

AMDB FACTORING SDN BHD
(126887-A)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2006

1. GENERAL

AMDB Factoring Sdn Bhd is a private company limited by shares, incorporated and domiciled in Malaysia.

Its registered office is located at 20th Floor, Bangunan AmAssurance, No. 1, Jalan Lumut, 50400 Kuala Lumpur. The principal place of business of the Company is located at 12th Floor, Bangunan AmAssurance, No. 1, Jalan Lumut, 50400 Kuala Lumpur.

The principal activities of the Company are that of a confirming and factoring house, specialising in trade related activities and general trading. The principal activity of the subsidiary company is disclosed in Note 8 to the financial statements.

The reporting currency is denominated in Ringgit Malaysia.

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 22 June 2006.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

- (a) A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Company include cash and bank balances, trade and other receivables, deposits with a licensed bank and investments.

Financial liabilities of the Company include other payables and bank borrowings.

- (b) The Company's financial instruments are subject to a variety of financial risks including interest rate risk, credit risk, liquidity and cash flow risks and market risk.

The Company's overall financial risk management objective is to seek to address and control the risks to which the Company is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Interest Rate Risk

Interest rate exposure arises from the Company's borrowings and lending, and is managed through the use of fixed and floating rate debt financial instruments. Interest rate risk on term deposits are managed by using short term deposits to facilitate the movement of deposits to maximise returns or reduce interest costs.

(ii) Credit Risk

Credit risk is the potential risk of financial loss from the failure of a client to settle its financial and contractual obligations to the Company, as and when they fall due. The management has in place a formalised ongoing process to evaluate and recommend credit proposal on customers requiring credit. The process include limitation of exposure to a single client and industry and is further supported by a credit committee duly authorised by the board of directors to consider and approve all new credit application.

(iii) Liquidity and Cash Flow Risk

Liquidity risk is the risk that a Company is unable to service its cash obligation in the future. To mitigate this risk, the management ensures that receivables and payables are well spaced. In the process, a level of cash and cash equivalents deemed adequate to finance part of the Company's operation and development activities is continuously measured, monitored and maintained.

Included in the Company's borrowings are bank overdrafts, trust receipts, banker acceptance and revolving credit facilities. These facilities are the main basic financing tools of the Company.

(iv) Market Risk

Market risk is the risk that the value of the financial instruments with fluctuate due to changes in market prices.

The Company's market risk exposure to interest rate fluctuation is discussed under the heading of interest rate risk above.

(c) Fair Values

The carrying amount of the current financial assets and liabilities of the Company at the balance sheet date approximated their fair values due to the relatively short term nature of these financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) General

All significant accounting policies set out below are consistent with those applied in the previous financial year.

(b) Basis of Preparation

The financial statements are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on the straight line basis so as to write off the cost of the assets over their estimated useful lives.

The principal annual rates used are as follows :-

Office equipment	15%
Furniture and fittings	15%
Motor vehicles	20%
Computer	33.33%

Property, plant and equipment are reviewed for impairment in accordance with the Company's accounting policy for impairment of assets.

(d) Consolidation

Consolidated financial statements have not been prepared as the Company is itself a wholly owned subsidiary of another company.

(e) Impairment of Assets

The carrying amounts of non current assets (other than deferred tax assets and other investments) are reviewed for impairment at each balance sheet date. Impairment losses are provided when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use which is measured by reference to discounted future cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Impairment of Assets (Cont'd)

An impairment loss is charged to the income statement unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised directly against the revaluation surplus account for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

An impairment loss is only reversed to the extent of previously recognised impairment losses on an asset. All reversals of an impairment loss is credited to the income statement unless the asset is carried at revalued amount where the reversal is recognised directly to the revaluation surplus account of the same asset.

(f) Employee Benefits

(i) Short-term employee benefits

Wages, salaries and social contributions, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plans

The Company provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed notes.

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Company's contributions to defined contribution plans are recognised as an expense in the period in which they relate.

(g) Share Capital

Ordinary shares are classified as equity. Distribution to holders of ordinary shares are debited directly to equity and dividends declared on or before the balance sheet date are recognised as liabilities. Costs directly attributable to equity transaction are accounted for as a deduction, net of tax from equity.

(h) Investments

Investments in the subsidiary company and associated company are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and allowance is made for impairment where appropriate based on the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investments (Cont'd)

Investments in other non-current investments are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value at such investments. Such a decline is recognised as an expense in the income statement.

On the disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(i) Associated Company

An associated company is an investee company in which the Company has a long term equity interest of between 20 to 50 percent and where the Company is able to exercise significant influence over the policies of the investee company.

The cost of investment in the associated company is stated at cost and will be written down when the directors consider that there is a permanent diminution in value.

(j) Foreign Currencies

Transactions in foreign currencies are recorded in the books of accounts at the exchange rates ruling at the time of transactions or at contracted rates where applicable. Foreign currency monetary assets and liabilities at the end of the financial year are translated at the rates then ruling or at contracted rates where applicable. All exchange differences are included in the Income Statement.

The closing rates used for principal foreign currency translation are as follows :-

	2006 RM	2005 RM
Japanese Yen (100)	-	3.64
United States Dollar	3.73	3.80

(k) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off as and when ascertained and allowance is made for any debts considered to be doubtful of collection.

(l) Payables

Trade and other payables are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Provisions

Provisions are recognised when the Company has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Allowance for Doubtful Debts

Specific allowance is made for doubtful debts where based on management's evaluation of prevailing circumstances, the recovery of the debts is uncertain.

In addition, an allowance based on a set percentage of net outstanding receivables is maintained. This percentage is reviewed annually in the light of past experience and prevailing circumstances and adjustments are made to the overall allowance, if necessary.

(o) Revenue Recognition

Interest income from confirming and factoring activities is recognised on an accrual basis. Interest income from confirming activities is calculated based on a straight line method over the period of the confirming arrangement whilst interest income on factoring activities is calculated based on a daily rest method on the balance outstanding.

(p) Income Taxes

Tax expense/(income) is the aggregate amount of current and deferred tax included in the determination of net profit or loss for the year.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences at balance sheet between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Income Taxes (Cont'd)

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

(q) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses in the period in which they are incurred.

(r) Financial Instruments

Financial instruments are recognised when a contractual relationship has been established.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Gains and losses relating to a financial instrument classified as liability are reported as expense or income and distributions in respect of financial instruments classified as equity are charged to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Company's accounting policies and methods adopted in respect of each class of financial instruments and further information thereof are disclosed in the individual accounting policy statements or notes to the financial statements associated with those financial instruments.

(s) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, deposits with licensed banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The statement of cash flow is prepared using the indirect method.

4. HOLDING COMPANY

The immediate and ultimate holding company is AMDB Berhad a company incorporated in Malaysia, which owns 100% (2005 : 100%) of the issued capital of the Company.

The registered office of the holding company is located at 20th Floor, Bangunan AmAssurance, No.1, Jalan Lumut, 50400 Kuala Lumpur.

5. SHARE CAPITAL

	2006 RM	2005 RM
Ordinary shares of RM1.00 each :-		
Authorised	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid	<u>10,000,000</u>	<u>10,000,000</u>

6. RETAINED PROFIT

Subject to agreement with the Inland Revenue Board, the Company has estimated tax credit under Section 108 of the Malaysian Income Tax Act, 1967 of RM7,353,446 (2005 : RM7,173,190) to frank the payment of dividends out of its retained profit in full.

7. PROPERTY, PLANT AND EQUIPMENT

2006	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Computer RM	Total RM
Cost					
At beginning of year	52,865	154,287	370,142	348,501	925,795
Additions	-	-	222,121	8,870	230,991
Disposals	-	-	(271,758)	-	(271,758)
	<u>52,865</u>	<u>154,287</u>	<u>320,505</u>	<u>357,371</u>	<u>885,028</u>
At end of year					
	<u>52,865</u>	<u>154,287</u>	<u>320,505</u>	<u>357,371</u>	<u>885,028</u>
Accumulated depreciation					
At beginning of year	51,896	86,062	354,381	300,523	792,862
Charge for the year	300	21,253	34,267	38,453	94,273
Deletions	-	-	(271,756)	-	(271,756)
	<u>52,196</u>	<u>107,315</u>	<u>116,892</u>	<u>338,976</u>	<u>615,379</u>
At end of year					
	<u>52,196</u>	<u>107,315</u>	<u>116,892</u>	<u>338,976</u>	<u>615,379</u>

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Computer RM	Total RM
Net book value as at 31 March 2006	<u>669</u>	<u>46,972</u>	<u>203,613</u>	<u>18,395</u>	<u>269,649</u>
Net book value as at 31 March 2005	<u>969</u>	<u>68,225</u>	<u>15,761</u>	<u>47,978</u>	<u>132,933</u>
Depreciation charge at 31 March 2005	<u>443</u>	<u>21,253</u>	<u>37,820</u>	<u>38,425</u>	<u>97,941</u>

8. SUBSIDIARY COMPANY

	2006 RM	2005 RM
Unquoted shares at cost	<u>501,708</u>	<u>501,708</u>

The wholly owned subsidiary company is AMDB Commercial Services Sdn Bhd, a company incorporated in Malaysia. The principal activity of the subsidiary company is that of a licensed money lender.

9. ASSOCIATED COMPANY

	2006 RM	2005 RM
Unquoted shares at cost	<u>100,000</u>	<u>100,000</u>

The associated company is AmTrustee Berhad, a company incorporated in Malaysia, in which the Company has a 20% (2005 : 20%) equity interest. The principal activity of the associated company consists of the provision of trustee services.

The effects of equity method of accounting for the associated company are not shown in these financial statements as the Company itself is a wholly owned subsidiary of another company.

10. DEFERRED TAX ASSETS

	2006 RM	2005 RM
Balance at beginning of year	201,595	249,825
Recognised in income statement	<u>14,316</u>	<u>(48,230)</u>
Balance at end of year	<u><u>215,911</u></u>	<u><u>201,595</u></u>

The components and movements of deferred tax assets during the financial year prior to offsetting are as follows :-

2006

Deferred tax liability	As at 1.4.2005 RM	Recognised in the income statement RM	As at 31.3.2006 RM
Excess of capital allowances over depreciation	<u>(23,665)</u>	<u>8,336</u>	<u>(15,329)</u>

Deferred tax assets	As at 1.4.2005 RM	Recognised in the income statement RM	As at 31.3.2006 RM
Other deductible temporary differences	<u>225,260</u>	<u>5,980</u>	<u>231,240</u>

2005

Deferred tax liability	As at 1.4.2004 RM	Recognised in the income statement RM	As at 31.3.2005 RM
Excess of capital allowances over depreciation	<u>(27,558)</u>	<u>3,893</u>	<u>(23,665)</u>

Deferred tax assets	As at 1.4.2004 RM	Recognised in the income statement RM	As at 31.3.2005 RM
Other deductible temporary differences	<u>277,383</u>	<u>(52,123)</u>	<u>225,260</u>

11. RECEIVABLES

	2006 RM	2005 RM
Bills receivable	7,815,622	6,773,873
Factoring receivables	<u>14,007,521</u>	<u>13,764,427</u>
	21,823,143	20,538,300
Allowance for doubtful debts	<u>(1,827,054)</u>	<u>(1,969,354)</u>
	19,996,089	18,568,946
Other receivables	<u>81,628</u>	<u>74,358</u>
	<u><u>20,077,717</u></u>	<u><u>18,643,304</u></u>

Movements in difference for doubtful debts :-

	2006 RM	2005 RM
Balance at beginning of year	1,969,354	2,849,546
Additional allowance	21,356	205,955
Write back	<u>(163,656)</u>	<u>(1,086,147)</u>
Balance at end of year	<u><u>1,827,054</u></u>	<u><u>1,969,354</u></u>

The Company's normal trade credit terms ranges from 30 to 150 days while other credit terms are determined on a case by case basis.

As at balance sheet date, there are significant concentrations of credit risk with respect to trade receivables arising from the amounts owing by two major customers which comprised 54.42% (2005 : 52.7%) of the total trade receivables. The extension of further credits to and the repayments from these customers are closely monitored by the management to ensure that these customers adhere to the agreed credit terms and policies.

12. SHORT TERM DEPOSITS WITH A LICENSED BANK

The deposits are placed with a licensed merchant bank of which a substantial shareholder of the holding company has a substantial financial interest.

Interest income received from the deposits placed during the year amounted to RM 35,122 (2005 : RM36,767). The transactions were entered into in the normal course of business and the terms were established by arm's length negotiations between the parties.

13. PAYABLES

	2006 RM	2005 RM
Other payables	8,500	15,716
Amount owing to subsidiary company	492,674	487,209
Amount owing to related companies	32,588	24,730
	<u>533,762</u>	<u>527,655</u>

The amounts owing to subsidiary company and related companies are unsecured, interest free and have no fixed terms of repayment.

14. AMOUNT OWING (TO)/BY HOLDING COMPANY

The amount owing (to)/ by the holding company is unsecured and for which no fixed terms of repayment has been arranged.

Interest charged on the amount owing by holding company during the financial year was calculated at an effective rate of 4.5% (2005: 4.5%) per annum. No interest was charged on the amount owing to holding company.

15. BANK BORROWINGS

	2006 RM	2005 RM
Bankers' acceptance	1,156,000	862,000
Revolving credits	1,511,229	1,520,791
Trust receipts	2,403,282	888,498
Bank overdraft (Note 19)	-	163
	<u>5,070,511</u>	<u>3,271,452</u>

The bank borrowings of the Company are guaranteed by the holding company. Interest rates paid on the borrowings ranged between 3.40% to 8.50% (2005 : 3.00% to 8.00%) per annum during the year.

16. PROFIT BEFORE TAXATION

	2006 RM	2005 RM
This is stated after charging :-		
Auditors' remuneration	8,500	8,500
Depreciation	94,273	97,941
Allowance for doubtful debts	21,356	205,955
Rental of premises	228,374	264,133
Interest on bank borrowings	<u>270,245</u>	<u>350,255</u>

16. PROFIT BEFORE TAXATION (CONT'D)

and crediting :-

Interest income	2,977,134	3,356,645
Gain on foreign exchange	13,886	12,030
Bad debts recovered	-	100,000
Gain on disposal of property, plant and equipment	75,498	-
Allowance for doubtful debts written back	163,656	1,086,147
	<u>163,656</u>	<u>1,086,147</u>

17. TAXATION

	2006 RM	2005 RM
Current Malaysian taxation	463,000	715,000
Overprovision in prior year	(26,874)	(54,563)
Transferred (from)/to deferred taxation	(14,316)	48,230
	<u>421,810</u>	<u>708,667</u>

A reconciliation of income tax expense on profit before taxation with the applicable statutory income tax rate to the tax expense at the effective tax rate of the Company is as follows:-

	2006 RM	2005 RM
Profit before taxation	<u>1,588,862</u>	<u>2,556,481</u>
Tax at 28%	444,881	715,815
Tax effect in respect of :-		
Non-allowable expenses	24,942	47,415
Income not subject to tax	(21,139)	-
Overprovision in prior year	(26,874)	(54,563)
	<u>421,810</u>	<u>708,667</u>

18. DIVIDEND

	2006 RM	2005 RM
Paid interim dividend of 20% per ordinary share less tax at 28% (2005 : Nil)	<u>1,440,000</u>	<u>-</u>

19. CASH AND CASH EQUIVALENTS AT END OF YEAR

	2006 RM	2005 RM
Deposits with a licensed bank	6,852,973	7,051,669
Cash and bank balances	1,071,930	1,125,461
Bank overdraft (Note 15)	-	(163)
	<u>7,924,903</u>	<u>8,176,967</u>

20. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the financial statements, the other significant related party transactions are set out below:-

	2006 RM	2005 RM
Interest charged to holding company	304,373	188,515
Administrative fees charged by a related company	156,577	121,729
Office rental charged by related companies	<u>217,701</u>	<u>254,149</u>

21. CONTINGENT LIABILITY

	2006 RM	2005 RM
Outstanding letters of credit (unsecured)	<u>1,655,787</u>	<u>1,580,168</u>

22. COMMITMENTS

	2006 RM	2005 RM
Contracted but not provided for in the financial statements :-		
Uncalled share capital by an associated company	<u>100,000</u>	<u>100,000</u>

23. EMPLOYEES INFORMATION

	2006 RM	2005 RM
Staff cost comprised:-		
Salaries, bonus and allowances	984,061	1,104,994
Amount contributed under defined contribution plan		
-Employees Provident Fund (EPF)	148,176	163,590
Others	<u>59,060</u>	<u>57,679</u>
	<u>1,191,297</u>	<u>1,326,263</u>

The number of employees as at 31 March 2006 was 18 (2005 : 23).

24. OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating lease is as follows :-

	2006 RM	2005 RM
Less than 1 year	13,891	9,152
More than 1 year and less than 5 years	30,566	-
	<u>44,457</u>	<u>9,152</u>

25. FINANCIAL INSTRUMENTS**Maturity Profile and Effective Interest Rate**

The maturity profile and effective interest rates of financial instruments exposed to interest rate risk are as follows :-

	← Maturity profile →			Total RM	Effective interest rate %
	Less than 1 month RM	More than 1 month and less than 3 months RM	More than 3 months and less than 12 months RM		
At 31.3.2006					
(a) Financial Assets					
Bills receivable	2,929,788	3,731,938	1,153,896	7,815,622	10.50 to 11.75
Factoring receivables	11,210,745	2,541,498	255,278	14,007,521	10.50 to 11.75
Short term deposits with a licensed bank	6,852,973	-	-	6,852,973	2.50 to 2.70
(b) Financial Liabilities					
Revolving credits	505,349	-	1,005,880	1,511,229	5.50 to 5.80
Bankers' acceptance	-	-	1,156,000	1,156,000	3.40 to 3.75
Trust receipts	-	871,427	1,531,855	2,403,282	8.00 to 8.50

25. FINANCIAL INSTRUMENTS (CONT'D)**Maturity Profile and Effective Interest Rate (Cont'd)**

At 31.3.2005	← Maturity profile →			Total RM	Effective interest rate %
	Less than 1 month RM	More than 1 month and less than 3 months RM	More than 3 months and less than 12 months RM		
(a) Financial Assets					
Bills receivable	2,943,755	2,852,610	977,507	6,773,872	10.50 to 11.75
Factoring receivables	11,873,343	1,642,846	248,238	13,764,427	10.50 to 11.75
Short term deposits with a licensed bank	7,051,669	-	-	7,051,669	2.10 to 2.50
(b) Financial Liabilities					
Revolving credits	-	1,520,791	-	1,520,791	5.45
Bankers' acceptance	-	-	862,000	862,000	3.00 to 3.11
Trust receipts	-	-	888,498	888,498	8.00


AMDB FACTORING SDN BHD
(126887-A)
(Incorporated in Malaysia)


STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 5 to 25 are drawn up in accordance with applicable approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 March 2006 and of the results and cash flows of the Company for the year ended on that date.

Signed at Kuala Lumpur this **22 JUN 2006**

On behalf of the Board of Directors,


CHEW SIEW YENG
Director


REMESH KUMAR A/L KOLLARA
NATESAN
Director

STATUTORY DECLARATION

I, LOW KOON ONN, being the officer primarily responsible for the financial management of AMDB FACTORING SDN BHD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 5 to 25 are 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.

Subscribed and solemnly declared by the)
abovenamed LOW KOON ONN at)
Kuala Lumpur in Wilayah Persekutuan)
this **22 JUN 2006**)

Before me,



1st Floor, Bangunan Persatuan Yap Selangor,
Nos. 102 & 104, Jln. Tun H. S. Lee
50000 Kuala Lumpur.

NO. SYARIKAT : 126887-A

**REPORT OF THE AUDITORS TO THE MEMBERS OF
AMDB FACTORING SDN BHD**
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 5 to 25 of AMDB FACTORING SDN BHD. The preparation of the financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those 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 to 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 all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

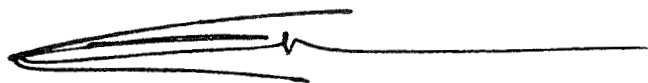
In our opinion :

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
 - (ii) the state of affairs of the Company as at 31 March 2006 and of the results of the operations and the cash flows of the Company for the year ended on that date; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.



FOLKS DFK & CO.
NO : AF 0502
CHARTERED ACCOUNTANTS

Kuala Lumpur
Date : 22 June 2006



OOI CHEE KUN
NO : 996/03/08(J/PH)
PARTNER

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

The information pertaining to AFSB and AMDB has been obtained from publicly available documents, documents provided by and representations made by AFSB and AMDB, as the case may be. The responsibility of the Board is therefore limited to the accurate reproduction of such relevant information in this Circular.

2. CONSENT

MIMB and Hwang-DBS have given and have not subsequently withdrawn their written consent for the inclusion of their names, letter and all references to them in the form and context in which they appear in this Circular.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

3.1 RCE Group

Neither RCE nor its subsidiaries are engaged in any material litigation, claims and arbitration either as plaintiff or defendant, and the Directors of RCE are not aware of any proceedings pending or threatened against RCE and/or its subsidiaries or of any other facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of the Company and/or its subsidiaries.

3.2 AFSB

Save as disclosed below, AFSB is not engaged in any material litigation, claims and arbitration either as plaintiff or defendant, and the Directors of AFSB are not aware of any proceedings pending or threatened against AFSB or any other facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of AFSB.

- (i) AFSB commenced a suit against Yonzen Corporation Sdn Bhd ("1st Defendant"), Chong Chiow Liang ("2nd Defendant") and Wong Hang Chan ("3rd Defendant") on 23 March 1999 (vide Kuala Lumpur ("KL") High Court Suit No. D4-22784-1999) for debt due and owing by the Defendants to AFSB. AFSB had on 28 October 1999 obtained judgment against all three Defendants for RM267,729.57 as at 24 February 1999.

The 1st Defendant was wound up on 10 September 2003 by a third party, ABN Amro Bank Berhad (vide KL High Court Companies Winding-up NO. D8-28-561-2003). AFSB filed the Proof of Debt General Form on 3rd November 2003. AFSB filed a Bankruptcy Notice against the 2nd Defendant on 1 August 2005 (vide KL High Court Bankruptcy No. D5-29-3105-2005). The hearing date to obtain a Receiving Order and Adjudicating Order has been fixed on 12 December 2006. AFSB filed a Bankruptcy Notice against the 3rd Defendant on 1 August 2005 (vide KL High Court Bankruptcy No. D4-29-3104-2005). The Receiving Order and Adjudicating Order against the 3rd Defendant have been obtained on 2 August 2006. AFSB has filed the Proof of Debt General Form on 25 September 2006;

- (ii) AFSB commenced a suit against Tan Bee Hong t/a Metals Trading ("Defendant") on 11 March 1998 (vide KL High Court Suit No. D5-22-532-1998) for debt due and owing by the Defendants to AFSB amounting to RM389,605.05 as at 29 November 1997. AFSB's claim was dismissed but on appeal, the claim was allowed and judgment was obtained against the Defendant on 26 February 2003 for RM389,605.05.

AFSB filed a Bankruptcy Notice against the Defendant on 29 March 2006 (vide KL High Court Bankruptcy No. D1-29-951-2006) for RM649,370.21 as at 29 March 2006. AFSB has filed the Creditors Petition and Affidavit of Truth of Statements in Petition on 8 September 2006. The hearing date has been fixed on 14 February 2007;

- (iii) AFSB commenced a suit against Kemtrad Holdings Sdn Bhd (formerly known as Kemayan Trading Sdn Bhd) ("1st Defendant") and Kemayan Corporation Berhad ("2nd Defendant") on 27 November 2002 (vide KL High Court Suit No. D6-22-1939-2002) for debt due and owing by the Defendants to AFSB. AFSB had on 23 June 2006 obtained judgment against the Defendants for RM9,815,572.90 as at 13 September 2002. Notice of winding-up has been served on the 1st Defendant and 2nd Defendant on 29 September 2006 and 18 September 2006 respectively. However, AFSB has not given further instructions to its solicitors to proceed with the winding-up action; and
- (iv) AFSB commenced a suit against BF Builder Group (M) Sdn Bhd ("1st Defendant"), Chong Yoon Tye ("2nd Defendant"), Chye Nyuk Yin ("3rd Defendant"), Chong Chiow Chern ("4th Defendant") and Chong Cheow Sian ("5th Defendant") on 20 July 2005 (vide KL Sessions Court Suit No. 11-52-16982-2005) for debt due and owing by the Defendants to AFSB. The claim is for the sum of RM215,192.57 as at 14 March 2005. The summary judgment application filed by AFSB has been fixed for hearing on 10 January 2007. The solicitors of AFSB are of the opinion that the outcome of the application would likely be in favour of AFSB. The solicitors have also estimated that AFSB's maximum exposure to liabilities (including costs to be paid in the event the claim is dismissed and legal fees), is in the region of RM15,000.00 to RM20,000.00.

4. MATERIAL CONTRACTS

4.1 RCE Group

Save as disclosed below, the RCE Group has not entered into any material contracts (other than contracts entered into in the ordinary course of business) during the past two (2) years preceding the date of this Circular:-

- (a) SSA dated 30 August 2006 entered into between RCE and AMDB in relation to the Proposed Acquisition;
- (b) Sale and Purchase Agreement dated 11 November 2005 between RCE and Meridian Mode Sdn Bhd ("MMSB") in relation to the acquisition by RCE of 10,000 shares of RM1.00 each representing the remaining 12.5% of the equity interest in RCE Enterprise Sdn Bhd ("RCEE") not held by RCE from MMSB for a purchase consideration of RM15,000,000 to be wholly satisfied by the issuance of 67,415,730 new ordinary shares of RM0.10 each in RCE at an issue price of RM0.2225 per share;
- (c) Sale and Purchase Agreement dated 24 June 2005 between Effusion.Com Sdn Bhd and ABI's Land and Properties Sdn Berhad in relation to the disposal of land held under Grant 24607 to 24613, Grant 33223 to 33227, Grant 18617 and Grant 37511, corresponding to the Lot Numbers 109 to 115, 443 to 447, 471 and 435, in the Town and District of Kuala Lumpur for a cash consideration of RM7,717,500;
- (d) Sale and Purchase Agreement dated 29 April 2005 between RCE Synergy Sdn Bhd ("RCE Synergy") and AMDB in relation to the acquisition by RCE Synergy of 29,064,452 units in AmFirst Property Trust ("AMFPT") representing approximately 21% of the total units in AMFPT from AMDB, for a cash consideration of RM31,970,897.20; and
- (e) Sale and Purchase Agreement dated 21 October 2004 between RCE, MMSB, RCE Ventures Sdn Bhd ("RCEV") and E-Drama Sdn Bhd (now known as RCE Enterprise Sdn Bhd) ("E-Drama") for the disposal by RCE, MMSB and RCEV of 100% of the issued and paid up share capital in RCE Marketing Sdn Bhd pursuant to an internal re-organisation at a total consideration of RM63.165 million to be satisfied by the issuance and allotment of 69,998 ordinary shares of RM1.00 each in E-Drama to RCE, 10,000 ordinary shares of RM1.00 each in E-Drama to MMSB and 387,800 redeemable convertible and non-cumulative preference shares of RM1.00 each in E-Drama to RCEV.

4.2 AFSB

AFSB has not entered into any material contracts (other than contracts entered into in the ordinary course of business) during the past two (2) years preceding the date of this Circular.

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of RCE at 7th Floor, Wisma Tan Kim San, No. 518A, 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur from Mondays to Fridays (except public holidays) during business hours from the date of this Circular up to and including the date of the EGM: -

- a) the Memorandum and Articles of Association of RCE and AFSB;
- b) the audited financial statements of the RCE Group for the past two (2) financial years ended 31 March 2005 and 31 March 2006 and the unaudited quarterly report of the RCE Group for the first quarter ended 30 June 2006;
- c) letters of consent referred to in paragraph 2 above;
- d) material contracts referred to in paragraph 4 above;
- e) SSA dated 30 August 2006 between RCE and AMDB;
- f) the audited financial statements of the AFSB for the past two (2) financial years ended 31 March 2005 and 31 March 2006 and the unaudited accounts of AFSB for the period ended 30 June 2006; and
- g) the IAL from Hwang-DBS as reproduced in Part B of this Circular.



RCE CAPITAL BERHAD

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of RCE Capital Berhad will be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 2 November 2006 at 10.30a.m. for the purpose of considering, and, if thought fit, passing the following ordinary resolution, with or without any modification:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF 10,000,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF AMDB FACTORING SDN BHD BY RCE CAPITAL BERHAD FROM AMDB BERHAD FOR A CASH CONSIDERATION OF RM10,000,000 ("PROPOSED ACQUISITION")

"THAT, subject to the approval(s) of any relevant authorities, if required, approval is hereby given to the Company to acquire 10,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of AMDB Factoring Sdn Bhd for a cash consideration of RM10,000,000 upon the terms and conditions as set out in the conditional Share Sale Agreement dated 30 August 2006 ("SSA") entered into between the Company, being the purchaser, and AMDB Berhad, being the vendor, pursuant to the Proposed Acquisition **AND THAT** the SSA be and is hereby approved, ratified and confirmed **AND FURTHER THAT** authorisation and approval be and is hereby given to the Directors of the Company for the delivery and performance by the Company of the terms and conditions contained in the SSA.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to take all such steps and to enter into all other agreements, undertakings, indemnities and/or guarantees with any party or parties as the Directors may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Acquisition with full powers to the Directors of the Company to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities."

BY ORDER OF THE BOARD

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

Kuala Lumpur
17 October 2006

Notes:-

1. A member entitled to attend and vote at the Extraordinary General 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 must 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 Extraordinary General Meeting or at any adjournment thereof.

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RCE

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 ("the Company"), 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 Extraordinary General Meeting of the Company to be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 2 November 2006 at 10.30 a.m., in the manner as indicated below:-

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION - PROPOSED ACQUISITION		

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

No. of Shares Held

Signature of Shareholder/Common Seal

Notes:-

1. A member entitled to attend and vote at the Extraordinary General 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.
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5. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must 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 Extraordinary General Meeting or at any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

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