	4,371,000
Redemption of preference shares		(60,496,800)	-
(Repayments)/Drawdown of borrowings		(29,320,616)	883,439
Finance costs paid		(547,630)	(308,501)
Repayment of hire-purchase payables		(58,032)	(121,404)
Decrease in amount owing to associated company		-	(6,203)
Dividend paid to minority shareholder of a subsidiary company		-	(429)
Net Cash (Used In)/From Financing Activities		(13,423,078)	4,817,902
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		5,559,095	(5,610,619)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		12,412,325	18,022,944
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		17,971,420	12,412,325
	30		

The accompanying Notes form an integral part of the Financial Statements.

## Cash Flow Statements

The Company	2005 RM	2004 RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before tax	337,206	15,285,458
Adjustments for:		
Loss/(Gain) on disposal of subsidiary companies	2,174,407	(15,576,115)
Depreciation of property, plant and equipment	186,598	178,348
Finance costs	169,638	130,060
Allowance for doubtful debts	65,646	100,000
Dividend income	(1,718,635)	-
Allowance for doubtful debts no longer required	(791,137)	-
Interest income	(63,896)	(74,211)
Gain on disposal of property, plant and equipment	-	(57,000)
Operating Profit/(Loss) Before Working Capital Changes	359,827	(13,460)
(Increase)/Decrease in:		
Other receivables, deposits and prepaid expenses	513,492	1,179,250
Amount owing by subsidiary companies	(64,784,414)	(2,819,470)
Increase/(Decrease) in:		
Other payables and accrued expenses	(2,007,598)	(13,278,900)
Amount owing to subsidiary company	75,142,420	1,977,068
Cash From/(Used In) Operations	9,223,727	(12,955,512)
Tax paid	(499,009)	(1,649)
Net Cash From/(Used In) Operating Activities	8,724,718	(12,957,161)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Proceeds from disposal of subsidiary companies	9,900,001	16,276,115
Dividend received	1,237,417	-
Interest received	63,896	74,211
Proceeds from disposal of property, plant and equipment	-	57,000
Addition to investment in subsidiary company	(20,000,000)	(19,900,000)
Additions to property, plant and equipment	-	(495,000)
Net Cash Used In Investing Activities	(8,798,686)	(3,987,674)
(Forward)		

	Note	2005 RM	2004 RM
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Drawdown of revolving credit		-	2,000,000
Finance costs paid		(169,638)	(130,060)
		<hr/>	<hr/>
Net Cash (Used In)/From Financing Activities		(169,638)	1,869,940
		<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(243,606)	(15,074,895)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		(528,137)	14,546,758
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	30	(771,743)	(528,137)
		<hr/>	<hr/>

*The accompanying Notes form an integral part of the Financial Statements.*

## 1. GENERAL INFORMATION

The Company's principal activities are investment holding and provision of management services.

The principal activities of the subsidiary companies are as disclosed in Note 13.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

The total number of employees of the Group and of the Company at year-end were 31 (2004: 108) and Nil (2004: Nil) respectively.

The registered office and principal place of business of the Company is located at 1st Floor, Lot 271, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on May 25, 2005.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment.

### Revenue and Revenue Recognition

Revenue of the Group consists of invoiced value of goods sold on cash, credit and hire-purchase terms (installment sales) less returns and reverts, interest income from hire-purchase and cash loan financing, commission income from provision of financial administrative and information technology support services, interest income, rental income, revenue from advertising media services, licensing and merchandising, general trading and broadcasting.

Revenue of the Company consists of management fee, dividend income from subsidiary companies and interest income.

The revenue recognition policies of the Group and the Company are as follows:

- (i) Cash sales, installment sales and general trading

Revenue on cash sales, installment sales and general trading is recognised upon delivery of goods and customers' acceptance.

## (ii) Hire-purchase and cash loan financing

Interest income from hire-purchase and cash loan financing is recognised over the installment period on receipt basis using the sum-of-digits method.

## (iii) Advertising media services, licensing and merchandising

Revenue from advertising media services is recognised upon rendering of services.

Revenue from licensing and merchandising is recognised upon derivation of royalty income and sub-licensing.

## (iv) Broadcasting

Revenue from broadcasting is recognised upon broadcast of commercials on radio.

## (v) Others

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income and rental income are recognised on accrual basis.

Commission income from provision of financial administrative and information technology support services are recognised upon rendering of services.

**Foreign Currency Conversion**

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates, or where settlement has not yet been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

The principal closing rates used in the translation of foreign currency amounts are as follows:

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
<b>Foreign currencies</b>		
1 Singapore Dollar	2.303	2.266
1 United States Dollar	3.800	3.800
100 Hong Kong Dollar	48.72	50.00
100 Indonesian Rupiah	0.043	0.043

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities	-	at closing rate
Share capital	-	at historical rate
Revenue and expenses	-	at average rate

All translation gains or losses are taken up and reflected in translation reserve account under shareholders' equity.

Difference in exchange arising from the retranslation of the opening net investments in foreign subsidiary companies and from the translation of the results of the companies at the average rate, are taken to shareholders' equity.

### **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

### **Impairment of Assets**

The carrying amounts of property, plant and equipment, investment in subsidiary companies, investment in associated companies and goodwill on consolidation are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

Reversal of impairment losses in respect of other assets recognised in prior years is recorded where there is an indication that the impairment losses recognised for an asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years. The reversal is recognised in the income statements immediately unless the reversal relates to a revalued asset and will be treated as a revaluation increase to the extent of impairment loss previously recognised in revaluation reserve.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses.

Freehold land stated at valuation is revalued at regular intervals of at least once in every five (5) years by the directors based on the valuation reports of independent professional valuers using the “comparison method” basis with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from the market value.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to the income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to the income statements to the extent that it offsets the previously recorded decrease.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets, the amounts in revaluation reserve account relating to the assets disposed are transferred to the unappropriated profit account.

The annual depreciation rates are as follows:

Building	2%
Shelves, office equipment, furniture and fittings	20% - 50%
Motor vehicles	10% - 25%
Renovation	20%
Mascot costumes	50%

### **Property, Plant and Equipment under Hire-Purchase Arrangements**

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and of all the subsidiary companies controlled by the Company made up to the end of the financial year.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as applicable.

All significant intercompany transactions and balances are eliminated on consolidation.

### **Subsidiary Companies**

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date control effectively commences until the date that control effectively ceases.



Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost less impairment losses.

### **Associated Company**

An associated company is a non-subsiary company in which the Group holds not less than 20% of the equity voting rights as long-term investment and in which the Group is in a position to exercise significant influence in its management.

The Group's investment in the associated company is accounted for under the equity method of accounting based on the latest audited and/or management financial statements of the associated company made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

Unrealised profits and losses arising on transactions between the Group and its associated company are eliminated to the extent of the Group's equity interest in the relevant associated company except where unrealised losses provide evidence of an impairment of the asset transferred.

### **Goodwill on Consolidation/Reserve on Consolidation**

Goodwill arising on consolidation represents the excess of the purchase consideration over the share of the fair value of the identifiable net assets of a subsidiary company at the date of acquisition. Goodwill arising on consolidation in respect of a subsidiary company acquired is recorded at cost in the balance sheets. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Reserve on consolidation represents the excess of the share of the fair value of the identifiable net assets of a subsidiary company at the date of acquisition over the purchase consideration. Reserve on consolidation is credited to shareholders' equity.

### **Investment in Corporate Bonds**

Investment in corporate bonds is stated at cost adjusted for amortisation of premium or accretion of discount, where applicable, to maturity dates.

### **Long-Term Investment**

Long-term investment in quoted shares is stated at cost, less any impairment in value of investment to recognise any decline, other than a temporary decline, in the value of the investment.

### **Inventories**

Inventories are valued at the lower of cost (determined principally on the weighted average method) and net realisable value. The cost of inventories comprises the original cost of purchase plus the cost in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

### **Receivables**

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Loans and hire-purchase receivables are stated net of unearned interest and allowance made for doubtful debts. Specific allowances are made when the collectibility of receivables becomes uncertain. General allowances are made based on set percentage of the receivables to cover possible losses, which are not specifically identified. This percentage is reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowances, if necessary.

### Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of the resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

### Employee Benefits

#### (i) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group. The short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences.

#### (ii) Defined contribution plan

The Group and the Company make statutory contributions to statutory approved provident funds, and contributions are charged to the income statements when incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations. The post employment benefit scheme is in accordance with local practices in which it operates and is a defined contribution plan.

### Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

## 4. REVENUE

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Loan financing services *	33,953,726	18,009,484	-	-
Advertising media services	7,328,318	25,173,720	-	-
General trading	1,330,188	5,126,334	-	-
Dividend income from:				
Investment in property trust units	1,167,963	-	-	-
A subsidiary company	-	-	1,718,635	-
Licensing and merchandising	815,713	2,640,703	-	-
Broadcasting	-	3,398,000	-	-
Commission income	-	217,774	-	217,774

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest income from:				
Subsidiary companies	-	-	52,568	7,068
Others	-	67,143	-	67,143
Management fee from subsidiary companies	-	-	1,057,871	686,000
	44,595,908	54,633,158	2,829,074	977,985

\* Comprise revenue from installment sales, interest income from hire-purchase and cash loan financing and, commission income from provision of financial administrative and information technology support services.

## 5. SEGMENT ANALYSIS

The Group 2005	Advertising media services RM	Loan financing services RM	Investment holding and management services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
<b>Revenue</b>							
External sales	7,328,318	33,953,726	1,167,963	2,145,901	-	-	44,595,908
Inter-segment sales	-	-	2,829,076	-	-	(2,829,076)	-
Total revenue	7,328,318	33,953,726	3,997,039	2,145,901	-	(2,829,076)	44,595,908
<b>Results</b>							
Profit/(Loss) from operations	1,086,566	16,339,135	947,975	(163,497)	(9,013)	(428,507)	17,772,659
Gain on disposal of subsidiary company							1,332,660
Finance costs							(547,630)
Income from other investments							354,316
Profit before tax							18,912,005
Income tax expense							(1,911,146)
Profit after tax							17,000,859

The Group 2005	Advertising media services RM	Loan financing services RM	Investment holding and management services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
<b>Other Information</b>							
Capital additions	73,097	129,220	-	114,441	-	-	316,758
Depreciation and amortisation	207,958	129,145	186,598	35,086	-	-	558,787
Non-cash expenses other than depreciation and amortisation	16,156	12,870,850	449,477	-	-	-	13,336,483
<b>Consolidated Balance Sheet</b>							
Segment assets	-	101,129,456	55,766,566	-	1,362	-	156,897,384
Segment liabilities	-	88,674,884	2,978,212	-	1,556,900	-	93,209,996
Unallocated corporate liabilities							2,185,794
Consolidated total liabilities							95,395,790

The Group 2004	Advertising media services RM	Loan financing services RM	Broadcasting RM	Investment holding and management services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
<b>Revenue</b>								
External sales	25,173,720	18,009,484	3,398,000	284,917	7,767,037	-	-	54,633,158
Inter-segment sales	-	-	-	686,000	-	-	(686,000)	-
Total revenue	25,173,720	18,009,484	3,398,000	970,917	7,767,037	-	(686,000)	54,633,158

The Group 2004	Advertising media services RM	Loan financing services RM	Broadcasting RM	Investment holding and management services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
<b>Results</b>								
Profit/(Loss) from operations	5,249,496	11,432,904	(514,343)	(160,597)	(814,711)	(13,874)	(739,082)	14,439,793
Gain on disposal of subsidiary company								14,854,034
Finance costs								(308,501)
Income from other investments								139,564
Profit before tax								29,124,890
Income tax expense								(5,648,628)
Profit after tax								23,476,262
<b>Other Information</b>								
Capital additions	126,579	9,278	-	495,000	36,976	-	-	667,833
Depreciation and amortisation	745,790	181,858	-	447,791	152,027	-	-	1,527,466
Non-cash expenses other than depreciation and amortisation	173,957	4,715,178	-	-	46,586	-	-	4,935,721
<b>Consolidated Balance Sheet</b>								
Segment assets	16,403,193	113,383,796	-	8,951,876	4,524,174	27,587	-	143,290,626
Segment liabilities	3,128,714	27,350,019	-	8,191,524	3,374,735	6,715,643	-	48,760,635
Unallocated corporate liabilities								2,843,706
Consolidated total liabilities								51,604,341

The Group operates substantially in Malaysia. Accordingly, no geographical segment information has been provided.

## 6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Directors of the Company:				
Non-executive directors				
- Salaries and other emoluments ^	159,298	181,173	159,298	181,173
Directors of the subsidiary companies:				
Executive directors				
- Salaries and other emoluments *	798,409	2,146,818	-	-
Non-executive directors				
- Fees	-	9,000	-	-
	798,409	2,155,818	-	-
	957,707	2,336,991	159,298	181,173

^ Includes contributions to Employees Provident Fund of RM6,840 (2004: RM6,840).

\* Includes RM315,155 (2004: RM1,173,180) paid to an executive director of a subsidiary company who is also a director of the Company.

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM19,380 (2004: RM46,336).

The number of directors of the Company whose total remuneration during the financial year fall within the following bands, are as follows:

	Number of Directors	
	2005	2004
<b>Non-Executive Directors</b>		
Below RM50,000	8	7

**7. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS**

Included in other operating income/(expenses) are the following:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Waiver of debt by a related party (Note 22)	3,940,056	-	-	-
Interest income received from a related party (Note 22)	1,024,339	1,529,584	-	-
Bad debts recovered	597,039	-	-	-
Rental income	63,880	49,830	54,000	-
Allowance for doubtful debts no longer required	-	1,484,449	791,137	-
Gain on disposal of property, plant and equipment	-	107,308	-	57,000
Allowance for doubtful debts	(12,932,026)	(4,580,921)	(65,646)	(100,000)
Loan financing expenses*	(1,971,153)	(1,770,343)	-	-
Interest expense on fixed rate serial bonds and commercial papers (Note 26)*	(1,921,446)	-	-	-
Ex-factory and tooling cost	(1,044,166)	(3,402,854)	-	-
Agency commission	(736,067)	(2,402,854)	-	-
Impairment loss of freehold land	(383,830)	-	-	-
Rental of:				
Premises	(149,025)	(233,170)	(34,500)	(15,000)
Office equipment	(19,190)	(8,211)	(6,960)	(8,211)
Advertising charges	(115,743)	(2,516,613)	-	-
Auditors' remuneration:				
Statutory audit				
- Current year	(73,033)	(97,405)	(15,500)	(15,000)
- Over/(Under)provision in prior year	1,033	(2,427)	-	-
Other	(3,000)	(3,000)	(3,000)	(3,000)
Marketing research expenses	(60,336)	(142,953)	-	-
Realised loss on foreign exchange	(10,617)	-	-	-
Property, plant and equipment written off	(10,010)	(2,531)	-	-
Management fee expense	(7,638)	-	-	-
Bad debts written off	-	(180,843)	-	-
Goodwill on consolidation written off	-	(171,426)	-	-
Amortisation of premium on corporate bonds	-	(32,650)	-	-

\* Represent finance costs incurred by subsidiaries principally engaged in providing loan financing services, which are regarded as part of their operating expenses.

Staff costs include salaries, contributions to Employees Provident Fund ("EPF") and all other staff related expenses. Contributions to EPF by the Group and the Company during the current financial year amounted to RM341,751 and RM17,701 (2004: RM709,749 and RM Nil), respectively.

**8. FINANCE COSTS**

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest on:				
Short-term loan	341,330	-	-	-
Revolving credits	132,767	143,492	104,445	87,656
Bank overdrafts	49,632	59,032	47,789	35,336
Hire-purchase	15,963	27,389	-	-
Term loans	7,938	78,588	-	-
Loan from subsidiary company	-	-	17,404	7,068
	<hr/>	<hr/>	<hr/>	<hr/>
	547,630	308,501	169,638	130,060

**9. INCOME FROM OTHER INVESTMENTS**

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest income from:				
Fixed deposits	161,586	79,993	11,328	-
Corporate bonds (Note 16)	121,972	38,116	-	-
Others	31,608	21,455	-	-
Gain on disposal of corporate bonds	39,150	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	354,316	139,564	11,328	-

**10. INCOME TAX EXPENSE**

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Estimated tax payable:				
Current	5,913,238	5,706,943	505,218	21,000
(Over)/Underprovision in prior year	(12,892)	(8,915)	(3,209)	1,649
Deferred tax (Note 19)				
Current	(1,864,800)	(49,400)	-	-
Underprovision in prior year	(2,124,400)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,911,146	5,648,628	502,009	22,649

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:



	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before tax	18,912,005	29,124,890	337,206	15,285,458
Tax at applicable statutory tax rate of 28% (2004: 28%)	4,891,453	8,126,970	94,418	4,279,928
Tax at applicable statutory tax rate of 20% (2004: 20%)	288,506	20,000	-	-
Tax effects of expenses/(income) not deductible/(assessable) in determining taxable profit	963,079	(2,318,227)	707,600	(4,337,428)
Realisation of deferred tax assets not recognised previously	(2,094,600)	(272,700)	(296,800)	-
Deferred tax assets not recognised	-	101,500	-	78,500
Tax at effective tax rate	4,048,438	5,657,543	505,218	21,000
Underprovision of deferred tax asset in prior year	(2,124,400)	-	-	-
(Over)/Underprovision of tax payable in prior year	(12,892)	(8,915)	(3,209)	1,649
Income tax charged to income statements	1,911,146	5,648,628	502,009	22,649

## 11. EARNINGS PER ORDINARY SHARE

	The Group	
	2005 RM	2004 RM
Net profit attributable to ordinary shareholders	14,887,530	21,921,112
	<b>2005 Shares</b>	<b>2004 Shares</b>
Number of shares in issue as of April 1	40,151,250	40,151,250
Effect of share split	361,361,250	361,361,250 *
	401,512,500	401,512,500
Earnings per ordinary share (sen)	3.71	5.46

\* Adjusted to include the effect of share split during the current year.

## 12. PROPERTY, PLANT AND EQUIPMENT

## The Group

At cost, except otherwise stated	At beginning of year RM	Additions RM	Reclassification RM	Acquisition of subsidiary company RM	Impairment loss RM	Disposal of subsidiary company RM	Write-off RM	At end of year RM
Freehold land								
- at valuation	10,200,000	-	-	-	(2,482,500)	-	-	7,717,500
Freehold building	2,639,194	-	-	-	-	(2,639,194)	-	-
Leasehold building	-	-	-	1,829,190	-	-	-	1,829,190
Shelves, office equipment, furniture and fittings	2,748,324	172,502	-	-	-	(2,149,488)	(45,357)	725,981
Motor vehicles	2,596,227	144,256	3,700	-	-	(1,840,540)	-	903,643
Motor vehicles under hire-purchase	364,055	-	(3,700)	-	-	-	-	360,355
Renovation	905,105	-	-	-	-	(905,105)	-	-
Mascot costumes	90,385	-	-	-	-	(90,385)	-	-
<b>Total</b>	<b>19,543,290</b>	<b>316,758</b>	<b>-</b>	<b>1,829,190</b>	<b>(2,482,500)</b>	<b>(7,624,712)</b>	<b>(45,357)</b>	<b>11,536,669</b>

## The Group

Accumulated Depreciation	At beginning of year RM	Charge for the year RM	Acquisition of subsidiary company RM	Disposal of subsidiary company RM	Write-off RM	At end of year RM
Freehold land - at valuation	-	-	-	-	-	-
Freehold building	241,925	15,466	-	(257,391)	-	-
Leasehold building	-	9,147	12,194	-	-	21,341
Shelves, office equipment, furniture and fittings	2,481,960	135,614	-	(1,994,369)	(35,347)	587,858
Motor vehicles	1,465,393	261,354	-	(1,153,131)	-	573,616
Motor vehicles under hire-purchase	184,788	90,089	-	-	-	274,877
Renovation	613,465	47,117	-	(660,582)	-	-
Mascot costumes	55,700	-	-	(55,700)	-	-
<b>Total</b>	<b>5,043,231</b>	<b>558,787</b>	<b>12,194</b>	<b>(4,121,173)</b>	<b>(35,347)</b>	<b>1,457,692</b>

<b>Net Book Value</b>	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Freehold land - at valuation	7,717,500	10,200,000
Freehold building	-	2,397,269
Leasehold building	1,807,849	-
Shelves, office equipment, furniture and fittings	138,123	266,364
Motor vehicles	330,027	1,130,834
Motor vehicles under hire-purchase	85,478	179,267
Renovation	-	291,640
Mascot costumes	-	34,685
<b>Total</b>	<b>10,078,977</b>	<b>14,500,059</b>

**The Company**

<b>At cost, except otherwise stated</b>	<b>At beginning of year</b>	<b>Addition</b>	<b>Disposal</b>	<b>At end of year</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Freehold land - at valuation	10,200,000	-	(10,200,000)	-
Office equipment	36,328	-	-	36,328
Motor vehicles	899,999	-	-	899,999
<b>Total</b>	<b>11,136,327</b>	<b>-</b>	<b>(10,200,000)</b>	<b>936,327</b>

<b>Accumulated Depreciation</b>	<b>At beginning of year</b>	<b>Charge for the year</b>	<b>Disposal</b>	<b>At end of year</b>	<b>Net Book Value</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Freehold land - at valuation	-	-	-	-	-	10,200,000
Office equipment	26,574	6,598	-	33,172	3,156	9,754
Motor vehicles	396,404	180,000	-	576,404	323,595	503,595
<b>Total</b>	<b>422,978</b>	<b>186,598</b>	<b>-</b>	<b>609,576</b>	<b>326,751</b>	<b>10,713,349</b>

The historical cost and carrying value of the revalued freehold land are as follows:

	<b>The Group</b>	
	<b>(2004: The Group and The Company)</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Freehold land:		
Cost	2,964,964	2,964,964
Accumulated depreciation	-	-
	<b>2,964,964</b>	<b>2,964,964</b>

Impairment loss of the said revalued freehold land amounting to RM2,482,500, determined based on its proposed sale consideration for which the disposal transaction is in the process of being finalised as of the date of this Report, is charged out as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Income statement (Note 7)	383,830	-
Revaluation reserve (Note 29)	2,098,670	-
	2,482,500	-

Freehold land (2004: freehold land and building) of the Group and freehold land of the Company with carrying amounts of RM7,717,500 (2004: RM12,597,269) and RM Nil (2004: RM10,200,000) have been charged as security for certain bank borrowings of the Group and the Company as mentioned in Note 26.

Also included in property, plant and equipment of the Group and the Company are fully depreciated motor vehicles and equipment which are still in use, with cost of approximately RM211,845 and RM13,140 (2004: RM1,256,392 and RM3,340) respectively.

### 13. INVESTMENT IN SUBSIDIARY COMPANIES

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares- at cost	41,551,445	43,761,827
Less: Allowance for impairment loss	(214,643)	(9,250,619)
	41,336,802	34,511,208

The details of the subsidiary companies, all incorporated in Malaysia, are as follows:

	<b>Effective</b>		
	<b>Equity Interest</b>		
	<b>2005</b>	<b>2004</b>	
<b>Direct Subsidiary Companies</b>	<b>%</b>	<b>%</b>	
Effusion.Com Sdn. Bhd.	100	100	Property investment
RCE Enterprise Sdn. Bhd. (formerly known as E-Drama Sdn. Bhd.) [Note (i)]	87.5	100	Investment holding
RCE Resources Sdn. Bhd. (formerly known as Taifab Sdn. Bhd.) [Note (ii)]	100	-	Investment holding

	Effective Equity Interest		Principal Activities
	2005 %	2004 %	
<b>Direct Subsidiary Companies</b>			
RCE Commerce Sdn. Bhd. (formerly known as Rediffusion.Com Sdn. Bhd.) [Note (iii)]	-	100	Provision of information technology and financial administrative services
RCE Marketing Sdn. Bhd. [Note (i)] ^	-	87.5	Provision of general loan financing services and trading in electrical home appliances, other consumer durable products mainly on hire-purchase terms
POS AD Sdn. Bhd. [Note (iv)]	-	70	Provision of advertising media services
<b>Indirect Subsidiary Companies</b>			
Indigenous Capital Sdn. Bhd. [Note (v)] <sup>π</sup>	87.5	-	Property investment
RCE Commerce Sdn. Bhd. (formerly known as Rediffusion. Com Sdn. Bhd.) [Note (iii)] <sup>π</sup>	87.5	-	Provision of information technology and financial administrative services
RCE Management Sdn. Bhd. <sup>π</sup>	87.5	87.5	Dormant
RCE Marketing Sdn. Bhd. [Note (i)] #^	87.5	-	Provision of general loan financing services and trading in electrical home appliances, other consumer durable products mainly on hire-purchase terms
RCE Premier Sdn. Bhd. [Note (vi)] <sup>π^</sup>	87.5	-	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue private debt securities to fund the purchase of such receivables
RCE Premium Sdn. Bhd. <sup>π</sup> (formerly known as Pasti Sergap Sdn. Bhd.)	87.5	87.5	Dormant
RCE Sales Sdn. Bhd. <sup>β</sup>	87.5	87.5	Provision of financial administrative services
RCE Synergy Sdn. Bhd. (formerly known as Verbundsoft Sdn. Bhd.) <sup>ψ</sup>	100	-	Investment holding
RCE Trading Sdn. Bhd. <sup>π</sup>	87.5	87.5	Provision of financial administrative services
R & R Music Sdn. Bhd. <sup>β</sup>	87.5	87.5	Dormant
Jump Retail Merchandising Sdn. Bhd. *	-	70	Providing goods arrangement services in supermarket
Jump Licensing (M) Sdn. Bhd. *	-	70	Provision of advertising media services

	Effective Equity Interest		Principal Activities
	2005	2004	
<b>Indirect Subsidiary Companies</b>	%	%	
Demo Power Sdn. Bhd. *	-	70	Provision of advertising media services
Paragon Premiums Sdn. Bhd. *	-	59.5	Design and trading of premium products
Jump Interactive Sdn. Bhd. *	-	70	Dormant
Jump Licensing Pte. Ltd. * (Incorporated under the Federal Territory of Labuan)	-	70	Selling toys sub-licensing activities
Jump Design Sdn. Bhd. *	-	70	Dormant
Jump Licensing (S) Pte. Ltd. * (Incorporated in the Republic of Singapore)	-	69.3	Selling toys sub-licensing activities

\* Held indirectly through POS AD Sdn. Bhd. in 2004.

# Held indirectly through RCE Enterprise Sdn. Bhd. (formerly known as E-Drama Sdn. Bhd.)

ψ Held indirectly through RCE Resources Sdn. Bhd. (formerly known as Taifab Sdn. Bhd.)

π Held indirectly through RCE Marketing Sdn. Bhd.

β Held indirectly through RCE Trading Sdn. Bhd.

^ Audited by another firm of auditors.

During the current financial year:

- (i) The Company carried out an internal re-organisation scheme whereby RCE Enterprise Sdn. Bhd. ("RCEE") (formerly known as E-Drama Sdn. Bhd.), a wholly-owned subsidiary, entered into a share sale agreement with the then existing shareholders of another subsidiary, RCE Marketing Sdn. Bhd. ("RCEM"), to acquire the entire issued and paid-up share capital of RCEM comprising 8 million ordinary shares of RM1 each and 38.78 million Redeemable Convertible Non-Cumulative Preference Shares of RM1 each ("RCNC Preference Shares"), for a total purchase consideration of RM63.165 million, satisfied via the exchange of new issuance of 79,998 new ordinary shares of RM1 each and 387,000 new RCNC Preference Shares of RM1 each in RCEE to the then existing shareholders of RCEM. As a result of the said share swap exercise, the Company's effective interest in RCEM held via shares in RCEE remain unchanged but the Company's effective interest in RCEE was diluted from 100% to 87.5%. This disposal of RCEM to RCEE gave rise to a gain on disposal to the Company of RM1,436,799;

Upon completion of the said share swap exercise, the said RCNC Preference Shares held by a minority shareholder were fully redeemed at a premium of RM21,716,800 (Note 27) resulting in an adjustment of RM19,002,200 to goodwill on consolidation (Note 15), whereby such redemption premium is regarded as an adjustment to the fair value of RCEM's net assets at acquisition date;

- (ii) The Company entered into a share sale agreement with AMDB Berhad, a related party, to acquire the entire issued and paid-up share capital of RCE Resources Sdn. Bhd. (formerly known as Taifab Sdn. Bhd.), comprising 2 ordinary shares of RM1 each, for a total consideration of RM2;
- (iii) The Company carried out another internal re-organisation scheme by disposing of its 100% equity interest in a subsidiary, RCE Commerce Sdn. Bhd. ("RCEC") (formerly known as Rediffusion.Com Sdn. Bhd.), comprising 9,500,000 ordinary shares of RM1 each, to another subsidiary, RCEM, for a cash consideration of RM1. The said re-organisation resulted in a dilution in the Group's effective equity interest in RCEC from 100% to 87.5%;
- (iv) The Company completed the disposal of its entire 70% equity interest in a subsidiary, POS AD Sdn. Bhd., comprising 10,269,000 ordinary shares of RM1 each, to Rekaweb.com. Sdn. Bhd., for a cash consideration of RM11 million, resulting in a gain on disposal to the Group of RM1,332,600 and a loss on disposal to the Company of RM3,611,206;
- (v) RCEM entered into a sale and purchase agreement with Corporateview Sdn. Bhd., a wholly-owned subsidiary of Arab-Malaysian Corporation Berhad, to acquire the entire issued and paid-up share capital of Indigenous Capital Sdn. Bhd., comprising 1,000,000 ordinary shares of RM1 each, for a cash consideration of RM2; and
- (vi) RCEM acquired the entire issued and paid-up share capital of RCE Premier Sdn. Bhd., comprising 2 ordinary shares of RM1 each, for a cash consideration of RM2.

In 2004, the Company acquired 87.5% equity interest in RCE Marketing Sdn. Bhd. and increased its equity interest in Jump Licensing (S) Pte. Ltd. from 35% to 69.3%.

#### **Acquisition of Subsidiaries**

Post acquisition results of the abovementioned newly acquired subsidiary companies in 2005 and 2004 are as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Revenue	6,781,540	18,252,087
Other operating expenses	(11,373,939)	(7,708,599)
(Loss)/Profit before tax	(4,592,399)	10,543,488
Income tax credit/(expense)	700,177	(3,966,655)
(Decrease)/Increase in Group's profit attributable to shareholders	(3,892,222)	6,576,833

The effects of these acquisitions on the financial position of the Group as of dates of acquisition are as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Net assets acquired:		
Other investment	29,199,074	-
Property, plant and equipment	1,816,996	363,644
Trade receivables	-	180,630
Other receivables, deposits and prepaid expenses	1,416,685	32,315,018
Cash and bank balances	2	1,635,668
Loans and hire-purchase receivables	-	64,336,159
Fixed deposits with licensed banks	-	99,089
Trade payables	-	(147,906)
Other payables and accrued expenses	(2,518,302)	(34,566,221)
Hire-purchase payables	-	(264,181)
Borrowings	(29,199,074)	-
Tax liabilities	-	(950,427)
Deferred tax liabilities	-	(4,400)
	<hr/>	<hr/>
	715,381	62,997,073
Reserve on consolidation on acquisition of RCE Synergy Sdn. Bhd. (formerly known as Verbundsoft Sdn. Bhd.)	(715,375)	-
Reserve on consolidation on acquisition of RCE Marketing Sdn. Bhd.	-	(1,439,937)
Goodwill on consolidation on acquisition of Jump Licensing (S) Pte. Ltd.	-	171,426
Minority interest	-	(41,828,562)
	<hr/>	<hr/>
Total cash consideration on acquisition	6	19,900,000
Less: Cash and cash equivalents acquired	(2)	(1,734,757)
	<hr/>	<hr/>
Net cash flow on acquisition	4	18,165,243
	<hr/>	<hr/>

#### ***Disposal of Subsidiaries***

During the current financial year, the Company completed the disposal of its entire 70% equity interest in POS AD Sdn. Bhd. and in 2004, the Company completed the disposal of Radio Rediffusion Sdn. Bhd.



An analysis of the effect of the disposal of POS AD Sdn. Bhd. to the group results is as follows:

	<b>The Group</b>	
	<b>2005 (3.5 Months) * RM</b>	<b>2004 (12 Months) RM</b>
Revenue	9,474,219	32,940,850
Other operating expenses	(8,524,563)	(28,417,331)
Profit before tax	949,656	4,523,519
Income tax expense	(411,378)	(1,659,324)
	538,278	2,864,195

\* To date of disposal of July 16, 2004.

The effects of the disposal of POS AD Sdn. Bhd. in 2005 and Radio Rediffusion Sdn. Bhd. in 2004 on the financial position of the Group as of the respective date of disposal are as follows:

	<b>The Group</b>	
	<b>2005 RM</b>	<b>2004 RM</b>
Net assets disposed of:		
Property, plant and equipment	3,503,539	9,656,635
Inventories	85,534	-
Trade receivables	6,239,716	5,346,638
Other receivables, deposits and prepaid expenses	4,962,568	618,396
Cash and bank balances	4,711,679	16,941
Trade payables	(1,882,522)	-
Other payables and accrued expenses	(3,013,031)	(8,515,041)
Hire-purchase payables	(168,324)	(234,651)
Bank overdraft	-	(1,912,635)
Borrowings	(516,897)	(2,283,739)
Taxation	(39,028)	-
Deferred tax liabilities	(45,000)	(661,000)
Net assets disposed	13,838,234	2,031,544
Minority interest	(4,170,894)	(609,463)
	9,667,340	1,422,081
Gain on disposal of subsidiary company	1,332,660	14,854,034
Total cash consideration on disposal	11,000,000	16,276,115
Less: Deposit on disposal received in 2004	(1,100,000)	-
Less: Cash and cash equivalents disposed	(4,711,679)	1,895,694
Net cash flow on disposal	5,188,321	18,171,809

## 14. INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2005 RM	2004 RM
Unquoted shares - At cost	-	39,000
Share of post-acquisition loss	-	(39,000)
	-	-

The associated companies of the Group are as follows:

Name of Company	Place of Incorporation	Effective Equity Interest		Principal Activities
		2005 %	2004 %	
*Near Field Studio Sdn. Bhd. #	Malaysia	-	21	Rental of studio and production of musical jingles

\* The financial statements of this associated company in prior year were audited by another firm of auditors.

# Held indirectly through POS AD Sdn. Bhd.

The Group's share of losses in the associated companies in 2004 had exceeded the cost of investment. As of March 31, 2004, the cumulative and current year's unrecognised share of losses in excess of investment cost amounted to RM27,244 and RM17,459 respectively.

## 15. GOODWILL ON CONSOLIDATION

	The Group	
	2005 RM	2004 RM
Cost:		
At beginning of year	2,694,403	2,694,403
Fair value adjustment to the net assets of a subsidiary acquired in 2004 [Note 13(i)]	19,002,200	-
Disposal of subsidiary company	(2,694,403)	-
Arising from acquisition of subsidiary company	-	171,426
Amount written off	-	(171,426)
At end of year	19,002,200	2,694,403

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Cumulative amortisation:		
At beginning of year	(2,694,403)	(2,424,960)
Disposal of subsidiary company	2,694,403	-
Charge for the year	-	(269,443)
	-	(2,694,403)
At end of year	19,002,200	-

In 2004, the Group acquired 87.5% equity interest in RCE Marketing Sdn. Bhd. ("RCEM"), for which the net assets as of the acquisition date includes Redeemable Convertible Non-Cumulative Preference Shares ("RCNC Preference Shares") of RM38,780,000 (Note 27). During the current financial year, these preference shares were exchanged with RCNC Preference Shares in RCE Enterprise Sdn. Bhd. (formerly known as E-Drama Sdn. Bhd.) ("RCEE") via a share swap exercise and were redeemed at a premium of RM21,716,800. The directors of the Company regard such redemption premium as an adjustment to the fair value of RCEM's net assets as of the acquisition date and has accordingly, revised the goodwill on consolidation that relates to the acquisition of RCEM.

## 16. INVESTMENT IN QUOTED CORPORATE BONDS

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Investment in AmFinance Subordinated Bonds, at cost	-	5,326,500
Less: Accumulated amortisation of premium		
At beginning of year	-	-
Charge for the year	-	(32,650)
	-	(32,650)
At end of year	-	5,293,850
Market value	-	5,352,000

The investment in corporate bonds of the Group in 2004 had maturity period of 10 years. The coupon rate was 7.95% per annum.

## 17. LOANS AND HIRE-PURCHASE RECEIVABLES

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Total receivables	268,618,366	131,914,523
Unearned interest income	(101,430,932)	(37,970,486)
	<hr/>	<hr/>
	167,187,434	93,944,037
Less: Allowance for doubtful debts	(39,254,343)	(26,387,963)
	<hr/>	<hr/>
	127,933,091	67,556,074
Less: Prepayment	(57,830,326)	-
	<hr/>	<hr/>
	70,102,765	67,556,074
Amount receivable within one year (shown under current assets)	(10,505,172)	(10,352,605)
	<hr/>	<hr/>
Non-current portion	59,597,593	57,203,469

The non-current portion of the loan and hire-purchase receivables is as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Amount receivable:		
Within one to two years	11,231,113	16,614,239
Within two to five years	39,147,410	34,135,570
After five years	9,219,070	6,453,660
	<hr/>	<hr/>
	59,597,593	57,203,469

Loans and hire-purchase receivables, which arose from the provision of loan and hire-purchase financing to the members of Koperasi Belia Nasional Berhad, Koperasi Sejati Berhad and Koperasi Wawasan Pekerja-Pekerja Berhad (collectively referred to as "the Koperasi"), are governed under a Revolving Loan Facility Agreement, Assignment Agreement and the Power of Attorney (collectively referred to as "Security Agreements") between the Koperasi and the Group.

The loans and hire-purchase receivables are repayable over a maximum period of seven (7) years to ten (10) years (2004: seven (7) years) with effective interest ranging from 15.9% to 16.7% (2004: 16.7%) per annum.

Since 1998, the Group received advances from the Koperasi to finance its loan and hire-purchase financing operations and the amounts outstanding thereon were included under other payables and accrued expenses (Note 24). Pursuant to a Settlement Agreement dated March 31, 2005, it was mutually agreed between the Koperasi and the Group that the outstanding balance totalling RM57,830,326 be used as part settlement of amounts outstanding from loan and

hire-purchase financing granted by the Group to the members of the Koperasi and accordingly, the said RM57,830,326 has been presented in the financial statements as prepayment for the release of loans and hire-purchase receivables which have been assigned by the Koperasi to the Group in accordance with the terms of the Security Agreements.

**18. OTHER INVESTMENT**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Property trust units quoted in Malaysia, at cost	29,199,074	-
Market value of:		
Property trust units	32,702,963	-

**19. DEFERRED TAX ASSET/(LIABILITIES)**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
<b><i>Deferred Tax Asset</i></b>		
At beginning of year	-	-
Transfer from income statements (Note 10)	4,000,200	-
At end of year	4,000,200	-

The deferred tax asset of the Group represents tax effects of temporary differences arising from loans and hire-purchase receivables.

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b><i>Deferred Tax Liabilities</i></b>				
At beginning of year	426,000	1,132,000	381,000	381,000
Reversal of deferred tax on revaluation reserve	(381,000)	-	(381,000)	-
Disposal of subsidiary company	(45,000)	(661,000)	-	-
Transfer from income statements (Note 10)	11,000	(49,400)	-	-
Acquisition of subsidiary company	-	4,400	-	-
At end of year	11,000	426,000	-	381,000

The deferred tax liabilities are in respect of the tax effects of the following:

	Deferred Tax Asset/(Liability)			
	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Temporary differences arising from property, plant and equipment	(11,000)	(45,000)	-	-
Revaluation of freehold land	-	(381,000)	-	(381,000)
Net	(11,000)	(426,000)	-	(381,000)

As mentioned in Note 3, deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of March 31, 2005, the amount of deferred tax asset, calculated at current tax rate which has not been recognised in the financial statements, is as follows:

	Deferred Tax Asset/(Liability)			
	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax effects of:				
Temporary differences arising from:				
Property, plant and equipment	(1,900)	(6,500)	(1,900)	(6,500)
Receivables	18,400	221,500	18,400	221,500
Unabsorbed tax losses	15,463,000	1,881,100	-	98,300
Unabsorbed capital allowances	1,169,600	1,169,600	-	-
Net	16,649,100	3,265,700	16,500	313,300

The unabsorbed tax losses and capital allowances are subject to agreement by the tax authorities.

A subsidiary acquired during the current financial year has deferred tax assets which have not been recognised in the financial statements of approximately RM15,478,000 as of the date of acquisition.

## 20. INVENTORIES

	The Group	
	2005	2004
	RM	RM
Trading merchandise - at cost	-	85,771

**21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Trade receivables	1,634,623	6,081,729
Less: Allowance for doubtful debts	-	(256,311)
	<u>1,634,623</u>	<u>5,825,418</u>

Trade receivables of the Group represent amounts outstanding from provision of financial administrative services and information technology support services, and sales of goods. Trade receivables of the Group in 2004 also includes amounts outstanding from provision of advertising media services.

The credit period granted by the Group ranges from 14 to 120 days (2004: 14 to 120 days). An allowance has been made for estimated irrecoverable amount of RM Nil (2004: RM256,311). This allowance has been determined by reference to past default experience.

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	3,263,698	2,632,264	68,619	91,887
Less: Allowance for doubtful debts	(65,646)	-	(65,646)	-
	<u>3,198,052</u>	<u>2,632,264</u>	<u>2,973</u>	<u>91,887</u>
Prepaid expenses	182,359	1,217,618	32,753	42,263
Tax recoverable	344,015	196,414	-	-
Refundable deposits	403,203	68,645	3,162	2,660
	<u>4,127,629</u>	<u>4,114,941</u>	<u>38,888</u>	<u>136,810</u>

**22. RELATED COMPANY TRANSACTIONS**

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Amount owing by subsidiary companies	80,295,275	5,310,861
Less: Allowance for doubtful debts	-	(791,137)
	<u>80,295,275</u>	<u>4,519,724</u>

Amount owing by/(to) subsidiary companies, which arose mainly from dividend receivable and advances given/received, is unsecured, interest-free and has no fixed terms of repayment except for an advance from a subsidiary of RM2,000,000 in 2004 which bears interest at 3% per annum. This amount was fully settled during the current financial year.

Amount owing by a related party in 2004 represents amount owing by a subsidiary's preference shareholder, RCE Ventures Sdn. Bhd., in which a director of the Company has an indirect interest. The said amount, which was unsecured and bears interest at 6% per annum, was fully settled during the current financial year.

Other than as disclosed elsewhere in the financial statements, the related parties and their relationships with the Company are as follows:

<b>Name of related party</b>	<b>Relationship</b>
AMDB Berhad ("AMDB")	An associated company of Arab-Malaysian Corporation Berhad, a substantial shareholder of the Company
Corporateview Sdn. Bhd. ("CVSB"), Fulcrum Capital Sdn. Bhd. ("FCSB")	Wholly-owned subsidiaries of Arab-Malaysian Corporation Berhad, a substantial shareholder of the Company
RCE Ventures Sdn. Bhd. ("RCEV"), Redi Management Group Sdn. Bhd. (formerly known as Rediffusion Group Sdn. Bhd.) (Note 24)	Companies in which a director of the Company has an indirect interest
Rekaweb.com Sdn. Bhd.	A company in which a director of the Company has a direct interest

During the financial year, significant related party transactions are as follows:

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
<b>Subsidiary companies:</b>		
Disposal of subsidiary, RCE Marketing Sdn.Bhd. ("RCEM"), to RCE Enterprise Sdn. Bhd. (formerly known as E-Drama Sdn. Bhd.)	21,336,800	-
Disposal of freehold land to Effusion.Com Sdn.Bhd.	10,200,000	-
Dividend income receivable from POS AD Sdn. Bhd. ("POSAD") (gross)	1,718,635	-
Management fees receivable from:		
RCEM	1,005,371	532,100
POSAD	52,500	153,900
Interest receivable from:		
POSAD	35,164	-
RCEM	17,404	7,068
Interest payable to POSAD	17,404	7,068
Disposal of subsidiary, RCE Commerce Sdn. Bhd. (formerly known as Rediffusion.Com Sdn. Bhd.), to RCEM	1	-
	<hr/>	<hr/>



	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
<b>Related parties:</b>		
Redemption of Redeemable Convertible Non-Cumulative Preference Shares held by RCEV	60,496,800	-
Settlement of indebtedness by RCEV	33,989,637	-
Disposal of subsidiary, POSAD, to Rekaweb.com Sdn. Bhd.	9,900,000	1,100,000
Waiver of debt by FCSB	3,940,056	-
Interest income received from RCEV	1,024,339	1,529,584
Acquisition of subsidiary, RCE Resources Sdn. Bhd., (formerly known as Taifab Sdn. Bhd.) from AMDB	2	-
Acquisition of subsidiary, Indigeneous Capital Sdn. Bhd., from CVSB	2	-
Acquisition of subsidiary, RCEM, from RCEV	-	19,900,000

Significant outstanding balance arising from non-trade transactions with related parties are as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
<b>FCSB</b>		
Advances to RCEM	-	3,940,056
<b>RCEV</b>		
Advances from RCEM	-	33,989,637
Acquisition of RCEM by the Company	-	2,000,000
Interest income receivable by RCEM	-	1,529,584

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

## 23. TRADE PAYABLES

Trade payables comprise amounts outstanding from trade purchases.

The average credit period granted to the Group ranges from 30 to 90 days (2004: 30 to 90 days).

## 24. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	6,878,142	40,652,159	12,000	3,134,066
Accrued expenses	5,874,783	1,004,412	176,968	162,500
	12,752,925	41,656,571	188,968	3,296,566

- (i) Included in other payables of the Group as of March 31, 2005 is an amount of RM1,549,696 (2004: RM1,549,696) owing by a subsidiary, RCE Management Sdn. Bhd., to its former ultimate holding company, Redi Management Group Sdn. Bhd. (formerly known as Rediffusion Group Sdn. Bhd.). This amount is unsecured, interest-free and has no fixed terms of repayment.
- (ii) Included in other payables of the Group as of March 31, 2004 was an amount of RM13,850,794 and RM4,939,300 owing to Koperasi Belia Nasional Berhad and Koperasi Sejati Berhad respectively. These amounts represent advances granted to the Group to finance its loan and hire-purchase financing operations.

The outstanding advances granted by Koperasi Belia Nasional Berhad, Koperasi Sejati Berhad and Koperasi Wawasan Pekerja-Pekerja Berhad (collectively referred to as "the Koperasi") in the current financial year are unsecured and repayable over 72 monthly installments. Interest charges at rate ranging from 7.9% to 11% (2004: 7.9%) per annum arising thereon have been included under other operating expenses in the income statement. The advances owing to Koperasi Belia Nasional Berhad in 2004 were fully settled during the current financial year.

Pursuant to a Settlement Agreement dated March 31, 2005, it was mutually agreed between the Koperasi and the Group that the outstanding balance from such advances in 2004 and additional advances granted to the Group during the current financial year be used as part settlement of amounts outstanding from loan and hire-purchase financing granted by the Group to the members of the Koperasi and accordingly, these amounts were presented in the financial statements as prepayment for the release of loans and hire-purchase receivables which have been assigned by the Koperasi to the Group in accordance with the terms of the Revolving Loan Facility Agreement, Assignment Agreement and the Power of Attorney between the Koperasi and the Group as disclosed in Note 17.

**25. HIRE-PURCHASE PAYABLES**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Total outstanding	180,296	251,935
Less: Interest-in-suspense	(14,721)	(28,328)
	<hr/>	<hr/>
Principal outstanding	165,575	223,607
Less: Amount due within one year (shown under current liabilities)	(62,527)	(58,032)
	<hr/>	<hr/>
Non-current portion	103,048	165,575
	<hr/>	<hr/>

The non-current portion of the hire-purchase obligations payable is as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Financial years ending March 31,		
2006	-	62,527
2007	67,022	67,022
2008	36,026	36,026
	<hr/>	<hr/>
	103,048	165,575
	<hr/>	<hr/>

The interest rate implicit in these hire-purchase arrangements of the Group ranges from 6.34% to 7.60% (2004: 6.34% to 7.60%) per annum. The Group's hire-purchase payables are secured by a charge over the assets under hire-purchase.

**26. BORROWINGS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed rate serial bonds	45,000,000	-	-	-
Underwritten commercial papers	32,000,000	-	-	-
Revolving credits	2,500,000	2,500,000	2,000,000	2,000,000
Bank overdrafts	780,496	536,890	780,496	536,890
Term loans	-	638,439	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	80,280,496	3,675,329	2,780,496	2,536,890

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Less: Amount due within one year (shown under current liabilities)	(7,780,496)	(1,050,670)	(780,496)	(536,890)
Non-current portion	72,500,000	2,624,659	2,000,000	2,000,000

The revolving credits of the Group and the Company of RM2,500,000 (2004: RM2,500,000) and RM2,000,000 (2004: RM2,000,000) respectively, which are for a tenure of 12 months and at the Group's option to rollover subject to the lender's permission, are classified as non-current liabilities as the directors do not expect the balances to be repaid within the next twelve months.

Except for the abovementioned revolving credits balance for which the repayment date is not presently determined, the non-current portion of the borrowings is repayable as follows:

	The Group	
	2005 RM	2004 RM
Financial years ending March 31,		
2006	-	124,659
2007	10,000,000	-
2008	10,000,000	-
2009	35,000,000	-
2010	15,000,000	-
	70,000,000	124,659

During the financial year, a subsidiary, RCE Premier Sdn. Bhd ("RCEP"), issued RM45 million 5-year fixed rate serial bonds ("Bonds") and RM32 million of a total of RM50 million 7-year underwritten commercial papers ("CPs") for the purpose of financing the working capital of the Group.

The Bonds and the CPs were constituted by a trust deed dated September 7, 2004 made between RCEP and the Trustee for the holders of the Bonds and CPs.

The main features of the RM45 million Bonds are as follows:

- (a) The Bonds were issued at its nominal value in four (4) tranches with its respective maturity below:

Tranche	Nominal Value (RM)	Maturity Date
1	10,000,000	October 20, 2006
2	10,000,000	October 20, 2007
3	10,000,000	October 20, 2008
4	15,000,000	October 20, 2009

- (b) Each tranche of the bonds bears a fixed coupon rates ranging from 6.6% to 8.0% per annum, payable semi-annually in arrears with the last coupon payment to be made on the last respective maturity date; and
- (c) Each tranche of the Bonds shall be redeemed at its nominal value on maturity date together with interest accrued to the date of redemption.

The main features of the CPs of up to RM50 million are as follows:

- (a) The CPs are negotiable non-interest bearing promissory notes issued at discount to its nominal value with a tenure of seven (7) years from the date of its first issuance;
- (b) The CPs shall be issued for tenures of one, two, three, six, nine or twelve months, at the option of RCEP subject to the amount available pursuant to its reduction schedule below:

Reduction Date (from the first issue date)	Reduction Amount RM	CP Limit RM
Fourth year	12,500,000	37,500,000
Fifth year	12,500,000	25,000,000
Sixth year	12,500,000	12,500,000
Seventh year	12,500,000	-

- (c) Upon maturity of each of the CPs issued for tenures of one, two, three, six, nine or twelve months, RCEP has an option to redeem the CPs or to rollover the CPs previously issued;
- (d) The frequency of interest or equivalent payment is dependent on the frequency of issuance of CPs by RCEP for maturities of one, two, three, six, nine, or twelve months at a discounted basis, which shall be payable in arrears upon the respective maturity dates of the CPs; and
- (e) The existing CPs issued bear interest at rates ranging from 3.0% to 3.5% per annum.

An amount of RM7,000,000 out of the CPs issued as of March 31, 2005 of RM32,000,000 is classified as current liabilities based on management's expectation of the amount of CPs to be redeemed upon their maturity during the twelve (12) months after March 31, 2005.

The Bonds and CPs are secured against the following:

- (i) A third party first legal charge by RCE Marketing Sdn. Bhd. ("RCEM") over the entire issued and paid-up share capital of RCEP;
- (ii) A debenture incorporating a first fixed and floating charge over the entire undertaking, property, assets and rights, both present and future, of RCEP;
- (iii) An assignment of the rights, title, benefit and interest under the eligible receivables purchased by RCEP;
- (iv) An assignment over the present and future rights, title, benefit and interest in certain bank accounts of RCEP;
- (v) An undertaking from RCEM; and
- (vi) An irrecoverable corporate guarantee from the Company

The Company has bank overdraft facility of RM860,000 (2004: RM860,000) and revolving credit facility of RM2,000,000 (2004: RM2,000,000) with a bank which are secured by way of a third party first legal charge (2004: first legal charge) over the freehold land of a subsidiary (2004: the Company) as mentioned in Note 12. The overdraft facility bears interest at 7.75% (2004: at rates ranging from 8.15% to 8.45%) per annum. The revolving credit facility bears interest at 5.4% (2004: at rates ranging from 5.41% to 5.65%) per annum.

Certain subsidiary companies have term loan and overdraft facilities with limits totalling RM Nil (2004: RM1,468,439) with banks which are guaranteed by the Company. In 2004, the overdraft and term loan facility of a subsidiary company were secured by way of first legal charge over its freehold building. The overdraft facilities bear interest at rates ranging from 8.15% to 8.45% (2004: at rates ranging from 8.15% to 8.45%) per annum.

A subsidiary company has revolving credit facility amounting to RM500,000 (2004: RM500,000) which is guaranteed by the Company. The revolving credit facilities bear interest at 5.65% (2004: at rates ranging from 5.41% to 5.65%) per annum.

## 27. MINORITY INTEREST

Included in minority interest as of March 31, 2004 was an amount of RM38,780,000 representing 38,780,000 redeemable convertible non-cumulative preference shares of RM1.00 each ("RCNC Preference Shares"), issued by a subsidiary company, RCE Marketing Sdn. Bhd. ("RCEM"), and held by a related party, RCE Ventures Sdn. Bhd. ("RCEV") (Note 22).

Such RCNC Preference Shares held in RCEM were exchanged with RCNC Preference Shares in RCE Enterprise Sdn. Bhd. (formerly known as E-Drama Sdn. Bhd.) via a share swap exercise during the financial year (Note 13), and were fully redeemed at a premium of RM21,716,800.

## 28. SHARE CAPITAL

	<b>The Group and The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
<b>Authorised:</b>		
Ordinary shares of RM0.10 each (2004: RM1 each)		
At beginning of year	50,000,000	20,000,000
Created during the year	-	30,000,000
At end of year	50,000,000	50,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of RM0.10 each (2004: RM1 each)		
At beginning of year	40,151,250	18,675,000
Issued during the year	-	21,476,250
At end of year	40,151,250	40,151,250

As approved by the shareholders at an Extraordinary General Meeting held on May 7, 2004, the Company subdivided its authorised share capital of 50,000,000 ordinary shares of RM1 each into 500,000,000 ordinary shares of RM0.10 each and accordingly, its existing issued and fully paid-up capital of 40,151,250 ordinary shares of RM1 each became 401,512,500 ordinary shares of RM0.10 each.

As approved by the shareholders at an Extraordinary General Meeting held on September 25, 2003, the authorised share capital of the Company was increased from RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each to RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each by the creation of an additional 30,000,000 ordinary shares of RM1.00 each.

As approved by the shareholders at the same Extraordinary General Meeting, the Company increased its issued and fully paid up ordinary share capital from RM18,675,000 to RM40,151,250 by way of a bonus issue of 21,476,250 new ordinary shares of RM1.00 each on the basis of twenty-three (23) new ordinary shares of RM1 each for every twenty (20) existing ordinary shares of RM1.00 each held in the Company through capitalisation of the following accounts:

	<b>RM</b>	
(i) Share premium	5,037,783	
(ii) Revaluation reserve	2,086,399	
(iii) General reserve	95,818	
(iv) Unappropriated profit	14,256,250	
	21,476,250	

## 29. RESERVES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable reserves:				
Revaluation reserve	-	1,717,670	-	1,717,670
Reserve from consolidation	2,155,312	1,439,937	-	-
Translation reserve	-	(12,553)	-	-
	2,155,312	3,145,054	-	1,717,670

**Share premium**

Share premium arose from the following:

	The Group and The Company	
	2005 RM	2004 RM
Issue of 9,059,333 ordinary shares at a premium of RM0.50 per ordinary share for the acquisition of subsidiary companies	-	4,529,667
Rights issue of 6,225,000 ordinary shares at a premium of RM0.20 per ordinary share	-	1,245,000
	-	5,774,667
Listing expenses written off	-	(736,884)
Bonus issue in 2004	-	(5,037,783)
	-	-

**Revaluation Reserve**

The revaluation reserve is used to record the increase and decrease in revaluations of non-current assets, as described in the accounting policies. The surplus arising from the directors' revaluation of the Group's freehold land in 2000 is taken up in the revaluation reserve account. Revaluation reserve arose from the following:



	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Revaluation of freehold land	7,621,940	7,621,940	7,621,940	7,621,940
Deferred tax on revaluation surplus	(381,000)	(381,000)	(381,000)	(381,000)
Development expenditure	(386,204)	(386,204)	(386,204)	(386,204)
Capitalised for bonus issue:				
In 1994	(3,050,667)	(3,050,667)	(3,050,667)	(3,050,667)
In 2004	(2,086,399)	(2,086,399)	(2,086,399)	(2,086,399)
	1,717,670	1,717,670	1,717,670	1,717,670
Reversal of deferred tax on revaluation surplus no longer required	381,000	-	381,000	-
Set-off of impairment loss against revaluation reserve	(2,098,670)	-	-	-
Transfer of revaluation surplus from revaluation reserve account upon disposal of property	-	-	(2,098,670)	-
	-	1,717,670	-	1,717,670

#### Translation Reserve

Exchange difference arising from translation of foreign controlled entities is taken to the translation reserve account as disclosed in the accounting policies.

#### Reserve on Consolidation

Reserve arising from consolidation represents the excess of the Group's interest in the fair values attributable to the identifiable net assets of certain subsidiary companies at their respective date of acquisition over the purchase consideration.

### 30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	14,564,931	3,334,846	-	-
Cash and bank balances	4,186,985	9,614,369	8,753	8,753
Bank overdrafts (Note 26)	(780,496)	(536,890)	(780,496)	(536,890)
	17,971,420	12,412,325	(771,743)	(528,137)

Fixed deposits with licensed banks of the Group and the Company have an average maturity ranging from 8 to 90 days (2004: 31 days). The average interest rate is 2.7% (2004: 2.9%) per annum.

### 31. CONTINGENT LIABILITIES - UNSECURED

As of March 31, 2005, the Company is contingently liable in respect of guarantees issued in favour of a trustee for the RM45 million 5-year fixed rate serial bonds and up to RM50 million 7-year underwritten commercial papers and, a credit facility granted by a local licensed bank to a subsidiary (2004: for credit facilities of two subsidiaries). As of March 31, 2005, amount outstanding from these facilities amounted to RM77.5 million (2004: RM1,138,439).

### 32. COMMITMENT

As of March 31, 2005, the Group has commitment to acquire property, plant and equipment at a consideration of RM179,316 (2004: RM462,000).

### 33. FINANCIAL INSTRUMENTS

#### Financial Risk Management Objectives and Policies

The Group's financial risk management objectives seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, credit and liquidity risks. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

#### (i) Interest rate risk

The Group is exposed to interest rate risk mainly from differences in timing between the maturities or re-pricing of its interest-bearing assets and liabilities.

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. These mismatches are managed as part of the overall interest rate risk management process of the Group.

The Group manages its interest rate risk exposure from interest bearing borrowings by maintaining a mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into consideration the repayment and maturity profiles of its borrowings and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The maturity profile and effective interest rate of the Group's and the Company's financial assets and liabilities exposed to interest rate risk are as follows:

	Effective interest rate %	Total RM	Within 1 year RM	Maturity profile 2-5 years RM	After 5 years RM
<b>The Group</b>					
<b>2005</b>					
<b>Financial assets</b>					
Loan and hire-purchase receivables	15.9 to 16.7	70,102,765	10,505,172	50,378,523	9,219,070
Fixed deposits	2.7	14,564,931	14,564,931	-	-
		<b>84,667,696</b>	<b>25,070,103</b>	<b>50,378,523</b>	<b>9,219,070</b>
<b>Financial liabilities</b>					
Hire-purchase payables	6.34 to 7.6	165,575	62,527	103,048	-
Fixed rate serial bonds	6.6 to 8.0	45,000,000	-	45,000,000	-
Underwritten commercial papers	3.0 to 3.5	32,000,000	7,000,000	25,000,000	-
Other bank borrowings	5.4 to 8.45	3,280,496	780,496	2,500,000	-
		<b>80,446,071</b>	<b>7,843,023</b>	<b>72,603,048</b>	<b>-</b>
<b>2004</b>					
<b>Financial assets</b>					
Loan and hire-purchase receivables	16.7	67,556,074	10,352,605	50,749,809	6,453,660
Fixed deposits	2.9	3,334,846	3,334,846	-	-
		<b>70,890,920</b>	<b>13,687,451</b>	<b>50,749,809</b>	<b>6,453,660</b>
<b>Financial liabilities</b>					
Advances included under other payables	7.9	18,790,094	18,790,094	-	-
Hire-purchase payables	6.34 to 7.6	223,607	58,032	165,575	-
Bank borrowings	5.41 to 8.45	3,675,329	1,050,670	2,624,659	-
		<b>22,689,030</b>	<b>19,898,796</b>	<b>2,790,234</b>	<b>-</b>

	Effective interest rate %	Total RM	Within 1 year RM	Maturity profile 2-5 years RM	After 5 years RM
<b>The Company</b>					
<b>2005</b>					
<b>Financial liabilities</b>					
Bank borrowings	5.4 to 7.75	2,780,496	780,496	2,000,000	-
<b>2004</b>					
<b>Financial liabilities</b>					
Bank borrowings	5.41 to 8.45	2,536,890	536,890	2,000,000	-

**(ii) Credit risk**

The Group is exposed to credit risk or the risk of counterparties defaulting from its loan and hire-purchase receivables. The Group manages this risk by exercising adequate credit evaluation measures in its lending criteria and stringent monitoring of repayment. Exposure to credit risk is mitigated through an ongoing monitoring procedure on the repayment via salary deduction from its loan and hire-purchase receivables.

The Group does not have any significant concentration of credit risk due to its large number of customers. The maximum exposure to credit risk of the Group is represented by the carrying amount of each financial asset.

**(iii) Liquidity risk**

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

**Financial Assets**

The Group's and the Company's principal financial assets are fixed deposits, cash and bank balances, trade, loans, hire-purchase and other receivables, amounts owing by subsidiary companies and related parties.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

**Financial Liabilities and Equity Instruments**

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual agreement.

Significant financial liabilities include trade and other payables, amounts owing to subsidiary and associated companies, hire-purchase payables and borrowings, which are stated at their nominal value.

Borrowings are recorded at the proceeds received. Finance charges, including premium payable on settlement, are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

#### Fair Values

The carrying amount of financial assets and financial liabilities of the Group at the balance sheet date approximate their fair values except for the following:

	2005		2004	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>Financial Assets</b>				
Investment in quoted corporate bonds (Note 16)	-	-	5,293,850	5,352,000
Investment in quoted property trust units (Note 18)	29,199,074	32,702,963	-	-
<b>Financial Liabilities</b>				
Hire-purchase payables - non-current portion (Note 25)	103,048	99,535	165,575	129,411

The fair value of quoted corporate bonds and property trust units is determined by reference to quoted market prices at the close of the business on the balance sheet date.

The fair value of hire-purchase payables is estimated by discounting the expected future cash flows using effective interest rate of the hire-purchase payables.

### 34. SUBSEQUENT EVENT

On April 29, 2005, a subsidiary, RCE Synergy Sdn. Bhd. (formerly known as Verbundsoft Sdn. Bhd.), entered into a conditional sale and purchase agreement with AMDB Berhad ("AMDB"), a related party, to acquire 29,064,452 units in AmFirst Property Trust from AMDB for a cash consideration of RM31,970,897 ("Proposed Acquisition").

The Proposed Acquisition is conditional upon the following approvals being obtained:

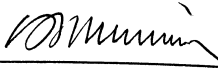
- (a) Approval by the shareholders of the Company and AMDB in an extraordinary general meeting; and
- (b) Any other relevant authorities/parties.

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of March 31, 2005 and of the results of the businesses and the cash flows for the year ended on that date.

Signed on behalf of the Board  
in accordance with a resolution of the directors,



**TAN SRI DATO' AZMAN HASHIM**



**SOO KIM WAI**

Kuala Lumpur,  
May 25, 2005

**Declaration by the Officer Primarily Responsible for the  
Financial Management of the Company**

I, **YAP CHOON SENG**, the officer primarily responsible for the financial management of **RCE CAPITAL BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



**YAP CHOON SENG**

Subscribed and solemnly declared by the abovenamed  
**YAP CHOON SENG** at **KUALA LUMPUR** this 25th day  
of May, 2005.

Before me,



Tingkat Bawah Wisma P.K.N.S.  
Jalan Raja Laut,  
50653 KUALA LUMPUR.  
TEL:- 03-27323218

**COMMISSIONER FOR OATHS**

# Analysis of Shareholdings

as at 30 June 2005

## Share Capital as at 30 June 2005

Authorised Capital	:	RM50,000,000
Issued and Paid-Up Capital	:	RM40,151,250
Class of Shares	:	Ordinary Shares of RM0.10 each

## Distribution of Shareholdings as at 30 June 2005

Size of Shareholdings	No. of Shareholdings	% of Shareholdings	No. of Shares Held	% of Shares
Less than 100	1	0.10	50	0.00
100 to 1,000	186	18.13	62,470	0.02
1,001 to 10,000	137	13.35	836,100	0.21
10,001 to 100,000	597	58.19	18,481,150	4.59
100,001 to less than 5% of issued shares	102	9.94	126,741,300	31.57
5% and above of issued shares	3	0.29	255,391,430	63.61
<b>Total</b>	<b>1,026</b>	<b>100.00</b>	<b>401,512,500</b>	<b>100.00</b>

## 30 Largest Registered Shareholders as at 30 June 2005

Name of Shareholders	No. of Shares Held	% of Shares
1. Cempaka Empayar Sdn Bhd	166,069,680	41.36
2. Blue Ribbon International Limited	56,932,000	14.18
3. Charter Green Limited	32,389,750	8.07
4. Paradigm Heritage Sdn Bhd	19,350,000	4.82
5. Vital Fortune Sdn Bhd	18,877,000	4.70
6. Irama Hasrat Sdn Bhd	17,888,000	4.46
7. Irama Inai Sdn Bhd	15,501,500	3.86
8. Richard George Azlan bin Abas	8,380,000	2.09
9. Kemas Murni Sdn Bhd	6,394,080	1.59
10. Chow Soi Wah	4,869,500	1.21
11. Citicorp Nominees (Asing) Sdn Bhd <i>UBS Ag. Singapore for Tan Ah Ee</i>	3,098,000	0.77
12. Cheah Hong Toy	2,814,000	0.70
13. A.A. Assets Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Gabungan Harmoni Sdn Bhd</i>	2,683,800	0.67
14. Chin Yin Ngoh	1,634,000	0.41
15. Citicorp Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Susy Ding</i>	1,281,700	0.32

## 30 Largest Registered Shareholders as at 30 June 2005 (cont'd)

Name of Shareholders	No. of Shares Held	% of Shares
16. Chua Teong Kim @ Seow T eong Kim	1,141,000	0.28
17. Ng Chee Seng	1,132,000	0.28
18. Cimsec Nominees (T empatan) Sdn Bhd <i>CIMB for Vernon Victor Vijiyasingam Lee (Margin-MM 1247)</i>	1,000,000	0.25
19. Almaz Salma binti Abdul Rahim	795,500	0.20
20. Cheng Lee Wah	752,500	0.19
21. Kenanga Nominees (T empatan) Sdn Bhd <i>Pledged Securities Account for Eden @ Mohd Eden bin Mohd Ali</i>	685,000	0.17
22. Soo Cham Bock	636,500	0.16
23. Heng Guan Seng	592,400	0.15
24. HSBC Nominees (T empatan) Sdn Bhd <i>Pledged Securities Account for Wong Yee Hui</i>	568,000	0.14
25. Tan Kok Eng	537,500	0.13
26. Amsec Nominees (T empatan) Sdn Bhd <i>Pledged Securities Account for Tan Kim Kee</i>	516,000	0.13
27. Lim Teck Shim	516,000	0.13
28. Superview Development Sdn Bhd	516,000	0.13
29. Chang Mun Kee	473,000	0.12
30. Chin Siaw Eng	432,500	0.11

## Substantial Shareholders as at 30 June 2005

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares held	% of Shares	No. of Shares held	% of Shares
1. Cempaka Empayar Sdn Bhd	166,069,680	41.36	-	-
2. Blue Ribbon International Limited	56,932,000	14.18	-	-
3. Charter Green Limited	32,389,750	8.07	-	-
4. Arab-Malaysian Corporation Berhad	-	-	166,069,680*	41.36
5. Tan Sri Dato' Azman Hashim	-	-	166,069,680*	41.36
6. Slan Sdn Berhad	-	-	166,069,680*	41.36
7. Ginagini Sdn Bhd	-	-	166,069,680*	41.36

Note:

\* Deemed interested by virtue of Section 6A of the Companies Act, 1965 through shareholding in Cempaka Empayar Sdn Bhd.

## Directors' Interest in Shares in the Company

The Directors' interest in shares in the Company are the same as that shown in the Directors' Report for the financial year ended 31 March 2005.



## List of Properties Held as at 31 March 2005

Location	Tenure	Age of Building (years)	Area	Description	Net Book Value RM '000	Date of Acquisition/ Revaluation*	Expiry Date
17, Jalan Pahang 53000 Kuala Lumpur	Freehold	–	30,853 sq. ft.	Vacant land	7,718	05/01/2000*	-
Unit No. 1502, Level 15, Menara PJ Pusat Perdagangan AMCORP No.18, Jalan Persiaran Barat 40650 Petaling Jaya Selangor Darul Ehsan	Leasehold	8	5,511 sq. ft.	Office	1,808	03/12/2004	11/09/2088
					9,526		



# RCE CAPITAL BERHAD

Company No. 2444-M  
(Incorporated in Malaysia)

## Form of Proxy

I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_

of \_\_\_\_\_

being (a) member(s) of RCE CAPITAL BERHAD, hereby appoint \_\_\_\_\_

\_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty-First Annual General Meeting of the Company to be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 25 August 2005 at 9.30 a.m. and at any adjournment thereof, in the manner as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2005 and the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees of RM113,959 in respect of the financial year ended 31 March 2005.		
3.	To re-elect Y. Bhg. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan who retires in accordance with Article 106 of the Company's Articles of Association.		
4.	To re-elect Mr. Soo Kim Wai who retires in accordance with Article 106 of the Company's Articles of Association.		
5.	To re-appoint Mr. Wong Bin Chen who retires pursuant to Section 129(2) of the Companies Act, 1965.		
6.	To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

No. of Shares Held

\_\_\_\_\_  
Signature of Shareholder/Common Seal

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of the attorney.
5. This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 7th Floor, Wisma Tan Kim San, No. 518A, 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Fifty-First Annual General Meeting or at any adjournment thereof.

Please fold here

---

AFFIX  
STAMP

THE COMPANY SECRETARY  
**RCE CAPITAL BERHAD** (2444-M)  
7TH FLOOR, WISMA TAN KIM SAN  
NO. 518A, 3RD MILE, JALAN IPOH  
51200 KUALA LUMPUR

---

Please fold here