

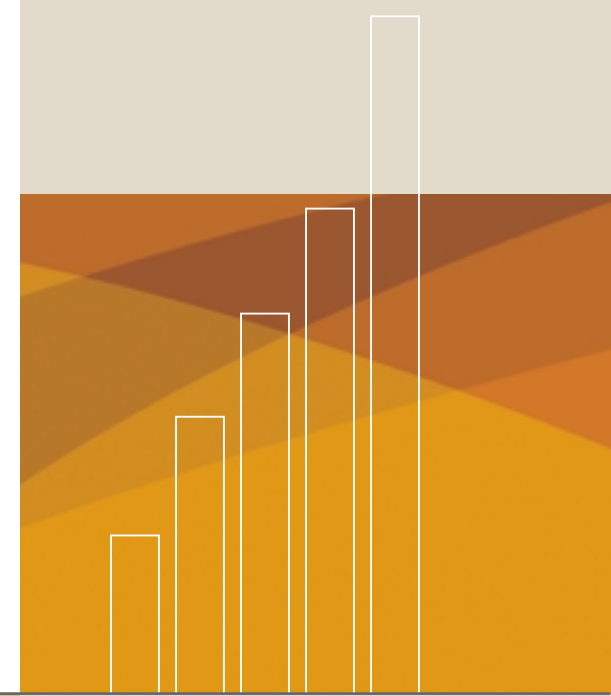


RCE CAPITAL BERHAD

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

2006

Annual Report



02	Notice of Annual General Meeting
06	Statement Accompanying Notice of Annual General Meeting
07	Corporate Information
08	Group Financial Highlights
09	Corporate Structure
10	Profile of Directors
15	Chairman's Statement
21	Penyata Pengerusi

RCE CAPITAL BERHAD

CONTENTS

27	Statement on Corporate Governance
34	Additional Compliance Information
36	Statement on Internal Control
38	Audit Committee Report
45	Financial Statements
107	Analysis of Shareholdings
	Form of Proxy

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifty-Second 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 Monday, 28 August 2006 at 10.30 a.m. to transact the following businesses:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2006 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To re-elect the following Directors who retire by rotation pursuant to Article 106 of the Company's Articles of Association:
 - (i) Y. Bhg. Major General (Rtd) Dato' Haji Fauzi bin Hussain **Resolution 2**
 - (ii) Puan Shalina Azman **Resolution 3**
3. To re-elect Y. Bhg. Dato' Che Md Nawawi bin Ismail who retires pursuant to Article 93 of the Company's Articles of Association. **Resolution 4**
4. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to determine their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

5. To consider and if thought fit, pass the following ordinary resolution:

Payment of Directors' Fees

"THAT the payment of Directors' fees of RM91,250 in respect of the financial year ended 31 March 2006 be and is hereby approved." **Resolution 6**

Notice of Annual General Meeting

6. To consider and if thought fit, pass the following 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 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 consider and if thought fit, pass the following ordinary resolution:

Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

“THAT, pursuant to Chapter 10, Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature (“Recurrent Transactions”) with the related parties detailed in Section 2.2 of the Circular to Shareholders dated 4 August 2006, provided that the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

Resolution 8

Notice of Annual General Meeting

AND THAT authority conferred by the shareholders' mandate shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by resolution passed at the AGM, the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and the aggregate value of the Recurrent Transactions be disclosed in the annual report of the Company.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interests of the Company and/or its subsidiaries to give effect to the Recurrent Transactions contemplated and authorised by this Resolution."

8. To transact any other business for which due notice shall have been received.

By Order of the Board

JOHNSON YAP CHOON SENG (MIA 20766)
SELENA LEONG SIEW TEE (MIA 7017630)
Secretaries

Kuala Lumpur
4 August 2006

Notice of Annual General Meeting

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 two (2) or more 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. The 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. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company situated 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 meeting or at any adjournment thereof.
6. Explanatory notes on Special Business
 - (i) Resolution 6 - Payment of Directors' fees

The Ordinary Resolution 6 proposed under item 5, if passed, will authorise the payment of Directors' fees to the Non-Executive Directors of the Company for their services as Directors during the financial year ended 31 March 2006.
 - (ii) Resolution 7 - Authority to Directors to issue shares

The Ordinary Resolution 7 proposed under item 6, if passed, will give the Directors of the Company authority to issue and allot shares of not more than 10% of the total issued share capital of the Company for the time being, subject to the approvals of all relevant governmental/regulatory bodies, for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company.
 - (iii) Resolution 8 - Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 8 proposed under item 7, if passed, will allow RCE Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad. Further information on the proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature is set out in the Circular to Shareholders dated 4 August 2006 which is despatched together with the Company's 2006 Annual Report.

Statement Accompanying Notice of Annual General Meeting

1. DIRECTORS SEEKING RE-ELECTION AT THE FIFTY-SECOND ANNUAL GENERAL MEETING OF THE COMPANY

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

- Y. Bhg. Major General (Rtd) Dato' Haji Fauzi bin Hussain.
- Puan Shalina Azman.

A Director who was appointed to the Board during the year, retiring pursuant to Article 93 of the Company's Articles of Association and seeking re-election is as follows:

- Y. Bhg. Dato' Che Md Nawawi bin Ismail.

Details of Directors who are standing for re-election are set out in their respective profiles which appear in the Profile of Directors on pages 10 to 14 of the Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings which appear on page 108 of the Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, four (4) Board Meetings were held. Details of attendance of Directors at Board Meetings are disclosed in the Statement on Corporate Governance on page 27 of the Annual Report.

3. PLACE, DATE AND TIME OF THE FIFTY-SECOND ANNUAL GENERAL MEETING OF THE COMPANY

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

Date & Time : Monday, 28 August 2006 at 10.30 a.m.

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Azman Hashim
Non-Independent Non-Executive Chairman

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

**Datuk Mohd Zaman Khan @
Hassan bin Rahim Khan**
Independent Non-Executive Director

Dato' Che Md Nawawi bin Ismail
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

BUSINESS ADDRESS

2nd Floor, AMCORP Tower
AMCORP Trade Centre
No. 18, Jalan Persiaran Barat
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7966 2600
Fax : 603-7966 2611
Website : www.rce.com.my

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

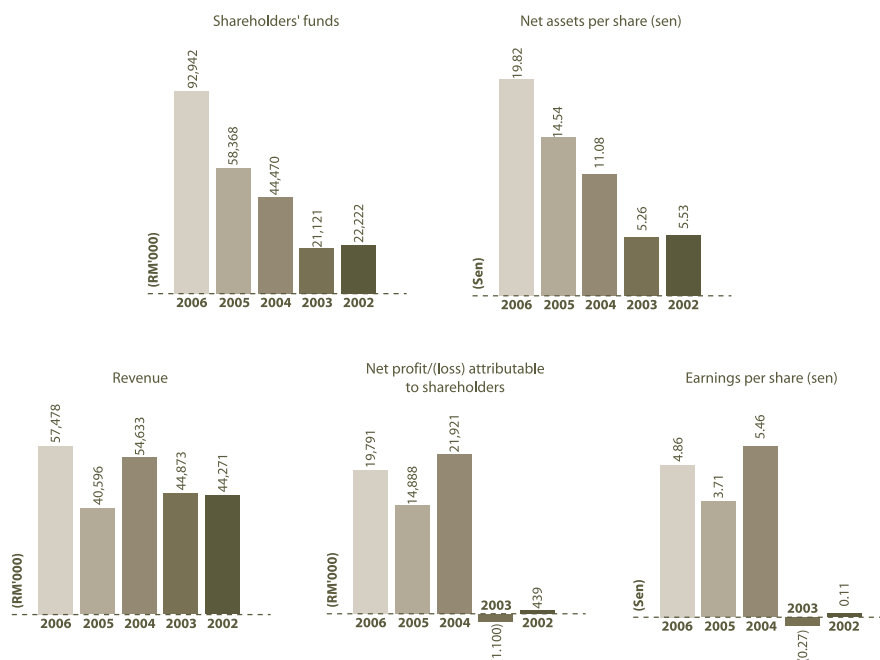
SHARE REGISTRAR

PFA Registration Services Sdn Bhd
1301, Level 13, Uptown 1
No. 1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
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

Group Financial Highlights



Consolidated Balance Sheets As at 31st March (RM'000)

	2006	2005	2004	2003	2002
Property, plant and equipment	3,115	10,079	14,500	24,356	27,286
Loan and hire purchase receivables					
- Non-current portion	220,284	59,598	57,203	-	-
Investments	61,170	29,199	5,294	-	-
Deferred tax asset	6,597	4,000	-	-	-
Current assets	83,119	35,019	66,293	36,490	18,657
Long term and deferred liabilities	(272,992)	(72,614)	(3,216)	(2,721)	(3,931)
Current liabilities	(36,694)	(22,782)	(48,388)	(36,681)	(15,713)
Share capital	46,893	40,151	40,151	18,675	18,675
Shareholders' funds	92,942	58,368	44,470	21,121	22,222
Goodwill on consolidation	28,344	19,002	-	269	539
Net assets (NA)	92,942	58,368	44,470	21,121	22,222
NA per share (sen)	19.82	14.54	11.08*	5.26#	5.53#

Consolidated Income Statements Year ended 31st March (RM'000)

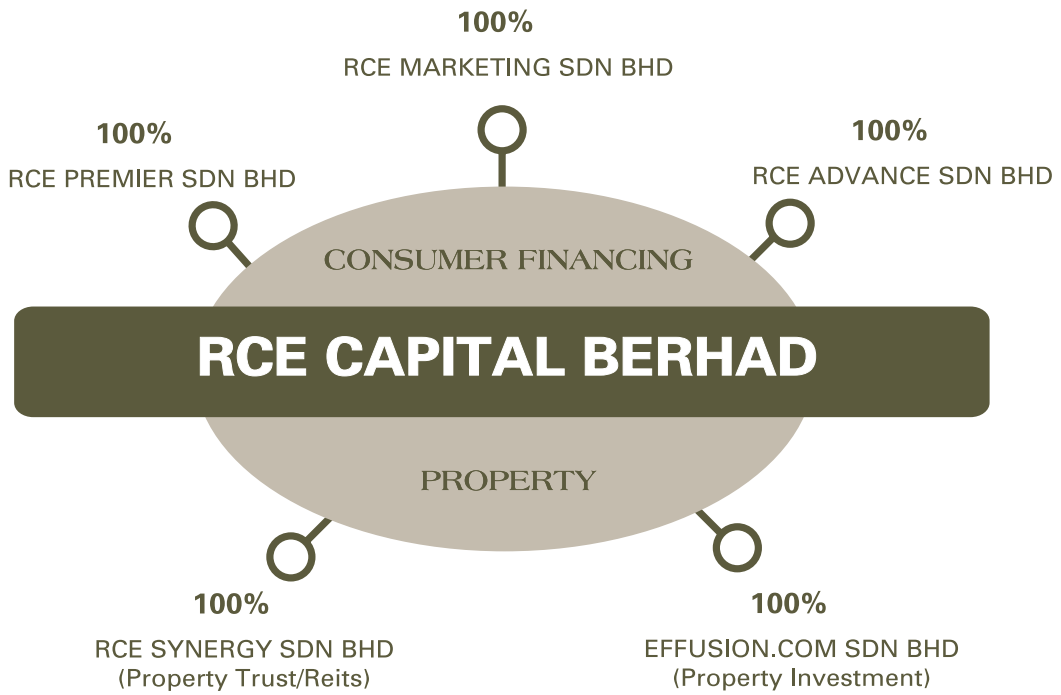
	2006	2005	2004	2003	2002
Revenue	57,478	40,596	54,633	44,873	44,271
Profit before taxation	23,512	18,912	29,125	371	2,145
Profit/(Loss) after taxation	22,315	17,001	23,476	(1,272)	998
Net profit/(loss) attributable to shareholders	19,791	14,888	21,921	(1,100)	439
Earnings per share (sen)	4.86	3.71	5.46*	(0.27)#	0.11#

* Adjusted for share split

Adjusted for bonus issue and share split

Corporate Structure

as of June 30, 2006



Profile of **Directors**

TAN SRI DATO' AZMAN HASHIM

Non-Independent Non-Executive Chairman

Y. Bhg. Tan Sri Dato' Azman Hashim, a Malaysian, aged 67, was appointed to the Board on 2 December 1988.

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

Tan Sri Dato' Azman is the Chairman of the Malaysian Investment Banking Association, the National Productivity Corporation, East Asia Business Council and the Pacific Basin Economic Council (PBEC) International and Co-Chairman of Malaysia-Singapore Roundtable.

Tan Sri Dato' Azman is President of the Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and Non-Aligned Movement's ("NAM") Business Council. He is a member of the APEC Business Advisory Council, The Trilateral Commission (Asia-Pacific Group), the Malaysia-British and Malaysia-China Business Councils, and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council. He is also the Leader of the ASEAN-Japanese Business Meeting (Malaysia Committee, Keizai Doyukai) and is on the Board of Advisors, AIM Centre for Corporate Social Responsibility. He was recently appointed Pro-Chancellor, Open University of Malaysia and Member, Governing Body of the Asian Productivity Organisation, Executive Committee of the Malaysian Crime Prevention Foundation and International Advisory Panel, Bank Negara Malaysia International Centre for Education in Islamic Finance (INCEIF).

Tan Sri Dato' Azman is the Non-Executive Chairman of AMMB Holdings Berhad (AHB) and Chairman of the Board of several subsidiaries of AHB, namely AmInvestment Group Berhad, AMFB Holdings Berhad, AmBank (M) Berhad, AmMerchant Bank Berhad, AmIslamic Bank Berhad, AmProperty Trust Management Berhad and AmAssurance Berhad. Apart from the AHB group of companies, he is also the Executive Chairman of AmcorpGroup Berhad and the Chairman of AMDB Berhad, Malaysian South-South Corporation Berhad, MCM Technologies Berhad and serves as a Director of Pembangunan MasMelayu Berhad and Islamic Banking & Finance Institute Malaysia Sdn Bhd. He is also involved in several charitable organisations as Chairman of AmGroup Foundation and Perdana Leadership Foundation, and Trustee for ECM Libra Foundation, Better Malaysia Foundation and the Malaysian Liver Foundation.

Profile of Directors

MAJOR GENERAL (RTD) DATO' HAJI FAUZI BIN HUSSAIN

Independent Non-Executive Director

Y. Bhg. Major General (Rtd) Dato' Haji Fauzi bin Hussain, a Malaysian, aged 66, 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.

Dato' Haji Fauzi has since 1960 served in the Malaysian Army and the Royal Malaysian Air Force, and held various positions in the command and staff appointments 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.

Dato' Haji Fauzi currently serves on the Board of Atis Corporation Berhad, Genetec Technology Berhad and MCM Technologies Berhad.

DATUK MOHD ZAMAN KHAN @ HASSAN BIN RAHIM KHAN

Independent Non-Executive Director

Y. Bhg. 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 Malaysian Police Force 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.

Datuk Mohd Zaman Khan currently sits on the Board of Tricubes Berhad.

Profile of Directors

DATO' CHE MD NAWAWI BIN ISMAIL

Independent Non-Executive Director

Y. Bhg. Dato' Che MD Nawawi bin Ismail, a Malaysian, aged 56, was appointed to the Board on 28 February 2006.

Dato' Nawawi holds a Bachelor of Laws (Hons) Degree from the International Islamic University of Malaysia and practiced as an advocate and solicitors in a legal firm between 1990 and 1991. Dato' Nawawi was the Deputy Commissioner of Police of the Malaysian Police Force until his recent retirement in February 2006. He had held several key positions during his 36 years of service with the Malaysian Police Force including the position of Head of Criminal Investigation Department in the State of Sabah and Perlis, OCPD Cheras, Deputy Director Commercial Crime Division and Deputy Director, Criminal Investigation Department in Bukit Aman.

Dato' Nawawi also serves on the Board of AmcorpGroup Berhad and Suremax Group Berhad.

SOO KIM WAI

Non-Independent Non-Executive Director

Mr. Soo Kim Wai, a Malaysian, aged 45, 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 AmcorpGroup 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 1989.

Presently, he is a Board member of AMMB Holdings Berhad, AmProperty Trust Management Berhad, AMCORP and MCM Technologies Berhad.

Profile of Directors

SHALINA AZMAN

Non-Independent Non-Executive Director

Puan Shalina Azman, a Malaysian, aged 39, 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 in 1993 she obtained her Masters in Business Administration from the University of Hull in United Kingdom.

Puan 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 re-joining the Company, she was with AmcorpGroup 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, Puan Shalina resigned as the Managing Director of the Company to re-join AMCORP and on 1 August 2002, she was appointed as the Deputy Managing Director of AMCORP.

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

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 and the Managing Director 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.

Profile of Directors

DETAILS OF MEMBERSHIP IN BOARD COMMITTEES

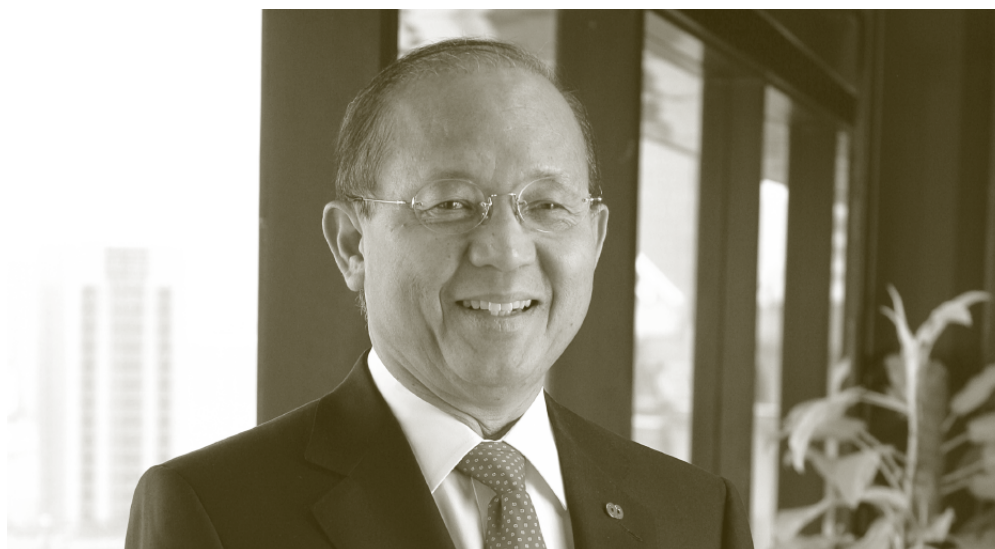
COMMITTEES OF THE BOARD			
	Audit Committee	Remuneration Committee	Nomination Committee
Tan Sri Dato' Azman Hashim			
Major General (Rtd) Dato' Haji Fauzi bin Hussain	Chairman	Member	Member
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan	Member	Chairman	Chairman
Dato' Che Md Nawawi bin Ismail	Member		
Soo Kim Wai	Member		
Shalina Azman			Member
Chew Keng Yong		Member	

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 Puan Shalina Azman who are father and daughter. Tan Sri Dato' Azman Hashim is the Executive Chairman and a major shareholder of AmcorpGroup Berhad, which in turn is a major shareholder of the Company.

None of the Directors have any conflict of interest with the Company, other than as announced or as set out in Note 20 to the Financial Statements under "Related Company Transactions".

None of the Directors have been convicted for offences within the past 10 years.

Chairman's Statement



**Dear
Shareholders,**

I am pleased to present to you, on behalf of the Board of Directors of RCE Capital Berhad ("RCE"), the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 March 2006.

ECONOMIC REVIEW

The year 2005 saw the Malaysian economy growing at a slower pace of 5.2% compared with 7.2% in 2004. While the external environment has remained highly challenging, amidst escalating oil prices, higher interest rates and uncertain geo-political conditions, Malaysia is expected to sustain a growth of above 5.0% in 2006. This would be supported largely by the domestic demand, led by the private sector.

FINANCIAL REVIEW

For the financial year under review, the Group continued its good performance by recording double digit growth in both top-line and bottom-line figures. For the 12 months ended 31 March 2006, our revenue grew by 29% to RM57.5 million compared to RM44.6 million recorded in the previous financial year. Profit after tax ("PAT") was significantly higher at RM22.3 million which represented an increase of 31% over the previous year's PAT of RM17.0 million. Correspondingly, our basic earnings per share rose from 3.7 sen to 4.9 sen, bringing our net assets per share to 20 sen.

Chairman's Statement

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

COMPANY	PRICE (RM) 31DEC95	PRICE (RM) 31DEC05	TOTAL DIVS (RM)	NEW PRICE + TOTAL DIVS (RM)	SHAREHOLDERS' RETURN (%)	CAGR (%)	RANK
IOI Corporation Bhd	2.40	12.40	1.36	13.76	473.3	19.1	1
YTL Cement Bhd	0.65	2.30	0.49	2.79	330.4	15.7	2
Public Bank Bhd (L)	2.10	6.55	2.16	8.71	314.7	15.3	3
Star Publications (M) Bhd	2.25	7.35	1.71	9.06	302.8	15.0	4
WCT Engineering Bhd	0.91	2.27	1.01	3.28	262.5	13.7	5
MISC Bhd	3.28	9.95	1.34	11.29	244.1	13.2	6
Southern Bank Bhd	1.43	4.06	0.83	4.89	242.0	13.1	7
IOI Oleochemical Industries Bhd	3.90	11.70	1.07	12.77	227.3	12.6	8
British American Tobacco Bhd	20.90	40.25	27.75	68.00	225.4	12.5	9
Taliworks Corporation Bhd	1.30	1.32	0.19	1.51	16.4	1.5	72
Eastern Pacific Ind Corp	1.98	1.69	0.61	2.30	16.2	1.5	73
RCE Capital Bhd	0.19	0.22	0.00	0.22	15.4	1.4	74
Paramount Corp Bhd	2.27	1.92	0.70	2.62	15.3	1.4	75
Ladang Perbadanan Fima	3.80	2.55	1.72	4.27	12.4	1.2	76
MMC Corporation Bhd	2.29	1.99	0.55	2.54	11.0	1.1	77
Genting Bhd	21.20	21.40	2.13	23.53	11.0	1.1	78
Asiatik Development Bhd	2.36	2.15	0.44	2.59	9.9	1.0	79
Kumpulan Guthrie Bhd	3.82	2.43	1.15	3.58	-6.3	-0.6	100

“...the Group continued its good performance by recording double digit growth in both top-line and bottom-line figures.”

SECOND BOARD TRADING/SERVICES							
Filters Holdings Bhd	0.615	1.86	0.2	2.06	235.0	27.4	1
Hexagon Holdings Bhd	1.45	2.9	0.043	2.943	103.0	15.2	2
Yinson Holdings Bhd	0.859	1.18	0.059	1.239	44.7	7.6	3
Juan Kwang (M) Ind Bhd	0.72	0.99	0	0.99	37.5	6.6	4
RCE Capital Bhd	0.173	0.215	0	0.215	24.3	4.4	5
Lion Forest Industries Bhd	1.88	1.83	0.417	2.247	19.5	3.6	6
LMS Holdings Bhd	0.875	0.705	0.16	0.865	-1.1	-0.2	7
Hai-O Enterprises Bhd	1.35	1.02	0.198	1.218	-9.8	-2.0	8
See Huo Consolidated Bhd	1.59	1.05	0.184	1.234	-22.4	-4.9	9
Seri Jaya Corporation Bhd	0.825	0.585	0.07	0.635	-23.0	-5.1	10

“...Profit after tax (“PAT”) was significantly higher at RM22.3 million which represented an increase of 31% over the previous year’s PAT of RM17.0 million.”

“...Going forward, we will continue to explore viable business opportunities and further enhancement to our technological infrastructure and human capital resources to improve delivery to our customers, support our distribution network more efficiently and consequently bring greater value to our shareholders.”

Back to basics and the future

Between the Lines

MARKETS around the world required stability in the middle of last week after having reversed a week earlier. Many punters lost heavily in that short period of market weakness, according to brokers. These were punters who may have profited in the earlier two months in highly speculative stocks. Even so, the recent spell of stock weakness has caused some of the punters from their habit of chasing stocks with a “moo”, in some cases, stocks surged even without a story; they caught the attention of punters solely by being “actively tracked”.

Some sound results

The results season displayed some pleasant surprises last week. However, while a number of

Some improved results	Net profit Jan-Mar '06 (RM mil)	Increase from Jan-Mar '05 (%)	Share price May 26 (RM)	Annualised P/E** (Times)
Mixtral*	3.7	260.2	0.90	5.9
Bonita*	2.9	221.1	1.32	5.3
Ahmad Zaki	5.4	120.4	2.19	6.8
Marnie*	6.6	92.7	2.26	5.7
Fima Corp	7.2	83.7	2.55	7.2
FSM	3.1	75.9	1.27	5.3
Mah Sing*	14.9	63.9	2.34	6.3
Boon Kohn	4.4	51.0	1.16	7.7
I-Power	2.8	48.1	0.945	5.3
RCE	7.3	32.7	0.36	5.0

Ministry of Education (MEd) is a new national company that is known as the best-managed bangladeshi contractors. It showed its muscle in its Q1 results, which received a higher contribution from its Middle Eastern contracts than before. Marnie-Double Decker Bhd is a more national company than Bonita and so it does not operate its own retail stores, it is cash-rich, it held about RM40mil cash and quoted investments with a book value of RM16.4mil, which had a market value of RM17.0mil. The company produces a range of snack food and nutritional fruit juices, and it attributed its latest

show even stronger earnings. Interestingly when Mah Sing's management team went on a roadshow earlier this month, the itinerary included the usual places like London but also Dubai, where the oil money is. Some Kumpulan Guthrie's first quarter is also usually its weakest, even so, there was good growth in both sales and net profits. In addition, it has just stepped into high gear in its re-building of Mercedes commercial vehicles and exports of re-conditioned vehicles to Indonesia. If Fima is a Media-Brand company that may be able to join the RM10mil club on that market, it

RCE Capital Bhd is still a little-known company controlled by well-known banker Tan Sri Azman Hashim. The company may be better known as the former Redifusion Bhd that sold off its radio stations and changed its core business to that of providing personal loans and consumer financing for civil servants. As RCE can't collect deposits, it raises funds through bonds, which it lends to civil servants at higher rates. Loan default rates are low as repayment is made through salary deductions. Hence, it enjoyed a net profit margin of 34% and a high return on equity of 26% for the year ended March 31, 2006.

29 May 2006 Monday

News B3

STANDARD

Chairman's Statement

BUSINESS DEVELOPMENT

In order for the Group to fully benefit from the strong assets and earnings growth of RCE Marketing Sdn Bhd ("RCEM"), the Group's main profit contributor for the coming years, we have completed the acquisition of the remaining 12.5% stake in RCE Enterprise Sdn Bhd ("RCEE") in March 2006. As a result, RCEM has become an indirect wholly-owned subsidiary of RCE through RCEE.

We continue to focus on growing RCEM's business relationships with the various co-operatives. As a result, our co-operative business partners now have more than 50 distribution channels throughout Malaysia, compared with approximately 40 channels the previous financial year. They continue to support our consumer credit business in providing financial solutions in the form of consumer loans to their members who primarily consist of civil servants.

Going forward, we will continue to explore viable business opportunities and further enhancement to our technological infrastructure and human capital resources to improve delivery to our customers, support our distribution network more efficiently and consequently bring greater value to our shareholders.

CORPORATE DEVELOPMENT

Besides organic growth, the Group has also undertaken several corporate exercises with the aim of placing it in a better position to face the challenges ahead.

We completed our acquisition of an additional 29.1 million units in AmFirst Property Trust ("AMFPT") on 13 September 2005, increasing our total stake to 58.3 million units. The investment continues to provide the Group with a stable income stream averaging 7.5% annually. In addition, pursuant to the proposed restructuring and rebranding exercise announced by AMFPT in March 2006, which involves the establishment of a new Real Estate Investment Trust to be known as AmFirst REIT, the Group is expected to record a gain of approximately RM20.4 million for the financial year ending 31 March 2007 from its investment in AMFPT.

In October 2005, the Group through its wholly-owned subsidiary company, RCE Advance Sdn Bhd, was given approval by the Securities Commission to issue up to RM420.0 million Fixed Rate Medium Term Notes ("MTNs"). The issue of the MTNs would allow the Group to tap on the debt markets to fund the growth of RCEM, the Group's main profit contributor.

The MTNs comprised RM240.0 million Class A MTNs, RM120.0 million Class B MTNs and RM60.0 million Class C MTNs and rated A+, A and BBB+ respectively by Malaysian Rating Corporation Berhad. This funding programme allows the Group to manage its funding cost in the current rising interest rate environment and to date, a total of RM210.0 million MTNs has been issued.

Chairman's Statement

Tuesday 4 July 2006

B6 Focus

STARRIZ

By C.S. TAN
ctan@thestar.com.my

PETALING JAYA: At a time when companies face increasing commodity and interest rate costs, RCE Capital Bhd is one company that is able to lower its costs.

RCE is engaged in giving personal loans to civil servants and is a member of the Asean-Malaysian Corp Bhd (Amcorp) group.

The former Rediffusion Bhd changed its core business and name to RCE after it sold its radio broadcasting station to Star Publications (M) Bhd.

In its new core business, RCE's major cost is in its cost of funds. It had issued private debt securities (PDS) to raise funds in 2004 and last year. As the company now has an excellent credit record of more than two years, it could sell its receivables under asset-backed securities, which should carry a significantly lower cost than PDS.

Amcorp managing director Soo Kim Wai told *StarBiz* that RCE's non-performing loans (NPLs) were only 2% to 3% of total loans given out. That is as low a rate as that in some of best banks. Such a low rate of NPLs would enable RCE to raise funds at a cost of around the same level as the funding cost of banks.

The low rate of NPLs is largely due to the method of loan repayment, which is by way of salary deductions. As such, the main risk is if the borrower leaves the civil service, especially as the loans given are unsecured personal loans.

That is, however, well-provided for. Its provisions for doubtful debts far exceed the NPLs. "RCE makes

RCE builds large future profits



general provisions (GPs) of 8% each year, and it used to be as high as 10%, when banks make GPs of just 1%," Soo said.

Hence, each year, RCE writes off 8% of its year's loans as a general provision when its actual NPL rate is just 2% to 3%.

"This rate of GP evolved from RCE's previous business of financing the purchase of electrical appliances by the public, where NPLs were higher," he added.

RCE has, therefore, built up a reserve in its over-provisions of GPs, which can be used in future as it progressively lowers its rate of GPs.



Soo Kim Wai

RM300mil which, based on its historical net profit margin of about 38%, offers future net profits of over RM100mil.

Further, RCE is on a fast track. Standard & Poor's (S&P) stated in a

report that RCE's gross receivables grew more than 100% to RM570mil in its 2006 financial year from RM470mil in the previous year. So, even if RCE grows at the same pace this year, it could add future profits



Year end March 31

of another RM100mil. These reserves of future profits exceed the company's market capitalisation of RM170mil. This is thus an under-valued stock.

Similarly, using price/earnings ratio (PE) as a yardstick, S&P projected RCE's net profit to improve 90% to RM25.8mil for its current financial year ending March 31, 2007, and a PE of just 6.5 times.

There is a lot of room for RCE to grow. The company has 25,000 accounts only, whereas there are a total of 1.2 million civil servants.

The biggest player in this business is Bank Rakyat, which has shown how large and profitable this business can be. Bank Rakyat, which also gives loans to civil servants, reported a net profit of RM295mil last year.

RCE has shown an ability to gain market share. "When we first took over RCE, its market share was 2% and now it is 6%," Soo said, adding that "we are targeting to increase that to 10% within three years."

KL2nd top gainers

	March 31	April 28	% Change
JOTECH	0.55	0.98	78.18
LIMAHSN	0.74	1.27	71.62
LIONFIB	1.84	2.98	61.96
TOCEAN	0.36	0.58	59.72
MANGIUM	0.18	0.27	50.00
RPOWER	0.97	1.43	48.19
APP	0.78	1.11	43.23
SCOMIEN	1.19	1.67	40.34
BTM	0.30	0.42	40.00
RCECAP	0.23	0.31	37.78

"...we remain focused on improving our productivity and efficiency, strengthening our credit risk management practices and reducing the overall cost of funding through innovative fund-raising exercises."

Top 100 companies

F13

Top 100 companies that gave the best returns (3 years)

COMPANY	PRICE (RM) 31DEC02	PRICE (RM) 31DEC05	TOTAL DIVS (RM)	NEW PRICE + TOTAL DIVS (RM)	SHAREHOLDERS' RETURN (%)	CAGR (%)	RANK
Top Glove Corporation Bhd	0.82	6.85	0.21	7.06	761.0	105.0	1
Lion Diversified Holdings	0.37	2.28	0.11	2.39	551.5	86.8	2
Concrete Engineering Products Bhd	0.41	2.62	0.00	2.62	546.9	86.3	3
Milux Corporation Bhd	0.76	3.80	0.14	3.94	418.4	73.1	4
Sunway City Bhd	0.63	1.27	0.06	1.33	111.1	28.3	58
RCE Capital Bhd	0.10	0.22	0.00	0.22	110.8	28.2	59
Malaysia Building Society Bhd	0.33	0.64	0.05	0.69	110.8	28.2	60
Subur Tiasa Holdings Bhd	1.38	2.70	0.17	2.87	108.0	27.6	61
Tong Herr Resources Bhd	1.43	2.39	0.56	2.95	106.3	27.3	62
EON Capital Bhd	2.62	5.05	0.31	5.36	104.6	27.0	63

THE EDGE MAY 15, 2006

Chairman's Statement

To raise additional funding for the Group's core business, we completed the disposal of the 14 continuous parcels of land along Jalan Pahang, Kuala Lumpur owned by our subsidiary, Effusion.Com Sdn Bhd, for a cash consideration of RM7.7 million in February 2006.

As part of our continuous efforts to enhance value and reward our shareholders, we have on 19 May 2006 announced the proposal to issue one (1) bonus share for every three (3) existing shares held and to undertake a Special Issue of up to 21.1 million new RCE shares to be issued to qualified Bumiputera investors. With the approval of the shareholders in an Extraordinary General Meeting held on 7 July 2006, the proposal is expected to be completed by end August 2006.

In the same announcement, the Board also proposed to transfer the listing status of RCE from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.

The transfer will better reflect our current size of operations and is expected to enhance the Group's profile among both our bankers as well as potential investors. The proposed transfer was approved by the Securities Commission on 25 July 2006 and is also expected to be completed by end August 2006.

INVESTOR RELATIONS

As part of our ongoing initiative to provide readily available information to our shareholders and the investing public, we have embarked on establishing a comprehensive and informative website. The website (<http://www.rce.com.my>) also provides a convenient channel for fund managers, research houses and potential investors to obtain information on the Group with just the click of a button.

OUTLOOK / PROSPECTS

Inflation and rising interest rates remain a main concern for the Group as these will have an impact on consumer spending patterns. Nevertheless, the Malaysian economy is still expected to sustain a GDP growth of more than 5% for 2006. Accordingly, we expect to see a further expansion of the Group's activities and an improvement in its financial performance.

Besides expanding our distribution and marketing network, we remain focused on improving our productivity and efficiency, strengthening our credit risk management practices and reducing the overall cost of funding through innovative fund-raising exercises.

Chairman's Statement

DIRECTORATE

During the financial year ended 31 March 2006, we bid farewell to two of our Directors, Mr. Wong Bin Chen and Encik Azmi Hashim and on behalf of the Board, I would like to take this opportunity to thank them for their contribution and many years of dedication to the Group.

I would also like to welcome Y. Bhg. Dato' Che Md Nawawi bin Ismail to the Board. With his wealth of experience, I am confident that he will provide invaluable support to the Group.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to record my appreciation to the management and staff for their contribution and commitment to the Group in achieving another year of success. Their professionalism, integrity and diligence are all core values that the Group cultivate as we set our course to face the challenges ahead.

To our shareholders, business associates, partners, and the relevant authorities, we would like to thank all of you for your strong and continuing support, without which our progress over the years would not have been possible.

I would like to thank my Fellow Directors on the Board for their guidance and contribution to the Group.

The Group has progressed strongly over the years and with the impending transfer to the Main Board of Bursa Malaysia Securities Berhad, we remain excited about the opportunities and challenges ahead, and are optimistic about our prospects for further growth.

Yours sincerely,



Tan Sri Dato' Azman Hashim
Chairman

1 August 2006

Penyata Pengerusi



Kepada Pemegang Saham,

Bagi pihak Lembaga Pengarah RCE Capital Berhad ("RCE"), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Mac 2006.

TINJAUAN EKONOMI

Tahun 2005 menyaksikan ekonomi Malaysia berkembang pada kadar yang lebih perlahan pada 5.2% berbanding dengan 7.2% pada tahun 2004. Manakala persekitaran luar masih sangat mencabar di tengah-tengah kenaikan harga minyak, kadar faedah yang lebih tinggi dan ketidakpastian keadaan geopolitik, Malaysia dijangka akan mengekalkan pertumbuhan melebihi 5.0% pada tahun 2006. Ini akan disokong terutamanya oleh permintaan dalam negeri, diterajui oleh sektor swasta.

TINJAUAN KEWANGAN

Bagi tahun kewangan di bawah kajian, Kumpulan meneruskan prestasi yang baik dengan mencatat pertumbuhan dua angka dalam kedua-dua jumlah dagangan dan keuntungan. Bagi tempoh 12 bulan berakhir 31 Mac 2006, hasil Kumpulan meningkat sebanyak 29% kepada RM57.5 juta berbanding dengan RM44.6 juta yang dicatat dalam tahun kewangan yang lepas. Keuntungan selepas cukai ("PAT") meningkat dengan ketara sebanyak RM22.3 juta yang mewakili peningkatan sebanyak 31% berbanding PAT tahun lepas sebanyak RM17.0 juta. Selaras dengan itu, perolehan asas kami bagi setiap saham meningkat daripada 3.7 sen kepada 4.9 sen, meningkatkan aset-aset bersih setiap saham kami kepada 20 sen.

Penyata Pengerusi

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

COMPANY	PRICE (RM) 31DEC95	PRICE (RM) 31DEC05	TOTAL DIVS (RM)	NEW PRICE + TOTAL DIVS (RM)	SHAREHOLDERS' RETURN (%)	CAGR (%)	RANK
IOI Corporation Bhd	2.40	12.40	1.36	13.76	473.3	19.1	1
YTL Cement Bhd	0.65	2.30	0.49	2.79	330.4	15.7	2
Public Bank Bhd (L)	2.10	6.55	2.16	8.71	314.7	15.3	3
Star Publications (M) Bhd	2.25	7.35	1.71	9.06	302.8	15.0	4
WCT Engineering Bhd	0.91	2.27	1.01	3.28	262.5	13.7	5
MISC Bhd	3.28	9.95	1.34	11.29	244.1	13.2	6
Southern Bank Bhd	1.43	4.06	0.83	4.89	242.0	13.1	7
IOI Oleochemical Industries Bhd	3.90	11.70	1.07	12.77	227.3	12.6	8
British American Tobacco Bhd	20.90	40.25	27.75	68.00	225.4	12.5	9
Taliworks Corporation Bhd	1.30	1.32	0.19	1.51	16.4	1.5	72
Eastern Pacific Ind Corp	1.98	1.69	0.61	2.30	16.2	1.5	73
RCE Capital Bhd	0.19	0.22	0.00	0.22	15.4	1.4	74
Paramount Corp Bhd	2.27	1.92	0.70	2.62	15.3	1.4	75
Ladang Perbadanan Fima	3.80	2.55	1.72	4.27	12.4	1.2	76
MMC Corporation Bhd	2.29	1.99	0.55	2.54	11.0	1.1	77
Genting Bhd	21.20	21.40	2.13	23.53	11.0	1.1	78
Asiatic Development Bhd	2.36	2.15	0.44	2.59	9.9	1.0	79
Kumpulan Guthrie Bhd	3.82	2.43	1.15	3.58	-6.3	-0.6	100

“...Kumpulan meneruskan prestasi yang baik dengan mencatat pertumbuhan dua angka dalam kedua-dua jumlah dagangan dan keuntungan.”

SECOND BOARD TRADING/SERVICES							
Filters Holdings Bhd	0.615	1.86	0.2	2.06	235.0	27.4	1
Hexagon Holdings Bhd	1.45	2.9	0.043	2.943	103.0	15.2	2
Yinson Holdings Bhd	0.859	1.18	0.059	1.239	44.7	7.6	3
Juan Kwang (M) Ind Bhd	0.72	0.99	0	0.99	37.5	6.6	4
RCE Capital Bhd	0.173	0.215	0	0.215	24.3	4.4	5
Lion Forest Industries Bhd	1.88	1.83	0.417	2.247	19.5	3.6	6
UMS Holdings Bhd	0.875	0.705	0.16	0.865	-1.1	-0.2	7
Hai-O Enterprises Bhd	1.35	1.02	0.198	1.218	-9.8	-2.0	8
See Hup Consolidated Bhd	1.59	1.05	0.184	1.234	-22.4	-4.9	9
Seri Jaya Corporation Bhd	0.825	0.585	0.07	0.635	-23.0	-5.1	10

“...Keuntungan selepas cukai (“PAT”) meningkat dengan ketara sebanyak RM22.3 juta yang mewakili peningkatan sebanyak 31% berbanding PAT tahun lepas sebanyak RM17.0 juta.”

“...Maju ke hadapan, kami akan terus mencari peluang-peluang perniagaan yang berdaya maju dan meningkatkan lagi infrastruktur teknologi dan sumber modal manusia kami untuk meningkatkan penyerahan kepada pelanggan-pelanggan kami, menyokong rangkaian pengedaran kami dengan lebih cekap dan seterusnya memberi nilai yang lebih tinggi kepada pemegang-pemegang saham kami.”

29 May 2006 Monday

News B3

STANDARD

Back to basics and the future

Between the Lines
by G.S. TAN

MARKETS around the world required stability in the middle of last week after having reversed a week earlier.

Many punters lost heavily in that short period of market weakness, according to brokers. These were punters who may have profited in the earlier two months in highly speculative stocks.

Even so, the recent spell of stock unrest have caused some of the punters from their habit of chasing stocks with a "merry" in some cases, stocks ranged even with a strategy they caught the attention of punters solely by being "actively tracked".

Bursa Malaysia may have lost many retail traders this month. It would hope that some of these punters would stay on the market by investing in well-managed companies. They need not get into a zero-sum game in which someone must lose in order for someone else to win.

Nonetheless, share prices of good companies fell during the period of market weakness too, but serious investors would have bought these stocks at lower levels. Furthermore, these stocks quickly recovered when the market stabilised.

Some sound results

The results season displayed some pleasant surprises last week. However, while a number of

Some improved results	Net profit Jan-Mar '06 (RM mil)	Increase from Jan-Mar '05 (%)	Share price May 26 (RM)	Annualised P/E** (times)
Mixtral*	3.7	260.2	0.30	5.9
Bonita*	2.9	221.1	1.32	5.3
Ahmad Zaki	5.4	120.4	2.19	6.8
Marnie*	6.6	92.7	2.26	5.7
Fima Corp	7.2	83.7	2.55	7.2
FSM	3.1	75.9	1.27	5.3
Mah Sing*	14.9	63.9	2.34	6.3
Boon Kohn	4.4	51.0	1.16	7.7
I-Power	2.8	48.1	0.945	5.3
RCE	7.3	32.7	0.36	5.0

*Key dividend for investors
**Annualising ratio

Mineral industry investment strong start in its current financial year. The exceptional earnings growth in Q1 could be due to a low base early last year before timber prices started rising steadily.

The company, engaged in the manufacture of plywood and trading of logs, was profitable through the whole of last year. It is controlled by a Singapore and his Malaysian spouse.

Bonita Corp Bhd, a home-grown based leather goods company, posted a good set of results for the January to March quarter.

It is, however, noted that it has fairly large net borrowings of over RM16mil, which is about 70% of its shareholders' funds. This could be

viewed as a concern. However, it is known as the best-managed bangladeshi contractors. It showed its merit in its Q1 results, which received a higher contribution from its Middle Eastern contracts than before.

Manee-Double Decker Bhd is a more national company than Bonita and so it does not operate its own retail stores. It is cash-rich. It held about RM4mil cash and quoted investments with a book value of RM16.4mil, which had a market value of RM17.0mil.

The company produces a range of snack food and nutritional fruit juices, and is attributed its latest

investment overseas at a RM2.7mil that was worth RM4.4mil based on the placement price. This is a significant value, considered FSM's current total market of RM100mil.

Mah Sing Group Bhd has it is able to identify viable land in matured areas for development.

If good a string set of Q2 earnings, which suggests it this was usually the slaves for developers. Workers talk about during Chinese New Year and an construction show, billing to contractors. Subseq quarters are therefore likely

show even stronger earnings. Interestingly when Mah Sing's management team visit on a roadshow earlier this month, the itinerary included the usual places like London but also Dubai, where the oil money is.

Bonita Group Bhd's first quarter is also usually its weakest. Even so, there was good growth in both sales and net profits. In addition, it has just stepped into high gear in its re-building of Mercedes commercial vehicles and exports of re-conditioned vehicles to Indonesia.

I-Power Bhd is a Media-Brand company that may be able to join the RM10mil club on that market. It

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Hence, it enjoyed a net profit margin of 34% and a high return on equity of 26% for the year ended March 31, 2006.

Penyata Pengerusi

PERKEMBANGAN PERNIAGAAN

Bagi membolehkan Kumpulan mendapat manfaat sepenuhnya daripada pertumbuhan kukuh aset dan perolehan RCE Marketing Sdn Bhd (“RCEM”), penyumbang keuntungan utama Kumpulan bagi tahun-tahun akan datang, kami telah menyelesaikan pengambilalihan 12.5% kepentingan selebihnya dalam RCE Enterprise Sdn Bhd (“RCEE”) pada Mac 2006. Akibatnya, RCEM secara tidak langsung telah menjadi anak syarikat milik penuh RCE melalui RCEE.

Kami terus memberikan tumpuan pada perkembangan perhubungan perniagaan RCEM dengan beberapa koperasi. Akibatnya, rakan-rakan kongsi perniagaan koperasi kami kini mempunyai lebih daripada 50 saluran pengedaran di seluruh Malaysia, berbanding dengan lebih kurang 40 saluran pengedaran pada tahun kewangan yang lepas. Mereka terus menyokong perniagaan kredit pengguna kami dalam menyediakan penyelesaian kewangan dalam bentuk pinjaman pengguna kepada ahli-ahli mereka yang terutamanya terdiri daripada kakitangan kerajaan.

Maju ke hadapan, kami akan terus mencari peluang-peluang perniagaan yang berdaya maju dan meningkatkan lagi infrastruktur teknologi dan sumber modal manusia kami untuk meningkatkan penyerahan kepada pelanggan-pelanggan kami, menyokong rangkaian pengedaran kami dengan lebih cekap dan seterusnya memberi nilai yang lebih tinggi kepada pemegang-pemegang saham kami.

PERKEMBANGAN KORPORAT

Selain daripada pertumbuhan organik, Kumpulan juga telah melaksanakan beberapa langkah korporat dengan tujuan menempatkannya dalam kedudukan yang lebih baik untuk menghadapi cabaran masa hadapan.

Kami telah menyelesaikan pengambilalihan tambahan kami sebanyak 29.1 juta unit dalam AmFirst Property Trust (“AMFPT”) pada 13 September 2005, meningkatkan jumlah pegangan kami kepada 58.3 juta unit. Pelaburan tersebut terus menyediakan Kumpulan dengan aliran pendapatan yang stabil dengan purata 7.5% setiap tahun. Selain daripada itu, selaras dengan cadangan langkah penyusunan dan penjenamaan semula yang diumumkan oleh AMFPT pada Mac 2006, yang melibatkan penubuhan sebuah Amanah Saham Pelaburan Hartanah baru yang akan dikenali sebagai AmFirst REIT, Kumpulan dijangka akan mencatat satu rekod keuntungan sebanyak lebih kurang RM20.4 juta bagi tahun kewangan berakhir 31 Mac 2007 daripada pelaburannya dalam AMFPT.

Pada Oktober 2005, Kumpulan melalui anak syarikat milik penuhnya, RCE Advance Sdn Bhd, telah diberi kelulusan oleh Suruhanjaya Sekuriti untuk menerbitkan RM420.0 juta Nota Jangka Sederhana Kadar Tetap (“MTN”). Terbitan MTN akan membolehkan Kumpulan memasuki pasaran hutang untuk membiayai pertumbuhan RCEM, penyumbang keuntungan utama Kumpulan.

MTN terdiri daripada RM240.0 juta MTN Kelas A, RM120.0 juta MTN Kelas B dan RM60.0 juta MTN Kelas C dan masing-masing dikategorikan A+, A dan BBB+ oleh Malaysian Rating Corporation Berhad. Program pendanaan ini membolehkan Kumpulan menguruskan kos pendanaannya dalam persekitaran peningkatan kadar faedah semasa dan sehingga kini, sejumlah RM210.0 juta MTN telah diterbitkan.

Penyata Pengerusi

Tuesday 4 July 2006

B6 Focus

STARRIX

By C.S. TAN
ctan@thestar.com.my

PETALING JAYA: At a time when companies face increasing commodity and interest rate costs, RCE Capital Bhd is one company that is able to lower its costs.

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Amcorp managing director Soo Kim Wai told Starrix that RCE's non-performing loans (NPLs) were only 2% to 3% of total loans given out. That is as low a rate as that in some of best banks. Such a low rate of NPLs would enable RCE to raise funds at a cost of around the same level as the funding cost of banks.

The low rate of NPLs is largely due to the method of loan repayment, which is by way of salary deductions. As such, the main risk is if the borrower leaves the civil service, especially as the loans given are unsecured personal loans.

That is, however, well-provided for. Its provisions for doubtful debts far exceed the NPLs. "RCE makes

RCE builds large future profits



general provisions (GPs) of 8% each year, and it used to be as high as 10%, when banks make GPs of just 1%," Soo said.

Hence, each year, RCE writes off 8% of its year's loans as a general provision when its actual NPL rate is just 2% to 3%.

"This rate of GP evolved from RCE's previous business of financing the purchase of electrical appliances by the public, where NPLs were higher," he added.

RCE has, therefore, built up a reserve in its over-provisions of GPs, which can be used in future as it progressively lowers its rate of GPs.



Soo Kim Wai

RM300mil which, based on its historical net profit margin of about 38%, offer future net profits of over RM100mil.

Further, RCE is on a fast track. Standard & Poor's (S&P) stated in a report that RCE's gross receivables grew more than 100% to RM570mil in its 2006 financial year from RM270mil in the previous year. So, even if RCE grows at the same pace this year, it could add future profits



Year end March 31

of another RM100mil. These reserves of future profits exceed the company's market capitalisation of RM170mil. This is thus an under-valued stock.

Similarly, using price/earnings ratio (PE) as a yardstick, S&P projected RCE's net profit to improve 90% to RM25.8mil for its current financial year ending March 31, 2007, and a PE of just 6.5 times.

There is a lot of room for RCE to grow. The company has 25,000 accounts only, whereas there are a total of 1.2 million civil servants.

The biggest player in this business is Bank Rakyat, which has shown how large and profitable this business can be. Bank Rakyat, which also gives loans to civil servants, reported a net profit of RM295mil last year.

RCE has shown an ability to gain market share. "When we first took over RCE, its market share was 2% and now it is 6%," Soo said, adding that "we are targeting to increase that to 10% within three years."

KL2nd top gainers

	March 31	April 28	% Change
JOTECH	0.55	0.98	78.18
LIMAHSN	0.74	1.27	71.62
LIONFIB	1.84	2.98	61.96
TOCEAN	0.36	0.58	59.72
MANGIUM	0.18	0.27	50.00
RPOWER	0.97	1.43	48.19
APP	0.78	1.11	43.23
SCOMIEN	1.19	1.67	40.34
BTM	0.30	0.42	40.00
RCECAP	0.23	0.31	37.78

"...Kami tetap memberikan tumpuan pada peningkatan produktiviti dan kecekapan kami, mengukuhkan amalan pengurusan risiko kredit kami dan mengurangkan kos pendanaan keseluruhan melalui langkah-langkah penghasilan dana yang inovatif."

Top 100 companies F13

Top 100 companies that gave the best returns (3 years)

COMPANY	PRICE (RM) 31DEC02	PRICE (RM) 31DEC05	TOTAL DIVS (RM)	NEW PRICE + TOTAL DIVS (RM)	SHAREHOLDERS' RETURN (%)	CAGR (%)	RANK
Top Glove Corporation Bhd	0.82	6.85	0.21	7.06	761.0	105.0	1
Lion Diversified Holdings	0.37	2.28	0.11	2.39	551.5	86.8	2
Concrete Engineering Products Bhd	0.41	2.62	0.00	2.62	546.9	86.3	3
Milux Corporation Bhd	0.76	3.80	0.14	3.94	418.4	73.1	4
Sunway City Bhd	0.63	1.27	0.06	1.33	111.1	28.3	58
RCE Capital Bhd	0.10	0.22	0.00	0.22	110.8	28.2	59
Malaysia Building Society Bhd	0.33	0.64	0.05	0.69	110.8	28.2	60
Subur Tiasa Holdings Bhd	1.38	2.70	0.17	2.87	108.0	27.6	61
Tong Herr Resources Bhd	1.43	2.39	0.56	2.95	106.3	27.3	62
EON Capital Bhd	2.62	5.05	0.31	5.36	104.6	27.0	63

THE EDGE MAY 15, 2006

Penyata Pengerusi

Untuk menghasilkan pendanaan tambahan bagi perniagaan teras Kumpulan, kami telah menjual 14 bidang tanah berselanjor sepanjang Jalan Pahang, Kuala Lumpur yang dimiliki oleh anak syarikat kami, Effusion.Com Sdn Bhd, bagi balasan tunai sebanyak RM7.7 juta pada Februari 2006.

Sebagai sebahagian daripada usaha-usaha berterusan kami untuk meningkatkan nilai dan memberi ganjaran kepada pemegang-pemegang saham kami, kami telah pada 19 Mei 2006 mengumumkan cadangan untuk menerbitkan satu (1) saham bonus bagi setiap tiga (3) saham sedia ada dan untuk melaksanakan Terbitan Khas sehingga 21.1 juta saham RCE baru untuk diterbitkan kepada pelabur-pelabur Bumiputera yang layak. Dengan kelulusan pemegang-pemegang saham dalam Mesyuarat Agung Luar Biasa yang diadakan pada 7 Julai 2006, cadangan tersebut dijangka akan selesai dilaksanakan menjelang akhir Ogos 2006.

Dalam pengumuman yang sama, Lembaga Pengarah juga bercadang untuk memindahkan status penyenaian RCE daripada Papan Kedua kepada Papan Utama Bursa Malaysia Securities Berhad.

Pemindahan status penyenaian tersebut akan mencerminkan saiz operasi semasa kami dengan lebih baik dan dijangka akan meningkatkan profil Kumpulan di kalangan jurubank serta bakal-bakal pelabur. Cadangan pemindahan telah diluluskan oleh Suruhanjaya Sekuriti pada 25 Julai 2006 dan juga dijangka akan selesai dilaksanakan menjelang akhir Ogos 2006.

HUBUNGAN PELABUR

Sebagai sebahagian daripada inisiatif berterusan kami untuk menyediakan maklumat yang mudah diperolehi kepada pemegang-pemegang saham kami dan pelabur-pelabur awam, kami telah menubuhkan laman web yang komprehensif dan bermaklumat. Laman web ini (<http://www.rce.com.my>) juga menyediakan saluran mudah bagi pengurus-pengurus dana, analisa pelaburan dan bakal-bakal pelabur untuk mendapatkan sebarang maklumat mengenai Kumpulan dengan hanya menekan satu butang.

HARAPAN / PROSPEK

Inflasi dan kadar faedah yang semakin meningkat menjadi kebimbangan utama bagi Kumpulan memandangkan ini akan memberi kesan ke atas corak perbelanjaan pengguna. Namun demikian, ekonomi Malaysia masih lagi dijangka akan mengekalkan pertumbuhan KDNK sebanyak lebih daripada 5.0% bagi tahun 2006. Selaras dengan itu, kami menjangka akan menyaksikan pengembangan selanjutnya kegiatan Kumpulan dan peningkatan dalam prestasi kewangannya.

Di samping mengembangkan rangkaian pengedaran dan pemasaran, kami tetap memberikan tumpuan pada peningkatan produktiviti dan kecekapan kami, mengukuhkan amalan pengurusan risiko kredit kami dan mengurangkan kos pendanaan keseluruhan melalui langkah-langkah penghasilan dana yang inovatif.

Penyata Pengerusi

DIREKTORAT

Dalam tahun kewangan berakhir 31 Mac 2006, kami mengucapkan salam perpisahan kepada dua Pengarah kami, Encik Wong Bin Chen dan Encik Azmi Hashim dan bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada mereka atas sumbangan dan dedikasi mereka terhadap kepada Kumpulan.

Saya juga ingin mengalu-alukan perlantikan Y. Bhg. Dato' Che Md Nawawi bin Ismail sebagai Pengarah. Dengan pengalaman beliau yang luas, saya yakin bahawa beliau akan memberikan sumbangan tidak ternilai kepada Kumpulan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan saya kepada pengurusan dan kakitangan atas sumbangan dan komitmen kepada Kumpulan kerana sekali lagi Kumpulan dapat mencapai kejayaan. Profesionalisme, integriti dan kepintaran mereka kesemuanya menjadi nilai teras yang Kumpulan pupuk apabila kami mempersiapkan diri untuk menghadapi cabaran-cabaran mendatang.

Kepada pemegang-pemegang saham, sekutu perniagaan, dan pihak-pihak berkuasa kerajaan, kami ingin mengucapkan terima kasih kepada anda semua atas sokongan padu dan berterusan anda, yang tanpanya kemajuan kami selama ini tidak mungkin dapat dicapai.

Saya ingin mengucapkan terima kasih kepada rakan-rakan Pengarah saya atas bimbingan dan sumbangan mereka kepada Kumpulan.

Kumpulan telah mencapai kemajuan yang pesat untuk sekian lama dan dengan jangkaan pemindahannya ke Papan Utama Bursa Malaysia Securities Berhad, kami teruja dengan peluang dan cabaran mendatang, dan optimis terhadap prospek kami bagi pertumbuhan selanjutnya.

Yang benar,



Tan Sri Dato' Azman Hashim
Pengerusi

1 Ogos 2006

Statement on Corporate Governance

The Board of Directors of RCE Capital Berhad (“RCE” or “the Company”) has always been supportive of the adoption of the principles and best practices as set out in the Malaysian Code on Corporate Governance (“Code”). The Board believes that a high standard of corporate governance is imperative in safeguarding the best interests of all stakeholders and enhancing stakeholders’ value continually.

The Board is therefore pleased to set out below a statement outlining the main corporate governance practices of the RCE Group and the manner in which RCE has applied and complied with the best practices of the Code throughout the financial year.

BOARD OF DIRECTORS

Board Composition and Balance

The Board, which consists of members from different backgrounds and diverse expertise, is effective and competent in leading and directing RCE Group’s business operations. The Directors together as a team set the values and standards of the Company and ensures that it meets its obligations to shareholders and other stakeholders. A brief description on the background of each current Director is presented on pages 10 to 14 of the Annual Report.

The Board has seven (7) Non-Executive Directors, of whom three (3) are independent as defined under the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements (“LR”). This composition has complied with the requirement prescribed in the LR where at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, are to be independent directors. The independent directors play a crucial role in the exercise of independent assessment and objective participation in Board deliberations and the decision-making process.

Y. Bhg. Tan Sri Dato’ Azman Hashim, the Non-Executive Chairman, is primarily responsible for the orderly conduct and working of the Board. There is no appointment of Chief Executive Officer/Managing Director in the Company. The day-to-day running of the business of the Company is the responsibilities of the Heads of RCE’s business and operating units, whose functions are separate and distinct from the Non-Executive Chairman.

The Board has not identified any independent director as the Senior Independent Non-Executive Director. Any concerns relating to the Group may be conveyed by the stakeholders to any of the independent directors.

Duties and Responsibilities

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 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. It also reviews the management performance and ensures that necessary financial and human resources are available to meet the Group’s objectives. The Board’s other main duties include regular oversight of the Group’s business performance, and ensuring that the internal controls and risk management processes of the Group are well in place and are implemented consistently.

Statement on Corporate Governance

Board Meetings and Supply of Information

The Board meets at least four (4) times annually. Additional meetings are held as and when required. During the financial year, the Board met four (4) times where it deliberated and considered a variety of matters including the Group's financial results, corporate proposals and strategic issues that affect the Group's business operations.

The agenda for each Board meeting and papers relating to the matters to be deliberated at the meeting are delivered to all Directors for perusal prior to the date of the Board meeting. The Board papers are comprehensive and include all aspects of the matters to be considered to enable the Board to make informed decision.

The Board has complete and unrestricted access to information relating to the Group's businesses and affairs. The Board may require to be provided with further details on the matters to be considered. Senior Management members are invited to attend the Board meetings to brief the Directors on issues to be considered by the Board. Professional advisers appointed by the Company for corporate proposals to be undertaken by the Company would also be invited to render their advice and opinion to the Directors. The Directors, whether acting as a full board or in their individual capacity, have the liberty to seek independent professional advice at the Company's expense if so required by them.

Every Director has direct access to the advice and services of the Company Secretaries. The Company Secretaries are responsible in ensuring that Board procedures are met and constantly advise the Directors on compliance issues.

The attendance of Directors at Board meetings are as follows:

Name of Director	No. of Meetings Attended
Tan Sri Dato' Azman Hashim <i>(Non-Independent Non-Executive Chairman)</i>	4/4
Major General (Rtd) Dato' Haji Fauzi Hussain <i>(Independent Non-Executive Director)</i>	4/4
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan <i>(Independent Non-Executive Director)</i>	4/4
Dato' Che Md Nawawi bin Ismail <i>(Independent Non-Executive Director, appointed on 28.02.2006)</i>	Not Applicable
Soo Kim Wai <i>(Non-Independent Non-Executive Director)</i>	4/4
Shalina Azman <i>(Non-Independent Non-Executive Director)</i>	3/4
Chew Keng Yong <i>(Non-Independent Non-Executive Director)</i>	3/4
Azmi Hashim <i>(Non-Independent Non-Executive Director, resigned on 05.10.2005)</i>	2/2
Wong Bin Chen <i>(Independent Non-Executive Director, resigned on 05.10.2005)</i>	2/2

Statement on Corporate Governance

Appointment to the Board

The proposed appointment of new Board members as well as the proposed re-election of existing Directors who are seeking re-election at the annual general meeting are first considered and evaluated by the Nomination Committee. Upon its evaluation, the Nomination Committee will make recommendations on the proposal(s) to the Board for approval. The Board makes the final decision on the proposed appointment or re-election to be presented to shareholders for approval.

Re-election of Directors

Pursuant to the Articles of Association of RCE, all Directors are subject to re-election by rotation at least once every three (3) years and a re-election of Directors shall take place at each annual general meeting. Directors who are appointed by the Board are subject to election by the shareholders at the annual general meeting held following their appointments.

Directors' Training

The Board acknowledges the importance of continuous training in order to broaden one's perspective and to keep abreast with the latest regulatory and industry developments.

All the Directors have completed the Mandatory Accreditation Programme ("MAP") and attended various training programmes under the Continuing Education Programmes ("CEP") for Directors pursuant to the requirements of Bursa Securities. They have also accumulated a minimum of 72 CEP points as required under the provisions of Practice Note 15/2003 (repealed with effect from 1 January 2005).

During the financial year, the Directors attended various executive workshops and seminars on relevant topics to keep abreast with the latest market developments in relation to the Group's business and new regulatory requirements on corporate governance, risk management and financial reporting. Y. Bhg. Dato' Che Md Nawawi bin Ismail, an Independent Non-Executive Director who was appointed to the Board on 28 February 2006, had completed his MAP in April 2006.

The Nomination Committee had reviewed and is satisfied that the Directors have received the necessary training during the financial year ended 31 March 2006 which enhanced their effectiveness and contribution to the Board.

Directors' Remuneration

The Board as a whole reviews and determines the level of fees of the Non-Executive Directors to ensure that it is sufficient to attract and retain the services of the Directors which are vital to the Company. The annual Directors' fees payable to Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting based on recommendation of the Board. Additional allowances are paid to Non-Executive Directors in accordance with the number of meetings attended during the financial year.

Statement on Corporate Governance

Details of the remuneration of the Directors for the financial year ended 31 March 2006 are as follows:

- Aggregate Remuneration

Category	Non-Executive Directors (RM)
Fees and allowances	134,841

- Analysis of Remuneration

Range of Remuneration	No. of Non-Executive Directors
RM25,000 & below	7
RM25,000 - RM50,000	1

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 10 of Bursa Securities Listing Requirements. The Board is of the opinion that the disclosure through "band disclosure" is sufficient to meet the objectives of the Code. Separate and detailed disclosure of individual Director's remuneration would not add significantly to the understanding of shareholders and other interested persons in this aspect.

BOARD COMMITTEES

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

Each of this committee operates within the defined constitution or terms of reference approved by the Board. Minutes of each committee meeting are tabled to the Board so that the Board is informed of the deliberations and resolutions made. Additionally, the committees will present their recommendations to the Board for approval, where necessary.

The Board committees in RCE are as follows:

Audit Committee

The Audit Committee is made up of four (4) Non-Executive Directors, three (3) of whom are independent. The members of the Audit Committee are as follows:

- Major General (Rtd) Dato' Haji Fauzi bin Hussain
(Independent Non-Executive Director) - Chairman
- Soo Kim Wai
(Non-Independent Non-Executive Director)
- Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan
(Independent Non-Executive Director, appointed as member on 05.10.2006)
- Dato' Che Md Nawawi bin Ismail
(Independent Non-Executive Director, appointed as member on 28.02.2006)

Statement on Corporate Governance

The Audit Committee's principal role is to review the Company's financial statements and the system of internal control to ensure that it adequately identifies and manages corporate-responsibility-related risks. They may also consider whether procedures on internal audit are effective at monitoring adherence to the Company's standards and values.

A full Audit Committee Report enumerating its membership, terms of reference and activities during the financial year is set out on pages 38 to 44 of this Annual Report.

Nomination Committee

The Nomination Committee is made up entirely of Non-Executive Directors. The members of the Nomination Committee are as follows:

1. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan
(Independent Non-Executive Director) - Chairman
2. Major General (Rtd) Dato' Haji Fauzi bin Hussain
(Independent Non-Executive Director)
3. Shalina Azman
(Non-Independent Non-Executive Director, appointed as member on 05.10.2006)

The Nomination Committee reviews the required mix of skills, experience and other qualities, including core competencies, which Directors should bring to the Board on an on-going basis. It also recommends candidate for directorship to the Board and membership to Board committees as well as carries out formal assessment on the effectiveness of the Board as a whole and the committees of the Board, and the contribution of each individual Director.

The Nomination Committee held two (2) meetings during the year under review.

Remuneration Committee

The Remuneration Committee is made up entirely of Non-Executive Directors. The members of the Remuneration Committee are as follows:

1. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan
(Independent Non-Executive Director) - Chairman
2. Major General (Rtd) Dato' Haji Fauzi bin Hussain
(Independent Non-Executive Director)
3. Chew Keng Yong
(Non-Independent Non-Executive Director, appointed as member on 05.10.2006)

The Remuneration Committee is primarily responsible in setting 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 Directors and other members of the staff of the Group with the aim to attract, retain and motivate high caliber individuals. The Remuneration Committee shall meet as and when required.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board endeavours 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. 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 the internal control system can only provide reasonable and not absolute assurance against the risk of material errors, fraud or loss.

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out in page 36 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 38 to 44.

Statement on Corporate Governance

Relationship with Auditors

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company's auditors, both internal and external. It is the policy of the Audit Committee to meet the external auditors 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 at least once a year and whenever deemed necessary.

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

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Communication with Shareholders

The Board is committed to providing shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities. The Company has regularly communicated with shareholders and investors in conformity with the disclosure requirements.

The Company's annual general meeting is an important forum for dialogue and interaction with shareholders. Shareholders are encouraged to participate in the question and answer session and to raise any questions relating to the proposed resolutions as well as Group's business operations and affairs.

The Group ensures that timely disclosures are made to the public with regard to the Group's corporate proposals, financial results and other required announcements.

Up-to-date corporate and financial information on the Group are also made available to the public through the Group's website at www.rce.com.my.

Investor Relations

The Group values dialogues with its shareholders and investors. Briefings and open discussions with local analysts and fund managers are organised on a regular basis to update the investors on the Group's operations and financial results.

Primary contact for investor relations matters:

Loh Kam Chuin
Executive Director, Corporate Affairs

Contact Details

Telephone number : 603-40470888
E-mail : IR@rce.com.my

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 19 May 2006.

Additional **Compliance** Information

1. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiary companies involving the Company's Directors' and/or major shareholders' interests either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

2. SHARE BUY-BACK

There were no share buy-back exercises undertaken by the Company during the financial year under review.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued by the Company during the financial year under review.

4. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)

There were no ADR or GDR programmes sponsored by the Company during the financial year under review.

5. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year ended 31 March 2006 is RM15,000/-.

6. PROFIT GUARANTEES

There were no profit guarantees given by the Company during the financial year under review.

7. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Management by any of the regulatory authorities.

8. VARIATION IN RESULTS

There was no variation in results (differing by 10% or more) from the unaudited results announced.

Additional Compliance Information

9. UTILISATION OF PROCEEDS

The proceeds totalling RM127.7 million from the following corporate proposals:

- (a) the disposal of 14 parcels of land referred to as the Jalan Pahang Land by Effusion.Com Sdn Bhd, a subsidiary of RCE, for a cash consideration of RM7.7 million; and
- (b) the issuance of RM140.0 million out of a total of RM420.0 million 10-year Fixed Rate Medium Term Notes ("MTNs") by RCE Advance Sdn Bhd, a subsidiary of RCE (out of which RM20.0 million MTNs were taken up by a subsidiary within the Group, RCE Equity Sdn Bhd (formerly known as Indigenous Capital Sdn Bhd))

were utilised as follows:

Description	RM'000
Gross proceeds	127,717
Payment of expenses	(3,358)
Working capital	(116,886)
Settlement of bank borrowings	(2,860)
Cash retained in sinking fund	(4,613)
Balance as at 31 March 2006	Nil

10. LIST OF PROPERTIES AND REVALUATION POLICY

The details of the Group's property are as follows:

Location	Tenure	Age of Building (Years)	Area	Description	Net Book Value (RM'000)	Date of Acquisition	Expiry Date
Unit No. 1502 Level 15, Menara PJ Pusat Perdagangan AMCORP No. 18, Jalan Persiaran Barat 46050 Petaling Jaya Selangor Darul Ehsan	Leasehold	9	5,511 sq. ft.	Office	1,771	03/12/2004	11/09/2088

Other than as disclosed above, the Company does not have any landed properties. The Company has not adopted any revaluation policy.

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.

Statement on Internal Control

- Corporate values, which emphasis ethical behavior, quality products and services, are set out in the Group's Employee Handbook.
- (iv) The Group also practices 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 current financial year as a result of weaknesses in internal control.

Audit Committee Report

MEMBERSHIP

The Audit Committee of RCE consists of:

Name	Designation	Directorship
Major. General (Rtd) Dato' Haji Fauzi bin Hussain	Chairman	Independent Non-Executive Director
Soo Kim Wai *	Member	Non-Independent Non-Executive Director
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan (<i>appointed on 05.10.2005</i>)	Member	Independent Non-Executive Director
Dato' Che Md Nawawi bin Ismail (<i>appointed on 28.02.2006</i>)	Member	Independent Non-Executive Director
Wong Bin Chen (<i>resigned on 05.10.2005</i>)	Member	Independent Non-Executive Director

* Mr. Soo Kim Wai is a member of the Malaysian Institute of Accountants

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2006, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:

Name	No. of Meetings Attended
Major. General (Rtd) Dato' Haji Fauzi bin Hussain	4/4
Soo Kim Wai	4/4
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan	2/2
Dato' Che Md Nawawi bin Ismail	Not Applicable
Wong Bin Chen (<i>resigned on 05.10.2005</i>)	2/2

The representative of the Internal Audit attended all the 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.

Audit Committee Report

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.

Audit Committee Report

2.0 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.

3.0 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.

Audit Committee Report

4.0 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

Audit Committee Report

(e) Financial 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

The Audit Committee had carried out the following activities during the financial 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 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.

Audit Committee Report

■ 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. Reviewed the recurrent related party transactions of a revenue or trading nature on quarterly basis.

Audit Committee Report

INTERNAL AUDIT FUNCTION

The Company engaged the services of the internal audit department of AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad), a major shareholder of the Company, to perform its internal audit functions.

The scope of internal audit functions performed by the 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 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, 2006

46	Directors' Report
51	Report of the Auditors to the members of RCE Capital Berhad
52	Income Statements
53	Balance Sheets
55	Statements of Changes in Equity
57	Cash Flow Statements
60	Notes to the Financial Statements
106	Statement by Directors
106	Declaration by the Officer Primarily Responsible for the Financial Management of the Company

Directors' Report

The directors of **RCE CAPITAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended March 31, 2006.

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:

	The Group RM	The Company RM
Profit before tax	23,512,154	8,755,001
Income tax expense	(1,196,865)	(597,879)
Profit after tax	22,315,289	8,157,122
Minority interest	(2,524,341)	—
Net profit for the year	19,790,948	8,157,122

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.

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.

Directors' Report

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

As approved by the shareholders at an Extraordinary General Meeting held on January 17, 2006, the issued and paid-up share capital was increased from RM40,151,250 comprising 401,512,500 ordinary shares of RM0.10 each to RM46,892,823 comprising 468,928,230 ordinary shares of RM0.10 each, by the issuance and allotment of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share for the purpose of the acquisition of the remaining 12.5% equity interest in RCE Enterprise Sdn. Bhd.

These new ordinary shares, which were listed on the Second Board of Bursa Malaysia Securities Berhad on March 30, 2006, ranked pari passu in all respects with the then existing ordinary shares of the Company. The resulting premium of RM8,258,427 arising from the shares issued has been credited to the share premium account.

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

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 all known bad debts had been 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.

Directors' Report

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

- (a) which would render the amount of bad debts written off or 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
Chew Keng Yong
Soo Kim Wai
Shalina Azman
Dato' Che Md Nawawi bin Ismail (appointed on 28.2.2006)
Azmi Hashim (resigned on 5.10.2005)
Wong Bin Chen (resigned on 5.10.2005)

Directors' Report

In accordance with Article 106 of the Company's Articles of Association, Mej. Gen. (Rtd) Dato' Haji Fauzi Bin Hussain and Shalina Azman retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Dato' Che Md Nawawi bin Ismail, who was appointed to the Board since the last Annual General Meeting, retires under Article 93 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.4.2005	Bought	Sold	Balance as of 31.3.2006
Shares in the Company				
Direct interests				
Chew Keng Yong	32,250	–	–	32,250
Indirect interests				
Tan Sri Dato' Azman Hashim	166,069,680	16,000,000	–	182,069,680

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 the 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 during and at the end of the financial year.

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) 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, except for any benefit which may be deemed to have arisen by virtue of the balances and transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests as mentioned in Note 20 to the Financial Statements.

Directors' Report

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 19, 2006

Report of the Auditors to the members of RCE Capital Berhad

We have audited the accompanying balance sheets as of March 31, 2006 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 Malaysian Accounting Standards Board 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, 2006 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
2179/09/07 (J)
Partner

May 19, 2006

Income Statements

for the year ended March 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	4	57,478,045	44,595,908	3,031,532	2,829,074
Other operating income	7	2,583,965	5,779,603	109,999	845,137
Directors' remuneration	6	(520,941)	(957,707)	(134,841)	(159,298)
Staff costs	7	(2,040,947)	(3,620,240)	(627,200)	(169,145)
Depreciation of property, plant and equipment	12	(431,797)	(558,787)	(120,248)	(186,598)
Other operating expenses	7	(32,832,155)	(27,466,118)	(3,395,904)	(489,247)
Profit/(Loss) from operations		24,236,170	17,772,659	(1,136,662)	2,669,923
Gain on redemption of investment in preference shares of subsidiary company	13	–	–	10,002,000	–
Gain/(Loss) on disposal of subsidiary company	13	–	1,332,660	–	(2,174,407)
Finance costs	8	(1,510,341)	(547,630)	(110,337)	(169,638)
Income from other investments	9	786,325	354,316	–	11,328
Profit before tax		23,512,154	18,912,005	8,755,001	337,206
Income tax expense	10	(1,196,865)	(1,911,146)	(597,879)	(502,009)
Profit/(Loss) after tax		22,315,289	17,000,859	8,157,122	(164,803)
Minority interest		(2,524,341)	(2,113,329)	–	–
Net profit/(loss) for the year		19,790,948	14,887,530	8,157,122	(164,803)
Earnings per ordinary share Basic (sen)	11	4.86	3.71		

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

Balance Sheets

as of March 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Property, plant and equipment	12	3,115,212	10,078,977	206,502	326,751
Investment in subsidiary companies	13	—	—	54,338,802	41,336,802
Goodwill on consolidation	14	28,343,821	19,002,200	—	—
Loans and hire-purchase receivables - non-current portion	15	220,284,312	59,597,593	—	—
Other investment	16	61,169,971	29,199,074	—	—
Deferred tax asset	17	6,596,874	4,000,200	—	—
Current Assets					
Short-term investment	18	4,000,000	—	—	—
Trade receivables	19	1,407,246	1,634,623	—	—
Loans and hire-purchase receivables	15	14,920,047	10,505,172	—	—
Other receivables, deposits and prepaid expenses	19	6,784,737	4,127,629	3,390	38,888
Amount owing by subsidiary companies	20	—	—	83,356,568	80,295,275
Fixed deposits with licensed banks		48,573,559	14,564,931	—	—
Cash and bank balances		7,432,912	4,186,985	133,197	8,753
		83,118,501	35,019,340	83,493,155	80,342,916
Current Liabilities					
Other payables and accrued expenses	21	19,601,360	12,752,925	252,845	188,968
Amount owing to subsidiary company	20	—	—	72,935,447	77,119,488
Hire-purchase payables	22	67,022	62,527	—	—
Finance lease payables	23	105,070	—	—	—
Borrowings	24	16,285,718	7,780,496	—	780,496
Tax liabilities		634,643	2,185,794	15,690	24,000
		36,693,813	22,781,742	73,203,982	78,112,952

(Forward)

Balance Sheets

as of March 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Net Current Assets		46,424,688	12,237,598	10,289,173	2,229,964
Long-term and Deferred Liabilities					
Hire-purchase payables	22	36,026	103,048	—	—
Finance lease payables	23	121,330	—	—	—
Borrowings	24	272,685,179	72,500,000	—	2,000,000
Deferred tax liabilities	17	150,000	11,000	—	—
		(272,992,535)	(72,614,048)	—	(2,000,000)
Minority Interest		—	(3,134,037)	—	—
Net Assets		92,942,343	58,367,557	64,834,477	41,893,517
Represented by:					
Issued capital	25	46,892,823	40,151,250	46,892,823	40,151,250
Reserves	26	46,049,520	18,216,307	17,941,654	1,742,267
Shareholders' Equity		92,942,343	58,367,557	64,834,477	41,893,517

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

Statements of Changes in Equity

for the year ended March 31, 2006

The Group	Note	Issued Capital RM	Share Premium RM	Non-Distributable Reserves			Translation Reserve RM	Distributable Reserve - Unappropriated Profit RM	Total RM
				Revaluation Reserve RM	Reserve on Consolidation RM	Reserve			
Balance as of April 1, 2004		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 in revaluation reserve	12	-	-	381,000	-	-	-	381,000	
Set-off of impairment loss against revaluation reserve	12	-	-	(2,098,670)	-	-	-	(2,098,670)	
Reserve arising from consolidation		-	-	-	715,375	-	-	715,375	
Balance as of March 31, 2005		40,151,250	-	-	2,155,312	-	16,060,995	58,367,557	
Net profit for the year		-	-	-	-	-	19,790,948	19,790,948	
Issuance of shares	25 & 26	6,741,573	8,042,265	-	-	-	-	14,783,838	
Balance as of March 31, 2006		46,892,823	8,042,265	-	2,155,312	-	35,851,943	92,942,343	

Statements of Changes in Equity

for the year ended March 31, 2006

	Note	Non-Distributable Reserves			Distributable Reserve - (Accumulated Loss)/ Unappropriated Profit	Total
		Issued Capital RM	Share Premium RM	Revaluation Reserve RM		
The Company						
Balance as of April 1, 2004		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	12	–	–	381,000	–	381,000
Transfer of revaluation surplus from revaluation reserve account upon disposal of property	12	–	–	(2,098,670)	2,098,670	–
Balance as of March 31, 2005		40,151,250	–	–	1,742,267	41,893,517
Net profit for the year		–	–	–	8,157,122	8,157,122
Issuance of shares	25 & 26	6,741,573	8,042,265	–	–	14,783,838
Balance as of March 31, 2006		46,892,823	8,042,265	–	9,899,389	64,834,477

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

Cash Flow Statements

for the year ended March 31, 2006

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM/(USED IN)				
OPERATING ACTIVITIES				
Profit before tax	23,512,154	18,912,005	8,755,001	337,206
Adjustments for:				
Allowance for doubtful debts	16,426,142	12,932,026	2,900,000	65,646
Finance costs	9,901,952	4,440,229	110,337	169,638
Depreciation of property, plant and equipment	431,797	558,787	120,248	186,598
Bad debts written off	78,133	—	—	—
Dividend income	(3,638,256)	(1,167,963)	—	(1,718,635)
Waiver of debt by a related party	(1,549,696)	(3,940,056)	—	—
Interest income	(786,325)	(1,339,505)	—	(63,896)
Property, plant and equipment written off	—	10,010	—	—
Impairment loss on freehold land	—	383,830	—	—
(Gain)/Loss on disposal(s) of:				
Property, plant and equipment	(111,286)	—	(109,999)	—
Subsidiary company	—	(1,332,660)	—	2,174,407
Corporate bonds	—	(39,150)	—	—
Gain on redemption of investment in preference shares of subsidiary company	—	—	(10,002,000)	—
Allowance for doubtful debts no longer required	—	—	—	(791,137)
Operating Profit Before Working Capital Changes	44,264,615	29,417,553	1,773,587	359,827
(Increase)/Decrease in:				
Loan and hire-purchase receivables	(181,605,869)	(15,413,071)	—	—
Inventories	—	237	—	—
Trade receivables	227,377	(2,048,921)	—	—
Other receivables, deposits and prepaid expenses	(20,149)	(2,542,904)	35,498	513,492
Amount owing by subsidiary company	—	—	(5,961,293)	(64,784,414)
Increase/(Decrease) in:				
Trade payables	—	(896,606)	—	—
Other payables and accrued expenses	8,398,131	(24,799,611)	63,877	(2,007,598)
Amount owing to subsidiary company	—	—	(4,184,041)	75,142,420

(Forward)

Cash Flow Statements

for the year ended March 31, 2006

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash (Used In)/From Operations	(128,735,895)	(16,283,323)	(8,272,372)	9,223,727
Interest paid	(8,391,611)	(3,892,599)	–	–
Tax paid	(7,841,987)	(6,209,829)	(606,189)	(499,009)
Tax refunded	193,033	2,095	–	–
Interest received	–	1,024,339	–	–
Net Cash (Used In)/From Operating Activities	(144,776,460)	(25,359,317)	(8,878,561)	8,724,718
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES				
Proceeds from:				
Redemption of investment in preference shares of subsidiary company	–	–	12,002,000	–
Disposals of property, plant and equipment	7,828,787	–	110,000	–
Dividend received	3,444,562	856,467	–	1,237,417
Interest received	786,325	315,166	–	63,896
Decrease in amount owing by a related party	–	32,965,298	–	–
Proceeds from disposal of corporate bonds	–	5,333,000	–	–
Disposal of subsidiary company	–	5,188,321	–	9,900,001
Acquisition of investment in property trust units	(31,970,897)	–	–	–
Acquisition of investment in corporate bonds	(4,000,000)	–	–	–
Additions to property, plant and equipment (Note)	(868,740)	(316,758)	–	–
Acquisition of subsidiary companies	–	(4)	–	–
Additional investment in a subsidiary company	–	–	(2,000)	(20,000,000)
Net Cash (Used In)/From Investing Activities	(24,779,963)	44,341,490	12,110,000	(8,798,686)

(Forward)

Cash Flow Statements

for the year ended March 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM/(USED IN)					
FINANCING ACTIVITIES					
Issuance of medium term notes		120,000,000	—	—	—
Drawdown of term loans		71,970,897	—	—	—
Drawdown of revolving credits		30,000,000	—	—	—
(Redemption)/Issuance of bonds and commercial papers		(10,000,000)	77,000,000	—	—
Repayments of borrowings		(2,500,000)	(29,320,616)	—	—
Finance costs paid		(1,510,341)	(547,630)	(110,337)	(169,638)
Share issue expenses incurred		(216,162)	—	(216,162)	—
Repayment of:					
Finance lease payables		(90,393)	—	—	—
Hire-purchase payables		(62,527)	(58,032)	—	—
Revolving credit		—	—	(2,000,000)	—
Redemption of preference shares		—	(60,496,800)	—	—
Net Cash From/(Used In) Financing Activities		207,591,474	(13,423,078)	(2,326,499)	(169,638)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		38,035,051	5,559,095	904,940	(243,606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,971,420	12,412,325	(771,743)	(528,137)
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	56,006,471	17,971,420	133,197	(771,743)

Note: During the current financial year, the Group acquired property, plant and equipment at an aggregate cost of RM1,185,533 (2005: RM316,758) of which RM316,793 (2005: RM Nil) were acquired under finance lease arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM868,740 (2005: RM316,758).

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

Notes to 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 33 (2005: 31) and Nil (2005: Nil) respectively.

The registered office of the Company is located at 7th Floor, Wisma Tan Kim San, No. 518A, 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur.

The principal place of business of the Company is located at 2-01 Block B, AMCORP Tower, AMCORP Trade Centre, No. 18, Jalan Persiaran Barat, 46050, Petaling Jaya, Selangor Darul Ehsan.

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 19, 2006.

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 Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

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 and general trading.

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

Notes to the Financial Statements

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 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) 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.

As of March 31, 2006 and 2005, none of the balances in the balance sheet is to be settled in foreign currencies.

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

Notes to the Financial Statements

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, goodwill on consolidation and investment in property unit trusts 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.

Notes to the Financial Statements

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%
Computers under finance lease	20%
Motor vehicles	10% - 25%

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.

Notes to the Financial Statements

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property, plant and equipment. These assets and the corresponding lease obligations are recorded at the fair value of the leased assets (which approximates the present value of the minimum lease payments) at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to income statements as incurred.

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.

Notes to the Financial Statements

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.

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.

Short-Term Investment

Short-term investment, representing investment in unquoted corporate bonds held for trading purpose, is stated at cost adjusted for amortisation of premium or accretion of discount, where applicable, to maturity dates.

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.

Notes to the Financial Statements

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	
	2006 RM	2005 RM	2006 RM	2005 RM
Loan financing services *	53,576,327	33,818,707	—	—
Dividend income from:				
Investment in property trust units	3,638,256	1,167,963	—	—
A subsidiary company	—	—	—	1,718,635
Rental income	263,462	135,019	—	—
Advertising media services	—	7,328,318	—	—
General trading	—	1,330,188	—	—
Licensing and merchandising	—	815,713	—	—
Interest income from subsidiary companies	—	—	—	52,568
Management fee from subsidiary companies	—	—	3,031,532	1,057,871
	<u>57,478,045</u>	<u>44,595,908</u>	<u>3,031,532</u>	<u>2,829,074</u>

Notes to the Financial Statements

The Group 2006	Loan financing services RM	Investment holding and management services RM	Advertising media services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
Other Information							
Capital additions	1,185,533	–	–	–	–	–	1,185,533
Depreciation and amortisation	311,548	120,249	–	–	–	–	431,797
Non-cash expenses other than depreciation and amortisation	16,504,275	–	–	–	–	–	16,504,275
Consolidated Balance Sheet							
Segment assets	317,037,634	63,885,893	–	–	1,362	21,703,802	402,628,691
Segment liabilities	276,810,614	32,232,917	–	–	8,174	–	309,051,705
Unallocated corporate liabilities							634,643
Consolidated total liabilities							<u>309,686,348</u>

Notes to the Financial Statements

The Group 2005	Loan financing services RM	Investment holding and management services RM	Advertising media services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
Revenue							
External sales	33,818,707	1,302,982	7,328,318	2,145,901	–	–	44,595,908
Inter-segment sales	–	2,829,076	–	–	–	(2,829,076)	–
Total revenue	33,818,707	4,132,058	7,328,318	2,145,901	–	(2,829,076)	44,595,908
Results							
Profit/(Loss) from operations	16,339,135	947,975	1,086,566	(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

Notes to the Financial Statements

The Group 2005	Loan financing services RM	Investment holding and management services RM	Advertising media services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
Other Information							
Capital additions	129,220	–	73,097	114,441	–	–	316,758
Depreciation and amortisation	129,145	186,598	207,958	35,086	–	–	558,787
Non-cash expenses other than depreciation and amortisation	12,870,850	449,477	5,539	–	–	–	13,325,866
Consolidated Balance Sheet							
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							<u>95,395,790</u>

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

Notes to the Financial Statements

6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors of the Company:				
Non-executive directors				
- Fees and allowances ^	134,841	159,298	134,841	159,298
Directors of the subsidiary companies:				
Executive directors				
- Salaries and other emoluments *	386,100	798,409	–	–
	520,941	957,707	134,841	159,298

^ Includes contributions to Employees Provident Fund of RM6,840 (2005: RM6,840).

* In 2005, RM315,155 was paid to an executive director of a subsidiary company who was 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 RM Nil (2005: RM19,380).

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	
	2006	2005
Non-Executive Directors		
Below RM50,000	7	8

Notes to the Financial Statements

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

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

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Waiver of debt by a related party (Note 20)	1,549,696	3,940,056	–	–
Bad debts recovered	876,618	597,039	–	–
Gain on disposals of property, plant and equipment	111,286	–	109,999	–
Interest income received from a related party (Note 20)	–	1,024,339	–	–
Rental income	–	63,880	–	54,000
Allowance for doubtful debts no longer required	–	–	–	791,137
Allowance for doubtful debts	(16,426,142)	(12,932,026)	(2,900,000)	(65,646)
Interest expense on fixed rate medium term notes, serial bonds and commercial papers (Note 24)*	(6,386,702)	(1,921,446)	–	–
Loan financing expenses*	(2,004,909)	(1,971,153)	–	–
Private placement expenses on fixed rate medium term notes, serial bonds and commercial papers	(3,792,815)	(1,846,439)	–	–
Bank borrowings facility fees	(1,715,000)	–	–	–
Rental of:				
Premises	(154,856)	(149,025)	(36,000)	(34,500)
Office equipment	(16,969)	(19,190)	(7,540)	(6,960)
Bad debts written off	(78,133)	–	–	–
Auditors' remuneration:				
Statutory audit				
- Current year	(69,000)	(53,700)	(15,500)	(11,000)
- Underprovision in prior year	(7,500)	(4,000)	(4,500)	(4,000)
Others	(7,200)	(3,000)	(3,000)	(3,000)
Ex-factory and tooling cost	–	(1,044,166)	–	–
Agency commission	–	(736,067)	–	–
Impairment loss on freehold land	–	(383,830)	–	–
Advertising charges	–	(115,743)	–	–
Marketing research expenses	–	(60,336)	–	–
Realised loss on foreign exchange	–	(10,617)	–	–
Property, plant and equipment written off	–	(10,010)	–	–
Management fee expense	–	(7,638)	–	–

Notes to the Financial Statements

- * 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 RM166,644 and RM Nil (2005: RM341,751 and RM17,701) respectively.

8. FINANCE COSTS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest on:				
Term loans	1,342,761	7,938	–	–
Revolving credits	109,820	132,767	84,659	104,445
Hire-purchase and finance lease	32,082	15,963	–	–
Bank overdrafts	25,678	49,632	25,678	47,789
Short-term loan	–	341,330	–	–
Loan from subsidiary company	–	–	–	17,404
	<hr/>	<hr/>	<hr/>	<hr/>
	1,510,341	547,630	110,337	169,638

9. INCOME FROM OTHER INVESTMENTS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest income from:				
Fixed deposits	786,325	161,586	–	11,328
Corporate bonds	–	121,972	–	–
Others	–	31,608	–	–
Gain on disposal of corporate bonds	–	39,150	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	786,325	354,316	–	11,328

Notes to the Financial Statements

10. INCOME TAX EXPENSE

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Estimated tax payable:				
Current	4,738,887	5,913,238	575,690	505,218
(Over)/Underprovision in prior years	(1,084,348)	(12,892)	22,189	(3,209)
Deferred tax (Note 17):				
Current	(2,469,674)	(1,864,800)	–	–
Underprovision of deferred tax liabilities/(asset) in prior year	12,000	(2,124,400)	–	–
	(2,457,674)	(3,989,200)	–	–
	1,196,865	1,911,146	597,879	502,009

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 of the Company is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before tax	23,512,154	18,912,005	8,755,001	337,206
Tax at applicable statutory tax rate of 28%	6,296,566	4,891,453	2,451,400	94,418
Tax at applicable statutory tax rate of 20%	204,884	288,506	–	–
Tax effects of expenses/(income) not deductible/(assessable) in determining taxable profit	1,882,163	963,079	(1,875,710)	707,600
Realisation of deferred tax assets not recognised previously	(6,114,400)	(2,094,600)	–	(296,800)
Tax at effective tax rate	2,269,213	4,048,438	575,690	505,218
(Over)/Underprovision of tax payable in prior years	(1,084,348)	(12,892)	22,189	(3,209)
Underprovision of deferred tax liabilities/(asset) in prior year	12,000	(2,124,400)	–	–
Income tax charged to income statements	1,196,865	1,911,146	597,879	502,009

Notes to the Financial Statements

11. EARNINGS PER ORDINARY SHARE

	The Group	
	2006 RM	2005 RM
Net profit attributable to ordinary shareholders	19,790,948	14,887,530
	2006 Shares	2005 Shares
Number of shares in issue:		
At beginning of year	401,512,500	40,151,250
Effect of issuance of shares	5,617,978	–
Effect of shares split	–	361,361,250
Weighted average number of shares in issue	407,130,478	401,512,500
Earnings per ordinary share (sen)	4.86	3.71

12. PROPERTY, PLANT AND EQUIPMENT

The Group	At beginning of year RM	Additions RM	Disposals RM	At end of year RM
At cost, except otherwise stated				
Freehold land - at valuation	7,717,500	–	(7,717,500)	–
Leasehold building	1,829,190	–	–	1,829,190
Shelves, office equipment, furniture and fittings	725,981	868,740	(92,836)	1,501,885
Computers under finance lease	–	316,793	–	316,793
Motor vehicles	903,643	–	(405,000)	498,643
Motor vehicles under hire-purchase	360,355	–	–	360,355
Total	11,536,669	1,185,533	(8,215,336)	4,506,866

(Forward)

Notes to the Financial Statements

The Group

Accumulated Depreciation	At beginning of year RM	Charge for the year RM	Disposals RM	At end of year RM
Freehold land - at valuation	–	–	–	–
Leasehold building	21,341	36,584	–	57,925
Shelves, office equipment, furniture and fittings	587,858	127,133	(92,836)	622,155
Computers under finance lease	–	59,738	–	59,738
Motor vehicles	573,616	122,864	(404,999)	291,481
Motor vehicles under hire-purchase	274,877	85,478	–	360,355
Total	1,457,692	431,797	(497,835)	1,391,654

The Group

	Net Book Value		Charge for
	2006 RM	2005 RM	2005 RM
Freehold land - at valuation	–	7,717,500	–
Freehold building	–	–	15,466
Leasehold building	1,771,265	1,807,849	9,147
Shelves, office equipment, furniture and fittings	879,730	138,123	135,614
Computers under finance lease	257,055	–	–
Motor vehicles	207,162	330,027	261,354
Motor vehicles under hire-purchase	–	85,478	90,089
Renovation	–	–	47,117
Total	3,115,212	10,078,977	558,787

The Company

At cost	At beginning of year RM	Disposal RM	At end of year RM
Office equipment	36,328	–	36,328
Motor vehicles	899,999	(405,000)	494,999
Total	936,327	(405,000)	531,327

Notes to the Financial Statements

The Company							
Accumulated Depreciation	At beginning of year RM	Charge for the year RM	Disposal RM	At end of year RM	Net Book Value		Charge for 2005 RM
					2006 RM	2005 RM	
Office equipment	33,172	2,904	–	36,076	252	3,156	6,598
Motor vehicles	576,404	117,344	(404,999)	288,749	206,250	323,595	180,000
Total	609,576	120,248	(404,999)	324,825	206,502	326,751	186,598

The historical cost and carrying value of the revalued freehold land which was disposed off during the current financial year, are as follows:

	The Group	
	2006 RM	2005 RM
Freehold land:		
Cost	–	2,964,964
Accumulated depreciation	–	–
	–	2,964,964

Impairment loss of the said revalued freehold land in 2005 amounting to RM2,482,500, determined based on its proposed sale consideration as of March 31, 2005, was charged out as follows:

	The Group	
	2006 RM	2005 RM
Income statement (Note 7)	–	383,830
Revaluation reserve	–	2,098,670
	–	2,482,500

As of March 31, 2005, the said freehold land of the Group with carrying amount of RM7,717,500 was charged as security for certain bank borrowings of the Group and of the Company as mentioned in Note 24.

As of March 31, 2006, strata title pertaining to a leasehold building of the Group with net book value of RM1,771,265 (2005: RM1,807,849) has yet to be registered in the name of a subsidiary company.

Also, included in property, plant and equipment of the Group and of the Company are fully depreciated motor vehicles and equipment which are still in use, with cost of approximately RM565,919 and RM34,440 (2005: RM211,845 and RM13,140) respectively.

Notes to the Financial Statements

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2006 RM	2005 RM
Unquoted shares - at cost	54,553,445	41,551,445
Less: Allowance for impairment loss	(214,643)	(214,643)
	<u>54,338,802</u>	<u>41,336,802</u>

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

Direct Subsidiary Companies	Effective Equity Interest		Principal Activities
	2006 %	2005 %	
Effusion.Com Sdn. Bhd.	100	100	Property investment
RCE Enterprise Sdn. Bhd.	100	87.5	Investment holding
RCE Resources Sdn. Bhd.	100	100	Investment holding
Indirect Subsidiary Companies			
Indigenous Capital Sdn. Bhd. ^π	100	87.5	Property investment, provision of financial administrative services, debts management services and trading of securities
RCE Advance Sdn. Bhd. ^{π^} (formerly known as Perfect Aspiration Sdn. Bhd.)	100	–	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 Commerce Sdn. Bhd. ^π	100	87.5	Provision of information technology and financial administrative services
RCE Management Sdn. Bhd. ^π	100	87.5	Dormant
RCE Marketing Sdn. Bhd. ^{#^}	100	87.5	Provision of general loan financing services and trading in electrical home appliances, other consumer durable products mainly on hire-purchase terms

(Forward)

Notes to the Financial Statements

Direct Subsidiary Companies	Effective Equity Interest		Principal Activities
	2006 %	2005 %	
RCE Premier Sdn. Bhd. ^{π^}	100	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. ^π	100	87.5	Dormant
RCE Sales Sdn. Bhd. ^β	100	87.5	Provision of financial administrative services
RCE Synergy Sdn. Bhd. ^ψ	100	100	Investment holding
RCE Trading Sdn. Bhd. ^π	100	87.5	Provision of financial administrative services
R & R Music Sdn. Bhd. ^β	100	87.5	Dormant

Held indirectly through RCE Enterprise Sdn. Bhd.

ψ Held indirectly through RCE Resources 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:

- (a) RCE Marketing ("RCEM"), a subsidiary of the Company, acquired the entire issued and paid-up capital of RCE Advance Sdn. Bhd. (formerly known as Perfect Aspiration Sdn. Bhd.) comprising 2 ordinary shares of RM1.00 each, for cash consideration of RM2.00;
- (b) The Company acquired the remaining 12.5% equity interest in RCE Enterprise Sdn. Bhd. ("RCEE"), via the issuance of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share. Following the said acquisition, the Company's effective equity interest in all subsidiary companies held indirectly through RCEE and RCEM were increased from 87.5% to 100%; and
- (c) RCEE redeemed 2,000 out of its 20,000 Class A non-cumulative non-convertible redeemable preference shares, held by the Company at an investment cost of RM2,000,000, at a total redemption price of RM12,002,000, giving rise to a gain on redemption of RM10,002,000 to the Company.

Notes to the Financial Statements

Acquisition of Subsidiaries in 2005

Post acquisition results of the newly acquired subsidiary companies in 2005, comprising RCE Resources Sdn. Bhd., Indigenous Capital Sdn. Bhd. and RCE Premier Sdn. Bhd., are as follows:

	The Group 2005 RM
Revenue	6,781,540
Other operating expenses	(11,373,939)
	<hr/>
Loss before tax	(4,592,399)
Income tax credit	700,177
	<hr/>
Decrease in Group's profit attributable to shareholders	(3,892,222)
	<hr/>

The effects of these acquisitions in 2005 on the financial position of the Group as of dates of acquisition are as follows:

	The Group 2005 RM
Net assets acquired:	
Other investment	29,199,074
Property, plant and equipment	1,816,996
Other receivables, deposits and prepaid expenses	1,416,685
Cash and bank balances	2
Other payables and accrued expenses	(2,518,302)
Borrowings	(29,199,074)
	<hr/>
Reserve on consolidation on acquisition of RCE Synergy Sdn. Bhd.	715,381
	(715,375)
	<hr/>
Total cash consideration on acquisition	6
Less: Cash and cash equivalents acquired	(2)
	<hr/>
Net cash flow on acquisition	4
	<hr/>

Notes to the Financial Statements

Disposal of Subsidiary in 2005

In 2005, the Company completed the disposal of its entire 70% equity interest in POS AD Sdn. Bhd.

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

	The Group 2005 (3.5 Months)* RM
Revenue	9,474,219
Other operating expenses	(8,524,563)
Profit before tax	949,656
Income tax expense	(411,378)
	<u>538,278</u>

* To date of disposal of July 16, 2004.

The effect of the disposal of POS AD Sdn. Bhd. in 2005 on the financial position of the Group as of the date of disposal is as follows:

	The Group 2005 RM
Net assets disposed of:	
Property, plant and equipment	3,503,539
Inventories	85,534
Trade receivables	6,239,716
Other receivables, deposits and prepaid expenses	4,962,568
Cash and bank balances	4,711,679
Trade payables	(1,882,522)
Other payables and accrued expenses	(3,013,031)
Hire-purchase payables	(168,324)
Borrowings	(516,897)
Taxation	(39,028)
Deferred tax liabilities	(45,000)
Net assets disposed	13,838,234
Minority interest	(4,170,894)
	<u>9,667,340</u>
Gain on disposal of subsidiary company	1,332,660
	<u>11,000,000</u>
Total cash consideration on disposal	11,000,000
Less: Deposit on disposal received in 2005	(1,100,000)
Less: Cash and cash equivalents disposed	(4,711,679)
	<u>5,188,321</u>
Net cash flow on disposal	5,188,321

Notes to the Financial Statements

14. GOODWILL ON CONSOLIDATION

	The Group	
	2006 RM	2005 RM
Cost:		
At beginning of year	19,002,200	2,694,403
Arising from acquisition of minority shareholder's equity interest in a subsidiary company	9,341,621	–
Fair value adjustment to the net assets of a subsidiary acquired in 2005	–	19,002,200
Disposal of a subsidiary company	–	(2,694,403)
At end of year	28,343,821	19,002,200
Cumulative amortisation:		
At beginning of year	–	(2,694,403)
Disposal of a subsidiary company	–	2,694,403
	–	–
At end of year	28,343,821	19,002,200

During the current financial year, the Company acquired the remaining 12.5% equity interest in RCE Enterprise Sdn. Bhd. ("RCEE") at a purchase consideration of RM15 million, satisfied by the issuance and allotment of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share. The said acquisition resulted in a goodwill on consolidation of RM9,341,621.

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 included Redeemable Convertible Non-Cumulative Preference Shares ("RCNC Preference Shares") of RM38,780,000. In 2005, these preference shares were exchanged with RCNC Preference Shares in 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.

Notes to the Financial Statements

15. LOANS AND HIRE-PURCHASE RECEIVABLES

	The Group	
	2006	2005
	RM	RM
Total receivables	571,611,478	268,618,366
Unearned interest income	(244,194,450)	(101,430,932)
	<hr/>	<hr/>
Less: Allowance for doubtful debts	327,417,028	167,187,434
	(56,453,778)	(39,254,343)
	<hr/>	<hr/>
Less: Prepayment	270,963,250	127,933,091
	(35,758,891)	(57,830,326)
	<hr/>	<hr/>
Amount receivable within one year (shown under current assets)	235,204,359	70,102,765
	(14,920,047)	(10,505,172)
	<hr/>	<hr/>
Non-current portion	220,284,312	59,597,593
	<hr/>	<hr/>

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

	The Group	
	2006	2005
	RM	RM
Amount receivable:		
Within one to two years	17,551,100	11,231,113
Within two to five years	75,836,279	39,147,410
After five years	126,896,933	9,219,070
	<hr/>	<hr/>
	220,284,312	59,597,593
	<hr/>	<hr/>

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 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 (2005: seven (7) to ten (10) years) with effective interest rates ranging from 15.9% to 16.7% (2005: 15.9% to 16.7%) per annum.

Notes to the Financial Statements

The Group received advances from the Koperasi to finance its loan and hire-purchase financing operations in prior years. Pursuant to a Settlement Agreement dated March 31, 2005, it was mutually agreed between the Koperasi and the Group that the outstanding balance 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 RM35,758,891 (2005: 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.

16. OTHER INVESTMENT

	The Group	
	2006 RM	2005 RM
Property trust units quoted in Malaysia, at cost	61,169,971	29,199,074
Market value	75,742,584	32,702,963

17. DEFERRED TAX ASSET/(LIABILITIES)

	The Group	
	2006 RM	2005 RM
<i>Deferred Tax Asset</i>		
At beginning of year	4,000,200	—
Transfer from income statements (Note 10)	2,596,674	4,000,200
At end of year	6,596,874	4,000,200

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

Notes to the Financial Statements

Deferred Tax Liabilities

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of year	11,000	426,000	–	381,000
Reversal of deferred tax on revaluation reserve	–	(381,000)	–	(381,000)
Disposal of subsidiary company	–	(45,000)	–	–
Transfer from income statements (Note 10)	139,000	11,000	–	–
At end of year	150,000	11,000	–	–

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

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Temporary differences arising from property, plant and equipment	150,000	11,000	–	–

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, 2006, 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	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax effects of:				
Temporary differences arising from:				
Property, plant and equipment	(700)	(1,900)	(1,900)	(1,900)
Receivables	18,400	18,400	18,400	18,400
Unused tax losses	9,336,500	15,452,100	–	–
Unabsorbed capital allowances	1,169,600	1,169,600	–	–
Net	10,523,800	16,638,200	16,500	16,500

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

Notes to the Financial Statements

18. SHORT-TERM INVESTMENT

	The Group	
	2006 RM	2005 RM
At cost:		
Investment in unquoted corporate bonds, held for trading purpose	4,000,000	–

The unquoted corporate bonds, which will mature in September 2010, are unsecured and have no fixed coupon rate. Coupon rate will be determined semi-annually depending on the performance of the bonds.

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group represent amounts outstanding from provision of financial administrative services and information technology support services and sales of goods. The credit period granted by the Group ranges from 14 to 120 days (2005: 14 to 120 days).

Other receivables, deposits and prepaid expenses comprise:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	3,747,312	3,263,698	65,646	68,619
Less: Allowance for doubtful debts	(65,646)	(65,646)	(65,646)	(65,646)
	3,681,666	3,198,052	–	2,973
Tax recoverable	2,787,279	344,015	–	–
Prepaid expenses	241,376	182,359	3,390	32,753
Refundable deposits	74,416	403,203	–	3,162
	6,784,737	4,127,629	3,390	38,888

Notes to the Financial Statements

20. RELATED COMPANY TRANSACTIONS

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.

	The Company	
	2006 RM	2005 RM
Amount owing by subsidiary companies	86,256,568	80,295,275
Less: Allowance for doubtful debts	(2,900,000)	–
Net	83,356,568	80,295,275

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

Name of related party	Relationship
AMDB Berhad (“AMDB”)	An associated company of AmcorpGroup Berhad (“Amcorp”) (formerly known as Arab-Malaysian Corporation Berhad), a substantial shareholder of the Company
Corporateview Sdn. Bhd. (“CVSB”), Fulcrum Capital Sdn. Bhd. (“FCSB”)	Wholly-owned subsidiaries of Amcorp, a substantial shareholder of the Company
Meridian Mode Sdn. Bhd. (“MMSB”)	A company in which a director of certain subsidiary companies is also a director and has a direct interest
RCE Ventures Sdn. Bhd. (“RCEV”), Redi Management Group Sdn. Bhd. (“RMG”) (Note 21)	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

Notes to the Financial Statements

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

	The Company	
	2006 RM	2005 RM
Subsidiary companies:		
Redemption of non-cumulative non-convertible redeemable preference shares by RCE Enterprise Sdn. Bhd. ("RCEE")	12,002,000	–
Management fees receivable from:		
RCEM	3,031,532	1,005,371
POS AD Sdn. Bhd. ("POSAD")	–	52,500
Reimbursement of staff costs to CVSB	626,500	–
Disposal of subsidiary, RCE Marketing Sdn.Bhd. ("RCEM"), to RCEE	–	21,336,800
Disposal of freehold land to Effusion.Com Sdn.Bhd.	–	10,200,000
Dividend income receivable from POSAD (gross)	–	1,718,635
Interest receivable from:		
POSAD	–	35,164
RCEM	–	17,404
Interest payable to POSAD	–	17,404
Disposal of subsidiary, RCE Commerce Sdn. Bhd. to RCEM	–	1

	The Group	
	2006 RM	2005 RM
Related parties:		
Acquisition of the remaining 12.5% equity interest in RCEE from MMSB	15,000,000	–
Waiver of debt by RMG	1,549,696	–
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
Waiver of debt by FCSB	–	3,940,056
Interest income received from RCEV	–	1,024,339
Acquisition of subsidiary, RCE Resources Sdn. Bhd., from AMDB	–	2
Acquisition of subsidiary, Indigeneous Capital Sdn. Bhd., from CVSB	–	2

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.

Notes to the Financial Statements

21. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	11,401,633	5,380,244	–	12,000
Accrued interest expense on medium term notes, bonds and commercial papers	3,616,933	1,497,898	–	–
Other accrued expenses	4,582,794	5,874,783	252,845	176,968
	19,601,360	12,752,925	252,845	188,968

Included in other payables of the Group as of March 31, 2006 is RM5,821,516 (2005: RM Nil) representing collections on behalf of various co-operatives by a subsidiary company in its capacity as the collections and payments agent for those co-operatives.

Included in other payables of the Group as of March 31, 2005 was an amount of RM1,549,696 owing by a subsidiary, RCE Management Sdn. Bhd., to its former ultimate holding company, Redi Management Group Sdn. Bhd. (“RMG”). This amount was unsecured, interest-free and had no fixed terms of repayment. During the current financial year, this amount has been waived by RMG.

22. HIRE-PURCHASE PAYABLES

	The Group	
	2006 RM	2005 RM
Total outstanding	108,656	180,296
Less: Interest-in-suspense	(5,608)	(14,721)
Principal outstanding	103,048	165,575
Less: Amount due within one year (shown under current liabilities)	(67,022)	(62,527)
Non-current portion	36,026	103,048

Notes to the Financial Statements

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

	The Group	
	2006 RM	2005 RM
Financial years ending March 31, 2007	–	67,022
2008	36,026	36,026
	<hr/>	<hr/>
	36,026	103,048
	<hr/>	<hr/>

The interest rate implicit in these hire-purchase arrangements of the Group ranges from 6.34% to 7.60% (2005: 6.34% to 7.60%) per annum. The Group's hire-purchase payables are secured by a charge over the assets under hire-purchase.

23. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 RM	2005 RM	2006 RM	2005 RM
Amounts payable under finance lease:				
Within one year	120,211	–	105,070	–
In the second to fifth years inclusive	127,059	–	121,330	–
	<hr/>	<hr/>	<hr/>	<hr/>
	247,270	–	226,400	–
Less: future finance charges	(20,870)	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease payables	226,400	–	226,400	–
Less: Amount due within 12 months (shown under current liabilities)			(105,070)	–
			<hr/>	<hr/>
Non-current portion			121,330	–
			<hr/>	<hr/>

Notes to the Financial Statements

The non-current portion of the finance lease payables is payable is as follows:

	The Group	
	2006 RM	2005 RM
Financial years ending March 31, 2008	114,548	—
2009	6,782	—
	<hr/>	<hr/>
	121,330	—

The interest rate implicit in these finance lease arrangements of the Group ranges from 4.5% to 4.67% per annum. The Group's finance lease payables are secured by a charge over the leased assets.

24. BORROWINGS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Secured:				
Fixed rate medium term notes	120,000,000	—	—	—
Term loan	31,970,897	—	—	—
Fixed rate serial bonds	45,000,000	45,000,000	—	—
Underwritten commercial papers	22,000,000	32,000,000	—	—
Revolving credits	30,000,000	2,000,000	—	2,000,000
Bank overdrafts	—	780,496	—	780,496
Unsecured:				
Term loan	40,000,000	—	—	—
Revolving credits	—	500,000	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	288,970,897	80,280,496	—	2,780,496
Less: Amount due within one year (shown under current liabilities)	(16,285,718)	(7,780,496)	—	(780,496)
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current portion	272,685,179	72,500,000	—	2,000,000

Notes to the Financial Statements

The revolving credits of the Group and the Company of RM30,000,000 (2005: RM2,500,000) and RM Nil (2005: 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, and a term loan of the Group of RM40,000,000 (2005: RM Nil) which is repayable in one lump sum anytime prior to its five (5) years maturity at the Group's option, 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 of RM30,000,000 (2005: RM2,500,000) and term loan of RM40,000,000 (2005: RM Nil) for which the repayment date is not presently determined, the non-current portion of the borrowings is repayable as follows:

	The Group	
	2006 RM	2005 RM
Financial years ending March 31,		
2007	–	10,000,000
2008	14,571,436	10,000,000
2009	34,571,436	35,000,000
2010	47,571,436	15,000,000
2011	14,571,436	–
2012	24,571,436	–
2013	14,571,436	–
2014	22,256,563	–
2015	10,000,000	–
2016	20,000,000	–
	202,685,179	70,000,000

Fixed Rate Medium Term Notes

During the financial year, RCE Advance Sdn. Bhd. ("RCEA") (formerly known as Perfect Aspiration Sdn. Bhd.) issued RM140 million out of a total of RM420 million 10-year fixed rate medium term notes ("MTNs") for the purpose of financing the working capital of the Group, out of which RM20 million MTNs were taken up by a subsidiary company within the Group, Indigenous Capital Sdn. Bhd.

The MTNs was constituted by a trust deed dated November 23, 2005 made between RCEA and the Trustee for the holders of the MTNs.

Notes to the Financial Statements

The main features of the MTNs are as follows:

- (a) The maximum issue size of the RM420 million MTNs comprises:
- (i) RM240 million Class A MTNs;
 - (ii) RM120 million Class B MTNs; and
 - (iii) RM60 million Class C MTNs
- (b) The MTNs may be issued up to a maximum of six (6) tranches of RM70 million each (“Tranche”) with each respective Tranche comprising the following:

Tranches	Class A MTNs Issue Size RM'000	Class B MTNs Issue Size RM'000	Class C MTNs Issue Size RM'000	Total Issue Size RM'000
A	40,000	20,000	10,000	70,000
B	40,000	20,000	10,000	70,000
C	40,000	20,000	10,000	70,000
D	40,000	20,000	10,000	70,000
E	40,000	20,000	10,000	70,000
F	40,000	20,000	10,000	70,000
Total	240,000	120,000	60,000	420,000

- (c) Each Tranche of MTNs shall be sub-divided into twelve (12) series (“Series”) which are categorised into Class A MTNs, Class B MTNs and Class C MTNs, based on the different collateralisation ratios. The class and tenure of each of the Series under each Tranche is set out below:

Series	Tenure	Class A MTNs RM'000	Class B MTNs RM'000	Class C MTNs RM'000
1	Three (3) years	10,000	—	—
2	Four (4) years	5,000	—	—
3	Five (5) years	5,000	—	—
4	Six (6) years	5,000	—	—
5	Six (6) years	—	5,000	—
6	Seven (7) years	—	5,000	—
7	Eight (8) years	5,000	—	—
8	Eight (8) years	—	5,000	—
9	Nine (9) years	5,000	—	—
10	Ten (10) years	5,000	—	—
11	Ten (10) years	—	5,000	—
12	Ten (10) years	—	—	10,000

Notes to the Financial Statements

- (d) All MTNs issued under Tranche A shall be issued at par.
- (e) The Class A MTNs and Class B MTNs issued under all subsequent Tranches shall be issued at par, premium or a discount to face value depending on the yield to maturity agreed with the private placement investor(s) at the time of issuance of each Tranche and the Class C MTNs issued under all subsequent Tranches shall be issued at par.
- (f) Each series of the MTNs under the Class A MTNs and Class B MTNs bear a fixed coupon rates ranging from 6.25% to 9% per annum, payable semi-annually in arrears with the last coupon payment to be made on the respective maturity dates; and
- (g) The Class C MTNs bear an initial fixed coupon rate at 15% per annum, but may be reset on the third and/or sixth anniversary from the issuance of the Class C MTNs at a new coupon rate to be determined with the Notesholders of the Class C MTNs at the time the coupon rate is to be reset. The coupon payment under the Class C MTNs shall be calculated annually but payment is deferred until all Class A MTNs and Class B MTNs have been fully redeemed. The entire deferred Class C MTNs coupon payment will be paid in one lump sum.

The MTNs 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 RCEA;
- (ii) A debenture incorporating a first fixed and floating charge over the entire undertaking, property, assets and rights, both present and future of RCEA;
- (iii) An assignment of the rights, title, benefit and interest under the eligible receivables purchased by RCEA;
- (iv) An assignment over the present and future rights, title, benefit and interest in certain bank accounts of RCEA;
- (v) An undertaking from RCEM; and
- (vi) An irrecoverable corporate guarantee from the Company.

Term Loan 1

During the current financial year, an unsecured term loan of RM40 million was granted to RCEM pursuant to a Primary Collateralised Loan Obligation Transaction Facility Agreement ("Facility Agreement") entered into between RCEM, a third party and a local financial institution. The said term loan bears interest at 7.13% per annum and has maturity period not exceeding five (5) years commencing from the date of drawdown of the facility and is repayable in one lump sum anytime prior to the last day of the tenure of the facility at the Group's option.

Notes to the Financial Statements

Term Loan 2

During the current financial year, another term loan of RM32 million was granted to RCE Synergy Sdn. Bhd. ("RCES") to finance the acquisition of property trust units (Note 16). This term loan, which is guaranteed by the Company and secured by a memorandum of deposit over the property trust units held by RCES, bears interest at 8% per annum and is repayable over 84 equal monthly installments of RM380,953 commencing October 1, 2006.

Fixed Rate Serial Bonds and Underwritten Commercial Papers

In 2005, 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;

Notes to the Financial Statements

- (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 3.6% to 4.75% (2005: 3% to 3.5%) per annum.

An amount of RM4,000,000 (2005: RM7,000,000) out of the CPs issued as of March 31, 2006 is classified as current liabilities based on management's expectation of the amount of the CPs to be redeemed upon their maturity within twelve (12) months after the financial year-end.

The Bonds and CPs are secured against the following:

- (i) A third party first legal charge by 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.

Notes to the Financial Statements

Revolving Credits and Overdrafts

The revolving credits of the Group as of March 31, 2006 of RM30,000,000 are secured by the following:

- (a) An irrevocable corporate guarantee by the Company;
- (b) An assignment of rights, title, benefit and interest of receivables under the agreement entered into between RCEM with Koperasi Wawasan Pekerja-Pekerja Berhad;
- (c) An assignment of the sale proceeds of receivables sold by RCEM to RCEA;
- (d) An irrevocable undertaking by RCEA; and
- (e) Pledge of RCEM's fixed deposit on lien.

The revolving credit bears interest at rates ranging from 4.55% to 5.00% per annum.

As of March 31, 2006, another subsidiary company has revolving credit facility amounting to RM Nil (2005: RM500,000) which is guaranteed by the Company and bears interest at 5.65% (2005: 5.65%) per annum. This revolving credit was settled in full during the current financial year.

As of March 31, 2006, the Company has bank overdraft facility of RM Nil (2005: RM860,000) and revolving credit facility of RM Nil (2005: RM2,000,000) with a bank which were secured by way of a third party first legal charge over the freehold land of a subsidiary as mentioned in Note 12. The overdraft facility bears interest at 8.15% (2005: 7.75%) per annum while the revolving credit facility bears interest at 5.4% (2005: 5.4%) per annum. These borrowings were settled in full during the current financial year.

25. SHARE CAPITAL

	The Group and The Company	
	2006	2005
	RM	RM
Authorised:		
Ordinary shares of RM0.10 each	50,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of RM0.10 each		
At beginning of year	40,151,250	40,151,250
Issued during the year	6,741,573	–
At end of year	46,892,823	40,151,250

Notes to the Financial Statements

As approved by the shareholders at an Extraordinary General Meeting held on January 17, 2006, the issued and paid-up share capital was increased from RM40,151,250 comprising 401,512,500 ordinary shares of RM0.10 each to RM46,892,823 comprising 468,928,230 ordinary shares of RM0.10 each, by the issuance and allotment of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share for the purpose of the acquisition of the remaining 12.5% equity interest in RCE Enterprise Sdn. Bhd.

These new ordinary shares, which were listed on the Second Board of Bursa Malaysia Securities Berhad on March 30, 2006, ranked pari passu in all respects with the then existing ordinary shares of the Company. The resulting premium of RM8,258,427 arising from the shares issued has been credited to the share premium account.

26. RESERVES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable reserves:				
Share premium	8,042,265	–	8,042,265	–
Reserve from consolidation	2,155,312	2,155,312	–	–
Distributable reserve:				
Unappropriated profit	35,851,943	16,060,995	9,899,389	1,742,267
	<u>46,049,520</u>	<u>18,216,307</u>	<u>17,941,654</u>	<u>1,742,267</u>

Share premium

Share premium arose from the issuance of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share during the current financial year. Share issue expenses of RM216,162 which were incurred by the Company have been written off against the share premium account.

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.

Notes to the Financial Statements

Unappropriated Profit

Distributable reserves are those available for distribution as dividends.

Based on the prevailing tax rate applicable to dividends and the estimated tax credits available, the unappropriated profit of the Company as of March 31, 2006 is available for distribution by way of cash dividends without additional tax liabilities being incurred.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with licensed banks	48,573,559	14,564,931	–	–
Cash and bank balances	7,432,912	4,186,985	133,197	8,753
Bank overdrafts (Note 24)	–	(780,496)	–	(780,496)
	<u>56,006,471</u>	<u>17,971,420</u>	<u>133,197</u>	<u>(771,743)</u>

As of March 31, 2006, fixed deposits and bank balances of the Group amounting to RM35,270,680 and RM2,811,370 (2005: RM14,564,931 and RM620,202) respectively have been assigned in favour of the Trustees of the RM45 million 5-year fixed rate serial bonds, the RM50 million 7-year underwritten commercial papers and the RM420 million 10-year fixed rate medium term notes facilities of certain subsidiary companies (Note 24).

As of March 31, 2006, fixed deposits of the Group amounting to RM611,190 (2005: RM Nil) have been pledged to a licensed bank for revolving credits facility granted to a subsidiary company (Note 24).

Fixed deposits with licensed banks of the Group and the Company have an average maturity ranging from 1 to 328 days (2005: 8 to 90 days), with effective interest rates ranging from 2.6% to 3.25% (2005: 2.7% to 2.73%) per annum.

Notes to the Financial Statements

28. CONTINGENT LIABILITIES - UNSECURED

As of March 31, 2006, the Company is contingently liable in respect of the following:

- (i) guarantee issued in favour of a trustee for the RM420 million (2005: RM Nil) medium term notes facility of a subsidiary company;
- (ii) guarantee issued in favour of a bank for a RM32 million (2005: RM Nil) term loan facility granted to a subsidiary company;
- (iii) guarantees issued in favour of a trustee for the RM45 million (2005: RM 45 million) 5-year fixed rate serial bonds and up to RM50 million (2005: RM 50 million) 7-year underwritten commercial papers facility of a subsidiary company; and
- (iv) guarantee issued in favour of a bank for the RM30 million (2005: RM0.5 million) revolving credit facility granted to a subsidiary company.

As of March 31, 2006, amount outstanding from these facilities amounted to RM249 million (2005: RM 77.5 million).

29. COMMITMENT

As of March 31, 2006, the Group has the following capital commitment:

	The Group	
	2006	2005
	RM	RM
Approved and contracted for:		
Acquisition of property, plant and equipment	–	179,316

30. 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.

Notes to the Financial Statements

(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:

The Group 2006	Effective interest rate %	Total RM	Maturity profile		
			← Within 1 year RM	2-5 Years RM	→ After 5 years RM
Financial assets					
Loan and hire-purchase receivables	15.9 to 16.7	235,204,359	14,920,047	93,387,379	126,896,933
Fixed deposits	2.6 to 3.25	48,573,559	48,573,559	—	—
		<u>283,777,918</u>	<u>63,493,606</u>	<u>93,387,379</u>	<u>126,896,933</u>
Financial liabilities					
Hire-purchase payables	6.34 to 7.60	103,048	67,022	36,026	—
Finance lease payables	4.5 to 4.67	226,400	105,070	121,330	—
Fixed rate medium term notes	6.25 to 9.0	120,000,000	—	40,000,000	80,000,000
Term loans	7.13 to 8.0	71,970,897	2,285,718	69,685,179	—
Fixed rate serial bonds	6.6 to 8.0	45,000,000	10,000,000	35,000,000	—
Underwritten commercial papers	3.6 to 4.75	22,000,000	4,000,000	18,000,000	—
Other bank borrowings	4.55 to 5.0	30,000,000	—	30,000,000	—
		<u>289,300,345</u>	<u>16,457,810</u>	<u>192,842,535</u>	<u>80,000,000</u>

Notes to the Financial Statements

The Group 2005	Effective interest rate %	Total RM	Maturity profile		
			← Within 1 year RM	2-5 Years RM	→ After 5 years RM
Financial assets					
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 to 2.73	14,564,931	14,564,931	—	—
		84,667,696	25,070,103	50,378,523	9,219,070
Financial liabilities					
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	—
		80,446,071	7,843,023	72,603,048	—
The Company 2006					
Financial liabilities					
Bank borrowings	—	—	—	—	—
2005					
Financial liabilities					
Bank borrowings	5.41 to 8.45	2,780,496	780,496	2,000,000	—

Notes to the Financial Statements

(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 underlying borrowers. 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 and short-term and other investments.

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 other payables, amount owing to subsidiary, 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.

Notes to the Financial Statements

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:

	2006		2005	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<i>Financial Asset</i>				
Investment in quoted property trust units (Note 16)	61,169,971	75,742,584	29,199,074	32,702,963
<i>Financial Liability</i>				
Fixed rate medium term notes ("MTNs") (including accrued interest of RM2,124,146) (Note 24)	122,124,146	116,248,852	–	–

The fair value of 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 the MTNs is determined by reference to the latest issue price after the end of the financial year to private placement investors at a discount to face value based on the yield to maturity.

It is not practical to estimate the fair value of investment in unquoted corporate bonds due to the lack of quoted market price.

31. SUBSEQUENT EVENT

Subsequent to the end of the financial year, on May 19, 2006, the Company announced the following proposed corporate exercises:

- Proposed special issue of up to 21,100,000 new ordinary shares of RM0.10 each in the Company to Bumiputera investor(s);
- Proposed bonus issue of up to 161,576,076 new ordinary shares of RM0.10 each in the Company ("Bonus Shares") to be credited as fully paid-up share capital of the Company, on the basis of one (1) Bonus Share for every three (3) existing shares held in the Company on an entitlement date to be determined later ("Proposed Bonus Issue");

Notes to the Financial Statements

- (c) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company after the Proposed Bonus Issue from the second board to the main board of Bursa Malaysia Securities Berhad; and
- (d) Proposed increase in the authorised share capital of the Company from RM50,000,000 divided into 500,000,000 ordinary shares of RM0.10 each to RM200,000,000 divided into 2,000,000,000 ordinary shares of RM0.10 each by the creation of an additional 1,500,000,000 ordinary shares of RM0.10 each.

The above proposed corporate exercises are conditional upon the following approvals being obtained:

- (a) Securities Commission;
- (b) Bursa Malaysia Securities Berhad; and
- (c) The shareholders of the Company at an extraordinary general meeting.

Statement by Directors

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 MASB 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, 2006 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 19, 2006

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 19th day of May, 2006.

Before me,

COMMISSIONER FOR OATHS



ZULKIFLY B. ABDULLAH KMN BCK
PESURUHJAYA SUMPAAH
(COMMISSIONER FOR OATHS)
LOT 2.36, TINGKAT 2, THE MALL
100 JALAN PUTRA 50350 KUALA LUMPUR

Analysis of Shareholdings

as of June 30, 2006

Authorised Capital	:	RM50,000,000
Issued and Paid-Up Capital	:	RM46,892,823
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less than 100	1	0.09	50	#
100 to 1,000	177	15.95	61,720	0.01
1,001 to 10,000	203	18.29	1,284,450	0.27
10,001 to 100,000	614	55.31	19,475,450	4.15
100,001 to less than 5% of issued shares	111	10.00	137,794,800	29.39
5% and above of issued shares	4	0.36	310,311,760	66.18
Total	1,110	100.00	468,928,230	100.00

negligible

THIRTY LARGEST REGISTERED SHAREHOLDERS

Name of Shareholders	No. of Shares Held	% of Shares
1. Cempaka Empayar Sdn Bhd	182,069,680	38.83
2. Blue Ribbon International Limited	51,826,600	11.05
3. Meridian Mode Sdn Bhd	44,025,730	9.39
4. Charter Green Limited	32,389,750	6.91
5. Vital Fortune Sdn Bhd	18,877,000	4.03
6. Irama Hasrat Sdn Bhd	17,888,000	3.82
7. Paradigm Heritage Sdn Bhd	12,350,000	2.63
8. Gabungan Harmoni Sdn Bhd	9,957,800	2.12
9. Chow Soi Wah	9,596,900	2.05
10. Irama Inai Sdn Bhd	6,551,500	1.40
11. Kemas Murni Sdn Bhd	6,394,080	1.36
12. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Richard George Azlan bin Abas	4,650,000	0.99
13. Citigroup Nominees (Asing) Sdn Bhd - UBS Ag. Singapore for Tan Ah Ee	3,098,000	0.66
14. HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui	3,081,000	0.66
15. Richard George Azlan bin Abas	2,790,100	0.60
16. A.A Assets Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gabungan Harmoni Sdn Bhd	2,683,800	0.57
17. Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Susy Ding	2,484,500	0.53
18. Cheah Hong Toy	2,341,000	0.50

Analysis of Shareholdings

as of June 30, 2006

Name of Shareholders	No. of Shares Held	% of Shares
19. Soo Ngik Gee @ Soo Yeh Joo	2,120,000	0.45
20. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui	1,976,100	0.42
21. Chow Sooi Lin	1,707,100	0.36
22. Chin Siaw Eng	1,562,000	0.33
23. BHLB Trustee Berhad - Exempted-Trust Account for EPF Investment for Member Savings Scheme	1,296,000	0.28
24. Chua Teong Kim @ Seow Teong Kim	1,141,000	0.24
25. Ng Chee Seng	1,047,100	0.22
26. Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Chee Wha (128AK1338)	1,029,200	0.22
27. Cimsec Nominees (Tempatan) Sdn Bhd - BCB for Vernon Victor Vijiyasingam Lee (MM1247)	1,000,000	0.21
28. Low Tek Cheng	900,000	0.19
29. Almaz Salma binti Abdul Rahim	795,500	0.17
30. Cheng Lee Wah	752,500	0.16

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares held	% of Shares	No. of Shares held	% of Shares
Cempaka Empayar Sdn Bhd	182,069,680	38.83	—	—
Blue Ribbon International Limited	51,826,000	11.05	—	—
Meridian Mode Sdn Bhd	44,025,730	9.39	—	—
Charter Green Limited	32,389,750	6.91	—	—
AmcorpGroup Berhad	—	—	182,069,680 ⁽¹⁾	38.83
Tan Sri Dato' Azman Hashim	—	—	182,069,680 ⁽¹⁾	38.83
Slan Sdn Berhad	—	—	182,069,680 ⁽¹⁾	38.83
Ginagini Sdn Bhd	—	—	182,069,680 ⁽¹⁾	38.83
Goh Jue Jin	—	—	44,025,730 ⁽²⁾	9.39
Ng Wan Cher @ Ng Guan Cher	—	—	44,025,730 ⁽²⁾	9.39

Notes:

⁽¹⁾ Deemed interested by virtue of Section 6A of the Companies Act, 1965 through shareholding in Cempaka Empayar Sdn Bhd.

⁽²⁾ Deemed interested by virtue of Section 6A of the Companies Act, 1965 through shareholding in Meridian Mode Sdn Bhd.

DIRECTORS' INTEREST IN SHARES IN THE COMPANY AND ITS RELATED COMPANIES

The Directors' interest in shares in the Company and its related companies are the same as that shown in the Directors' Report for the financial year ended 31 March 2006.



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 attend and vote for me/us and on my/our behalf at the Fifty-Second 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 Monday, 28 August 2006 at 10.30 a.m. and at any adjournment thereof, in the manner as indicate below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	Receive the Audited Financial Statements for the financial year ended 31 March 2006 together with the Reports of the Directors and Auditors thereon.		
2.	Re-election of Y. Bhg. Major General (Rtd) Dato' Haji Fauzi bin Hussain as Director.		
3.	Re-election of Puan Shalina Azman as Director.		
4.	Re-election of Y. Bhg. Dato' Che Md Nawawi bin Ismail as Director.		
5.	Re-appointment of Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to determine their remuneration.		
	Special Business		
6.	Approval of payment of Directors' fees.		
7.	Authority to Directors to issue shares.		
8.	Approval of the Proposed New Shareholders Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with an "x" in the space provided 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 2006

<i>No. of Shares Held</i>

.....
Signature of Shareholder/Common Seal

NOTES:

- 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.
- Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
- 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.
- The 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.
- The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company situated 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 meeting or at any adjournment thereof.



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Stamp

The Company Secretary
RCE CAPITAL BERHAD (2444-M)
7th Floor, Wisma Tan Kim San
No. 518A, 3rd Mile
Jalan Ipoh
51200 Kuala Lumpur

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