

RCE CAPITAL BERHAD

Company No. 2444 - M

(Incorporated in Malaysia)

AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

(In Ringgit Malaysia)

RCE CAPITAL BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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RCE CAPITAL BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

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

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

RESULTS OF OPERATIONS

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

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

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

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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

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

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

SHARE OPTIONS

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

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

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

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

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

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

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

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

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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
Wong Bin Chen
Chew Keng Yong
Azmi Hashim
Soo Kim Wai
Shalina Azman

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

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

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

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

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

DIRECTORS' BENEFITS

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

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

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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 25, 2005

REPORT OF THE AUDITORS TO THE MEMBERS OF

RCE CAPITAL BERHAD

(Incorporated in Malaysia)

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

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

In our opinion:

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

(Forward)

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LAI CAN YIEW
2179/09/05 (J)
Partner

May 25, 2005

RCE CAPITAL BERHAD
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INCOME STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

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

(Forward)

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) after tax		17,000,859	23,476,262	(164,803)	15,262,809
Minority interest		<u>(2,113,329)</u>	<u>(1,555,150)</u>	<u>-</u>	<u>-</u>
Net profit/(loss) for the year		<u>14,887,530</u>	<u>21,921,112</u>	<u>(164,803)</u>	<u>15,262,809</u>
Earnings per ordinary share					
Basic (sen)	11	<u>3.71</u>	<u>5.46</u>		

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

RCE CAPITAL BERHAD
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BALANCE SHEETS
AS OF MARCH 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
ASSETS					
Property, plant and equipment	12	10,078,977	14,500,059	326,751	10,713,349
Investment in subsidiary companies	13	-	-	41,336,802	34,511,208
Investment in associated companies	14	-	-	-	-
Goodwill on consolidation	15	19,002,200	-	-	-
Investment in quoted corporate bonds	16	-	5,293,850	-	-
Loans and hire-purchase receivables - non-current portion	17	59,597,593	57,203,469	-	-
Other investment	18	29,199,074	-	-	-
Deferred tax asset	19	4,000,200	-	-	-
Current Assets					
Inventories	20	-	85,771	-	-
Trade receivables	21	1,634,623	5,825,418	-	-
Loans and hire-purchase receivables	17	10,505,172	10,352,605	-	-
Other receivables, deposits and prepaid expenses	21	4,127,629	4,114,941	38,888	136,810

(Forward)

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Amount owing by subsidiary companies	22	-	-	80,295,275	4,519,724
Amount owing by a related party	22	-	32,965,298	-	-
Fixed deposits with licensed banks		14,564,931	3,334,846	-	-
Cash and bank Balances		4,186,985	9,614,369	8,753	8,753
		<u>35,019,340</u>	<u>66,293,248</u>	<u>80,342,916</u>	<u>4,665,287</u>
Current Liabilities					
Trade payables	23	-	2,779,128	-	-
Other payables and accrued expenses	24	12,752,925	41,656,571	188,968	3,296,566
Amount owing to subsidiary company	22	-	-	77,119,488	1,977,068
Hire-purchase payables	25	62,527	58,032	-	-
Borrowings	26	7,780,496	1,050,670	780,496	536,890
Tax liabilities		2,185,794	2,843,706	24,000	21,000
		<u>22,781,742</u>	<u>48,388,107</u>	<u>78,112,952</u>	<u>5,831,524</u>
Net Current Assets/(Liabilities)		12,237,598	17,905,141	2,229,964	(1,166,237)

(Forward)

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

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

Company No: 2444 - M

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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2005

The Group	Note	← Non-Distributable Reserves					→ Distributable Reserves		Total RM
		Issued Capital RM	Share Premium RM	Revaluation Reserve RM	Reserve on Consolidation RM	Translation Reserve RM	General Reserve RM	Unappropriated Profit/ (Accumulated Loss) RM	
Balance as of									
April 1, 2003		18,675,000	5,037,783	3,804,069	-	-	95,818	(6,491,397)	21,121,273
Bonus issue	28	21,476,250	(5,037,783)	(2,086,399)	-	-	(95,818)	(14,256,250)	-
Net profit for the year		-	-	-	-	-	-	21,921,112	21,921,112
Foreign exchange translation difference		-	-	-	-	(12,553)	-	-	(12,553)
Reserve arising from consolidation		-	-	-	1,439,937	-	-	-	1,439,937
Balance as of									
March 31, 2004		40,151,250	-	1,717,670	1,439,937	(12,553)	-	1,173,465	44,469,769
(Forward)									

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The Group	Note	Issued Capital RM	Non-Distributable Reserves			Distributable Reserves			Total RM
			Share Premium RM	Revaluation Reserve RM	Reserve on Consolidation RM	Translation Reserve RM	General Reserve RM	Unappropriated Profit RM	
Balance as of March 31, 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 on revaluation reserve	29	-	-	381,000	-	-	-	-	381,000
Set-off of impairment loss against revaluation reserve	29	-	-	(2,098,670)	-	-	-	-	(2,098,670)
Reserve arising from consolidation		-	-	-	715,375	-	-	-	715,375
Balance as of March 31, 2005		<u>40,151,250</u>	<u>-</u>	<u>-</u>	<u>2,155,312</u>	<u>-</u>	<u>-</u>	<u>16,060,995</u>	<u>58,367,557</u>

Company No: 2444 - M

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

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	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	18,912,005	29,124,890
Adjustments for:		
Allowance for doubtful debts	12,932,026	4,580,921
Finance costs	4,440,229	2,078,844
Depreciation of property, plant and equipment	558,787	1,225,373
Impairment loss of freehold land	383,830	-
Property, plant and equipment written off	10,010	2,531
Amortisation of goodwill on consolidation	-	269,443
Bad debts written off	-	180,843
Goodwill on consolidation written off	-	171,426
Amortisation of premium on corporate bonds	-	32,650
Waiver of debt by a related party	(3,940,056)	-
Interest income	(1,339,505)	(1,736,291)
Gain on disposal of subsidiary company	(1,332,660)	(14,854,034)
Dividend income	(1,167,963)	-
Gain on disposal of corporate bonds	(39,150)	-
Allowance for doubtful debts no longer required	-	(1,484,449)
Gain on disposal of property, plant and equipment	-	(107,308)
Operating Profit Before Working Capital Changes	29,417,553	19,484,839
(Increase)/Decrease in:		
Loan and hire-purchase receivables	(15,413,071)	(1,735,466)
Inventories	237	3,318
Trade receivables	(2,048,921)	(4,827,162)
Other receivables, deposits and prepaid expenses	(2,542,904)	33,207,132

(Forward)

RCE CAPITAL BERHAD
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The Group	Note	2005 RM	2004 RM
Increase/(Decrease) in:			
Trade payables		(896,606)	437,476
Other payables and accrued expenses		<u>(24,799,611)</u>	<u>(14,282,493)</u>
Cash (Used In)/Generated From Operations		(16,283,323)	32,287,644
Interest received		1,024,339	1,529,584
Tax refunded		2,095	-
Tax paid		(6,209,829)	(4,226,236)
Finance costs paid		<u>(3,892,599)</u>	<u>(1,770,343)</u>
Net Cash (Used In)/From Operating Activities		<u>(25,359,317)</u>	<u>27,820,649</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(Increase) in amount owing by a related party		32,965,298	(32,578,639)
Proceeds from disposal of corporate bonds		5,333,000	-
Disposal of subsidiary company	13	5,188,321	18,171,809
Dividend received		856,467	-
Interest received		315,166	206,707
Proceeds from disposal of property, plant and equipment		-	110,529
Additions to property, plant and equipment		(316,758)	(667,833)
Acquisition of subsidiary companies	13	(4)	(18,165,243)
Purchase of corporate bonds		<u>-</u>	<u>(5,326,500)</u>
Net Cash From/(Used In) Investing Activities		<u>44,341,490</u>	<u>(38,249,170)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of bonds and commercial papers		77,000,000	-
Proceeds from issuance of shares to minority shareholder of a subsidiary company		-	4,371,000
Redemption of preference shares		(60,496,800)	-
(Repayments)/Drawdown of borrowings		(29,320,616)	883,439
Finance costs paid		<u>(547,630)</u>	<u>(308,501)</u>

(Forward)

RCE CAPITAL BERHAD
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The Group	Note	2005 RM	2004 RM
Repayment of hire-purchase payables		(58,032)	(121,404)
Decrease in amount owing to associated company		-	(6,203)
Dividend paid to minority shareholder of a subsidiary company		-	(429)
		<u>-</u>	<u>(429)</u>
Net Cash (Used In)/From Financing Activities		<u>(13,423,078)</u>	<u>4,817,902</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,559,095	(5,610,619)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>12,412,325</u>	<u>18,022,944</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	<u>17,971,420</u>	<u>12,412,325</u>

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

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

(Forward)

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

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

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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 31 (2004: 108) and Nil (2004: Nil) respectively.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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Revenue and Revenue Recognition

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

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

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

(i) Cash sales, installment sales and general trading

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

(ii) Hire-purchase and cash loan financing

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

(iii) Advertising media services, licensing and merchandising

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

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

(iv) Broadcasting

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

(v) Others

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

Interest income and rental income are recognised on accrual basis.

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

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Foreign Currency Conversion

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

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

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

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

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

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

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

Income Tax

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

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

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

Impairment of Assets

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

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

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

Property, Plant and Equipment

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

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

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

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

The annual depreciation rates are as follows:

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

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Property, Plant and Equipment under Hire-Purchase Arrangements

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

Basis of Consolidation

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

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

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

All significant intercompany transactions and balances are eliminated on consolidation.

Subsidiary Companies

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

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

Associated Company

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

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

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

Goodwill on Consolidation/Reserve on Consolidation

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

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

Investment in Corporate Bonds

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

Long-Term Investment

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

Inventories

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

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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	
	2005	2004	2005	2004
	RM	RM	RM	RM
Loan financing services *	33,953,726	18,009,484	-	-
Advertising media services	7,328,318	25,173,720	-	-
General trading	1,330,188	5,126,334	-	-
Dividend income from:				
Investment in property trust units	1,167,963	-	-	-
A subsidiary company	-	-	1,718,635	-
Licensing and merchandising	815,713	2,640,703	-	-
Broadcasting	-	3,398,000	-	-
Commission income	-	217,774	-	217,774
Interest income from:				
Subsidiary companies	-	-	52,568	7,068
Others	-	67,143	-	67,143
Management fee from subsidiary companies	-	-	1,057,871	686,000
	<u>44,595,908</u>	<u>54,633,158</u>	<u>2,829,074</u>	<u>977,985</u>

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

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The Group 2005	Advertising media services RM	Loan financing services RM	Investment holding and management services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
Other Information							
Capital additions	73,097	129,220	-	114,441	-	-	316,758
Depreciation and amortisation	207,958	129,145	186,598	35,086	-	-	558,787
Non-cash expenses other than depreciation and amortisation	16,156	12,870,850	449,477	-	-	-	13,336,483
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							<u>2,185,794</u>
Consolidated total liabilities							<u>95,395,790</u>
(Forward)							

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The Group 2004	Advertising media services RM	Loan financing services RM	Broadcasting RM	Investment holding and management services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
Revenue								
External sales	25,173,720	18,009,484	3,398,000	284,917	7,767,037	-	-	54,633,158
Inter-segment sales	-	-	-	686,000	-	-	(686,000)	-
Total revenue	<u>25,173,720</u>	<u>18,009,484</u>	<u>3,398,000</u>	<u>970,917</u>	<u>7,767,037</u>	<u>-</u>	<u>(686,000)</u>	<u>54,633,158</u>
Results								
Profit/(Loss) from operations	5,249,496	11,432,904	(514,343)	(160,597)	(814,711)	(13,874)	(739,082)	14,439,793
Gain on disposal of subsidiary company								14,854,034
Finance costs								(308,501)
Income from other investments								<u>139,564</u>
Profit before tax								29,124,890
Income tax expense								<u>(5,648,628)</u>
Profit after tax								<u><u>23,476,262</u></u>
(Forward)								

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The Group 2004	Advertising media services RM	Loan financing services RM	Broadcasting RM	Investment holding and management services RM	General trading, licensing and merchandising RM	Others RM	Eliminations RM	Consolidated RM
Other Information								
Capital additions	126,579	9,278	-	495,000	36,976	-	-	667,833
Depreciation and amortisation	745,790	181,858	-	447,791	152,027	-	-	1,527,466
Non-cash expenses other than depreciation and amortisation	173,957	4,715,178	-	-	46,586	-	-	4,935,721
Consolidated Balance Sheet								
Segment assets	16,403,193	113,383,796	-	8,951,876	4,524,174	27,587	-	143,290,626
Segment liabilities	3,128,714	27,350,019	-	8,191,524	3,374,735	6,715,643	-	48,760,635
Unallocated corporate liabilities								<u>2,843,706</u>
Consolidated total liabilities								<u><u>51,604,341</u></u>

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

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6. DIRECTORS' REMUNERATION

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

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

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

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

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

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

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

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

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Waiver of debt by a related party (Note 22)	3,940,056	-	-	-
Interest income received from a related party (Note 22)	1,024,339	1,529,584	-	-
Bad debts recovered	597,039	-	-	-
Rental income	63,880	49,830	54,000	-
Allowance for doubtful debts no longer required	-	1,484,449	791,137	-
Gain on disposal of property, plant and equipment	-	107,308	-	57,000
Allowance for doubtful debts	(12,932,026)	(4,580,921)	(65,646)	(100,000)
Loan financing expenses*	(1,971,153)	(1,770,343)	-	-
Interest expense on fixed rate serial bonds and commercial papers (Note 26)*	(1,921,446)	-	-	-

(Forward)

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	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Ex-factory and tooling cost	(1,044,166)	(3,402,854)	-	-
Agency commission	(736,067)	(2,402,854)	-	-
Impairment loss of freehold land	(383,830)	-	-	-
Rental of:				
Premises	(149,025)	(233,170)	(34,500)	(15,000)
Office equipment	(19,190)	(8,211)	(6,960)	(8,211)
Advertising charges	(115,743)	(2,516,613)	-	-
Auditors' remuneration:				
Statutory audit				
- Current year	(73,033)	(97,405)	(15,500)	(15,000)
- Over/(Under)provision in prior year	1,033	(2,427)	-	-
Other	(3,000)	(3,000)	(3,000)	(3,000)
Marketing research expenses	(60,336)	(142,953)	-	-
Realised loss on foreign exchange	(10,617)	-	-	-
Property, plant and equipment written off	(10,010)	(2,531)	-	-
Management fee expense	(7,638)	-	-	-
Bad debts written off	-	(180,843)	-	-
Goodwill on consolidation written off	-	(171,426)	-	-
Amortisation of premium on corporate bonds	-	(32,650)	-	-

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

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

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8. FINANCE COSTS

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

9. INCOME FROM OTHER INVESTMENTS

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

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10. INCOME TAX EXPENSE

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

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

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Profit before tax	<u>18,912,005</u>	<u>29,124,890</u>	<u>337,206</u>	<u>15,285,458</u>
Tax at applicable statutory tax rate of 28% (2004: 28%)	4,891,453	8,126,970	94,418	4,279,928
Tax at applicable statutory tax rate of 20% (2004: 20%)	288,506	20,000	-	-
Tax effects of expenses/(income) not deductible/(assessable) in determining taxable profit	963,079	(2,318,227)	707,600	(4,337,428)
Realisation of deferred tax assets not recognised previously	(2,094,600)	(272,700)	(296,800)	-
Deferred tax assets not recognised	<u>-</u>	<u>101,500</u>	<u>-</u>	<u>78,500</u>

(Forward)

RCE CAPITAL BERHAD
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	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax at effective tax rate	4,048,438	5,657,543	505,218	21,000
Underprovision of deferred tax asset in prior year	(2,124,400)	-	-	-
(Over)/Underprovision of tax payable in prior year	<u>(12,892)</u>	<u>(8,915)</u>	<u>(3,209)</u>	<u>1,649</u>
Income tax charged to income statements	<u>1,911,146</u>	<u>5,648,628</u>	<u>502,009</u>	<u>22,649</u>

11. EARNINGS PER ORDINARY SHARE

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

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

RCE CAPITAL BERHAD
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12. PROPERTY, PLANT AND EQUIPMENT

The Group

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

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RCE CAPITAL BERHAD
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The Group

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

(Forward)

Company No: 2444 – M

RCE CAPITAL BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

The Group

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

Company No: 2444 – M

RCE CAPITAL BERHAD
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The Company

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

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

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

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

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

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

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

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

RCE CAPITAL BERHAD
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13. INVESTMENT IN SUBSIDIARY COMPANIES

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

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

Direct Subsidiary Companies	Effective Equity Interest		Principal Activities
	2005	2004	
	%	%	
Effusion.Com Sdn. Bhd.	100	100	Property investment
RCE Enterprise Sdn. Bhd. (formerly known as E-Drama Sdn. Bhd.) [Note (i)]	87.5	100	Investment holding
RCE Resources Sdn. Bhd. (formerly known as Taifab Sdn. Bhd.) [Note (ii)]	100	-	Investment holding
RCE Commerce Sdn. Bhd. (formerly known as Rediffusion.Com Sdn. Bhd.) [Note (iii)]	-	100	Provision of information technology and financial administrative services
RCE Marketing Sdn. Bhd. [Note (i)] ^	-	87.5	Provision of general loan financing services and trading in electrical home appliances, other consumer durable products mainly on hire-purchase terms
POS AD Sdn. Bhd. [Note (iv)]	-	70	Provision of advertising media services

RCE CAPITAL BERHAD
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Indirect Subsidiary Companies	Effective Equity Interest		Principal Activities
	2005 %	2004 %	
Indigenous Capital Sdn. Bhd. [Note (v)] ^π	87.5	-	Property investment
RCE Commerce Sdn. Bhd. (formerly known as Rediffusion.Com Sdn. Bhd.) [Note (iii)] ^π	87.5	-	Provision of information technology and financial administrative services
RCE Management Sdn. Bhd. ^π	87.5	87.5	Dormant
RCE Marketing Sdn. Bhd. [Note (i)] ^{#^}	87.5	-	Provision of general loan financing services and trading in electrical home appliances, other consumer durable products mainly on hire-purchase terms
RCE Premier Sdn. Bhd. [Note (vi)] ^{π^}	87.5	-	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue private debt securities to fund the purchase of such receivables
RCE Premium Sdn. Bhd. ^π (formerly known as Pasti Sergap Sdn. Bhd.)	87.5	87.5	Dormant
RCE Sales Sdn. Bhd. ^β	87.5	87.5	Provision of financial administrative services
RCE Synergy Sdn. Bhd. (formerly known as Verbundsoft Sdn. Bhd.) ^ψ	100	-	Investment holding
RCE Trading Sdn. Bhd. ^π	87.5	87.5	Provision of financial administrative services

(Forward)

RCE CAPITAL BERHAD
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Indirect Subsidiary Companies	Effective Equity Interest		Principal Activities
	2005 %	2004 %	
R & R Music Sdn. Bhd. ^β	87.5	87.5	Dormant
Jump Retail Merchandising Sdn. Bhd. *	-	70	Providing goods arrangement services in supermarket
Jump Licensing (M) Sdn. Bhd. *	-	70	Provision of advertising media services
Demo Power Sdn. Bhd. *	-	70	Provision of advertising media services
Paragon Premiums Sdn. Bhd. *	-	59.5	Design and trading of premium products
Jump Interactive Sdn. Bhd. *	-	70	Dormant
Jump Licensing Pte. Ltd. * (Incorporated under the Federal Territory of Labuan)	-	70	Selling toys sub-licensing activities
Jump Design Sdn. Bhd. *	-	70	Dormant
Jump Licensing (S) Pte. Ltd. * (Incorporated in the Republic of Singapore)	-	69.3	Selling toys sub-licensing activities

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

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

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

π Held indirectly through RCE Marketing Sdn. Bhd.

β Held indirectly through RCE Trading Sdn. Bhd.

^ Audited by another firm of auditors.

RCE CAPITAL BERHAD
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During the current financial year:

- (i) The Company carried out an internal re-organisation scheme whereby RCE Enterprise Sdn. Bhd. (“RCEE”) (formerly known as E-Drama Sdn. Bhd.), a wholly-owned subsidiary, entered into a share sale agreement with the then existing shareholders of another subsidiary, RCE Marketing Sdn. Bhd. (“RCEM”), to acquire the entire issued and paid-up share capital of RCEM comprising 8 million ordinary shares of RM1 each and 38.78 million Redeemable Convertible Non-Cumulative Preference Shares of RM 1 each (“RCNC Preference Shares”), for a total purchase consideration of RM63.165 million, satisfied via the exchange of new issuance of 79,998 new ordinary shares of RM1 each and 387,000 new RCNC Preference Shares of RM1 each in RCEE to the then existing shareholders of RCEM. As a result of the said share swap exercise, the Company’s effective interest in RCEM held via shares in RCEE remain unchanged but the Company’s effective interest in RCEE was diluted from 100% to 87.5%. This disposal of RCEM to RCEE gave rise to a gain on disposal to the Company of RM1,436,799;

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

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

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

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

Acquisition of Subsidiaries

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

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

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

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

Disposal of Subsidiaries

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

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

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

* To date of disposal of July 16, 2004.

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

	The Group	
	2005	2004
	RM	RM
Net assets disposed of:		
Property, plant and equipment	3,503,539	9,656,635
Inventories	85,534	-
Trade receivables	6,239,716	5,346,638
Other receivables, deposits and prepaid expenses	4,962,568	618,396
Cash and bank balances	4,711,679	16,941
Trade payables	(1,882,522)	-
Other payables and accrued expenses	(3,013,031)	(8,515,041)
Hire-purchase payables	(168,324)	(234,651)
Bank overdraft	-	(1,912,635)
Borrowings	(516,897)	(2,283,739)
Taxation	(39,028)	-
Deferred tax liabilities	<u>(45,000)</u>	<u>(661,000)</u>

(Forward)

RCE CAPITAL BERHAD
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	The Group	
	2005	2004
	RM	RM
Net assets disposed	13,838,234	2,031,544
Minority interest	(4,170,894)	(609,463)
	<u>9,667,340</u>	<u>1,422,081</u>
Gain on disposal of subsidiary company	1,332,660	14,854,034
	<u>11,000,000</u>	<u>16,276,115</u>
Total cash consideration on disposal		
Less: Deposit on disposal received in 2004	(1,100,000)	-
Less: Cash and cash equivalents disposed	(4,711,679)	1,895,694
	<u>5,188,321</u>	<u>18,171,809</u>
Net cash flow on disposal		

14. INVESTMENT IN ASSOCIATED COMPANIES

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

The associated companies of the Group are as follows:

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

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

Held indirectly through POS AD Sdn. Bhd.

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

15. GOODWILL ON CONSOLIDATION

	The Group	
	2005	2004
	RM	RM
Cost:		
At beginning of year	2,694,403	2,694,403
Fair value adjustment to the net assets of a subsidiary acquired in 2004 [Note 13(i)]	19,002,200	-
Disposal of subsidiary company	(2,694,403)	-
Arising from acquisition of subsidiary company	-	171,426
Amount written off	-	(171,426)
	<hr/>	<hr/>
At end of year	19,002,200	2,694,403
Cumulative amortisation:		
At beginning of year	(2,694,403)	(2,424,960)
Disposal of subsidiary company	2,694,403	-
Charge for the year	-	(269,443)
	<hr/>	<hr/>
	-	(2,694,403)
	<hr/>	<hr/>
At end of year	19,002,200	-

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

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16. INVESTMENT IN QUOTED CORPORATE BONDS

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

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

17. LOANS AND HIRE-PURCHASE RECEIVABLES

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

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

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

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

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

Since 1998, the Group received advances from the Koperasi to finance its loan and hire-purchase financing operations and the amounts outstanding thereon were included under other payables and accrued expenses (Note 24). Pursuant to a Settlement Agreement dated March 31, 2005, it was mutually agreed between the Koperasi and the Group that the outstanding balance totalling RM57,830,326 be used as part settlement of amounts outstanding from loan and hire-purchase financing granted by the Group to the members of the Koperasi and accordingly, the said RM57,830,326 has been presented in the financial statements as prepayment for the release of loans and hire-purchase receivables which have been assigned by the Koperasi to the Group in accordance with the terms of the Security Agreements.

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18. OTHER INVESTMENT

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

19. DEFERRED TAX ASSET/(LIABILITIES)

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

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

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

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

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

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

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

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

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

20. INVENTORIES

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

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

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

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

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

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

22. RELATED COMPANY TRANSACTIONS

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

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

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

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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 Arab-Malaysian Corporation Berhad, a substantial shareholder of the Company
Corporateview Sdn. Bhd. (“CVSB”), Fulcrum Capital Sdn. Bhd. (“FCSB”)	Wholly-owned subsidiaries of Arab-Malaysian Corporation Berhad, a substantial shareholder of the Company
RCE Ventures Sdn. Bhd. (“RCEV”), Redi Management Group Sdn. Bhd. (formerly known as Rediffusion Group Sdn. Bhd.) (Note 24)	Companies in which a director of the Company has an indirect interest
Rekaweb.com Sdn. Bhd.	A company in which a director of the Company has a direct interest

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

	The Company	
	2005	2004
	RM	RM
Subsidiary companies:		
Disposal of subsidiary, RCE Marketing Sdn.Bhd. (“RCEM”), to RCE Enterprise Sdn. Bhd. (formerly known as E-Drama Sdn. Bhd.)	21,336,800	-
Disposal of freehold land to Effusion.Com Sdn.Bhd.	10,200,000	-
Dividend income receivable from POS AD Sdn. Bhd. (“POSAD”) (gross)	1,718,635	-
Management fees receivable from:		
RCEM	1,005,371	532,100
POSAD	52,500	153,900
Interest receivable from:		
POSAD	35,164	-
RCEM	17,404	7,068
Interest payable to POSAD	17,404	7,068
Disposal of subsidiary, RCE Commerce Sdn. Bhd. (formerly known as Rediffusion.Com Sdn. Bhd.), to RCEM	<u>1</u>	<u>-</u>
	The Group	
	2005	2004
	RM	RM
Related parties:		
Redemption of Redeemable Convertible Non-Cumulative Preference Shares held by RCEV	60,496,800	-
Settlement of indebtedness by RCEV	33,989,637	-
Disposal of subsidiary, POSAD, to Rekaweb.com Sdn. Bhd.	9,900,000	1,100,000
Waiver of debt by FCSB	3,940,056	-
Interest income received from RCEV	1,024,339	1,529,584
Acquisition of subsidiary, RCE Resources Sdn. Bhd., (formerly known as Taifab Sdn. Bhd.) from AMDB	2	-
Acquisition of subsidiary, Indigeneous Capital Sdn. Bhd., from CVSB	2	-
Acquisition of subsidiary, RCEM, from RCEV	<u>-</u>	<u>19,900,000</u>

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

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

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

23. **TRADE PAYABLES**

Trade payables comprise amounts outstanding from trade purchases.

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

24. **OTHER PAYABLES AND ACCRUED EXPENSES**

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

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

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

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

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25. HIRE-PURCHASE PAYABLES

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

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

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

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

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26. BORROWINGS

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Fixed rate serial bonds	45,000,000	-	-	-
Underwritten commercial papers	32,000,000	-	-	-
Revolving credits	2,500,000	2,500,000	2,000,000	2,000,000
Bank overdrafts	780,496	536,890	780,496	536,890
Term loans	-	638,439	-	-
	<u>80,280,496</u>	<u>3,675,329</u>	<u>2,780,496</u>	<u>2,536,890</u>
Less: Amount due within one year (shown under current liabilities)	<u>(7,780,496)</u>	<u>(1,050,670)</u>	<u>(780,496)</u>	<u>(536,890)</u>
Non-current portion	<u>72,500,000</u>	<u>2,624,659</u>	<u>2,000,000</u>	<u>2,000,000</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bonds and CPs are secured against the following:

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

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

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

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

27. MINORITY INTEREST

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

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

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28. SHARE CAPITAL

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

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

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

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

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

29. RESERVES

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

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Share premium

Share premium arose from the following:

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

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Revaluation Reserve

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

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

Translation Reserve

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

Reserve on Consolidation

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

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30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

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

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

31. CONTINGENT LIABILITIES - UNSECURED

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

32. COMMITMENT

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

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33. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

(i) Interest rate risk

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

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

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

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

	Effective interest rate %	Total RM	← Within 1 year RM	Maturity profile 2-5 years RM	→ After 5 years RM
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	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	← Within 1 year RM	Maturity profile 2-5 years RM	→ After 5 years RM
The Group					
2004					
Financial assets					
Loan and hire-purchase receivables	16.7	67,556,074	10,352,605	50,749,809	6,453,660
Fixed deposits	2.9	<u>3,334,846</u>	<u>3,334,846</u>	<u>-</u>	<u>-</u>
		<u>70,890,920</u>	<u>13,687,451</u>	<u>50,749,809</u>	<u>6,453,660</u>
Financial liabilities					
Advances included under other payables	7.9	18,790,094	18,790,094	-	-
Hire-purchase payables	6.34 to 7.6	223,607	58,032	165,575	-
Bank borrowings	5.41 to 8.45	<u>3,675,329</u>	<u>1,050,670</u>	<u>2,624,659</u>	<u>-</u>
		<u>22,689,030</u>	<u>19,898,796</u>	<u>2,790,234</u>	<u>-</u>

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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					
2005					
Financial liabilities					
Bank borrowings	5.4 to 7.75	<u>2,780,496</u>	<u>780,496</u>	<u>2,000,000</u>	<u>-</u>
2004					
Financial liabilities					
Bank borrowings	5.41 to 8.45	2,536,890	536,890	2,000,000	-

(ii) **Credit risk**

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

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

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(iii) **Liquidity risk**

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

Financial Assets

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

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

Financial Liabilities and Equity Instruments

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

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

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

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

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Fair Values

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

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

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

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

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34. SUBSEQUENT EVENT

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

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

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

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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 approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of March 31, 2005 and of the results of the businesses and the cash flows for the year ended on that date.

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

TAN SRI DATO' AZMAN HASHIM

SOO KIM WAI

Kuala Lumpur,
May 25, 2005

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

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

YAP CHOON SENG

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

Before me,

MAISHARAH BINTI ABU HASAN (W181)
COMMISSIONER FOR OATHS