

AUDITED ACCOUNTS OF RCEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005

Company No. 500522 - W

RCE ENTERPRISE SDN. BHD.

(Formerly known as E-Drama Sdn. Bhd.)

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **RCE ENTERPRISE SDN. BHD.** (formerly known as E-Drama Sdn. Bhd.) hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended March 31, 2005.

COMMENCEMENT OF OPERATIONS

The Company commenced its operations in investment holding during the current financial year.

The principal activities of the subsidiary companies are as disclosed in Note 10 to the Financial Statements.

CHANGE OF NAME

On March 25, 2005, the Company changed its name from E-Drama Sdn. Bhd. to RCE Enterprise Sdn. Bhd.

RESULTS OF OPERATIONS

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

	The Group RM	The Company RM
Profit/(loss) before tax	6,514,701	(22,658)
Income tax credit	<u>1,934,787</u>	<u>-</u>
Net profit/(loss) for the year	<u>8,449,488</u>	<u>(22,658)</u>

In the opinion of the directors, the results of operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the acquisition of subsidiary companies as disclosed in Note 10 to the Financial Statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year as the Company does not have any distributable reserve.

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

During the current financial year:

- (i) the authorised share capital of the Company was increased from RM100,000 to RM500,000 by the creation of an additional 400,000 redeemable convertible non-cumulative preference shares ("RCNC Preference Shares") of RM1.00 each;
- (ii) the authorised share capital of the Company of RM500,000, comprising 100,000 ordinary shares of RM1.00 each and 400,000 RCNC Preference Shares of RM1.00 each, was reclassified to 80,000 ordinary shares of RM1.00 each, 400,000 RCNC Preference Shares of RM1.00 each and, 20,000 non-redeemable non-convertible non-cumulative preference shares ("NRNCNC Preference Shares") of RM1.00 each;
- (iii) the issued and fully paid up share capital of the Company was increased from RM2 to RM487,800 by the issue and allotment of:
 - (a) 79,998 new ordinary shares of RM1.00 each at a premium of RM303.82 each and 387,800 RCNC Preference Shares of RM1.00 each at a premium of RM99.00 each, to the existing shareholders of RCE Marketing Sdn. Bhd. ("RCEM") by way of a share swap exercise. At the completion of this share swap exercise, RCEM became a wholly-owned subsidiary of the Company; and
 - (b) 20,000 new NRNCNC Preference Shares of RM1.00 each at a premium of RM999.00 each for cash to the current holding company.

These new ordinary shares issued are to rank pari passu in all respects with the then existing ordinary shares of the Company. The resulting premium of RM24,305,002, RM38,392,200 and RM19,980,000 respectively arising from the shares issued in (a) and (b) above, has been credited to the share premium account.

- (iv) the 387,800 RCNC Preference Shares of RM1.00 each as mentioned in (a) above were redeemed at a premium of RM155.00 each. The total redemption amount of RM60,496,800 was settled in cash, out of which RM20,000,000 was from the proceeds of the fresh issue of 20,000 NRNCNC Preference Shares as mentioned in (b) above.

The redemption premium of RM60,109,000 arising from the redemption of 387,800 RCNC Preference Shares of RM1.00 each, has been debited to the share premium account.

Upon redemption of the RCNC Preference Shares, the issued and fully paid up share capital of the Company became RM100,000, comprising 80,000 ordinary shares of RM1.00 each and, 20,000 NRNCNC Preference Shares of RM1.00 each.

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 no known bad debts need to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet its 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 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:

Shahman bin Azman
Loh Kam Chuin
Goh Jue Jin (appointed on 3.2.2005)

In accordance with Article 63 of the Company's Articles of Association, Encik Shahman bin Azman retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr. Goh Jue Jin, who was appointed to the Board since the last Annual General Meeting retires under Article 68 of the Company's Articles of Association and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

None of the directors in office as of the end of the financial year held any shares in the Company during and at the end of the financial year. Under the Company's Articles of Association, the directors are not required to hold any shares in the Company.

The shareholdings in the ultimate holding company, RCE Capital Berhad, 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 RM1 each			
	At date of appointment	Bought	Sold	Balance as of 31.3.2005
Registered in the name of director				
Goh Jue Jin	500	-	-	500

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 by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

HOLDING COMPANY

The Company is a subsidiary company of RCE Capital Berhad, a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

Company No. 500522 - W

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,



SHAHMAN BIN AZMAN



LOH KAM CHUIN

Kuala Lumpur
May 25, 2005



Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58, Damansara Uptown
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REPORT OF THE AUDITORS TO THE MEMBERS OF

RCE ENTERPRISE SDN. BHD.

(Formerly known as E-Drama Sdn. Bhd.)

(Incorporated in Malaysia)

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

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

In our opinion:

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

(Forward)

- (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 the subsidiary companies of which we have not acted as auditors as shown in Note 10 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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

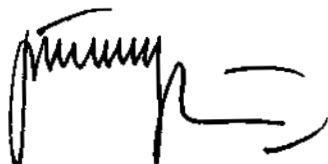
The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.



DELOITTE KASSIMCHAN

AF 0080

Chartered Accountants



LAI CAN YIEW

2179/09/05 (J)

Partner

May 25, 2005

RCE ENTERPRISE SDN. BHD.

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(Incorporated in Malaysia)

INCOME STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

		The Group	The Company	
		2005	2005	2004
	Note	RM	RM	RM
Revenue	4	20,441,843	-	-
Other operating income	5	4,225,585	-	-
Directors' remuneration		(161,051)	-	-
Staff costs	5	(567,048)	-	-
Depreciation of property, plant and equipment	9	(67,642)	-	-
Other operating expenses	5	<u>(17,453,301)</u>	<u>(22,658)</u>	<u>(300)</u>
Profit/(Loss) from operations		6,418,386	(22,658)	(300)
Finance costs	6	(5,843)	-	-
Income from other investment	7	<u>102,158</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before tax		6,514,701	(22,658)	(300)
Income tax credit	8	<u>1,934,787</u>	<u>-</u>	<u>-</u>
Net profit/(loss) for the year		<u>8,449,488</u>	<u>(22,658)</u>	<u>(300)</u>

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

RCE ENTERPRISE SDN. BHD.

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(Incorporated in Malaysia)

**BALANCE SHEETS
AS OF MARCH 31, 2005**

	Note	The Group 2005 RM	The Company 2005 RM	2004 RM
ASSETS				
Property, plant and equipment	9	2,034,725	-	-
Investment in subsidiary company	10	-	63,165,000	-
Goodwill on consolidation	11	6,640,024	-	-
Loans and hire-purchase receivables - non-current portion	12	59,597,593	-	-
Deferred tax assets	13	4,000,200	-	-
Current Assets				
Trade receivables	14	1,634,623	-	-
Loans and hire- purchase receivables	12	10,505,172	-	-
Other receivables, deposits and prepaid expenses	14	3,939,061	-	-
Amount owing by ultimate holding company	15	77,119,588	-	-
Fixed deposits with licensed banks		14,564,931	-	-
Cash and bank balances		4,164,370	994	2
		<u>111,927,745</u>	<u>994</u>	<u>2</u>
Current Liabilities				
Other payables and accrued expenses	16	12,555,809	600	900
Amount owing to ultimate holding company	15	46,746,479	40,521,130	380
Hire-purchase payables	17	62,527	-	-
Borrowings	18	7,000,000	-	-
Tax liabilities		2,161,794	-	-
		<u>68,526,609</u>	<u>40,521,730</u>	<u>1,280</u>
Net Current Assets/(Liabilities)		43,401,136	(40,520,736)	(1,278)

(Forward)

		The Group	The Company	
		2005	2005	2004
	Note	RM	RM	RM
Long-term and Deferred Liabilities				
Hire-purchase payables - non-current portion	17	103,048	-	-
Borrowings - non-current portion	18	70,500,000	-	-
Deferred tax liabilities	13	11,000	-	-
		<u>(70,614,048)</u>	<u>-</u>	<u>-</u>
Net Assets/(Liabilities)		<u>45,059,630</u>	<u>22,644,264</u>	<u>(1,278)</u>
Represented by:				
Issued capital	19	100,000	100,000	2
Reserves	20	<u>44,959,630</u>	<u>22,544,264</u>	<u>(1,280)</u>
Shareholders' Equity/ (Capital Deficiency)		<u>45,059,630</u>	<u>22,644,264</u>	<u>(1,278)</u>

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

RCE ENTERPRISE SDN. BHD.
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2005**

The Group	Note	Issued Capital RM	Share Premium RM	Reserve on Consolidation RM	Unappropriated Profit/ (Accumulated Loss) RM	Total RM
Balance as of April 1, 2004		2	-	-	(1,280)	(1,278)
Issue of shares	19 & 20	487,798	82,677,202	-	-	83,165,000
Redemption of Redeemable Convertible Non-Cumulative Preference Shares	19 & 20	(387,800)	(60,109,000)	-	-	(60,496,800)
Acquisition of subsidiary company		-	-	13,943,220	-	13,943,220
Net profit for the year		-	-	-	8,449,488	8,449,488
Balance as of March 31, 2005		<u>100,000</u>	<u>22,568,202</u>	<u>13,943,220</u>	<u>8,448,208</u>	<u>45,059,630</u>

The Company	Note	Issued Capital RM	Share Premium RM	Accumulated Loss RM	Total RM
Balance as of April 1, 2003		2	-	(980)	(978)
Net loss for the year		-	-	(300)	(300)
Balance as of March 31, 2004		2	-	(1,280)	(1,278)
Issue of shares	19 & 20	487,798	82,677,202	-	83,165,000
Redemption of Redeemable Convertible Non-Cumulative Preference Shares	19 & 20	(387,800)	(60,109,000)	-	(60,496,800)
Net loss for the year		-	-	(22,658)	(22,658)
Balance as of March 31, 2005		<u>100,000</u>	<u>22,568,202</u>	<u>(23,938)</u>	<u>22,644,264</u>

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

RCE ENTERPRISE SDN. BHD.

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CASH FLOW STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

	The Group	The Company	
	2005	2005	2004
	RM	RM	RM
CASH FLOWS FROM			
OPERATING ACTIVITIES			
Profit/(Loss) before tax	6,514,701	(22,658)	(300)
Adjustments for:			
Allowance for doubtful debts	12,859,729	-	-
Finance costs	2,736,307	-	-
Depreciation of property, plant and equipment	67,642	-	-
Property, plant and equipment written off	4,460	-	-
Waiver of debt by a related party	(3,940,056)	-	-
Interest income	(102,158)	-	-
Operating Profit/(Loss) Before Working Capital Changes	18,140,625	(22,658)	(300)
(Increase)/Decrease in:			
Loans and hire-purchase receivables	5,779,903	-	-
Trade receivables	(898,483)	-	-
Other receivables, deposits and prepaid expenses	1,153,136	-	-
Amount owing by ultimate holding company	(16,633,645)	-	-
(Decrease)/Increase in other payables and accrued expenses	(10,200,807)	(300)	300
Cash Used In Operations	(2,659,271)	(22,958)	-
Tax paid	(1,921,661)	-	-
Finance costs paid	(2,730,464)	-	-
Net Cash Used In Operating Activities	(7,311,396)	(22,958)	-
(Forward)			

	Note	The Group 2005 RM	The Company 2005 RM	2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary company	10	(47,195,032)	(63,165,000)	-
Additions to property, plant and equipment		(24,812)	-	-
Interest received		102,158	-	-
Net Cash Used In Investing Activities		<u>(47,117,686)</u>	<u>(63,165,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares		83,165,000	83,165,000	-
Increase in amount owing to ultimate holding company		40,520,750	40,520,750	-
Redemption of preference shares		(60,496,800)	(60,496,800)	-
Drawdown of borrowings		10,000,000	-	-
Repayment of hire-purchase payables		(24,726)	-	-
Finance costs paid		(5,843)	-	-
Net Cash From Financing Activities		<u>73,158,381</u>	<u>63,188,950</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		18,729,299	992	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2</u>	<u>2</u>	<u>2</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	<u>18,729,301</u>	<u>994</u>	<u>2</u>

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

RCE ENTERPRISE SDN. BHD.

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company commenced its operations in investment holding during the current financial year.

The principal activities of the subsidiary companies are as disclosed in Note 10.

On March 25, 2005, the Company changed its name from E-Drama Sdn. Bhd. to RCE Enterprise Sdn. Bhd.

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

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, interest income from hire-purchase and cash loan financing, commission income from provision of financial administrative and information technology support services, revenue from trading of securities, interest income and rental income.

The revenue recognition policies of the Group are as follows:

(i) Cash sales and installment sales

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

(ii) Hire-purchase and cash loan financing

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

(iii) Others

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

Revenue from trading of securities is recognised on an accrual basis.

Interest income and rental income are recognised on an accrual basis.

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 company and goodwill on consolidation are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the income statements.

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

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

Property, Plant and Equipment and Depreciation

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

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset, and is recognised in the income statements.

Depreciation of property, plant and equipment is computed on the straight-line method based on the estimated useful lives of the various assets. The annual depreciation rates are as follows:

Leasehold building	2%
Computer equipment	20%
Office equipment and furniture and fittings	10% - 20%
Motor vehicles	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.

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.

Investment in Subsidiary Company

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.

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.

Receivables

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

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

Provisions

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) **Defined contribution plan**

The Group makes 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 has 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 adopts the indirect method in the preparation of cash flow statement.

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	
	2005	2004
	RM	RM
Interest income from hire-purchase and cash loan financing	11,154,751	-
Commission income from provision of financial administrative and information technology support services	9,004,144	-
Trading of securities	225,083	-
Rental income	57,865	-
	<u>20,441,843</u>	<u>-</u>

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

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

	The Group	The Company	
	2005	2005	2004
	RM	RM	RM
Waiver of debt by a related party (Note 15)	3,940,056	-	-
Bad debts recovered	243,585	-	-
Allowance for doubtful debts	(12,859,729)	-	-
Loan financing expenses *	(1,118,859)	-	-
Interest expense on fixed rate serial bonds and commercial papers *	(1,611,605)	-	-
Management fee payable to ultimate holding company (Note 15)	(451,160)	-	-
Rental of:			
Premises	(44,455)	-	-
Office equipment	(415)	-	-
Audit fee	(24,557)	(300)	(300)
Property, plant and equipment written off	<u>(4,460)</u>	<u>-</u>	<u>-</u>

* 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 during the current financial year amounted to RM39,094.

6. **FINANCE COSTS**

	The Group
	2005
	RM
Interest on:	
Hire-purchase	5,127
Revolving credit	<u>716</u>
	<u>5,843</u>

7. INCOME FROM OTHER INVESTMENT

	The Group 2005 RM
Interest income from fixed deposits	<u>102,158</u>

8. INCOME TAX CREDIT

	The Group 2005 RM	The Company 2005 RM	2004 RM
Estimated tax payable:			
Current year	2,064,096	-	-
Overprovision in prior year	(9,683)	-	-
Deferred tax assets (Note 13):			
Current year	(1,864,800)	-	-
Underprovision in prior year	<u>(2,124,400)</u>	<u>-</u>	<u>-</u>
	<u>(1,934,787)</u>	<u>-</u>	<u>-</u>

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

	The Group 2005 RM	The Company 2005 RM	2004 RM
Profit/(Loss) before tax	<u>6,514,701</u>	<u>(22,658)</u>	<u>(300)</u>
Tax at statutory tax rate of 28% (2004: 28%)	1,611,321	-	-
Tax at rate of 20% (2004: 20%)	191,854	(4,532)	(60)
Tax effects of expenses not deductible in determining taxable profit	192,670	4,532	60
Non-operating loss not eligible for carry forward	1,451	-	-
Realisation of deferred tax assets not recognised previously	<u>(1,798,000)</u>	<u>-</u>	<u>-</u>

(Forward)

	The Group	The Company	
	2005	2005	2004
	RM	RM	RM
Tax at effective tax rate	199,296	-	-
Underprovision of deferred tax assets in prior year	(2,124,400)	-	-
Overprovision of taxation in prior year	<u>(9,683)</u>	<u>-</u>	<u>-</u>
Income tax credited to income statements	<u>(1,934,787)</u>	<u>-</u>	<u>-</u>

9. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold building RM	Computer equipment RM	Office equipment and furniture and fittings RM	Motor vehicles RM	Motor vehicles under hire- purchase RM	Total RM
Cost						
At beginning of year	-	-	-	-	-	-
Additions	-	24,812	-	-	-	24,812
Acquisition of subsidiary company	1,829,190	494,823	174,712	3,644	360,355	2,862,724
Write-off	-	(4,695)	-	-	-	(4,695)
At end of year	1,829,190	514,940	174,712	3,644	360,355	2,882,841
Accumulated depreciation						
At beginning of year	-	-	-	-	-	-
Acquisition of subsidiary company	12,194	363,289	171,054	1,442	232,730	780,709
Charge for the year	9,147	20,080	498	380	37,537	67,642
Write-off	-	(235)	-	-	-	(235)
At end of year	21,341	383,134	171,552	1,822	270,267	848,116

(Forward)

	Leasehold building RM	Computer equipment RM	Office equipment and furniture and fittings RM	Motor vehicles RM	Motor vehicles under hire- purchase RM	Total RM
Net book value						
At end of year	<u>1,807,849</u>	<u>131,806</u>	<u>3,160</u>	<u>1,822</u>	<u>90,088</u>	<u>2,034,725</u>
At beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation charge for 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

10. INVESTMENT IN SUBSIDIARY COMPANY

	The Company	
	2005	2004
	RM	RM
Unquoted shares - at cost	<u>63,165,000</u>	<u>-</u>

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

Direct subsidiary company	Effective Equity Interest		Principal Activities
	2005	2004	
	%	%	
RCE Marketing Sdn. Bhd.^	100	-	Provision of general loan financing services and trading in electrical home appliances, other consumer durable products mainly on hire-purchase terms
Indirect subsidiary companies			
Indigenous Capital Sdn. Bhd. ^	100	-	Property investment
RCE Commerce Sdn. Bhd. (formerly known as Rediffusion.Com Sdn. Bhd.) ^	100	-	Provision of information technology and financial administrative services
RCE Management Sdn. Bhd. ^	100	-	Dormant
RCE Premier 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

(Forward)

Indirect subsidiary companies	Effective Equity Interest		Principal Activities
	2005 %	2004 %	
RCE Premium Sdn. Bhd. (formerly known as Pasti Sergap Sdn. Bhd.) ^π	100	-	Dormant
RCE Sales Sdn. Bhd. ^β	100	-	Provision of financial administrative services
RCE Trading Sdn. Bhd. ^π	100	-	Provision of financial administrative services
R & R Music Sdn. Bhd. ^β	100	-	Dormant

^π Held indirectly through RCE Marketing Sdn. Bhd.

^β Held indirectly through RCE Trading Sdn. Bhd.

[^] Audited by another firm of auditors.

During the current financial year:

- (i) Pursuant to an internal re-organisation scheme carried out by ultimate holding company, RCE Capital Berhad ("RCE"), the Company entered into a share sale agreement with the then existing shareholders of RCE Marketing Sdn. Bhd. ("RCEM"), to acquire the entire issued and paid-up share capital of RCEM comprising 8 million ordinary shares of RM1.00 each and 38.78 million redeemable convertible non-cumulative preferences shares of RM1.00 each ("RCNC Preference Shares"), for a total purchase consideration of RM63.165 million, satisfied via the exchange of new issuance of 79,998 new ordinary shares of RM1.00 each and 387,800 new RCNC Preference Shares of RM1.00 each in the Company to the then existing shareholders of RCEM; and

Upon completion of the said share swap exercise, the Company's RCNC Preference Shares held by a minority shareholder were fully redeemed at a premium of RM60,109,000 (Note 20);

- (ii) Pursuant to another internal re-organisation scheme carried out by RCE, RCEM acquired 100% equity interest in RCE Commerce Sdn. Bhd. ("RCEC") (formerly known as Rediffusion.Com Sdn. Bhd.), comprising 9,500,000 ordinary shares of RM1.00 each, from RCE for a cash consideration of RM1.00;

- (iii) RCEM entered into a sale and purchase agreement with Corporateview Sdn. Bhd., a wholly-owned subsidiary of Arab-Malaysian Corporation Berhad, to acquire the entire issued and paid-up share capital of Indigenous Capital Sdn. Bhd., comprising 1,000,000 ordinary shares of RM1.00 each, for a cash consideration of RM2.00; and
- (iv) RCEM acquired the entire issued and paid-up share capital of RCE Premier Sdn. Bhd., comprising 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00.

The effect of the abovementioned acquisitions on the financial results of the Group in 2005 are as follows:

Post-acquisition results of the abovementioned newly acquired subsidiary companies are as follows:

	2005 RM
Revenue	20,441,843
Other operating expenses	<u>(13,904,484)</u>
Profit before tax	6,537,359
Income tax credit	<u>1,934,787</u>
Increase in Group's profit attributable to shareholders	<u>8,472,146</u>

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

	2005 RM
Net assets acquired:	
Property, plant and equipment	2,082,015
Loans and hire-purchase receivables	88,742,397
Goodwill arising from acquisition of RCEC by RCEM	6,640,024
Trade receivables	736,140
Other receivables, deposits and prepaid expenses	65,578,141
Cash and bank balances	15,969,968
Other payables and accrued expenses	(32,921,122)
Hire-purchase payables	(190,301)
Borrowings	(67,500,000)
Tax liabilities	<u>(2,029,042)</u>
	77,108,220

(Forward)

	2005 RM
Reserve on consolidation arising from acquisition of RCEM	<u>(13,943,220)</u>
Total cash consideration on acquisition	63,165,000
Less: Cash and cash equivalents acquired	<u>(15,969,968)</u>
Net cash flow on acquisition	<u>47,195,032</u>
11. GOODWILL ON CONSOLIDATION	
	The Group 2005 RM
At beginning of year	-
Arising from acquisition of RCE Commerce Sdn. Bhd. (formerly known as Rediffusion.Com Sdn. Bhd.) by RCE Marketing Sdn. Bhd.	<u>6,640,024</u>
At end of year	<u>6,640,024</u>
12. LOANS AND HIRE-PURCHASE RECEIVABLES	
	The Group 2005 RM
Total receivables	268,618,366
Unearned interest income	<u>(101,430,932)</u>
	167,187,434
Less: Allowance for doubtful debts	<u>(39,254,343)</u>
	127,933,091
Less: Prepayment	<u>(57,830,326)</u>
	70,102,765
Amount receivable within one year (shown under current assets)	<u>(10,505,172)</u>
Non-current portion	<u>59,597,593</u>

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

	The Group 2005 RM
Amount receivable:	
Within one to two years	11,231,113
Within two to five years	39,147,410
After five years	<u>9,219,070</u>
	<u>59,597,593</u>

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

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

The amount of RM57,830,326 represents outstanding advances granted by the Koperasi to the Group to finance its loan and hire-purchase financing operations. These advances were unsecured and repayable over 72 monthly installments. Interest charges at rate ranging from 7.9% to 11% per annum arising thereon had been included under other operating expenses in the income statement.

Pursuant to a Settlement Agreement dated March 31, 2005, it was mutually agreed between the Koperasi and the Group that the outstanding balance from such advances be used as part settlement of amounts outstanding from loan and hire-purchase financing granted by the Group to the members of the Koperasi and accordingly, these amounts were presented in the financial statements as prepayment for the release of loans and hire-purchase receivables which have been assigned by the Koperasi to the Group in accordance with the terms of the Security Agreements.

13. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2005 RM
<i>Deferred Tax Assets</i>	
At beginning of year	-
Transfer from income statements (Note 8)	<u>4,000,200</u>
At end of year	<u>4,000,200</u>

The deferred tax assets of the Group represents tax effect of temporary difference arising from loans and hire-purchase receivables.

	The Group 2005 RM
<i>Deferred Tax Liabilities</i>	
At beginning of year	-
Transfer from income statements (Note 8)	<u>11,000</u>
At end of year	<u>11,000</u>

The deferred tax liabilities of the Group represents tax effect of temporary differences arising from property, plant and equipment.

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

	Deferred Tax Asset/(Liability)		
	The Group	The Company	
	2005	2005	2004
	RM	RM	RM
Tax effects of:			
Unused tax losses	15,412,000	-	-
Unused capital allowances	<u>1,111,400</u>	<u>-</u>	<u>-</u>
Net	<u>16,523,400</u>	<u>-</u>	<u>-</u>

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

Various subsidiaries acquired during the current financial year have deferred tax assets which have not been recognised in the financial statements totalling approximately RM18,321,400 as of the date of acquisition.

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

Trade receivables of the Group represent amounts outstanding from provision of financial administrative and information technology support services, and sales of goods.

The credit period granted by the Group ranges from 14 to 120 days.

Other receivables, deposits and prepaid expenses comprise:

	The Group 2005 RM
Tax recoverable	210,466
Other receivables	3,194,977
Refundable deposits	400,043
Prepaid expenses	133,575
	<u>3,939,061</u>

15. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary company of RCE Capital Berhad ("RCE"), a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

Amount owing by/(to) ultimate holding company, which arose from advances given/received, is unsecured, interest-free and has no fixed terms of repayment.

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
Corporateview Sdn. Bhd. ("CVSB"), Fulcrum Capital Sdn. Bhd. ("FCSB")	Wholly-owned subsidiaries of Arab-Malaysian Corporation Berhad, a substantial shareholder of RCE
RCE Ventures Sdn. Bhd. ("RCEV"), Redi Management Group Sdn. Bhd. (formerly known as Redifussion Group Sdn. Bhd.) (Note 16)	Companies in which a director of RCE has an indirect interest

(Forward)

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

	The Group	
	2005	2004
	RM	RM
Ultimate holding company		
Acquisition of RCE Marketing Sdn. Bhd.	63,165,000	-
Management fee payable	<u>451,160</u>	<u>-</u>
Related parties		
Redemption of redeemable convertible non-cumulative preference shares held by RCEV	60,496,800	-
Waiver of debt by FCSB	3,940,056	-
Acquisition of subsidiary, Indigeneous Capital Sdn. Bhd., from CVSB	<u>2</u>	<u>-</u>

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.

16. **OTHER PAYABLES AND ACCRUED EXPENSES**

	The Group	The Company	
	2005	2005	2004
	RM	RM	RM
Other payables	6,863,475	-	-
Accrued expenses	5,631,751	600	900
Deposits received	<u>60,583</u>	<u>-</u>	<u>-</u>
	<u>12,555,809</u>	<u>600</u>	<u>900</u>

Included in other payables of the Group as of March 31, 2005 is 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. (formerly known as Rediffusion Group Sdn. Bhd.). This amount is unsecured, interest-free and has no fixed terms of repayment.

17. HIRE-PURCHASE PAYABLES

	The Group 2005 RM
Total outstanding	180,296
Less: Interest-in-suspense	<u>(14,721)</u>
Principal outstanding	165,575
Less: Amount due within one year (shown under current liabilities)	<u>(62,527)</u>
Non-current portion	<u>103,048</u>

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

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

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

18. **BORROWINGS**

	The Group 2005 RM
Fixed rate serial bonds	45,000,000
Underwritten commercial papers	32,000,000
Revolving credit	<u>500,000</u>
	77,500,000
Less: Amount due within one year (shown under current liabilities)	<u>(7,000,000)</u>
Non-current portion	<u>70,500,000</u>

The revolving credit of the Group of RM500,000, which is for a tenure of 12 months and at the Group's option to rollover subject to the lender's permission, is classified as non-current liability as the directors do not expect the balance to be repaid within the next twelve months.

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

	The Group 2005 RM
Financial years ending March 31,	
2007	10,000,000
2008	10,000,000
2009	35,000,000
2010	<u>15,000,000</u>
	<u>70,000,000</u>

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

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

Bonds

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.

CPs

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

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

- (c) Upon maturity of each of the CPs issued for tenures of one, two, three, six, nine or twelve months, RCEP has an option to redeem the CPs or to rollover the CPs previously issued;

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

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

The Bonds and CPs are secured against the following:

- (i) A third party first legal charge by RCE Marketing Sdn. Bhd. ("RCEM") over the entire issued and paid-up share capital of RCEP;
- (ii) A debenture incorporating a 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 ultimate holding company

The Group has revolving credit facility of RM500,000 with a bank which is guaranteed by the ultimate holding company and bears interest at 5.65% per annum.

19. **SHARE CAPITAL**

	The Group and The Company	
	2005	2004
	RM	RM
Authorised:		
Ordinary shares of RM1 each		
At beginning of year	100,000	100,000
Reclassified to non-redeemable non-convertible non-cumulative preference shares of RM1 each	(20,000)	-
At end of year	80,000	100,000
Redeemable convertible non-cumulative preference shares of RM1 each		
At beginning of year	-	-
Created during the year	400,000	-
At end of year	400,000	-
Non-redeemable non-convertible non-cumulative preference shares of RM1 each		
At beginning of year	-	-
Reclassified from ordinary shares	20,000	-
At end of year	20,000	-
Total authorised share capital	<u>500,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning of year	2	2
Issued during the year	79,998	-
At end of year	80,000	2
(Forward)		

	The Group and The Company	
	2005	2004
	RM	RM
Redeemable convertible non-cumulative preference shares of RM1 each		
At beginning of year	-	-
Issued during the year	387,800	-
Redeemed during the year	(387,800)	-
At end of year	-	-
Non-redeemable non-convertible non-cumulative preference shares of RM1 each		
At beginning of year	-	-
Issued during the year	20,000	-
At end of year	20,000	-
Total issued and fully paid share capital	100,000	2

During the current financial year:

- (i) the authorised share capital of the Company was increased from RM100,000 to RM500,000 by the creation of an additional 400,000 redeemable convertible non-cumulative preference shares ("RCNC Preference Shares") of RM1.00 each;
- (ii) the authorised share capital of the Company of RM500,000, comprising 100,000 ordinary shares of RM1.00 each and 400,000 RCNC Preference Shares of RM1.00 each, was reclassified to 80,000 ordinary shares of RM1.00 each, 400,000 RCNC Preference Shares of RM1.00 each and, 20,000 non-redeemable non-convertible non-cumulative preference shares ("NRNCNC Preference Shares") of RM1.00 each;
- (iii) the issued and fully paid up share capital of the Company was increased from RM2 to RM487,800 by the issue and allotment of:
 - (a) 79,998 new ordinary shares of RM1.00 each at a premium of RM303.82 each and 387,800 RCNC Preference Shares of RM1.00 each at a premium of RM99.00 each, to the existing shareholders of RCE Marketing Sdn. Bhd. ("RCEM") by way of a share swap exercise. At the completion of this share swap exercise, RCEM became a wholly-owned subsidiary of the Company; and

- (b) 20,000 new NRNCNC Preference Shares of RM1.00 each at a premium of RM999.00 each for cash to the current holding company.

These new ordinary shares issued are to rank pari passu in all respects with the then existing ordinary shares of the Company. The resulting premium of RM24,305,002, RM38,392,200 and RM19,980,000 respectively arising from the shares issued in (a) and (b) above, has been credited to the share premium account.

- (iv) the 387,800 RCNC Preference Shares of RM1.00 each as mentioned in (a) above were redeemed at a premium of RM155.00 each. The total redemption amount of RM60,496,800 was settled in cash, out of which RM20,000,000 was from the proceeds of the fresh issue of 20,000 NRNCNC Preference Shares as mentioned in (b) above.

The redemption premium of RM60,109,000 arising from the redemption of RM387,800 RCNC Preference Shares of RM1.00 each, has been debited to the share premium account.

Salient terms of the NRNCNC Preference Shares are as follows:

- (i) The right to a non-cumulative preferential dividend in priority to the holders of the ordinary shares at any rate as may be determined by the directors payable as regards each financial year out of the profits of the Company resolved to be distributed in respect of that year. The directors may from time to time pay to the holder(s) of the NRNCNC Preference Shares such interim dividends as appear to the directors to be justified by the profits of the Company. Payment of final dividends shall only be made after the directors have recommended the dividend and it has been approved at a general meeting of the Company.
- (ii) The right to receive notices of general meetings, reports, balance sheets and to attend general meetings and vote only on any resolution(s) of the Company which affect the rights attached to the NRNCNC Preference Shares either in person or by proxy.
- (iii) The right to rank in return of capital in priority to the ordinary shares and all other classes of shares for the time being of the Company save and except for the RCNC Preference Shares.
- (iv) Upon the winding up of the Company, the right to payment:
 - (aa) of all arrears of the non-cumulative preferential dividend; and
 - (bb) of all capital paid up on the NRNCNC Preference Shares in priority to the ordinary shares and all other classes of shares (save and except for the RCNC Preference Shares) but not the right to any further participation in the profits or assets of the Company.

- (v) The non-cumulative preferential dividend or any other money payable on or in respect of the NRNCNC Preference Shares shall not bear any interest.
- (vi) The holders of the NRNCNC Preference Shares shall not be entitled to redeem or convert all or any part of the NRNCNC Preference Shares.

20. RESERVES

	The Group 2005 RM	The Company 2005 RM	2004 RM
Non-distributable reserves:			
Share premium	22,568,202	22,568,202	-
Reserve on consolidation	13,943,220	-	-
	36,511,422	22,568,202	-
Distributable reserve:			
Unappropriated profit/(Accumulated loss)	8,448,208	(23,938)	(1,280)
	<u>44,959,630</u>	<u>22,544,264</u>	<u>(1,280)</u>

Share premium

Share premium arose from the following:

	The Group and The Company 2005 RM
At beginning of year	-
Issuance of 79,998 ordinary shares at a premium of RM303.82 per share	24,305,002
Issuance of 387,800 redeemable convertible non-cumulative preference shares at a premium of RM99 per share	38,392,200
Issuance of 20,000 non-redeemable non-convertible non-cumulative preference shares at a premium of RM999 per share	19,980,000
	82,677,202
Redemption of 387,800 redeemable convertible non-cumulative preference shares at a premium of RM155 per share	(60,109,000)
At end of year	<u>22,568,202</u>

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.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group	The Company	
	2005	2005	2004
	RM	RM	RM
Fixed deposits with licensed banks	14,564,931	-	-
Cash and bank balances	<u>4,164,370</u>	<u>994</u>	<u>2</u>
	<u>18,729,301</u>	<u>994</u>	<u>2</u>

Fixed deposits with licensed banks of the Group has an average maturity ranging from 8 to 90 days. The average interest rate is 2.7% per annum.

22. COMMITMENT

As of March 31, 2005, the Group has commitment to acquire property, plant and equipment at a consideration of RM179,316.

23. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

(i) **Interest rate risk**

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

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

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

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

	Effective interest rate %	Total RM	Maturity profile		
			Within 1 year RM	2-5 years RM	After 5 years RM
Financial assets					
Loans and hire-purchase receivables	15.9 to 16.7	70,102,765	10,505,172	50,378,523	9,219,070
Fixed deposits	2.7	14,564,931	14,564,931	-	
		<u>84,667,696</u>	<u>25,070,103</u>	<u>50,378,523</u>	<u>9,219,070</u>
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	-
Revolving credit	5.65	500,000	-	500,000	-
		<u>77,665,575</u>	<u>7,062,527</u>	<u>70,603,048</u>	<u>-</u>

(ii) **Credit risk**

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

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

(iii) **Liquidity risk**

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

Financial Assets

The Group's and the Company's principal financial assets are fixed deposits, cash and bank balances, trade, loans, hire-purchase and other receivables and amount owing by ultimate holding company.

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. Non-redeemable non-convertible non-cumulative preference shares are classified as equity in the balance sheet.

Significant financial liabilities include other payables, amount owing to ultimate holding company, hire-purchase payables and borrowings, which are stated at their nominal value.

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

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

Fair Values

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

	Carrying Amount RM	Fair Value RM
<i>Financial Liabilities</i>		
Hire-purchase payables - non-current portion (Note 17)	<u>103,048</u>	<u>99,535</u>

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

RCE ENTERPRISE SDN. BHD.

(Formerly known as E-Drama Sdn. Bhd.)

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **RCE ENTERPRISE SDN. BHD.** (formerly known as E-Drama Sdn. Bhd.) state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as of March 31, 2005 and of the results and the cash flows of the Company for the year ended on that date.

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



SHAMMAN BIN AZMAN



LOH KAM CHUIN

Kuala Lumpur

May 25, 2005

**DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR
THE FINANCIAL MANAGEMENT OF THE COMPANY**

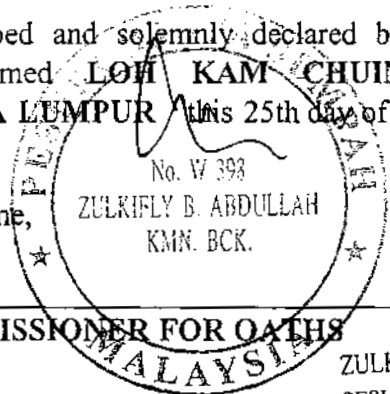
I, **LOH KAM CHUIN**, the director primarily responsible for the financial management of **RCE ENTERPRISE SDN. BHD.** (formerly known as E-Drama Sdn. Bhd.), do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity are, in my opinion, 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.



LOH KAM CHUIN

Subscribed and solemnly declared by the
abovenamed **LOH KAM CHUIN** at
KUALA LUMPUR this 25th day of May,
2005.

Before me,


No. W 393
ZULKIFLY B. ABDULLAH
KMN. BCK.

COMMISSIONER FOR OATHS
MALAYSIA

ZULKIFLY B. ABDULLAH KMN BCK
PESURUHJAYA SUMPAN
(COMMISSIONER FOR OATHS)
LOT 236, TINGKAT 2, THE MALL
100, JALAN PUTRA 50350 KUALA LUMPUR

**PROFORMA CONSOLIDATED BALANCE SHEETS OF RCE AS AT 31 MARCH 2005
TOGETHER WITH THE NOTES AND ASSUMPTIONS AND THE REPORTING
ACCOUNTANTS' LETTER THEREON**

Deloitte.

December 27, 2005

RCE Capital Berhad
2-01, Block B, AMCORP Tower
AMCORP Trade Centre
No. 18, Jalan Persiaran Barat
46050 Petaling Jaya
Selangor Darul Ehsan

Deloitte Kassim Chan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Malaysia

P. O. Box 10093
50704 Kuala Lumpur
Malaysia

Tel : +603 77238500, 77261833
Fax : +603 77263986, 77268986
myaaa@deloitte.com
www.deloitte.com.my

Dear Sirs,

**RCE CAPITAL BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2005**

We have reviewed the presentation of the proforma consolidated balance sheets of RCE Capital Berhad ("RCE") as of March 31, 2005, for which the Directors are solely responsible, as set out in the accompanying statements (stamped by us for purposes of identification only), prepared for inclusion in the circular to shareholders to be dated December 29, 2005 in connection with the proposed acquisition of 10,000 ordinary shares of RM1.00 each representing the remaining 12.5% equity interest in RCE Enterprise Sdn Bhd (formerly known as E-Drama Sdn Bhd) not already owned by RCE from Meridian Mode Sdn Bhd for a purchase consideration of RM15 million to be wholly satisfied by the issuance of 67,415,730 RCE shares of RM0.10 each at an issue price of RM0.2225 per share.

Responsibility

It is the responsibility solely of the Board of Directors of RCE to prepare the proforma consolidated balance sheets.

It is our responsibility to form an opinion on the proforma consolidated balance sheets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the proforma consolidated balance sheets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

In our opinion:

- (a) the proforma consolidated balance sheets have been properly compiled on the bases and assumptions as stated in the notes to the proforma consolidated balance sheets;
- (b) such bases and assumptions are consistent with the accounting policies of RCE Group; and
- (c) the adjustments as explained in Note 3 to the proforma consolidated balance sheets are appropriate for the purposes of the proforma consolidated balance sheets.

(Forward)

Audit. Tax. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Deloitte KassimChan

December 27, 2005
RCE Capital Berhad
Page No. 2

This report has been prepared solely for inclusion in the abovementioned circular to shareholders in connection with the abovementioned exercise and should not be used for any other purpose without our written consent.

Yours very truly,

A handwritten signature in black ink, appearing to read "Deloitte KassimChan", with a stylized flourish at the end.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

Enclosure



RCE CAPITAL BERHAD
(Company No. 2444-M)

RCE CAPITAL BERHAD ("RCE")
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2005

The proforma consolidated balance sheets as set out below are prepared for illustrative purposes only to show the effects on the audited consolidated financial statements of RCE as of March 31, 2005 had the acquisition by RCE of the remaining 12.5% equity interest in RCE Enterprise Sdn Bhd ("RCEE") (formerly known as E-Drama Sdn Bhd) been completed on that date, and should be read in conjunction with the accompanying notes to the proforma consolidated balance sheets.

	Audited As of 31.3.2005 RM'000	Adjustments RM'000	Proforma After Proposed 12.5% Acquisition of RCEE RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	10,079		10,079
Goodwill on consolidation	19,002	11,866	30,868
Loans and hire-purchase receivables - non-current portion	59,598		59,598
Other investment	29,199		29,199
Deferred tax asset	4,000		4,000
	<u>121,878</u>		<u>133,744</u>
CURRENT ASSETS			
Trade receivables	1,635		1,635
Loans and hire-purchase receivables	10,505		10,505
Other receivables, deposits and prepaid expenses	4,128		4,128
Fixed deposits with licensed banks	14,565		14,565
Cash and bank balances	4,187	(400)	3,787
	<u>35,020</u>		<u>34,620</u>
CURRENT LIABILITIES			
Other payables and accrued expenses	12,753		12,753
Hire-purchase payables	63		63
Borrowings	7,780		7,780
Tax liabilities	2,186		2,186
	<u>22,782</u>		<u>22,782</u>
NET CURRENT ASSETS	12,238		11,838
LONG-TERM LIABILITIES			
Hire-purchase payables - non-current portion	103		103
Borrowings - non-current portion	72,500		72,500
Deferred tax liabilities	11		11
	<u>(72,614)</u>		<u>(72,614)</u>
Minority Interest	(3,134)	3,134	-
	<u>58,368</u>		<u>72,968</u>
CAPITAL AND RESERVES			
Issued capital	40,151	6,742	46,893
Share premium	-	7,858	7,858
Reserves	2,156		2,156
Unappropriated profit	16,061		16,061
	<u>58,368</u>		<u>72,968</u>
Number of shares ('000)	<u>401,512</u>		<u>468,928</u>
Net tangible assets per share (sen)	<u>9.80</u>		<u>8.98</u>

Stamped for the purpose of
identification only with our
letter/report dated

27 DEC 2005

Deloitte KassimChan
Kuala Lumpur/Petaling Jaya

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET

1. Basis of Preparation

- 1.1 The proforma consolidated balance sheet have been prepared for illustrative purpose only based on the audited financial statements of RCE and its subsidiary companies (including RCEE) for the financial year ended March 31, 2005; and
- 1.2 The proforma consolidated balance sheets have been prepared based on accounting policies consistent with those normally adopted by RCE.

2. Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets incorporated the following transaction as though it was affected as of March 31, 2005:

Proforma

Proforma incorporates the proposed acquisition by RCE of 10,000 ordinary shares of RM1.00 each representing the remaining 12.5% equity interest in RCE Enterprise Sdn Bhd ("RCEE") (formerly known as E-Drama Sdn Bhd) not already owned by RCE from Meridian Mode Sdn Bhd for a purchase consideration of RM15 million, to be wholly satisfied by the issuance of 67,415,730 RCE shares of RM0.10 each at an issue price of RM0.2225 per share.

3. Ordinary Share Capital And Reserves

	Issued Ordinary Share Capital RM'000	Non Distributable Reserves Share Premium RM'000	Reserve on consolidation RM'000	Distributable Reserve Retained Earnings RM'000	Total RM'000
As of March 31, 2005	40,151	-	2,156	16,061	58,368
Proposed acquisition of 12.5% equity interest in RCEE	6,742	8,258	-	-	15,000
Shares issuance expenses	-	(400)	-	-	(400)
Proforma I – after proposed 12.5% acquisition of RCEE	46,893	7,858	2,156	16,061	72,968

Stamped for the purpose of
identification only with our
letter/report dated
27 DEC 2005
Deloitte KassimChan
Kuala Lumpur/Petaling Jaya

4. Goodwill on Consolidation

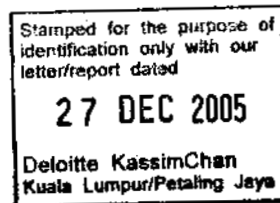
Goodwill on consolidation represents excess of the cost of investment over the fair value of the identifiable net assets of the subsidiary acquired. The goodwill on consolidation is calculated as follows:

	RM'000	RM'000
Per audited financial statements as of March 31, 2005		19,002
<u>Arising from proposed acquisition</u>		
Purchase consideration	15,000	
Less: 12.5% of the identifiable net assets of RCEE as of March 31, 2005 acquired	<u>(3,134)</u>	<u>11,866</u>
Proforma goodwill on consolidation		<u>30,868</u>

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


SHALINA AZMAN
Director

December 27, 2005



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.

2. CONSENT

MIMB and Deloitte Kassim Chan 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

Neither RCE nor its subsidiaries (including the RCEE Group) 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 (including the RCEE Group) or of any other facts likely to give rise to any proceedings which may materially or adversely affect the position or business or title to or possession of any of the properties of the Company and/or its subsidiaries (including the RCEE Group).

4. MATERIAL CONTRACTS

Save as disclosed below, the RCE Group (including the RCEE 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) Sale and Purchase Agreement dated 24 February 2004 between RCE and RekaWeb.com Sdn Bhd for the disposal of 10,269,000 ordinary shares of RM1.00 each in POS AD Sdn Bhd or approximately 70% of the issued and paid up share capital in POS AD Sdn Bhd by RCE for a cash consideration of RM11.0 million;
- (b) Sale and Purchase Agreement dated 29 April 2004 between RCE and Effusion.Com Sdn Bhd, a wholly-owned subsidiary company of RCE ("Effusion"), for the disposal of all the pieces of freehold vacant land bearing postal address of No. 17, Jalan Pahang, 53000 Kuala Lumpur held under Title Nos. Geran 24607 to 24613, Grant 37511, Grant 33223, Grant 33227 and Grant 18617, corresponding to Lot Nos. 109 to 115, 435, 443 to 447 and 471 respectively, Jalan Pahang, Section 47, Kuala Lumpur ("Property"), having a total area measuring approximately 30,870 square feet at a total cash consideration of RM10.2 million.

RCE ("Borrower"), Effusion and Malayan Banking Berhad ("Bank") entered into a supplementary agreement dated 31 March 2005 wherein the Bank agreed, amongst others, to consent to transfer the Property from the Borrower to the Effusion, being the chargor on the condition that the Borrower shall cause Effusion to create a third party first legal charge over the Property in favor of the Bank as security for the payment and repayment of the facilities together with interest thereon due and payable by the Borrower to the Bank;

- (c) Sale and Purchase Agreement dated 21 October 2004 between RCE and E-Drama Sdn Bhd (now known as RCE Enterprise Sdn. Bhd.) for the disposal by RCE, Meridian Mode Sdn Bhd and RCE Ventures Sdn Bhd of 100% of the issued and paid up share capital in RCEM 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 Sdn Bhd to RCE, 10,000 ordinary shares of RM1.00 each in E-Drama Sdn Bhd to Meridian Mode Sdn Bhd and 387,800 redeemable convertible and non-cumulative preference shares of RM1.00 each in E-Drama Sdn Bhd to RCE Ventures Sdn Bhd;

- (d) Sale and Purchase Agreement dated 29 April 2005 between RCE Synergy and AMDB Berhad in relation to the acquisition by RCE Synergy Sdn. Bhd. (formerly known as Verbundsoft Sdn. Bhd.), a wholly-owned subsidiary of RCE, of 29,064,452 units in AmFirst Property Trust ("AMFPT") representing approximately 21% of the total units in AMFPT from AMDB Berhad, for a cash consideration of RM31,970,897.20;
- (e) Sale and Purchase Agreement dated 24 June 2005 between Effusion and ABI's Land and Properties Sdn Berhad in relation to the proposed 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; and
- (f) Sale and Purchase Agreement dated 11 November 2005 between RCE and MMSB in relation to the Proposed Acquisition which is the subject matter 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 RCEE;
- b) the audited financial statements of the RCE Group for the past two (2) financial years ended 31 March 2004 and 31 March 2005 and the unaudited financial statements of the RCE Group for the six (6) months period ended 30 September 2005;
- c) proforma consolidated balance sheets of the RCE Group as at 31 March 2005 and the Reporting Accountants' Letter relating thereto;
- d) letters of consent referred to in paragraph 2 above;
- e) material contracts referred to in paragraph 4 above; and
- f) the audited financial statements of the RCEE for the past two (2) financial years ended 31 March 2004 and 31 March 2005 and the unaudited financial statements of the RCEE Group for the six (6) months period ended 30 September 2005.



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 Tuesday, 17 January 2006, at 3.30 p.m., for the purpose of considering, and, if thought fit, passing the following ordinary resolution, with or without any modifications:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF 10,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING THE REMAINING 12.5% OF THE EQUITY INTEREST IN RCE ENTERPRISE SDN. BHD. NOT OWNED BY RCE CAPITAL BERHAD FROM MERIDIAN MODE SDN. BHD. 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 AT AN ISSUE PRICE OF RM0.2225 PER SHARE ("PROPOSED ACQUISITION")

"**THAT**, subject to the approval(s) of the relevant authorities including the approval of the Securities Commission for the Proposed Acquisition and the approval-in-principle of Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares of RM0.10 each in the capital of the Company to be issued pursuant to the Proposed Acquisition, approval be and is hereby given for the Company to acquire 10,000 ordinary shares of RM1.00 each representing the remaining 12.5% of the equity interest in RCE Enterprise Sdn Bhd from Meridian Mode Sdn Bhd ("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 the capital of the Company at an issue price of RM0.2225 per share ("Consideration Shares") upon the terms and conditions as stated in the conditional Sale & Purchase Agreement dated 11 November 2005 ("SPA") entered into between the Company, being the purchaser, and MMSB, being the vendor, pursuant to the Proposed Acquisition **AND THAT** the aforesaid SPA be and is hereby approved, affirmed and ratified **AND FURTHER THAT** the Consideration Shares to be issued pursuant to the Proposed Acquisition shall, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares of RM0.10 each in the Company in issue, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid before the allotment of the Consideration Shares;

AND FURTHER THAT the Directors of the Company be and are hereby authorised to give effect to and implement the Proposed Acquisition with full powers to agree to any conditions, variations, modifications and/or amendments as may be required by the relevant authorities and to enter into on behalf of the Company all such other agreements, arrangements, undertaking, indemnities, transfers, assignments and guarantees, as the case may be, with MMSB and/or any other relevant party or parties, as may be required in order to implement, finalise, complete and give full effect to the Proposed Acquisition."

BY ORDER OF THE BOARD

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

Kuala Lumpur
29 December 2005

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 or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company 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 any adjournment thereof.

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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 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 Tuesday, 17 January 2006 at 3.30 p.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 votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this _____ day of _____ 2005/2006

No. of Shares Held

Signature of Shareholder(s)/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.
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 or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company 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 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

1st fold here