RCE CAPITAL BERHAD
Company No. 2444 - M
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2006

(In Ringgit Malaysia)

Company No: 2444 - M

RCE CAPITAL BERHAD
(Incorporated in Malaysia)
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FINANCIAL STATEMENTS

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RCE CAPITAL BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

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

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

RESULTS OF OPERATIONS

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

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

RCE CAPITAL BERHAD
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DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

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

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

SHARE OPTIONS

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

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

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OTHER FINANCIAL INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would render the amount of bad debts written off or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

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OTHER FINANCIAL INFORMATION (continued)

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

DIRECTORS

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

Tan Sri Dato' Azman Hashim
Datuk Mohd Zaman Khan @ Hassan Bin Rahim Khan
Mej. Gen. (Rtd) Dato' Haji Fauzi Bin Hussain
Chew Keng Yong
Soo Kim Wai
Shalina Azman
Dato' Che Md Nawawi bin Ismail (appointed on 28.2.2006)
Azmi Hashim (resigned on 5.10.2005)
Wong Bin Chen (resigned on 5.10.2005)

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

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

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DIRECTORS' INTERESTS

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

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of the balances and transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests as mentioned in Note 20 to the Financial Statements.

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.

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AUDITORS

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

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

TAN SRI DATO' AZMAN HASHIM

SOO KIM WAI

Kuala Lumpur,
May 19, 2006

REPORT OF THE AUDITORS TO THE MEMBERS OF

RCE CAPITAL BERHAD
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We have audited the accompanying balance sheets as of March 31, 2006 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:

(a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:

    (i) the state of affairs of the Group and of the Company as of March 31, 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and

    (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

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

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

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LAI CAN YIEW
2179/09/07 (J)
Partner

May 19, 2006

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INCOME STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

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

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

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BALANCE SHEETS
AS OF MARCH 31, 2006

	Note	The Group 2006 RM	The Group 2005 RM	The Company 2006 RM	The Company 2005 RM
ASSETS					
Property, plant and equipment	12	3,115,212	10,078,977	206,502	326,751
Investment in subsidiary companies	13	-	-	54,338,802	41,336,802
Goodwill on consolidation	14	28,343,821	19,002,200	-	-
Loans and hire-purchase receivables - non-current portion	15	220,284,312	59,597,593	-	-
Other investment	16	61,169,971	29,199,074	-	-
Deferred tax asset	17	6,596,874	4,000,200	-	-
Current Assets					
Short-term investment	18	4,000,000	-	-	-
Trade receivables	19	1,407,246	1,634,623	-	-
Loans and hire-purchase receivables	15	14,920,047	10,505,172	-	-
Other receivables, deposits and prepaid expenses	19	6,784,737	4,127,629	3,390	38,888
Amount owing by subsidiary companies	20	-	-	83,356,568	80,295,275
Fixed deposits with licensed banks		48,573,559	14,564,931	-	-
Cash and bank balances		7,432,912	4,186,985	133,197	8,753
		83,118,501	35,019,340	83,493,155	80,342,916

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	Note	The Group 2006 RM	The Group 2005 RM	The Company 2006 RM	The Company 2005 RM
Current Liabilities					
Other payables and accrued expenses	21	19,601,360	12,752,925	252,845	188,968
Amount owing to subsidiary company	20	-	-	72,935,447	77,119,488
Hire-purchase payables	22	67,022	62,527	-	-
Finance lease payables	23	105,070	-	-	-
Borrowings	24	16,285,718	7,780,496	-	780,496
Tax liabilities		634,643	2,185,794	15,690	24,000
		36,693,813	22,781,742	73,203,982	78,112,952
Net Current Assets		46,424,688	12,237,598	10,289,173	2,229,964
Long-term and Deferred Liabilities					
Hire-purchase payables	22	36,026	103,048	-	-
Finance lease payables	23	121,330	-	-	-
Borrowings	24	272,685,179	72,500,000	-	2,000,000
Deferred tax liabilities	17	150,000	11,000	-	-
		(272,992,535)	(72,614,048)	-	(2,000,000)
Minority Interest		-	(3,134,037)	-	-
Net Assets		92,942,343	58,367,557	64,834,477	41,893,517
Represented by:					
Issued capital	25	46,892,823	40,151,250	46,892,823	40,151,250
Reserves	26	46,049,520	18,216,307	17,941,654	1,742,267
Shareholders' Equity		92,942,343	58,367,557	64,834,477	41,893,517

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

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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**	**Revaluation Reserve RM**	**Reserve on Consolidation RM**	**Translation Reserve RM**	**Distributable Reserve - Unappropriated Profit RM**	**Total RM**
			← **Non-Distributable Reserves** →					
Balance as of April 1, 2004		40,151,250	-	1,717,670	1,439,937	(12,553)	1,173,465	44,469,769
Net profit for the year		-	-	-	-	-	14,887,530	14,887,530
Foreign exchange translation difference		-	-	-	-	12,553	-	12,553
Reversal of deferred tax liabilities in revaluation reserve	12	-	-	381,000	-	-	-	381,000
Set-off of impairment loss against revaluation reserve	12	-	-	(2,098,670)	-	-	-	(2,098,670)
Reserve arising from consolidation		-	-	-	715,375	-	-	715,375

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			← Non-Distributable Reserves			→	Distributable	
The Group	**Note**	**Issued Capital RM**	**Share Premium RM**	**Revaluation Reserve RM**	**Reserve on Consolidation RM**	**Translation Reserve RM**	**Reserve - Unappropriated Profit RM**	**Total RM**
Balance as of March 31, 2005		40,151,250	-	-	2,155,312	-	16,060,995	58,367,557
Net profit for the year		-	-	-	-	-	19,790,948	19,790,948
Issuance of shares	25 & 26	6,741,573	8,042,265	-	-	-	-	14,783,838
Balance as of March 31, 2006		46,892,823	8,042,265	-	2,155,312	-	35,851,943	92,942,343

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The Company	Note	Issued Capital RM	Non-Distributable Reserves: Share Premium RM	Non-Distributable Reserves: Revaluation Reserve RM	Distributable Reserve - (Accumulated Loss)/ Unappropriated Profit RM	Total RM
Balance as of April 1, 2004		40,151,250	-	1,717,670	(191,600)	41,677,320
Net loss for the year		-	-	-	(164,803)	(164,803)
Reversal of deferred tax liabilities on revaluation reserve	12	-	-	381,000	-	381,000
Transfer of revaluation surplus from revaluation reserve account upon disposal of property	12	-	-	(2,098,670)	2,098,670	-
Balance as of March 31, 2005		40,151,250	-	-	1,742,267	41,893,517
Net profit for the year		-	-	-	8,157,122	8,157,122
Issuance of shares	25 & 26	6,741,573	8,042,265	-	-	14,783,838
Balance as of March 31, 2006		46,892,823	8,042,265	-	9,899,389	64,834,477

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

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	23,512,154	18,912,005	8,755,001	337,206
Adjustments for:				
Allowance for doubtful debts	16,426,142	12,932,026	2,900,000	65,646
Finance costs	9,901,952	4,440,229	110,337	169,638
Depreciation of property, plant and equipment	431,797	558,787	120,248	186,598
Bad debts written off	78,133	-	-	-
Dividend income	(3,638,256)	(1,167,963)	-	(1,718,635)
Waiver of debt by a related party	(1,549,696)	(3,940,056)	-	-
Interest income	(786,325)	(1,339,505)	-	(63,896)
Property, plant and equipment written off	-	10,010	-	-
Impairment loss on freehold land	-	383,830	-	-
(Gain)/Loss on disposal(s) of:				
Property, plant and equipment	(111,286)	-	(109,999)	-
Subsidiary company	-	(1,332,660)	-	2,174,407
Corporate bonds	-	(39,150)	-	-
Gain on redemption of investment in preference shares of subsidiary company	-	-	(10,002,000)	-
Allowance for doubtful debts no longer required	-	-	-	(791,137)
Operating Profit Before Working Capital Changes	44,264,615	29,417,553	1,773,587	359,827

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	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
(Increase)/Decrease in:				
Loan and hire-purchase receivables	(181,605,869)	(15,413,071)	-	-
Inventories	-	237	-	-
Trade receivables	227,377	(2,048,921)	-	-
Other receivables, deposits and prepaid expenses	(20,149)	(2,542,904)	35,498	513,492
Amount owing by subsidiary company	-	-	(5,961,293)	(64,784,414)
Increase/(Decrease) in:				
Trade payables	-	(896,606)	-	-
Other payables and accrued expenses	8,398,131	(24,799,611)	63,877	(2,007,598)
Amount owing to subsidiary company	-	-	(4,184,041)	75,142,420
Cash (Used In)/From Operations	(128,735,895)	(16,283,323)	(8,272,372)	9,223,727
Interest paid	(8,391,611)	(3,892,599)	-	-
Tax paid	(7,841,987)	(6,209,829)	(606,189)	(499,009)
Tax refunded	193,033	2,095	-	-
Interest received	-	1,024,339	-	-
Net Cash (Used In)/From Operating Activities	(144,776,460)	(25,359,317)	(8,878,561)	8,724,718
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES				
Proceeds from:				
Redemption of investment in preference shares of subsidiary company	-	-	12,002,000	-
Disposals of property, plant and equipment	7,828,787	-	110,000	-
Dividend received	3,444,562	856,467	-	1,237,417
Interest received	786,325	315,166	-	63,896

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	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Decrease in amount owing by a related party	-	32,965,298	-	-
Proceeds from disposal of corporate bonds	-	5,333,000	-	-
Disposal of subsidiary company	-	5,188,321	-	9,900,001
Acquisition of investment in property trust units	(31,970,897)	-	-	-
Acquisition of investment in corporate bonds	(4,000,000)	-	-	-
Additions to property, plant and equipment (Note)	(868,740)	(316,758)	-	-
Acquisition of subsidiary companies	-	(4)	-	-
Additional investment in a subsidiary company	-	-	(2,000)	(20,000,000)
Net Cash (Used In)/From Investing Activities	(24,779,963)	44,341,490	12,110,000	(8,798,686)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Issuance of medium term notes	120,000,000	-	-	-
Drawdown of term loans	71,970,897	-	-	-
Drawdown of revolving credits	30,000,000	-	-	-
(Redemption)/Issuance of bonds and commercial papers	(10,000,000)	77,000,000	-	-
Repayments of borrowings	(2,500,000)	(29,320,616)	-	-
Finance costs paid	(1,510,341)	(547,630)	(110,337)	(169,638)
Share issue expenses incurred	(216,162)	-	(216,162)	-

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	Note	The Group 2006 RM	The Group 2005 RM	The Company 2006 RM	The Company 2005 RM
Repayment of:					
Finance lease payables		(90,393)	-	-	-
Hire-purchase payables		(62,527)	(58,032)	-	-
Revolving credit		-	-	(2,000,000)	-
Redemption of preference shares		-	(60,496,800)	-	-
Net Cash From/(Used In) Financing Activities		207,591,474	(13,423,078)	(2,326,499)	(169,638)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		38,035,051	5,559,095	904,940	(243,606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,971,420	12,412,325	(771,743)	(528,137)
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	56,006,471	17,971,420	133,197	(771,743)

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

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

RCE CAPITAL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The total number of employees of the Group and of the Company at year-end were 33 (2005: 31) and Nil (2005: Nil) respectively.

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on May 19, 2006.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Revenue and Revenue Recognition

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

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

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

(i) Cash sales, installment sales and general trading

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

(ii) Hire-purchase and cash loan financing

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

(iii) Advertising media services, licensing and merchandising

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

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

(iv) Others

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

Interest income and rental income are recognised on accrual basis.

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

Foreign Currency Conversion

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

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

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

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

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

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

Income Tax

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

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

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

Impairment of Assets

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

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

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

Property, Plant and Equipment

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

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

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

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

The annual depreciation rates are as follows:

Building	2%
Shelves, office equipment, furniture and fittings	20% - 50%
Computers under finance lease	20%
Motor vehicles	10% - 25%

Property, Plant and Equipment under Hire-Purchase Arrangements

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

Leased Assets

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

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

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

Basis of Consolidation

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

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

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

All significant intercompany transactions and balances are eliminated on consolidation.

Subsidiary Companies

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

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

Goodwill on Consolidation/Reserve on Consolidation

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

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

Long-Term Investment

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

Short-Term Investment

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

Receivables

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

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

Provisions

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

Employee Benefits

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

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

(ii) **Defined contribution plan**

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

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Cash Flow Statements

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

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

4. REVENUE

	The Group		The Company	
	200	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Loan financing services *	53,576,327	33,818,707	-	-
Dividend income from:				
Investment in property trust units	3,638,256	1,167,963	-	-
A subsidiary company	-	-	-	1,718,635
Rental income	263,402	135,019	-	-
Advertising media services	-	7,328,318	-	-
General trading	-	1,330,188	-	-
Licensing and merchandising	-	815,713	-	-
Interest income from subsidiary companies	-	-	-	52,568
Management fee from subsidiary companies	-	-	3,031,532	1,057,871
	57,478,045	44,595,908	3,031,532	2,829,074

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

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5. **SEGMENT ANALYSIS**

The Group 2006	**Loan financing services RM**	**Investment holding and management services RM**	**Advertising media services RM**	**General trading, licensing and merchandising RM**	**Others RM**	**Eliminations RM**	**Consolidated RM**
Revenue							
External sales	53,576,327	3,901,718	-	-	-	-	57,478,045
Inter-segment sales	-	3,031,532	-	-	-	(3,031,532)	-
Total revenue	53,576,327	6,933,250	-	-	-	(3,031,532)	57,478,045
Results							
Profit/(Loss) from operations	21,378,321	11,319,048	-	-	1,540,801	(10,002,000)	24,236,170
Finance costs							(1,510,341)
Income from other investments							786,325
Profit before tax							23,512,154
Income tax expense							(1,196,865)
Profit after tax							22,315,289

(Forward)

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

(Forward)

The Group 2005	Loan financing services RM	Investment holding and management services RM	Advertising media services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
Revenue							
External sales	33,818,707	1,302,982	7,328,318	2,145,901	-	-	44,595,908
Inter-segment sales	-	2,829,076	-	-	-	(2,829,076)	-
Total revenue	33,818,707	4,132,058	7,328,318	2,145,901	-	(2,829,076)	44,595,908
Results							
Profit/(Loss) from operations	16,339,135	947,975	1,086,566	(163,497)	(9,013)	(428,507)	17,772,659
Gain on disposal of subsidiary company							1,332,660
Finance costs							(547,630)
Income from other investments							354,316
Profit before tax							18,912,005
Income tax expense							(1,911,146)
Profit after tax							17,000,859

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The Group 2005	**Loan financing services RM**	**Investment holding and management services RM**	**Advertising media services RM**	**General trading, licensing and merchandising RM**	**Others RM**	**Eliminations RM**	**Consolidated RM**
Other Information							
Capital additions	129,220	-	73,097	114,441	-	-	316,758
Depreciation and amortisation	129,145	186,598	207,958	35,086	-	-	558,787
Non-cash expenses other than depreciation and amortisation	12,870,850	449,477	5,539	-	-	-	13,325,866
Consolidated Balance Sheet							
Segment assets	101,129,456	55,766,566	-	-	1,362	-	156,897,384
Segment liabilities	88,674,884	2,978,212	-	-	1,556,900	-	93,209,996
Unallocated corporate liabilities							2,185,794
Consolidated total liabilities							95,395,790

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

6. DIRECTORS' REMUNERATION

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

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

* In 2005, RM315,155 was paid to an executive director of a subsidiary company who was also a director of the Company.

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM Nil (2005: RM19,380).

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

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

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

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

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Waiver of debt by a related party (Note 20)	1,549,696	3,940,056	-	-
Bad debts recovered	876,618	597,039	-	-
Gain on disposals of property, plant and equipment	111,286	-	109,999	-
Interest income received from a related party (Note 20)	-	1,024,339	-	-
Rental income	-	63,880	-	54,000
Allowance for doubtful debts no longer required	-	-	-	791,137
Allowance for doubtful debts	(16,426,142)	(12,932,026)	(2,900,000)	(65,646)
Interest expense on fixed rate medium term notes, serial bonds and commercial papers (Note 24)*	(6,386,702)	(1,921,446)	-	-
Loan financing expenses*	(2,004,909)	(1,971,153)	-	-
Private placement expenses on fixed rate medium term notes, serial bonds and commercial papers	(3,792,815)	(1,846,439)	-	-
Bank borrowings facility fees	(1,715,000)	-	-	-

(Forward)

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Rental of:				
Premises	(154,856)	(149,025)	(36,000)	(34,500)
Office equipment	(16,969)	(19,190)	(7,540)	(6,960)
Bad debts written off	(78,133)	-	-	-
Auditors' remuneration:				
Statutory audit				
- Current year	(69,000)	(53,700)	(15,500)	(11,000)
- Underprovision in prior year	(7,500)	(4,000)	(4,500)	(4,000)
Others	(7,200)	(3,000)	(3,000)	(3,000)
Ex-factory and tooling cost	-	(1,044,166)	-	-
Agency commission	-	(736,067)	-	-
Impairment loss on freehold land	-	(383,830)	-	-
Advertising charges	-	(115,743)	-	-
Marketing research expenses	-	(60,336)	-	-
Realised loss on foreign exchange	-	(10,617)	-	-
Property, plant and equipment written off	-	(10,010)	-	-
Management fee expense	-	(7,638)	-	-

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

Staff costs include salaries, contributions to Employees Provident Fund ("EPF") and all other staff related expenses. Contributions to EPF by the Group and the Company during the current financial year amounted to RM166,644 and RM Nil (2005: RM341,751 and RM17,701) respectively.

8. FINANCE COSTS

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

9. INCOME FROM OTHER INVESTMENTS

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

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10. INCOME TAX EXPENSE

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

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

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Profit before tax	23,512,154	18,912,005	8,755,001	337,206
Tax at applicable statutory tax rate of 28%	6,296,566	4,891,453	2,451,400	94,418
Tax at applicable statutory tax rate of 20%	204,884	288,506	-	-
Tax effects of expenses/(income) not deductible/(assessable) in determining taxable profit	1,882,363	963,079	(1,875,710)	707,600

(Forward)

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Realisation of deferred tax assets not recognised previously	(6,114,400)	(2,094,600)	-	(296,800)
Tax at effective tax rate	2,269,213	4,048,438	575,690	505,218
(Over)/Underprovision of tax payable in prior years	(1,084,348)	(12,892)	22,189	(3,209)
Underprovision of deferred tax liabilities/ (asset) in prior year	12,000	(2,124,400)	-	-
Income tax charged to income statements	1,196,865	1,911,146	597,879	502,009

11. EARNINGS PER ORDINARY SHARE

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

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12. PROPERTY, PLANT AND EQUIPMENT

The Group

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

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

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

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The Company

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

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

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

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

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

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

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

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

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

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13. INVESTMENT IN SUBSIDIARY COMPANIES

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

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

Direct Subsidiary Companies	Effective Equity Interest 2006 %	Effective Equity Interest 2005 %	Principal Activities
Effusion.Com Sdn. Bhd.	100	100	Property investment
RCE Enterprise Sdn. Bhd.	100	87.5	Investment holding
RCE Resources Sdn. Bhd.	100	100	Investment holding
Indirect Subsidiary Companies			
Indigenous Capital Sdn. Bhd. $^{\pi}$	100	87.5	Property investment, provision of financial administrative services, debts management services and trading of securities
RCE Advance Sdn. Bhd. $^{\pi\wedge}$ (formerly known as Perfect Aspiration Sdn. Bhd.)	100	-	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue private debt securities to fund the purchase of such receivables

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Indirect Subsidiary Companies	**Effective Equity Interest 2006 %**	**2005 %**	**Principal Activities**
RCE Commerce Sdn. Bhd. $^{\pi}$	100	87.5	Provision of information technology and financial administrative services
RCE Management Sdn. Bhd. $^{\pi}$	100	87.5	Dormant
RCE Marketing Sdn. Bhd. #^	100	87.5	Provision of general loan financing services and trading in electrical home appliances, other consumer durable products mainly on hire-purchase terms
RCE Premier Sdn. Bhd. $^{\pi}$^	100	87.5	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue private debt securities to fund the purchase of such receivables
RCE Premium Sdn. Bhd. $^{\pi}$	100	87.5	Dormant
RCE Sales Sdn. Bhd. $^{\beta}$	100	87.5	Provision of financial administrative services

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Indirect Subsidiary Companies	**Effective Equity Interest 2006 %**	**2005 %**	**Principal Activities**
RCE Synergy Sdn. Bhd. $^{\psi}$	100	100	Investment holding
RCE Trading Sdn. Bhd. $^{\pi}$	100	87.5	Provision of financial administrative services
R & R Music Sdn. Bhd. $^{\beta}$	100	87.5	Dormant

\# Held indirectly through RCE Enterprise Sdn. Bhd.

ψ Held indirectly through RCE Resources Sdn. Bhd.

π Held indirectly through RCE Marketing Sdn. Bhd.

β Held indirectly through RCE Trading Sdn. Bhd.

^ Audited by another firm of auditors.

During the current financial year:

(a) RCE Marketing ("RCEM"), a subsidiary of the Company, acquired the entire issued and paid-up capital of RCE Advance Sdn. Bhd. (formerly known as Perfect Aspiration Sdn. Bhd.) comprising 2 ordinary shares of RM1.00 each, for cash consideration of RM2.00;

(b) The Company acquired the remaining 12.5% equity interest in RCE Enterprise Sdn. Bhd. ("RCEE"), via the issuance of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share. Following the said acquisition, the Company's effective equity interest in all subsidiary companies held indirectly through RCEE and RCEM were increased from 87.5% to 100%; and

(c) RCEE redeemed 2,000 out of its 20,000 Class A non-cumulative non-convertible redeemable preference shares, held by the Company at an investment cost of RM2,000,000, at a total redemption price of RM12,002,000, giving rise to a gain on redemption of RM10,002,000 to the Company.

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Acquisition of Subsidiaries in 2005

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

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

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

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

Disposal of Subsidiary in 2005

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

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

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

*	To date of disposal of July 16, 2004.

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

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

14. GOODWILL ON CONSOLIDATION

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

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

In 2004, the Group acquired 87.5% equity interest in RCE Marketing Sdn. Bhd. ("RCEM"), for which the net assets as of the acquisition date included Redeemable Convertible Non-Cumulative Preference Shares ("RCNC Preference Shares") of RM38,780,000. In 2005, these preference shares were exchanged with RCNC Preference Shares in RCEE via a share swap exercise and were redeemed at a premium of RM21,716,800. The directors of the Company regard such redemption premium as an adjustment to the fair value of RCEM's net assets as of the acquisition date and has accordingly, revised the goodwill on consolidation that relates to the acquisition of RCEM.

15. LOANS AND HIRE-PURCHASE RECEIVABLES

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

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

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

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

The loans and hire-purchase receivables are repayable over a maximum period of seven (7) years to ten (10) years (2005: seven (7) to ten (10) years) with effective interest rates ranging from 15.9% to 16.7% (2005: 15.9% to 16.7%) per annum.

The Group received advances from the Koperasi to finance its loan and hire-purchase financing operations in prior years. Pursuant to a Settlement Agreement dated March 31, 2005, it was mutually agreed between the Koperasi and the Group that the outstanding balance be used as part settlement of amounts outstanding from loan and hire-purchase financing granted by the Group to the members of the Koperasi and accordingly, the said RM35,758,891 (2005: RM57,830,326) has been presented in the financial statements as prepayment for the release of loans and hire-purchase receivables which have been assigned by the Koperasi to the Group in accordance with the terms of the Security Agreements.

16. OTHER INVESTMENT

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

17. DEFERRED TAX ASSET/(LIABILITIES)

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

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

Deferred Tax Liabilities

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

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

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

As mentioned in Note 3, deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of March 31, 2006, the amount of deferred tax asset, calculated at current tax rate which has not been recognised in the financial statements, is as follows:

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

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

18. SHORT-TERM INVESTMENT

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

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

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

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

Other receivables, deposits and prepaid expenses comprise:

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

20. RELATED COMPANY TRANSACTIONS

Amount owing by/(to) subsidiary companies, which arose mainly from dividend receivable and advances given/received, is unsecured, interest-free and has no fixed terms of repayment.

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

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

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

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

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

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	The Company	
	2006	**2005**
	RM	**RM**
Interest receivable from:		
POSAD	-	35,164
RCEM	-	17,404
Interest payable to POSAD	-	17,404
Disposal of subsidiary, RCE Commerce Sdn. Bhd. to RCEM	-	1

	The Group	
	2006	**2005**
	RM	**RM**
Related parties:		
Acquisition of the remaining 12.5% equity interest in RCEE from MMSB	15,000,000	-
Waiver of debt by RMG	1,549,696	-
Redemption of redeemable convertible non-cumulative preference shares held by RCEV	-	60,496,800
Settlement of indebtedness by RCEV	-	33,989,637
Disposal of subsidiary, POSAD, to Rekaweb.com Sdn. Bhd.	-	9,900,000
Waiver of debt by FCSB	-	3,940,056
Interest income received from RCEV	-	1,024,339
Acquisition of subsidiary, RCE Resources Sdn. Bhd., from AMDB	-	2
Acquisition of subsidiary, Indigeneous Capital Sdn. Bhd., from CVSB	-	2

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

21. OTHER PAYABLES AND ACCRUED EXPENSES

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

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

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

22. HIRE-PURCHASE PAYABLES

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

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

	The Group	
	2006	**2005**
	RM	**RM**
Financial years ending March 31,		
2007	-	67,022
2008	36,026	36,026
	36,026	103,048

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

23. FINANCE LEASE PAYABLES

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

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

	The Group	
	2006 RM	2005 RM
Financial years ending March 31,		
2008	114,548	-
2009	6,782	-
	121,330	-

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

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24. BORROWINGS

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

The revolving credits of the Group and the Company of RM30,000,000 (2005: RM2,500,000) and RM Nil (2005: RM2,000,000) respectively, which are for a tenure of 12 months and at the Group's option to rollover subject to the lender's permission, and a term loan of the Group of RM40,000,000 (2005: RM Nil) which is repayable in one lump sum anytime prior to its five (5) years maturity at the Group's option, are classified as non-current liabilities as the directors do not expect the balances to be repaid within the next twelve months.

Except for the abovementioned revolving credits of RM30,000,000 (2005: RM2,500,000) and term loan of RM40,000,000 (2005: RM Nil) for which the repayment date is not presently determined, the non-current portion of the borrowings is repayable as follows:

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

Fixed Rate Medium Term Notes

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

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

The main features of the MTNs are as follows :

(a) The maximum issue size of the RM420 million MTNs comprises:

  (i) RM240 million Class A MTNs;
  (ii) RM120 million Class B MTNs; and
  (iii) RM60 million Class C MTNs

(b) The MTNs may be issued up to a maximum of six (6) tranches of RM70 million each ("Tranche") with each respective Tranche comprising the following :

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

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

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

(d) All MTNs issued under Tranche A shall be issued at par.

(e) The Class A MTNs and Class B MTNs issued under all subsequent Tranches shall be issued at par, premium or a discount to face value depending on the yield to maturity agreed with the private placement investor(s) at the time of issuance of each Tranche and the Class C MTNs issued under all subsequent Tranches shall be issued at par.

(f) Each series of the MTNs under the Class A MTNs and Class B MTNs bear a fixed coupon rates ranging from 6.25% to 9% per annum, payable semi-annually in arrears with the last coupon payment to be made on the respective maturity dates; and

(g) The Class C MTNs bear an initial fixed coupon rate at 15% per annum, but may be reset on the third and/or sixth anniversary from the issuance of the Class C MTNs at a new coupon rate to be determined with the Notesholders of the Class C MTNs at the time the coupon rate is to be reset. The coupon payment under the Class C MTNs shall be calculated annually but payment is deferred until all Class A MTNs and Class B MTNs have been fully redeemed. The entire deferred Class C MTNs coupon payment will be paid in one lump sum.

The MTNs are secured against the following:

(i) A third party first legal charge by RCE Marketing Sdn. Bhd. ("RCEM") over the entire issued and paid-up share capital of RCEA;

(ii) A debenture incorporating a first fixed and floating charge over the entire undertaking, property, assets and rights, both present and future of RCEA;

(iii) An assignment of the rights, title, benefit and interest under the eligible receivables purchased by RCEA;

(iv) An assignment over the present and future rights, title, benefit and interest in certain bank accounts of RCEA;

(v) An undertaking from RCEM; and

(vi) An irrecoverable corporate guarantee from the Company.

Term Loan 1

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

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Term Loan 2

During the current financial year, another term loan of RM32 million was granted to RCE Synergy Sdn. Bhd. ("RCES") to finance the acquisition of property trust units (Note 16). This term loan, which is guaranteed by the Company and secured by a memorandum of deposit over the property trust units held by RCES, bears interest at 8% per annum and is repayable over 84 equal monthly installments of RM380,606 commencing October 14, 2006.

Fixed Rate Serial Bonds and Underwritten Commercial Papers

In 2005, RCE Premier Sdn. Bhd ("RCEP"), issued RM45 million 5-year fixed rate serial bonds ("Bonds") and RM32 million of a total of RM50 million 7-year underwritten commercial papers ("CPs") for the purpose of financing the working capital of the Group.

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

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

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

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

(b) Each tranche of the bonds bears a fixed coupon rates ranging from 6.6% to 8.0% per annum, payable semi-annually in arrears with the last coupon payment to be made on the last respective maturity date; and

(c) Each tranche of the Bonds shall be redeemed at its nominal value on maturity date together with interest accrued to the date of redemption.

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

(a) The CPs are negotiable non-interest bearing promissory notes issued at discount to its nominal value with a tenure of seven (7) years from the date of its first issuance;

(b) The CPs shall be issued for tenures of one, two, three, six, nine or twelve months, at the option of RCEP subject to the amount available pursuant to its reduction schedule below:

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

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

(d) The frequency of interest or equivalent payment is dependent on the frequency of issuance of CPs by RCEP for maturities of one, two, three, six, nine, or twelve months at a discounted basis, which shall be payable in arrears upon the respective maturity dates of the CPs; and

(e) The existing CPs issued bear interest at rates ranging from 3.6% to 4.75% (2005: 3% to 3.5%) per annum.

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

The Bonds and CPs are secured against the following:

(i) A third party first legal charge by RCEM over the entire issued and paid-up share capital of RCEP;

(ii) A debenture incorporating a first fixed and floating charge over the entire undertaking, property, assets and rights, both present and future, of RCEP;

(iii) An assignment of the rights, title, benefit and interest under the eligible receivables purchased by RCEP;

(iv) An assignment over the present and future rights, title, benefit and interest in certain bank accounts of RCEP;

(v) An undertaking from RCEM; and

(vi) An irrecoverable corporate guarantee from the Company.

Revolving Credits and Overdrafts

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

(a) An irrevocable corporate guarantee by the Company;

(b) An assignment of rights, title, benefit and interest of receivables under the agreement entered into between RCEM with Koperasi Wawasan Pekerja-Pekerja Berhad;

(c) An assignment of the sale proceeds of receivables sold by RCEM to RCEA;

(d) An irrevocable undertaking by RCEA; and

(e) Pledge of RCEM's fixed deposit on lien.

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

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

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

25. SHARE CAPITAL

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

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

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

26. RESERVES

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

Share premium

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

Reserve on Consolidation

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

Unappropriated Profit

Distributable reserves are those available for distribution as dividends.

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

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

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

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

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

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

28. CONTINGENT LIABILITIES - UNSECURED

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

(i) guarantee issued in favour of a trustee for the RM420 million (2005: RM Nil) medium term notes facility of a subsidiary company;

(ii) guarantee issued in favour of a bank for a RM32 million (2005: RM Nil) term loan facility granted to a subsidiary company;

(ii) guarantees issued in favour of a trustee for the RM45 million (2005: RM 45 million) 5-year fixed rate serial bonds and up to RM50 million (2005: RM 50 million) 7-year underwritten commercial papers facility of a subsidiary company; and

(iv) guarantee issued in favour of a bank for the RM30 million (2005: RM0.5 million) revolving credit facility granted to a subsidiary company.

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

29. COMMITMENT

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

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

30. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

(i) **Interest rate risk**

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

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

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

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

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

	Effective interest rate %	Total RM	Maturity profile: Within 1 year RM	2-5 years RM	After 5 years RM
The Group					
2005					
Financial assets					
Loan and hire-purchase receivables	15.9 to 16.7	70,102,765	10,505,172	50,378,523	9,219,070
Fixed deposits	2.7 to 2.73	14,564,931	14,564,931	-	-
		84,667,696	25,070,103	50,378,523	9,219,070
Financial liabilities					
Hire-purchase payables	6.34 to 7.6	165,575	62,527	103,048	-
Fixed rate serial bonds	6.6 to 8.0	45,000,000	-	45,000,000	-
Underwritten commercial papers	3.0 to 3.5	32,000,000	7,000,000	25,000,000	-
Other bank borrowings	5.4 to 8.45	3,280,496	780,496	2,500,000	-
		80,446,071	7,843,023	72,603,048	-

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	Effective interest rate %	Total RM	Maturity profile: Within 1 year RM	2-5 years RM	After 5 years RM
The Company					
2006					
Financial liabilities					
Bank borrowings	-	-	-	-	-
2005					
Financial liabilities					
Bank borrowings	5.41 to 8.45	2,780,496	780,496	2,000,000	-

(ii) **Credit risk**

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

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

(iii) **Liquidity risk**

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

Financial Assets

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

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

Financial Liabilities and Equity Instruments

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

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

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

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

Fair Values

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

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

The fair value of property trust units is determined by reference to quoted market prices at the close of the business on the balance sheet date. The fair value of the MTNs is determined by reference to the latest issue price after the end of the financial year to private placement investors at a discount to face value based on the yield to maturity.

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

31. SUBSEQUENT EVENT

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

(a) Proposed special issue of up to 21,100,000 new ordinary shares of RM0.10 each in the Company to Bumiputera investor(s);

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

(c) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company after the Proposed Bonus Issue from the second board to the main board of Bursa Malaysia Securities Berhad; and

(d) Proposed increase in the authorised share capital of the Company from RM50,000,000 divided into 500,000,000 ordinary shares of RM0.10 each to RM200,000,000 divided into 2,000,000,000 ordinary shares of RM0.10 each by the creation of an additional 1,500,000,000 ordinary shares of RM0.10 each.

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

(a) Securities Commission;

(b) Bursa Malaysia Securities Berhad; and

(c) The shareholders of the Company at an extraordinary general meeting.

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STATEMENT BY DIRECTORS

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of March 31, 2006 and of the results of the businesses and the cash flows for the year ended on that date.

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

____
TAN SRI DATO' AZMAN HASHIM

____
SOO KIM WAI

Kuala Lumpur,
May 19, 2006

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

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

____
YAP CHOON SENG

Subscribed and solemnly declared by the abovenamed **YAP CHOON SENG** at **KUALA LUMPUR** this 19th day of May, 2006.

Before me,

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COMMISSIONER FOR OATHS