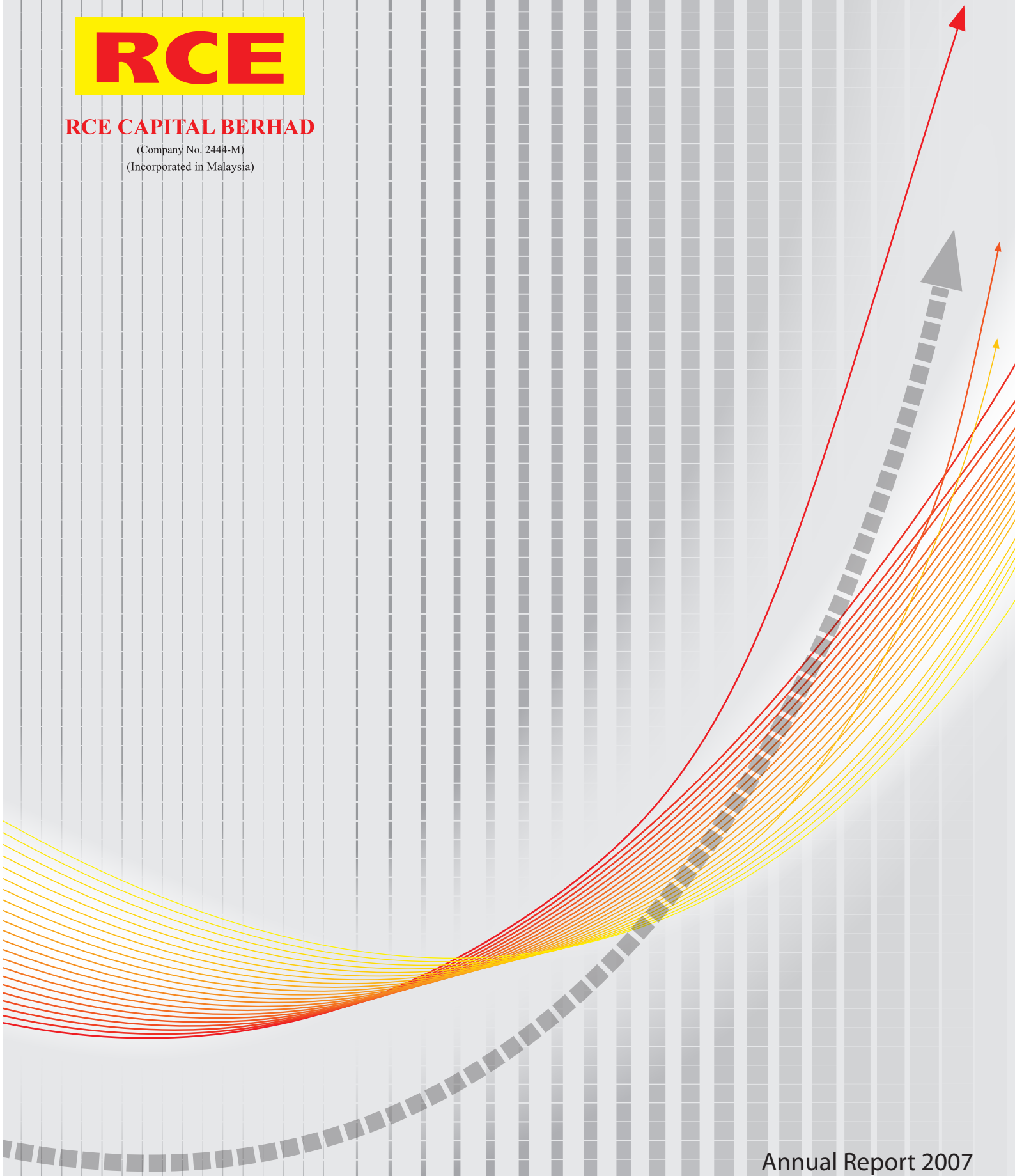
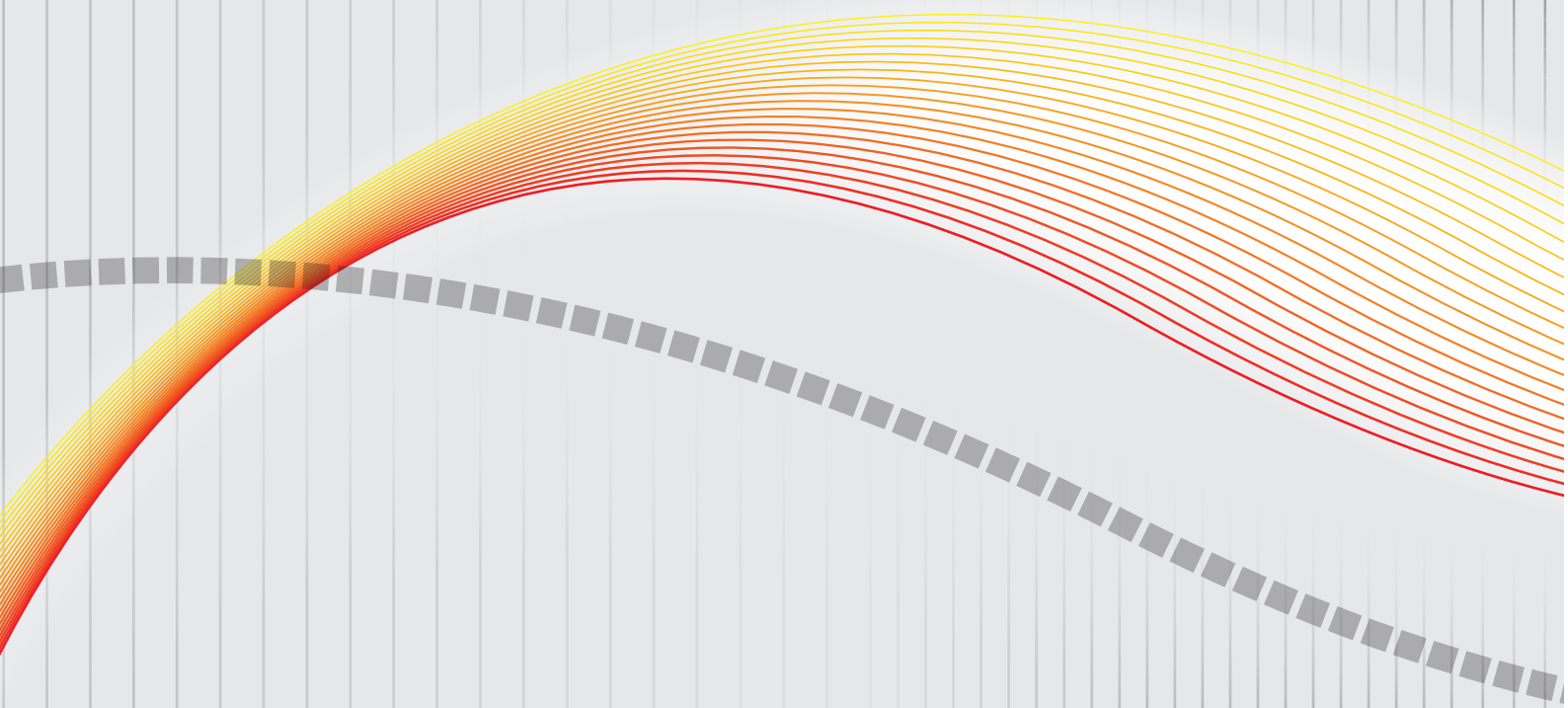




RCE CAPITAL BERHAD

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





Contents

Notice of Annual General Meeting	2
Statement Accompanying Notice of Annual General Meeting	7
Corporate Information	8
Group Financial Highlights	9
Corporate Structure	10
Profile of Directors	11
Chairman's Statement	15
Penyata Pengerusi	20
Statement on Corporate Governance	25
Additional Compliance Information	32
Statement on Internal Control	34
Audit Committee Report	35
Financial Statements	41
Analysis of Shareholdings	95

Form of Proxy

NOTICE IS HEREBY GIVEN THAT the Fifty-Third Annual General Meeting of RCE Capital Berhad will be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 13 September 2007 at 3.30 p.m. to transact the following businesses:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2007 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To declare a Final Dividend of 10% less 26% income tax for the financial year ended 31 March 2007. **Resolution 2**
3. To re-elect the following Directors who retire pursuant to Article 106 of the Company's Articles of Association:
 - (i) Y. Bhg. Tan Sri Dato' Azman Hashim **Resolution 3**
 - (ii) Mr. Chew Keng Yong **Resolution 4**
4. To re-appoint Messrs Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:

Payment of Directors' Fees

"THAT the payment of Directors' fees of RM140,000 for the financial year ended 31 March 2007 be and is hereby approved." **Resolution 6**

6. To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:

Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"THAT subject always to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association and the approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

7. To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

“THAT, subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.2 of the Circular to Shareholders dated 22 August 2007, provided that the transactions are in the ordinary course of business which are necessary for day-to-day operations and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company and that the aggregate value of such transactions conducted pursuant to the shareholders' mandate during the financial year be disclosed in the annual report of the Company.

Resolution 8

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

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

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.”

8. To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:

Proposed Purchase by the Company of Its Own Shares of Up To 10% of Its Issued and Paid-Up Share Capital

“THAT subject to the Companies Act, 1965 (“Act”), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association, Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, approval be and is hereby given to the Company to purchase ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may in their absolute discretion deem fit and expedient in the interest of the Company (“Share Buy-Back Mandate”) provided that:

Resolution 9

- (a) the aggregate number of ordinary shares of RM0.10 each in the Company which may be purchased and/or held by the Company at any point of time pursuant to the Share Buy-Back Mandate shall not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being;

- (b) the amount of funds to be allocated by the Company pursuant to the Share Buy-Back Mandate shall not exceed the retained profits and share premium of the Company based on the Company's latest management accounts at that point in time;
- (c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:
 - (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;
 - (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,whichever is the earlier; and
- (d) the shares so purchased by the Company pursuant to the Share Buy-Back Mandate to be retained as treasury shares which may be distributed as dividends and/or resold on Bursa Securities and/or cancelled.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as they may consider expedient or necessary to implement and give effect to the Share Buy-Back Mandate."

9. To consider and if thought fit, to pass the following special resolution, with or without modifications:

Proposed Amendments to the Articles of Association of the Company

"THAT the proposed deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 22 August 2007 be and are hereby approved."

Resolution 10

10. To transact any other business of which due notice shall have been received.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the Final Dividend of 10% less 26% income tax for the financial year ended 31 March 2007, if approved by the shareholders, will be paid on 28 September 2007 to depositors who are registered in the Record of Depositors at the close of business on 20 September 2007.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 20 September 2007 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

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

Kuala Lumpur
22 August 2007

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.
5. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company at 7th Floor, Wisma Tan Kim San, No. 518A, 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

(i) **Resolution 6 - Payment of Directors' Fees**

The Ordinary Resolution proposed under item 5, if passed, will authorise the payment of Directors' fees to the Directors of the Company for their services as Directors during the financial year ended 31 March 2007.

(ii) **Resolution 7 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

The Ordinary Resolution proposed under item 6, if passed, will give the Directors of the Company authority to issue and allot shares of not more than 10% of the total issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(iii) **Resolution 8 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Ordinary Resolution proposed under item 7, if passed, will allow RCE Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of the Listing Requirements of Bursa Securities. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(iv) **Resolution 9 - Proposed Purchase by the Company of Its Own Shares of Up To 10% of Its Issued and Paid-Up Share Capital**

The Ordinary Resolution proposed under item 8, if passed, will authorise the Company to purchase up to 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(v) **Resolution 10 - Proposed Amendments to the Articles of Association of the Company**

The Special Resolution proposed under item 9, if passed, will amend the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 22 August 2007.

Further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, Proposed Purchase by the Company of Its Own Shares of Up To 10% of Its Issued and Paid-Up Share Capital and Proposed Amendments to the Articles of Association of the Company are set out in the Circular to Shareholders dated 22 August 2007 which is despatched together with the Company's 2007 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS STANDING FOR RE-ELECTION AT THE FIFTY-THIRD ANNUAL GENERAL MEETING OF RCE CAPITAL BERHAD

The Directors who are standing for re-election at the Fifty-Third Annual General Meeting are as follows:

- Y. Bhg. Tan Sri Dato' Azman Hashim
- Mr. Chew Keng Yong

Details of Directors who are standing for re-election are set out in the Profile of Directors of this Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings of this Annual Report.

BOARD OF DIRECTORS**Executive Chairman**

Tan Sri Dato' Azman Hashim

Independent Non-Executive DirectorMajor General (Rtd)
Dato' Haji Fauzi bin Hussain
Datuk Mohd Zaman Khan @
Hassan bin Rahim Khan
Dato' Che Md Nawawi bin Ismail
Chew Keng Yong**Non-Independent Non-Executive Director**Soo Kim Wai
Shalina Azman**COMPANY SECRETARIES**Johnson Yap Choon Seng
(MIA 20766)
Selena Leong Siew Tee
(MAICSA 7017630)**BUSINESS ADDRESS**2-01, Block B, AMCORP Tower
AMCORP Trade Centre
No. 18, Jalan Persiaran Barat
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7966 2600
Fax : 603-7966 2611
Website: www.rce.com.my**SHARE REGISTRAR**PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No. 1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7718 6000
Fax : 603-7722 2311**REGISTERED OFFICE**7th Floor, Wisma Tan Kim San
No. 518A, 3rd Mile, Jalan Ipoh
51200 Kuala Lumpur
Tel : 603-4042 8788
Fax : 603-4042 8877**AUDITORS**Deloitte KassimChan
Chartered Accountants
Level 19, Uptown 1
No. 1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7723 6500
Fax : 603-7726 3986**STOCK EXCHANGE LISTING**Bursa Malaysia Securities Berhad
Main Board
(Listed on 20 September 1994)
Stock name : RCECAP
Stock code : 9296

Shareholders' Funds (RM'000)

2007	161,736
2006	92,942
2005	58,368
2004	44,470
2003	21,121

Net Assets Per Share (sen)

2007	25.02
2006	17.35 @
2005	10.90 @
2004	8.31 #
2003	3.95 #

Revenue (RM'000)

2007	98,671
2006	57,478
2005	40,596
2004	54,633
2003	44,873

Net Profit/(Loss) Attributable To Shareholders (RM'000)

2007	63,371
2006	19,791
2005	14,888
2004	21,921
2003	(1,100)

Earnings Per Share (sen)

2007	9.98
2006	3.69 @
2005	2.78 @
2004	4.09 #
2003	(0.21) #

Consolidated Balance Sheets As At 31 March (RM'000)

	2003	2004	2005	2006	2007
Property, plant & equipment	24,356	14,500	10,079	1,344	1,759
Investment property	-	-	-	1,771	1,735
Goodwill on consolidation	269	-	19,002	28,344	28,677
Loans and hire purchase receivables - Non current portion	-	57,203	59,598	220,284	368,968
Investments	-	5,294	29,199	61,170	31,557
Deferred tax asset	-	-	4,000	6,597	7,892
Current assets	36,490	66,293	35,019	83,119	247,854
Long term and deferred liabilities	(2,721)	(3,216)	(72,614)	(272,993)	(456,715)
Current liabilities	(36,681)	(48,388)	(22,782)	(36,694)	(69,991)
Share capital	18,675	40,151	40,151	46,893	64,634
Shareholders' funds	21,121	44,470	58,368	92,942	161,736
Net assets (NA)	21,121	44,470	58,368	92,942	161,736
NA per share (sen)	3.95#	8.31#	10.90@	17.35@	25.02

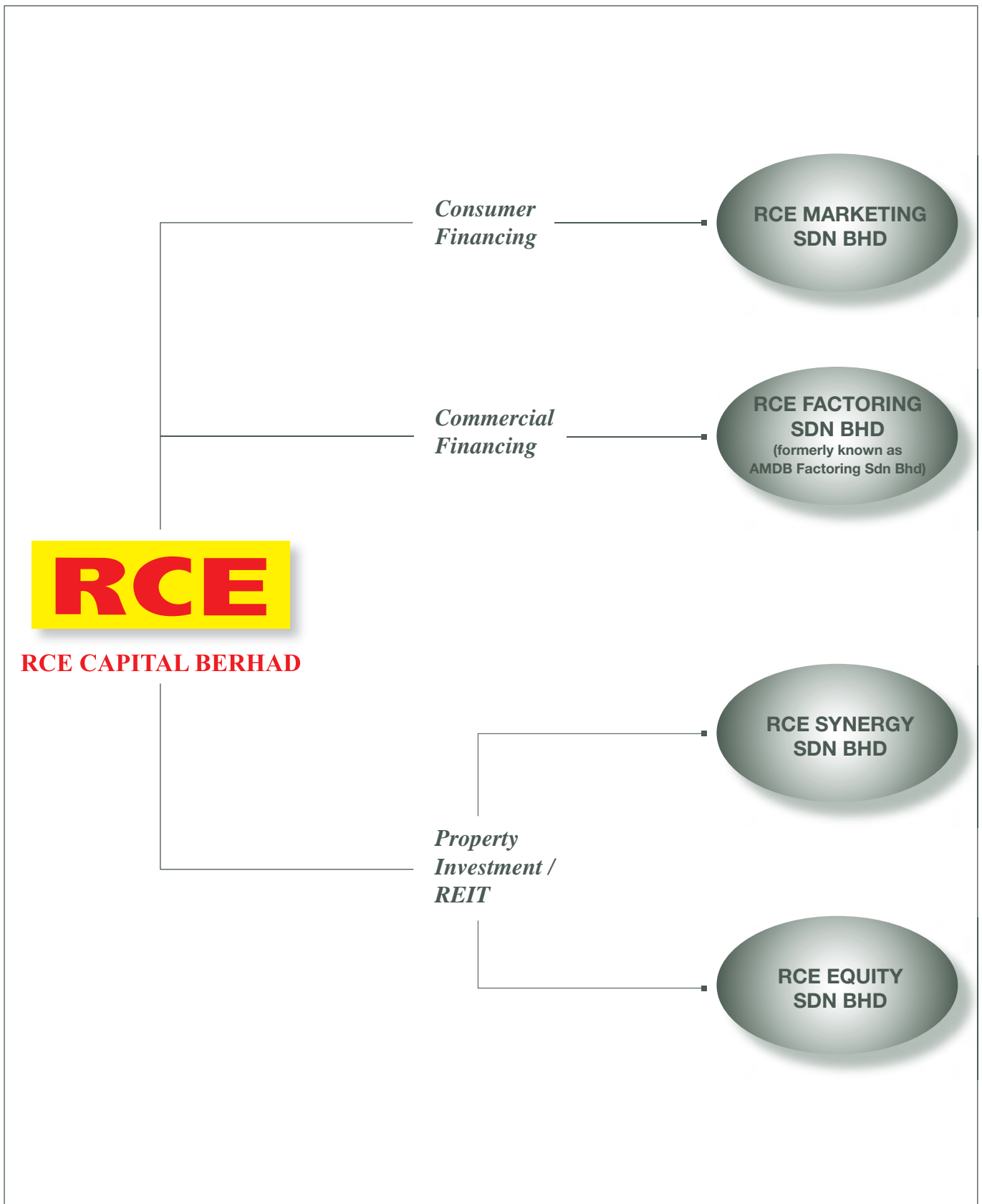
Consolidated Income Statements Financial Year Ended 31 March (RM'000)

	2003	2004	2005	2006	2007
Revenue	44,873	54,633	40,596	57,478	98,671
Profit before taxation	371	29,125	18,912	23,512	73,760
Profit/(Loss) after taxation	(1,272)	23,476	17,001	22,315	63,371
Net Profit/(Loss) attributable to shareholders	(1,100)	21,921	14,888	19,791	63,371
Earnings per share (sen)	(0.21)#	4.09#	2.78@	3.69@	9.98

Notes

@ Adjusted for bonus issue

Adjusted for bonus issue and share split



TAN SRI DATO' AZMAN HASHIM

Non-Independent Executive Chairman

Y. Bhg. Tan Sri Dato' Azman Hashim, a Malaysian, aged 68, was appointed to the Board on 2 December 1988.

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

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

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

MAJOR GENERAL (RTD) DATO' HAJI FAUZI BIN HUSSAIN

Independent Non-Executive Director

Y. Bhg. Major General (Rtd) Dato' Haji Fauzi bin Hussain, a Malaysian, aged 67, was appointed to the Board on 25 April 2003.

He is a graduate of the Command and Staff College of Indonesia and the Joint Services Staff College of Australia. He also attended management training courses in South Korea and the United States of America.

Dato' Haji Fauzi has since 1960 served in the Malaysian Army and the Royal Malaysian Air Force and held various positions in the command and staff appointments before retiring in November 1994 as Deputy Chief of Air Force. He was Joint-Chairman of the planning and execution committee of air exercises with Thailand and Indonesia and was also involved in the training and operations along the border of Malaysia and Thailand.

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

DATUK MOHD ZAMAN KHAN @ HASSAN BIN RAHIM KHAN

Independent Non-Executive Director

Y. Bhg. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan, a Malaysian, aged 64, was appointed to the Board on 26 March 1998.

He graduated from the Royal College of Defense Studies, United Kingdom and also holds a Graduate Certificate in Management from the Monash Mt. Eliza Business School.

He served the Malaysian Police Force for 35 years and had held several key positions, namely as Commissioner of Police, Director of Criminal Investigation and Director-General for the Prisons Department.

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

DATO' CHE MD NAWAWI BIN ISMAIL

Independent Non-Executive Director

Y. Bhg. Dato' Che Md Nawawi bin Ismail, a Malaysian, aged 57, was appointed to the Board on 28 February 2006.

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

Dato' Nawawi currently sits on the Board of AMDB Berhad and MCM Technologies Berhad.

CHEW KENG YONG

Independent Non-Executive Director

Mr. Chew Keng Yong, a Malaysian, aged 52, was appointed to the Board on 17 April 2001.

Mr. Chew obtained his Diploma in Management from the Malaysian Institute of Management in 1985.

He is the founder and the Group Chief Executive Officer of Pos Ad group of companies which is involved in the provision of brand-building solutions.

Mr. Chew is currently the President of the International Advertising Association (Malaysian Chapter). He is also a Board member of Focus on The Family (Malaysia) Sdn Bhd, a non-profit organisation dedicated to strengthen and enrich families in Malaysia. In 1998, he was elected as one of the winners of the 1998 Chivas Regal Achievement Award to Malaysian businessmen in recognition of their excellence accomplishments in business. In January 2007, Mr. Chew was appointed as an Adjunct Faculty member of the Faculty of Arts and Social Science of University Tunku Abdul Rahman.

SOO KIM WAI

Non-Independent Non-Executive Director

Mr. Soo Kim Wai, a Malaysian, aged 46, was appointed to the Board on 11 August 1997.

Mr. Soo is a Chartered Accountant (Malaysian Institute of Accountants) and a Certified Public Accountant (Malaysian Institute of Certified Public Accountants).

He joined AmcorpGroup Berhad (AMCORP) in 1989 as Senior Manager, Finance and has since held various positions. He was appointed as a Director of AMCORP on 13 March 1996 and subsequently as Managing Director on 1 January 1999. Before joining AMCORP, he was in the accounting profession for 5 years with Deloitte KassimChan from 1980 to 1985 and with Plantation Agencies Sdn Bhd from 1985 to 1989.

Mr. Soo also sits on the Board of AMDB Berhad, AMMB Holdings Berhad, AMCORP, AmProperty Trust Management Berhad, ECM Libra Avenue Berhad and MCM Technologies Berhad.

SHALINA AZMAN

Non-Independent Non-Executive Director

Puan Shalina Azman, a Malaysian, aged 40, was appointed to the Board on 6 January 2000.

She holds a Bachelor of Science in Business Administration majoring in Finance and Economics from Chapman University in California and in 1993, she obtained her Masters in Business Administration from University of Hull in United Kingdom.

Puan Shalina's involvement with the Company dates back to 1990 where she first gained invaluable experience in the media industry as a Business Development Officer. Prior to re-joining the Company, she was with AmcorpGroup Berhad (AMCORP) from 1995 to 1999 as a Senior Manager, Corporate Planning. She was subsequently appointed as the Managing Director of the Company on 1 September 2000. On 31 July 2002, Puan Shalina resigned as the Managing Director of the Company to re-join AMCORP and on 1 August 2002, she was appointed as the Deputy Managing Director of AMCORP.

Apart from the Company and AMCORP, Puan Shalina is also the Deputy Chairman of AMDB Berhad and a Director of MCM Technologies Berhad.

DETAILS OF MEMBERSHIP IN BOARD COMMITTEES

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

Notes:

None of the Directors have any family relationship with any Director and/or major shareholder of the Company, except for Tan Sri Dato' Azman Hashim who is the father of Puan Shalina Azman.

None of the Directors have any conflict of interest with the Company, other than as announced or as set out in Note 21 to the Financial Statements.

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



Dear Shareholders

The Year 2006 marked another important milestone for the RCE Capital Berhad Group (“the Group”). After spending 12 years on the Second Board of Bursa Malaysia Securities Berhad, RCE Capital Berhad (“the Company”) was promoted to the Main Board on 23 August 2006.

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2007.

ECONOMIC REVIEW

Amidst the uncertainties of escalating oil prices and the global political environment, the Malaysian economy continued to grow at a robust rate of 5.9% for the year 2006. In addition, the latest 1st quarter corporate results for 2007 continue to show a healthy trend, with most companies reporting better earnings than in the same quarter a year ago. Private consumption is projected to grow at 6.2% and 8.5% in 2007 and 2008 respectively while economists forecast economic growth to increase to 6.0% this year, on the back of expansion in all major economic sectors.

Domestic demand and consumption will continue to drive our economic growth, particularly with the recent civil servants' pay rise equivalent to RM8 billion increase in salaries and pensions per annum or over 3% of total private consumption spending.

FINANCIAL REVIEW

For the financial year under review, the Group enjoyed a further revenue growth of RM41.2 million or 71.7% compared to the previous financial year. This commendable improvement was mainly attributed to the growth in interest income arising from its core consumer financing activities.

Profit after tax also recorded another year of strong growth of RM63.4 million as compared to RM22.3 million in the previous financial year. This included a sizeable gain arising from the restructuring and re-branding exercise of the Group's investment in AmFirst Property Trust (“AMFPT”). The exercise resulted in the assets of AMFPT being bought over by a new property trust, AmFirst Real Estate Investment Trust (“AmFIRST REIT”) which allowed the Group to realise its investment and record a gain of RM20.4 million. Even with the exclusion of this exceptional gain, the Group still registered an earnings growth of 92.6% compared to the previous financial year.

As a result of the Group's strong performance, our basic earnings per share rose from 3.7 sen to 10.0 sen and our net assets per share grew from 17 sen to 25 sen.

On behalf of the Board, I wish to thank the management and staff for contributing towards the excellent results for the year.

CHAIRMAN'S STATEMENT

"As a result of the Group's strong performance, our basic earnings per share rose from 3.7 sen to 10.0 sen and our net assets per share grew from 17 sen to 25

Top 100 companies that gave the best returns (1 year)

COMPANY	PRICE (RM)	PRICE (RM)	TOTAL	NEW PRICE	SHAREHOLDERS'	CAGR (%)	RANK	PREVIOUS
	DEC 31, 2005	DEC 31, 2006	DIVS (RM)	DIVS (RM)	RETURN (%)			RANK
BTM Resources Bhd	0.22	1.49	0	1.49	577.3	577.3	1	876
Karambunai Corp Bhd	0.03	0.15	0	0.15	480.0	480.0	2	885
UEM World Bhd	0.35	1.75	0.015	1.77	411.6	411.6	3	866
Rexit Bhd	0.38	1.79	0.008	1.80	375.5	375.5	4	no ranking
Mentiga Corporation Bhd	0.22	1.01	0	1.01	359.1	359.1	5	197
Kannaltec Bhd	0.13	0.57	0	0.57	356.0	356.0	6	no ranking
Tebrau Teguh Bhd	0.12	0.53	0	0.53	341.7	341.7	7	698
Borneo Oil Bhd	0.71	1.78	0	1.78	152.5	152.5	36	7
RCE Capital Bhd	0.16	0.40	0	0.40	151.3	151.3	37	400
Hiap Teck Venture Bhd	0.58	1.41	0.025	1.44	149.6	149.6	39	822

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

COMPANY	PRICE (RM)	PRICE (RM)	TOTAL	NEW PRICE	SHAREHOLDERS'	CAGR (%)	RANK	PREVIOUS
	DEC 31, 2003	DEC 31, 2006	DIVS (RM)	DIVS (RM)	RETURN (%)			RANK
KNM Group Bhd	0.95	8.80	0.103	8.90	835.9	110.7	1	no ranking
Hexagon Holdings Bhd	0.83	5.10	0	5.10	512.2	82.9	2	19
Lion Diversified Holdings Bhd	1.19	6.35	0.6	6.95	484.0	80.1	3	2
Top Glove Corporation Bhd	1.73	9.75	0.171	9.93	473.7	79.0	4	1
Kossan Rubber Industries Bhd	0.91	4.68	0.167	4.85	431.4	74.5	5	12
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Peikang International Corporation Bhd	0.88	3.48	0.3	3.78	332.0	62.9	9	36
WANG BHD	1.60	6.40	0.003	6.40	320.8	62.7	10	55
RCE Capital Bhd	0.10	0.40	0	0.40	303.7	59.7	11	59
MUCH LAYU MILK INDUSTRIES (M) BHD	2.20	16.00	0.900	16.90	202.0	29.1	16	113

STANDARD & POORS

RCE Capital

Recommendation: **STRONG BUY**

Stock Code: 9298 Bloomberg: RCE MK Price: MYR0.64 12 Month Target Price: MYR1.05 Date: July 10, 2007

Board: Main
Sector: Trading/Services
GICS: Financials/Consumer Finance
Market Value - Total: MYR525 mln

Summary: RCE Capital Bhd's (RCE) primary business is the advancement of personal loans and consumer financial services targeted at customers in the public sector.

Analyst: Desmond Chng, ACA

Recent Developments

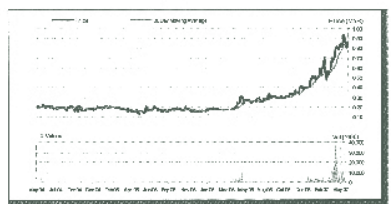
- The Prime Minister has finally unveiled a much anticipated and much deserved pay rise for the civil service. Accompanying this pay rise is the doubling of the cost of living allowances (COLA) package, which will undoubtedly be well received.
- The entire package will cost the Government an additional MYR5 bln a year (MYR8.5 bln for the salary hike and MYR1.2 bln for the increase in COLA). This move brings closer to one million civil servants and more than 800,000 pensioners, especially since the last salary hike was back in 2002.
- Salary increases range from 7.5% for senior management to 35% for category five support staff. COLA will increase by 100% while sickle and family person will get an additional 25%.
- We view this move positively. With the increase in disposable income, there is likely to be a multiplier effect within the economy through higher consumer spending. This move is also positive for RCE, which provides financing to the civil service. RCE's loan book has grown by leaps and bounds, ballooning from just MYR69 mln as at end-Dec 2005 to MYR366 mln as at end-Dec 2006. We expect this rapid pace to continue, aided in part by the increase in disposable income for the civil service.

Recommendation & Investment Risks

- We maintain our Strong Buy recommendation on the stock, but raise our 12 month target price to MYR1.05 from MYR0.62 previously.
- Our target price continues to be PER-based. Nevertheless, we are rolling forward our valuations and observing a higher PER of 11.7x to our FY07 'Ma' earnings forecast (previously 5.1x FY05 earnings forecast), this being a 20% discount to the present banking sector PER of 14.5x, to reflect RCE's smaller size as well as higher funding costs.

We view this move positively. With the increase in disposable income, there is likely to be a multiplier effect within the economy through higher consumer spending. This move is also positive for RCE, which provides financing to the civil service. RCE's loan book has grown by leaps and bounds, ballooning from just MYR69 mln as at end-Dec 2005 to MYR366 mln as at end-Dec 2006. We expect this rapid pace to continue, aided in part by the increase in disposable income for the civil service.

The Edge, 25 June 2007



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 The house estimates that monthly
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 Nevertheless, many analysts indi
 cate the need for government moni
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 prevent higher inflation in both the
 second part of this year as well as to
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 2008.

Fiscal deficit

Another concern is that the a
 tion of the Government will

DIVIDENDS

The Directors are pleased to recommend a final dividend of 10% less 26% taxation in respect of the financial year ended 31 March 2007 for shareholders' approval.

The Group remains committed to maximising and sustaining shareholders' value and returns, and will endeavour to pay out part of the net profits annually as dividends. Notwithstanding that, the Group is also mindful of preserving its assets and strengthening its balance sheet for the future.

BUSINESS DEVELOPMENT

The personal loan financing business of RCE Marketing Sdn Bhd Group ("RCEM Group") continues to be the main contributor to the growth in revenue and earnings of the Group. We remain focused on strengthening RCEM Group's business relationships to enhance future opportunities.

Besides expanding the number and improving the efficiency of our delivery channels, we have also established programmes with RCEM Group's business partners to boost loan growth.

In line with the Group's objective to be a key player in the specialised financial services industry and to complement our existing consumer financing business, on 4 January 2007, the Company completed its acquisition of the entire equity interest representing 10 million ordinary shares in RCE Factoring Sdn Bhd (formerly known as AMDB Factoring Sdn Bhd) ("RCEF"), for a cash consideration of RM10 million.

With the roll-out of the Ninth Malaysia Plan ("9MP"), we foresee an increase in demand for commercial credit factoring solutions in the trading and manufacturing segments. In this respect, we are confident that RCEF, whose principal activities are factoring and confirming of receivables, will make meaningful contributions to the Group in the years to come.

Despite having recorded four consecutive years of solid performances, the Group is constantly reviewing and strengthening its organisational, human capital, financial management, information technology and performance management capabilities. Throughout the year, we have embarked on various change management initiatives to position the Group for future growth in an increasingly competitive environment.

During the year, the Group continued to play its part in the development of our community with its monetary and non-monetary support to various charitable, educational and disaster relief programmes. These include several joint-community projects in collaboration with the cooperatives and their members.

CORPORATE DEVELOPMENT

During the year, the Group has completed all the corporate exercises announced previously. These include the 1 for 3 bonus issue, the restructuring of AMFPT and the transfer of listing of the Company from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.

On completion of the restructuring of AMFPT (now called AmFIRST REIT) and having disposed of 23.2 million units, we continue to hold 35.1 million AmFIRST REIT units. This investment is expected to provide the Group with a stable income stream at an estimated gross dividend yield of 7.2% per annum.

RCEM Group issued its entire RM420 million Medium Term Notes Programme on 5 March 2007. To fund its future loan growth, we are currently undertaking a more attractive and longer term fund raising exercise of up to RM1.5 billion in an Asset-Backed Securitisation exercise. This should offer lower cost of funds and is expected to improve the interest margin of our lending activities.

The Group will continue to identify and evaluate potential investments and strategic growth opportunities in its effort to improve its performance.

"The continuous investor relations initiatives undertaken by the Group have resulted in increased and extensive coverage of the stock by research houses and the media."

The new issue was aimed at expanding RCE's financial borrowings business, said group managing director Soo Kim Wai.

The Star, 29 August 2006

RCE plans up to RM1.5bil note issue

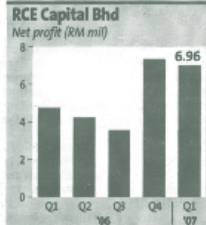
KUALA LUMPUR: RCE Capital Bhd intends to issue an additional RM1bil to RM1.5bil fixed-rate medium-term notes (MTNs) this current financial year ending March 31, 2007.

The new issue was aimed at expanding RCE's financial borrowings business, said group managing director Soo Kim Wai.

"Our current MTNs are over RM500mil and we hope to expand our MTNs to capture a larger local customer base," he told reporters after RCE's AGM yesterday.

As at July 31, the company had RM750mil of loans outstanding.

civil servants and is a member of the Arab-Malaysian Corp Bhd group. Soo also said the company planned to increase its 20 distribution channels to a total of 70 this fiscal year.



"We are also constantly seeking to appoint an additional business partner to market and promote RCE's funding solutions," he said.

Currently, the company's business partners include Koperasi Pegasus, Koperasi Sejahtera Bhd and Koperasi Belia Nasional Bhd.

On RCE's listing transfer recently, Soo said the main board status would assist the company in enhancing its profile in the capital market and securing funding in "more attractive ways".

For its first quarter ended June 30, the company posted a net profit of RM6.96mil, up 48% from RM4.7mil in the previous corresponding period. Revenue expanded by 72% to RM18.9mil from RM11mil previously.

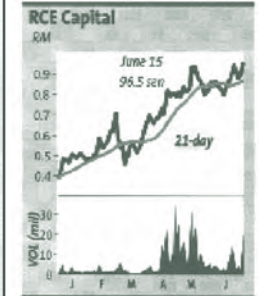


Salary play

WHILE civil servants are celebrating an upcoming salary revision, companies such as RCE Capital Bhd are rejoicing as well. The company, which has its mainstay in the provision of consumer credit facilities for Government servants seems a likely beneficiary of the pay hike.

According to research house Aseambankers, RCE Capital's loans book has grown substantially over the past few years. As at March this year, RCE Capital's principal amount of its total loan was about RM500mil, up from less than RM70mil in 2002.

Aseambankers says, "With the regulated personal loan and consumption credit market in Malaysia worth approximately RM255bil, this implies tremendous opportunity for RCE Capital to grow its market share and loans book further. And, given higher consumption power that could be derived from an upcoming salary revision in the civil service, we expect RCE Capital's position to strengthen significantly." - By JOSE BARROCK



Technical Analysis

RCE Capital Bhd has been on the steep upward momentum on persistent follow-through buying interest over the past several months, navigating the shares into the unknown territory to establish a fresh all-time high of RM1.01 during intra-day session yesterday.

Based on the daily bar chart, prices had climbed quite substantially since staging a major breakout of the 52 sen level sometime in February, but they show no sign of abating just yet, at least for now.

Perhaps, investors who are already in it can consider holding on to their shares for more capital gains.

Technically, the oscillator per cent K reversed upward from the neutral zone and crossed over the oscillator per cent D of the daily slow-stochastic momentum index to trigger a short-term buy on Thursday.

Similarly, the 14-day relative strength index headed higher towards the bullish territory.

In addition, the moving average convergence/divergence indicator continued to expand positively against the signal line.

On the back of the bullish reading, prices are likely to move forward, targeting the RM1.20 mark in the short-term.

The next upside projection is seen around the RM1.40-RM1.50 band. As for the downside, initial support is anticipated at 95 sen. An additional floor is pegged at the 90 sen level. - By K. M. Lee

Malaysia
CORPORATE HIGHLIGHTS
New Coverage
RCE Capital
The Alternative Banking Channel
Share Price : RM0.55
Fair Value : RM0.77
Return : Outperform
Analyst : Clare Chin
Tel : (603) 9280 2186
E-mail : cchin@rce.com.my

RHB
RHB Research Institute Sdn Bhd
A member of the RHB Group
CORPORATE HIGHLIGHTS
19 March 2007
RCE Capital Bhd
Share Price : RM0.55
Fair Value : RM0.77
Return : Outperform

- Our investment case. We like RCE for the following reasons:
- Strong demand for loans from civil servants to continue, translating into loan growth of 64% and 32% in FY03/08 and FY03/09, respectively.
 - Unique repayment model via salary deduction, and low turnover rate of civil servants keep NPL ratios low at 2-3% p.a..
 - Wide interest rate spread of 8% and low marketing cost result in strong EBIT margins of 47-48%.

Top companies that gave the best returns by sector (5 years)

COMPANY	PRICE (RM) DEC 31, 2001	PRICE (RM) DEC 31, 2006	TOTAL DIVS (RM)	NEW PRICE + TOTAL DIVS (RM)	SHAREHOLDERS RETURN (%)	CAGR (%)	RANK	PREVIOUS RANK
TRADING/SERVICES								
Malina Perdana Bhd	0.65	2.75	0.07	2.83	339.0	34.4	2	9
Edaran Otomobil Nasional Bhd	2.74	1.83	8.63	10.46	281.8	30.7	3	17
Mulpha International Bhd	0.38	1.38	0.00	1.38	263.2	29.4	4	22
RCE Capital Bhd	0.12	0.40	0.00	0.40	246.3	28.2	5	—
FINANCIAL SERVICES								
POS Malaysia & Services Holdings Bhd	1.61	5.00	0.32	5.32	190.7	27.0	6	10

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

COMPANY	PRICE (RM) DEC 31, 1996	PRICE (RM) DEC 31, 2006	TOTAL DIVS (RM)	NEW PRICE + TOTAL DIVS (RM)	SHAREHOLDERS RETURN (%)	CAGR (%)	RANK	PREVIOUS RANK
IOI Corporation Bhd	3.74	18.40	1.73	20.13	438.4	18.3	1	1
Kossan Rubber Industries Bhd	1.10	4.68	0.28	4.96	350.4	16.2	2	no ranking
Lion Diversified Holdings Bhd	1.60	6.35	0.62	6.97	335.6	15.9	3	38
Public Bank Bhd	2.74	7.75	2.70	10.45	281.8	14.3	4	3
AEON Co (M) Bhd	2.36	7.20	1.05	8.25	249.2	13.3	5	no ranking
Dutch Lady Milk Industries (M) Bhd	4.59	12.00	3.03	15.03	227.6	12.6	6	16
IOI Properties Bhd	4.10	9.50	2.96	12.46	203.9	11.8	7	12
Berjaya Capital Bhd	2.80	1.52	2.12	3.64	30.2	2.7	58	24
Chemical Co of Malaysia Bhd	3.65	3.28	1.43	4.71	28.9	2.6	59	52
RCE Capital Bhd	0.31	0.40	0.00	0.40	20.0	2.5	61	74
Berjaya Sports Toto Bhd	8.00	4.80	5.32	10.12	26.5	2.4	63	35

INVESTOR RELATIONS

The continuous investor relations initiatives undertaken by the Group have resulted in increased and extensive coverage of the stock by research houses and the media. The number of shareholders has increased from over 1,000 a year ago to more than 6,000 currently.

The Group will continue to make timely announcements to the public with regard to our corporate proposals, financial results and other required disclosures. These are also made available to shareholders and the general public through our website (<http://www.rce.com.my>) which continues to record very encouraging hit rates since its inception.

OUTLOOK/PROSPECTS

Supported by sustained global growth and resilient domestic demand, the Malaysian economy is expected to register a strong Gross Domestic Product growth of 6% in 2007. This will be driven by lower inflation rate, escalating rollout of projects under the 9MP, conducive government policies and the buoyant stock market. Consumer confidence (which is already at its highest since 2000) is expected to rise further in line with the improving economy.

The recent civil servants' pay hike and the impending review and extension of retirement age from 55 to 60 years are expected to boost the credit appetite of the public sector and correspondingly, the demand for the Group's loan financing services.

All these are positive signs for the Group. We are therefore optimistic about the Group's prospects and are confident of further improvement in its performance.

A WORD OF APPRECIATION

I would like to express my appreciation and gratitude to the board of directors, management and staff for their continuous demonstration of leadership, dedication and diligence, which are so essential for the future growth of the Group. None of our milestones would have been possible if not for their commitment and determination.

I would also like to thank all our business partners and the regulatory authorities for their invaluable and continuing support, and finally you, our shareholders for your confidence in the Group.

Yours sincerely



Tan Sri Dato' Azman Hashim
Chairman

22 August 2007



Para Pemegang Saham Yang Disanjung

Tahun 2006 telah merakamkan satu lagi mercu tanda yang baru kepada Kumpulan RCE Capital Berhad (“Kumpulan”). Selepas 12 tahun menduduki di Papan Kedua Bursa Malaysia Securities Berhad, RCE Capital Berhad (“Syarikat”) telah dipromosi menduduki di Papan Utama pada 23 Ogos 2006.

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentang Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat dan Kumpulan bagi tahun berakhir 31 Mac 2007.

TINJAUAN EKONOMI

Di dalam situasi yang tidak menentu bagi kenaikan harga minyak dan keadaan politik global persekitaran, ekonomi Malaysia terus meningkat kepada kadar yang kukuh sebanyak 5.9% bagi tahun 2006. Bagi suku tahun pertama, keputusan korporat bagi tahun 2007 terus menunjukkan haluan yang sihat, dimana banyak syarikat mencatat pendapatan yang lebih baik berbanding dengan suku pertama tahun lepas. Perbelanjaan peribadi dijangka meningkat kepada 6.2% dan 8.5% pada tahun 2007 dan 2008 sementara pakar ekonomi meramal pertumbuhan ekonomi meningkat kepada 6.0% bagi tahun ini kerana perkembangan dalam semua sektor ekonomi.

Permintaan domestik dan perbelanjaan akan menggalakkan pertumbuhan ekonomi negara kita secara berterusan, terutamanya dengan kenaikan gaji kakitangan-kakitangan kerajaan bersamaan dengan RM8 bilion kenaikan gaji dan wang pencen setahun atau lebih daripada 3% bagi perbelanjaan persendirian.

TINJAUAN KEWANGAN

Bagi tahun kewangan di bawah kajian, Kumpulan menikmati pertumbuhan pendapatan sebanyak RM41.2 juta atau 71.7% berbanding dengan tahun kewangan lepas. Peningkatan yang terpuji ini adalah hasil daripada pertumbuhan faedah pendapatan yang meningkat daripada aktiviti kewangan konsumen utama.

Keuntungan selepas cukai juga mencatat perkembangan yang kukuh sebanyak RM63.4 juta berbanding dengan RM22.3 juta bagi tahun kewangan lepas. Keuntungan yang hebat ini termasuk aktiviti penstrukturan dan penjenamaan semula daripada pelaburan Kumpulan di AmFirst Property Trust (“AMFPT”). Aktiviti ini menunjukkan pencapaiannya dalam aset AMFPT yang dibeli oleh dana hartanah yang baru, AmFirst Real Estate Investment Trust (“AmFIRST REIT”) yang membenarkan Kumpulan merealisasikan pelaburannya dan mencatat keuntungan sebanyak RM20.4 juta. Sekiranya pertumbuhan yang hebat ini tidak diambil kira, Kumpulan masih mencatat perkembangan pendapatan sebanyak 92.6% berbanding dengan tahun kewangan lepas.

Akibat daripada pencapaian yang kukuh daripada Kumpulan, pendapatan asas sesaham meningkat daripada 3.7 sen kepada 10.0 sen manakala nilai aset bersih setiap saham kami bertambah daripada 17 sen kepada 25 sen.

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada pihak pengurusan dan kakitangan atas sumbangan terhadap pencapaian yang cemerlang bagi tahun ini.

“Akibat daripada pencapaian yang kukuh daripada Kumpulan, pendapatan asas sesaham meningkat daripada 3.7 sen kepada 10.0 sen manakala nilai aset bersih setiap saham kami bertambah daripada 17 sen kepada 25 sen.”

Top 100 companies that gave the best returns (1 year)

COMPANY	PRICE (RM)	PRICE (RM)	TOTAL	NEW PRICE	SHAREHOLDERS'	CAGR (%)	RANK	PREVIOUS
	DEC 31, 2005	DEC 31, 2006	DIVS (RM)	DIVS (RM)	RETURN (%)			RANK
BTM Resources Bhd	0.22	1.49	0	1.49	577.3	577.3	1	876
Karambunai Corp Bhd	0.03	0.15	0	0.15	480.0	480.0	2	885
UEM World Bhd	0.35	1.75	0.015	1.77	411.6	411.6	3	866
Raxit Bhd	0.38	1.79	0.008	1.80	375.5	375.5	4	no ranking
Mentiga Corporation Bhd	0.22	1.01	0	1.01	359.1	359.1	5	197
Kannaltec Bhd	0.13	0.57	0	0.57	356.0	356.0	6	no ranking
Tebrau Teguh Bhd	0.12	0.53	0	0.53	341.7	341.7	7	698
Borneo Oil Bhd	0.71	1.78	0	1.78	152.5	152.5	36	7
RCE Capital Bhd	0.16	0.40	0	0.40	151.3	151.3	37	400
Hiap Teck Venture Bhd	0.58	1.41	0.025	1.44	149.6	149.6	39	822

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

COMPANY	PRICE (RM)	PRICE (RM)	TOTAL	NEW PRICE	SHAREHOLDERS'	CAGR (%)	RANK	PREVIOUS
	DEC 31, 2003	DEC 31, 2006	DIVS (RM)	DIVS (RM)	RETURN (%)			RANK
KNM Group Bhd	0.95	8.80	0.103	8.90	835.9	110.7	1	no ranking
Hexagon Holdings Bhd	0.83	5.10	0	5.10	512.2	82.9	2	19
Lion Diversified Holdings Bhd	1.19	6.35	0.6	6.95	484.0	80.1	3	2
Top Glove Corporation Bhd	1.73	9.75	0.171	9.93	473.7	79.0	4	1
Kossan Rubber Industries Bhd	0.91	4.68	0.167	4.85	431.4	74.5	5	12
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Mentiga Corporation Bhd	0.22	1.01	0	1.01	359.1	66.2	8	349
Peikain International Corporation Bhd	0.88	3.48	0.3	3.78	332.0	62.9	9	36
WANG BHD	1.60	8.80	0.893	9.69	320.8	62.7	10	55
RCE Capital Bhd	0.10	0.40	0	0.40	303.7	59.2	11	59

The Edge, 25 June 2007

STANDARD & POORS

RCE Capital

Recommendation: **STRONG BUY**

Stock Code: 9296 Bloomberg: RCE MK Price: MYR0.84 12 Month Target Price: MYR1.06 Date: July 10, 2007

Board: Main

Sector: Trading/Services

GICS: Financial/Consumer Finance

Market Value - Total: MYR525.2 m

Summary: RCE Capital Bhd (RCE) primary business is the advancement of personal loans and consumer financial services targeted at customers in the public sector.

Analyst: Desmond Chng, AGA

Recent Developments

- The Prime Minister has finally unveiled a much anticipated and much deserved pay rise for the civil service. Accompanying this pay rise is the doubling of the cost of living allowances (COLA) package, which will undoubtedly be well received.
- The entire package will cost the Government an additional MYR5.8m a year (MYR6.8 bn for the salary hike and MYR1.2 bn for the increase in COLA). This move brings closer to one million civil servants and more than 800,000 pensioners, especially since the last salary hike was back in 2002.
- Salary increases range from 7.5% for senior management to 25% for category one support staff. COLA will increase by 100% while police and city personnel will get an additional 25%.
- We view this move positively. With this increase in disposable income, there is likely to be a multiplier effect within the economy through higher consumer spending. This move is also positive for RCE, which provides financing to the civil service. RCE's loan book has grown by leaps and bounds, ballooning from just MYR68 m in at end-June 2005 to MYR366 m in at end-Dec 2006. We expect this rapid pace to continue, aided in part by the increase in disposable income for the civil service.

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- We maintain our Strong Buy recommendation on the stock, but raise our 12 month target price to MYR1.05 from MYR0.82 previously.
- Our target price continues to be PER-based. Nevertheless, we are rolling forward our valuations and attaching a higher PER of 11.7x to our FY07 'Mid' earnings forecast (previously 5.5x FY05 earnings forecast), this being a 20% discount to the present banking sector PER of 14.5x, to reflect RCE's smaller size as well as higher funding costs.

control quality
 ● The inter supply chain ingly holistic
 ● Adaptive and electronic ultimate goal
 These trends rethink the potential to that benefits value. However the most companies are liable to p tions, or even
 Companies from change need to take Without care shifting costs tends to be supply chain according to the different costs are inc

Financial supply chain
 A understanding of financial optimisation is important for both buyer and supplier companies. In a supply chain, the key parties in a supply chain to work together.
 A more sobering reason for financial supply chain optimisation is that a member of a supply chain that becomes part of an integrated supply chain by default, part of the problem is the reliance on non-aligned processes. Each firm is liable to be replaced by a firm better equipped to handle the processes.
 To visualise the cost-reduction process, consider a typical supply chain costs. That is, all costs are collected with obtaining financial statements, processing paperwork, as well as communication tend to fall into three groups

its (pps) in 2007
 and, and after
 one deflation, if
 salary revision
 eute an additional
 real GDP growth
 are respectively,
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 ants' disposable
 feel-good effect

rate has currently decelerated to below 2% year-on-year.
 The house estimates that monthly rates will remain below 3% for the rest of the year, as the impact of the increase in fuel prices and tariffs last year dissipates.
 Also fuel prices are expected to remain stable this year, in tandem with lower crude oil prices, which currently weigh in at under the US\$60 mark per barrel compared with last year's average of US\$66 per barrel.
 Nevertheless, many analysts indicate the need for government monitoring and enforcement in order to prevent higher inflation in both the second part of this year as well as to mitigate an expected increase in 2008.

Fiscal deficit
 Another concern is that the additional revenue the Government

first quarter GDP growth have been downgraded due to the lacklustre manufacturing and export performance. As such, the salary adjustment may be in time to provide a further boost to the economy," notes

DIVIDEN

Pihak Pengarah dengan sukacitanya ingin mengesyorkan dividen terakhir sebanyak 10% tolak cukai pada kadar 26% bagi tahun kewangan berakhir 31 Mac 2007, untuk kelulusan para pemegang saham.

Kumpulan tetap komit untuk memaksima dan mengekal nilai dan pulangan kepada para pemegang saham, dan berikhtiar untuk membayar sebahagian daripada keuntungan bersih tahunan sebagai dividen. Meskipun, Kumpulan juga sedar akan kepentingan memelihara aset-asetnya serta memperkukuhkan kunci kira-kiranya bagi masa hadapan.

PERKEMBANGAN PERNIAGAAN

Perniagaan kewangan pinjaman individu Kumpulan RCE Marketing Sdn Bhd ("Kumpulan RCEM") terus merupakan penyumbang utama kepada pertumbuhan pendapatan Kumpulan. Kami tetap memberi tumpuan sepenuhnya kepada usaha mengukuhkan ikatan hubungan perniagaan Kumpulan RCEM demi menambah peluang bagi masa yang akan datang.

Selain daripada meningkatkan bilangan dan mempertingkatkan keefisyensi saluran hantaran kami, kami juga mempunyai program-program dengan rakan-rakan perniagaan untuk mengalakkan pertumbuhan pembiayaan pinjaman peribadi ini.

Selaras dengan objektif Kumpulan untuk menjadi peranan penting dalam industri perkhidmatan kewangan khas dan membantu pelanggan dalam perniagaan pembiayaan pinjaman, Kumpulan telah mengambilalih kepentingan ekuiti dalam bentuk 10 juta saham biasa dalam RCE Factoring Sdn Bhd (dahulunya dikenali sebagai AMDB Factoring Sdn Bhd) ("RCEF"), yang mempunyai nilai sebanyak RM10 juta pada 4 Januari 2007.

Dengan pembentangan Rancangan Malaysia Kesembilan ("RM9"), kami meramal peningkatan permintaan dalam penyelesaian pengfaktoran kredit komersil dalam sektor perdagangan dan pengeluaran. Dengan ini, kami yakin bahawa RCEF, di mana aktiviti terpenting ialah pengfaktoran dan menetapkan penerimaan akan membawa sumbangan yang bermakna kepada Kumpulan pada tahun yang akan datang.

Walaupun Kumpulan telah mencatatkan prestasi yang cemerlang bagi empat tahun yang berturut-turut, Kumpulan masih ketara meninjau dan mengukuhkan pengorganisasian, sumber manusia, pengurusan kewangan, maklumat teknologi serta kebolehan prestasi pengurusan. Sepanjang tahun ini, kami telah melancar beberapa inisiatif perubahan pengurusan untuk meletakkan Kumpulan pada satu tahap yang lebih tinggi, dalam keadaan yang semakin kompetitif dan mencabar.

Dalam tahun ini, Kumpulan masih memainkan peranannya dalam pembentukan komuniti kami dengan menghulurkan bantuan dalam bentuk kewangan dan bukan kewangan kepada pelbagai badan kebajikan, pendidikan dan tabung bencana alam. Ini termasuk beberapa projek komuniti-bergabung dengan kerjasama koperasi-koperasi dan ahli-ahli mereka.

PERKEMBANGAN KORPORAT

Sepanjang tahun ini, Kumpulan telah selesai melaksanakan kesemua aktiviti korporat yang telah diumumkan sebelum ini. Ini termasuk isu pemberian 1 saham bonus bagi setiap 3 unit saham yang ada dalam pegangan, pengstrukturkan AMFPT dan peralihan senarai Syarikat daripada Papan Kedua ke Papan Utama Bursa Malaysia Securities Berhad.

Setelah menyempurnakan pengstrukturkan semula AMFPT (kini dikenali sebagai AmFIRST REIT) dan menjual sebanyak 23.2 juta unit, Kumpulan kami masih memegang sebanyak 35.1 juta unit AMFIRST REIT. Pelaburan ini dijangka memberi satu aliran pendapatan yang stabil kepada Kumpulan dengan pulangan dividen kasar yang dijangka pada kadar 7.2% setahun.

Kumpulan RCEM telah menerbitkan "Medium Term Notes Programme" sebanyak RM420 juta keseluruhannya pada 5 Mac 2007. Demi menyokong perkembangan aktiviti pembiayaan peribadi pada masa yang akan datang, kami kini sedang dalam proses mendapatkan satu sumber pembiayaan jangkamasa yang lebih panjang dan menarik yang bernilai RM1.5 bilion melalui aktiviti "Asset-Backed Securitisation". Ini akan memberi kesan yang positif di mana kos pinjaman lebih rendah dan akan memperbaiki margin faedah aktiviti pinjaman kami.

Kumpulan akan terus mengenal pasti dan menilai bakal pelaburan yang berpotensi serta peluang pertumbuhan yang strategik untuk meningkatkan prestasinya.

PENYATA PENERUSI

"Inisiatif hubungan pelabur berterusan yang dilaksanakan oleh Kumpulan telah menunjuk liputan saham yang menaik dan meluas daripada pusat kajian dan media."

The new issue was aimed at expanding RCE's financial borrowings business, said group managing director Soo Kim Wai.

The Star, 29 August 2006

RCE plans up to RM1.5bil note issue

KUALA LUMPUR: RCE Capital Bhd intends to issue an additional RM1bil to RM1.5bil fixed-rate medium-term notes (MTNs) this current financial year ending March 31, 2007.

The new issue was aimed at expanding RCE's financial borrowings business, said group managing director Soo Kim Wai.

"Our current MTNs are over RM500mil and we hope to expand our MTNs to capture a larger local customer base," he told reporters after RCE's AGM yesterday.

As at July 31, the company had RM750mil of loans outstanding.

civil servants and is a member of the Arab-Malaysian Corp Bhd group.

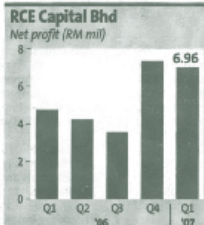
Soo also said the company planned to increase its 20 distribution channels to a total of 70 this fiscal year.

"We are also constantly seeking to appoint an additional business partner to market and promote RCE's funding solutions," he said.

Currently, the company's business partners include Koperasi Pekerja-Pekerja Bhd, Koperasi Sejahtera Bhd and Koperasi Belia Nasional Bhd.

On RCE's listing transfer recently, Soo said the main board status would assist the company in enhancing its profile in the capital market and securing funding in "more attractive ways".

For its first quarter ended June 30, the company posted a net profit of RM6.96mil, up 48% from RM4.7mil in the previous corresponding period. Revenue expanded by 72% to RM18.9mil from RM11mil previously.



Malaysia
MARKET OUTLINE

Corporate Highlights

New Coverage

RCE Capital
The Alternative Banking Channel

Share Price : RM0.55
Fair Value : RM0.77
Return : Outperform

Analyst : Clare Chin Tel : (603) 9280 2186 E-mail : cchin@rce.com.my

◆ **Alternative financier to civil servants.** With the success in 2003, RCE Capital Bhd's (RCE) main business is loans to civil servants. RCE also owns 6.2% of Amf acquired 100% of RCE Factoring for RM10m.

◆ **Our investment case.** We like RCE for the following reasons:

- Strong demand for loans from civil servants to continue, translating into loan growth of 64% and 32% in FY03/08 and FY03/09, respectively.
- Unique repayment model via salary deduction, and low turnover rate of civil servants keep NPL ratios low at 2-3% p.a..
- Wide interest rate spread of 8% and low marketing cost result in strong EBIT margins of 47-48%.



RHB Research
Institutional Sales Bhd
A member of the RHB Group
Company No. 920214 of
19 March 2007

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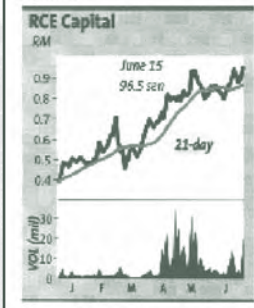


Salary play

WHILE civil servants are celebrating an upcoming salary revision, companies such as RCE Capital Bhd are rejoicing as well. The company, which has its mainstay in the provision of consumer credit facilities for Government servants seems a likely beneficiary of the pay hike.

According to research house Aseambankers, RCE Capital's loans book has grown substantially over the past few years. As at March this year, RCE Capital's principal amount of its total loan was about RM500mil, up from less than RM70mil in 2002.

Aseambankers says, "With the regulated personal loan and consumption credit market in Malaysia worth approximately RM25bil, this implies tremendous opportunity for RCE Capital to grow its market share and loans book further. And, given higher consumption power that could be derived from an upcoming salary revision in the civil service, we expect RCE Capital's position to strengthen significantly." - By JOSE BARROCK



Technical Analysis

RCE Capital Bhd has been on the steep upward momentum on persistent follow-through buying interest over the past several months, navigating the shares into the unknown territory to establish a fresh all-time high of RM1.01 during intra-day session yesterday.

Based on the daily bar chart, prices had climbed quite substantially since staging a major breakout of the 52 sen level sometime in February, but they show no sign of abating just yet, at least for now.

Perhaps, investors who are already in it can consider holding on to their shares for more capital gains.

Technically, the oscillator per cent K reversed upward from the neutral zone and crossed over the oscillator per cent D of the daily slow-stochastic momentum index to trigger a short-term buy on Thursday.

Similarly, the 14-day relative strength index headed higher towards the bullish territory.

In addition, the moving average convergence/divergence indicator continued to expand positively against the signal line.

On the back of the bullish reading, prices are likely to move forward, targeting the RM1.20 mark in the short-term.

The next upside projection is seen around the RM1.40-RM1.50 band.

As for the downside, initial support is anticipated at 95 sen. An additional floor is pegged at the 90 sen level. - By K. M. Lee

COMPANY	PRICE (RM) DEC 31, 2001	PRICE (RM) DEC 31, 2006	TOTAL DIVS (RM)	NEW PRICE TOTAL DIVS (RM)	SHAREHOLDERS RETURN (%)	CAGR (%)	RANK	PREVIOUS RANK
TRADING/SERVICES								
Malta Perdana Bhd	0.65	2.75	0.07	2.81	339.0	34.4	2	9
Edaran Otomobil Nasional Bhd	2.74	1.83	8.63	10.46	281.8	30.7	3	17
Mulpha International Bhd	0.38	1.38	0.00	1.38	263.2	29.4	4	22
RCE Capital Bhd	0.12	0.40	0.00	0.40	246.3	28.2	6	—
FINANCIAL SERVICES								
POS Malaysia & Services Holdings Bhd	1.61	5.00	0.32	5.32	190.7	27.0	8	10

COMPANY	PRICE (RM) DEC 31, 1996	PRICE (RM) DEC 31, 2006	TOTAL DIVS (RM)	NEW PRICE TOTAL DIVS (RM)	SHAREHOLDERS RETURN (%)	CAGR (%)	RANK	PREVIOUS RANK
IOI Corporation Bhd	3.74	18.40	1.73	20.13	438.4	18.3	1	1
Kossan Rubber Industries Bhd	1.10	4.68	0.28	4.96	350.4	16.2	2	no ranking
Lion Diversified Holdings Bhd	1.60	6.35	0.62	6.97	335.6	15.9	3	38
Public Bank Bhd	2.74	7.75	2.70	10.45	281.8	14.3	4	3
AEON Co (M) Bhd	2.36	7.20	1.05	8.25	249.2	13.3	5	no ranking
Dutch Lady Milk Industries (M) Bhd	4.59	12.00	3.03	15.03	227.6	12.6	6	16
IOI Properties Bhd	4.10	9.50	2.96	12.46	203.9	11.8	7	12
Berjaya Capital Bhd	2.80	1.52	2.12	3.64	30.2	2.7	58	24
Chemical Co of Malaysia Bhd	3.65	3.28	1.43	4.71	28.9	2.6	59	52
RCE Capital Bhd	0.31	0.40	0.00	0.40	20.0	2.5	61	74
Berjaya Sports Toto Bhd	8.00	4.80	5.32	10.12	26.5	2.4	63	35

The Edge, 25 June 2007

The Star, 16 June 2007

HUBUNGAN PELABUR

Inisiatif hubungan pelabur berterusan yang dilaksanakan oleh Kumpulan telah menunjuk liputan saham yang menaik dan meluas daripada pusat kajian dan media. Bilangan para pemegang saham telah bertambah daripada lebih 1,000 orang setahun yang lepas kepada lebih daripada 6,000 orang pada masa kini.

Kumpulan akan terus membuat pengumuman kepada orang awam mengenai cadangan korporat, keputusan prestasi kewangan dan pernyataan yang diperlukan dari masa ke semasa. Kesemua maklumat ini disediakan untuk para pemegang saham serta orang awam dan boleh didapati dengan melayari laman web kami (<http://www.rce.com.my>) yang masih mencatatkan kadar kunjungan yang memberangsangkan sejak pelancaran laman web ini.

HARAPAN/PROSPEK

Dengan pertumbuhan global yang berterusan dan permintaan domestik yang meningkat, ekonomi Malaysia dijangka mencatat pertumbuhan Keluaran Dalam Negara Kasar sebanyak 6% pada tahun 2007. Keadaan ini didorong oleh kadar inflasi yang lebih rendah, peningkatan dalam pelaksanaan projek-projek di bawah RM9, polisi-polisi kerajaan yang sesuai serta pasaran saham yang stabil dan menaik. Keyakinan pengguna (yang telah mencapai tahap tertinggi semenjak tahun 2000) dijangka naik, selaras dengan keadaan ekonomi yang semakin pulih.

Kenaikan gaji kakitangan kerajaan yang baru-baru ini serta kajian semula bagi melanjutkan usia persaraan wajib daripada 55 tahun kepada 60 tahun dijangka akan menambahkan selera kredit sektor awam serta permintaan bagi perkhidmatan pinjaman peribadi Kumpulan.

Kesemua ini merupakan tanda-tanda positif kepada Kumpulan. Justeru itu, kami beroptimistik terhadap prospek Kumpulan serta yakin akan perkembangan prestasinya.

PENGHARGAAN

Saya ingin menyampaikan penghargaan dan mengucapkan terima kasih kepada lembaga pengarah, pihak pengurusan dan semua kakitangan terhadap kepimpinan, dedikasi serta ketekunan yang disumbangkan secara berterusan dan ini amat penting kepada perkembangan Kumpulan bagi masa yang akan datang. Kejayaan yang dikecapi oleh Kumpulan mungkin tidak akan tercapai sekiranya tiada komitmen dan sokongan yang tidak ternilai oleh mereka ini.

Saya juga ingin mengucapkan terima kasih kepada rakan-rakan perniagaan dan pihak-pihak berkuasa atas sokongan padu dan berterusan. Akhir sekali, terima kasih kepada anda, pemegang-pemegang saham atas keyakinan kepada Kumpulan.

Yang benar



Tan Sri Dato' Azman Hashim
Pengerusi

22 Ogos 2007

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

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

BOARD OF DIRECTORS

Board Composition and Balance

The Board, which consists of members from different backgrounds and diverse expertise, is effective and competent in leading and directing RCE Group’s business operations. The Directors together as a team set the values and standards of the Company and ensures that it meets its obligations to shareholders and other stakeholders. A brief description on the background of each current Director is presented on pages 11 to 14 of the Annual Report.

The Board comprise an Executive Director and six (6) Non-Executive Directors, of whom four (4) are independent as defined under the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements (“LR”). This composition has complied with the requirement prescribed in the LR where at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, are independent directors. The independent directors play a crucial role in the exercise of independent assessment and objective participation in Board deliberations and the decision-making process.

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

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

Duties and Responsibilities

The Board’s principal focus is the overall strategic direction, development and control of the Group. In support of this focus, the Board maps out and reviews the Group’s medium and long term strategic plans on an annual basis, so as to align the Group’s business directions and goals with the prevailing economic and market conditions. It also reviews the management’s performance and ensures that necessary financial and human resources are available to meet the Group’s objectives. The Board’s other main duties include regular oversight of the Group’s business performance, and ensuring that the internal controls and risk management processes of the Group are well in place and are implemented consistently.

Board Meetings and Supply of Information

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

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

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

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

The attendance of Directors at Board meetings are as follows:

Name of Director	No. of Meetings Attended
Tan Sri Dato' Azman Hashim <i>(Executive Chairman, Non-Independent Executive Director)</i> <i>(Redesignated as Executive Chairman on 1 June 2007)</i>	4/4
Major General (Rtd) Dato' Haji Fauzi Hussain <i>(Independent Non-Executive Director)</i>	4/4
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan <i>(Independent Non-Executive Director)</i>	4/4
Dato' Che Md Nawawi bin Ismail <i>(Independent Non-Executive Director)</i>	4/4
Chew Keng Yong <i>(Independent Non-Executive Director)</i> <i>(Redesignated as Independent Non-Executive Director on 28 August 2006)</i>	3/4
Soo Kim Wai <i>(Non-Independent Non-Executive Director)</i>	4/4
Shalina Azman <i>(Non-Independent Non-Executive Director)</i>	4/4

Appointment to the Board

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

Re-election of Directors

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

Directors' Training

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

All the Directors have completed the Mandatory Accreditation Programme ("MAP"). During the financial year, the Directors attended various executive workshops and seminars on relevant topics to keep abreast with the latest market developments in relation to the Group's business and new regulatory requirements on corporate governance, strategic planning with budgeting, leadership development, performance management and financial reporting.

The Nomination Committee has reviewed and is satisfied that the Directors have received the necessary training during the financial year ended 31 March 2007 which enhanced their effectiveness and contribution to the Board.

Directors' Remuneration

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

Details of the remuneration of the Directors for the financial year ended 31 March 2007 are as follows:

- Aggregate Remuneration

Category	Non-Executive Directors (RM)
Fees	140,000
Other Emoluments	49,840
Benefits-in-kind	25,383
Total	215,223

- Analysis of Remuneration

Range of Remuneration	No. of Non-Executive Directors
RM50,000 & below	6
RM50,001 – RM100,000	1

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 11 of Bursa Securities LR. The Board is of the opinion that the disclosure through "band disclosure" is sufficient to meet the objectives of the Code. Separate and detailed disclosure of individual Director's remuneration would not add significantly to the understanding of shareholders and other interested persons in this aspect.

BOARD COMMITTEES

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

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

The Board Committees in RCE are as follows:

Audit Committee

The Audit Committee is made up of five (5) Non-Executive Directors, four (4) of whom are independent. The members of the Audit Committee are as follows:

1. Major General (Rtd) Dato' Haji Fauzi bin Hussain
(Independent Non-Executive Director) – Chairman
2. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan
(Independent Non-Executive Director)
3. Dato' Che Md Nawawi bin Ismail
(Independent Non-Executive Director)
4. Chew Keng Yong
(Independent Non-Executive Director, appointed on 28 August 2006)
5. Soo Kim Wai
(Non-Independent Non-Executive Director)

The Audit Committee's principal role is to reduce conflicts of interest particularly between management and shareholders and to ensure that the Group's assets are utilised efficiently. As part of the Audit Committee's responsibilities, they would review the Company's financial statements, related party transactions and the system of internal controls. They may also consider whether procedures on internal audit are effective at monitoring adherence to the Company's standards and values.

A full Audit Committee Report enumerating its membership, terms of reference and activities during the financial year is set out on pages 35 to 40 of this Annual Report.

Nomination Committee

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

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

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

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

Remuneration Committee

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

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

The Remuneration Committee is primarily responsible in setting the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for the Executive Directors and other members of the staff of the Group with the aim to attract, retain and motivate high caliber individuals. The Remuneration Committee shall meet as and when required.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board endeavours to present a balanced and comprehensive assessment of the Group's financial performance through the annual audited financial statements and quarterly financial results to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year. The Directors consider that in preparing the financial statements, the Directors have consistently used and applied the appropriate and relevant accounting policies and made judgments and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Company and the Group keep proper accounting records in accordance with the provisions of the Companies Act, 1965 to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

Internal Control

The Board acknowledges its overall responsibility in maintaining an internal control system that provides reasonable assurance of effective and efficient operations, compliance with laws and regulations, as well as internal procedures and guidelines. However, the Group's system of internal control is designed to manage and not eliminate the risk of failure to achieve the Group's objectives, hence the internal control system can only provide reasonable and not absolute assurance against the risk of material errors, fraud or loss.

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out on page 34 of this Annual Report.

Audit Committee

The Audit Committee conducts a review of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter adopted by the Group.

The minutes of the Audit Committee meetings are tabled to the Board for perusal and for action where appropriate. Summary of activities carried out during the financial year by the Audit Committee are detailed in the Audit Committee Report on pages 35 to 40.

Relationship with Auditors

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company's auditors, both internal and external. It is the policy of the Audit Committee to meet the external auditors to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the Management at least once a year and whenever deemed necessary.

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

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Communication with Shareholders

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

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

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

Corporate and financial information of the Group are also made available to the public through the Group's website at www.rce.com.my.

Investor Relations

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

Primary contact for investor relations matters:

Loh Kam Chuin
Executive Director, Corporate Affairs

Contact Details

Telephone number : 603-40470888

E-mail : IR@rce.com.my

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 22 May 2007.

1. Material Contracts

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

2. Share Buy-back

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

3. Options, Warrants or Convertible Securities

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

4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

There were no ADR or GDR programme sponsored by the Company during the financial year.

5. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries by the Company's auditors, or a firm or company affiliated to the auditors' firm for the financial year ended 31 March 2007 was RM50,050.

6. Profit Guarantee

There was no profit guarantee given by the Company during the financial year.

7. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

8. Variation in Results

There were no variances of 10% or more between the audited results for the financial year and the unaudited results announced.

9. Utilisation of Proceeds

The proceeds totaling RM272.1 million from the following corporate proposals:

- (a) the issuance of 21.1 million new ordinary shares of RM0.10 each at a premium of RM0.171 per share in the Company ("Placement Shares") to an approved Bumiputra placee for a cash consideration of RM5.7 million; and
- (b) the issuance of RM280 million out of a total of RM420 million 10-year Fixed Rate Medium Term Notes ("MTNs") by RCE Advance Sdn Bhd, a subsidiary company (out of which RM50 million MTNs were taken up by a subsidiary company within the Group, RCE Equity Sdn Bhd)

were utilised as follows:

Description	RM'000
Gross proceeds	225,649
Payment of expenses	(2,106)
Working capital	(210,640)
Payment of MTN coupons	(4,155)
Cash retained in sinking funds	(8,748)
<hr/>	
Balance as at 31 March 2007	-

10. List of Properties and Revaluation Policy

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

Location	Tenure	Age of Building (Years)	Area (sq. ft.)	Description/ Existing Use	Net Book Value (RM'000)	Date of Acquisition	Expiry Date
Unit No. 1502 Level 15 Menara PJ Pusat Perdagangan AMCORP No. 18 Jalan Persiaran Barat 46050 Petaling Jaya Selangor Darul Ehsan	Leasehold	10	5,511	Office	1,735	3 December 2004	11 September 2088

Save as disclosed above, the Company does not have any landed properties and therefore has not adopted any revaluation policy.

The Board of Directors (“Board”) is responsible for the Group’s system of internal control and for reviewing its adequacy and integrity.

However, the Group’s system of internal control is designed to manage and not eliminate the risk of failure to achieve the Group’s objectives, hence it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of RCE Capital Berhad is pleased to disclose that:

- i) there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year; and
- ii) the said process is regularly reviewed by the Board and accords with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board summarises below the process it has applied in reviewing the adequacy and the integrity of the system of internal control:

- i) The Board has appointed the Audit Committee to examine the effectiveness of the Group’s systems of internal control on behalf of the Board. This is accomplished through the review of the internal audit department’s work, which focuses on areas of priority as identified by risk analysis and in accordance with audit plan approved by the Audit Committee.
- ii) The Group’s Risk Management framework is outlined in the Group’s Risk Management Policy. The Audit Committee shall assist the Board in evaluating the adequacy of the Group’s Risk Management framework. A Risk Management Committee comprising members of senior management monitors the risks faced by the Group and the Risk Management Committee reports to the Audit Committee.
- iii) The framework of the Group’s system of internal control and key procedures include:
 - A management structure exists with clearly defined lines of responsibility and the appropriate levels of delegation.
 - Key functions such as accounts, tax, treasury, insurance and legal matters are controlled centrally.
 - The management determines the applicability of risk monitoring and reporting procedures and is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls.
 - Policies and procedures are clearly documented in the Corporate Policy Manual and Standard Operating Procedures of most of the Operating Units in the Group in which their operations must comply.
 - Corporate values, which emphasise ethical behavior, quality products and services, are set out in the Group’s Employee Handbook.
- iv) The Group also practices Annual Budgeting and monitoring process as follows:
 - There is an annual budgeting process for each area of business and approval of the annual budget by the Board.
 - Actual performance compared with budget together with explanation of any major variances is reviewed monthly while budget for the current year is reviewed at least semi-annually.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of RCE consists of:

Name	Designation	Directorship
Major General (Rtd) Dato' Haji Fauzi bin Hussain	Chairman	Independent Non-Executive Director
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan	Member	Independent Non-Executive Director
Dato' Che Md Nawawi bin Ismail	Member	Independent Non-Executive Director
Chew Keng Yong (<i>appointed on 28 August 2006</i>)	Member	Independent Non-Executive Director
Soo Kim Wai *	Member	Non-Independent Non-Executive Director

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

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2007, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:

Name	No. of Meetings Attended
Major General (Rtd) Dato' Haji Fauzi bin Hussain	4/4
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan	4/4
Dato' Che Md Nawawi bin Ismail	4/4
Chew Keng Yong (<i>appointed on 28 August 2006</i>)	2/2
Soo Kim Wai	4/4

The representative of the Internal Audit attended all the meetings held during the financial year. Other senior management members and the representatives of the external auditors also attended these meetings upon invitation to brief the Audit Committee on specific issues.

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as set out below:

1.0 Composition

- 1.1 The Audit Committee shall be appointed by the Board of Directors from among their number and shall consist of not less than three (3) members, the majority of whom shall be independent non-executive directors of the Company.

- 1.2 The Board shall at all times ensures that at least one (1) member of the Audit Committee:
- must be a member of the Malaysian Institute of Accountants (MIA); or
 - if he or she is not a member of the MIA, he must have at least three (3) years' working experience and:
 - (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he or she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - fulfils such other requirements as prescribed by the Exchange.
- 1.3 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.4 The Chairman of the Audit Committee shall be elected among the members of the Audit Committee and shall be an independent non-executive director.
- 1.5 No alternate director is to be appointed as a member of the Audit Committee.
- 1.6 The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

2.0 Quorum and Procedures of Meetings

- 2.1 Meetings shall be held not less than four (4) times in a financial year.
- 2.2 The quorum of meetings of the Audit Committee shall consist of not less than three (3) members; the majority of those present must be independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from among the members present.
- 2.3 The Company Secretary shall act as Secretary of the Audit Committee.
- 2.4 The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel and external independent professional advisers to attend the meetings.
- 2.5 The Audit Committee shall meet with the external auditors without executive board members' presence, at least once in a financial year.
- 2.6 Minutes of each meeting shall be kept and distributed to each member of the Board.

3.0 Authority

- 3.1 The Audit Committee is authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Audit Committee.

- 3.2 The Audit Committee shall have full and unrestricted access to any information pertaining to the Company and the Group.
- 3.3 The Audit Committee shall have direct communication channels with the internal and external auditors, and with the management of the Group, and shall be able to convene meetings with the external auditors, whenever deemed necessary.
- 3.4 The Audit Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, external legal or other independent professional advice it considers necessary.
- 3.5 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to the Exchange.

4.0 Duties and Responsibilities

The Audit Committee shall review and, where appropriate, report to the Board of Directors the following:

- (a) Risk Management and Internal Control
 - The adequacy and effectiveness of risk management, internal control and governance systems instituted in the Company and the Group
 - The Group's risk management policy and implementation of the risk management framework
 - The appointment or termination of members of the risk management committee
 - The report of the risk management committee
- (b) Internal Audit
 - The adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work
 - Any appraisal or assessment of the performance of members of the internal audit function, including the Head of Internal Audit; and approve any appointment or termination of senior members of the internal audit function
- (c) External Audit
 - The external auditors' audit plan and scope of their audits, including any changes to the planned scope of the audit plan
 - The external auditors' audit opinion and their evaluation of the system of internal controls
 - The appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board
 - The assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work

(d) Audit Reports

- Internal and external audit reports to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified
- Major internal and external audit findings and management responses, including status of previous audit recommendations

(e) Financial Reporting

The quarterly results and the year end financial statements of the Company and the Group for recommendation to the Board of Directors for approval, focusing particularly on:

- changes in or implementation of accounting policies and practices
- significant adjustments arising from the audit
- significant and unusual events
- going concern assumption
- compliance with accounting standards and other legal requirements

(f) Related Party Transactions

Any related party transaction and conflict of interest situation that may arise within the Company or the Group.

(g) Allocation of Share Options

Verification on the allocation of share options to ensure compliance with the criteria for allocation of share options pursuant to the share scheme for employees of the Group at the end of each financial year.

(h) Other Functions

Any such other functions as the Audit Committee considers appropriate or as authorised by the Board of Directors.

SUMMARY OF ACTIVITIES

The Audit Committee had carried out the following activities during the financial year:

- **Financial Results**

- a. Reviewed the quarterly unaudited financial results of the Group prior to recommending them for the approval by the Board.

- b. Reviewed the annual financial statements of the Group with the external auditors prior to submission to the Board for their consideration and approval. The review was focusing particularly on changes of accounting policy, significant and unusual event and compliance with applicable approved accounting standards in Malaysia and other legal and regulatory requirements.

- **Internal Audit**

- a. Reviewed the annual audit plan for adequacy of scope and coverage on the activities of the Group.
- b. Reviewed the audit programmes, resource requirements for the year and assessed the performance of the internal audit function.
- c. Reviewed the internal audit reports, audit recommendations made and management responses to these recommendations and actions taken to improve the system of internal control and procedures.
- d. Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- e. Reviewed the Control Self-Assessment ratings submitted by the respective operations management.

- **External Audit**

- a. Reviewed with the external auditors:
 - the audit planning memorandum, audit strategy and scope of work for the year.
 - the results of the annual audit, their audit report and management letter together with management's responses to the findings of the external auditors.
- b. Reviewed the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.

- **Related Party Transactions**

Reviewed the related party transactions entered into by the Group. Reviewed the recurrent related party transactions of a revenue or trading nature on quarterly basis.

INTERNAL AUDIT FUNCTION

The Company engaged the services of the internal audit department of AmcorpGroup Berhad, a major shareholder of the Company, to perform its internal audit functions.

The scope of internal audit functions performed by the internal audit encompasses audit visits to all relevant subsidiaries of the Group on a regular basis. The objectives of such audit visits are to determine whether adequate controls have been established and are operating in the Group, to provide reasonable assurance that:

- business objectives and policies are adhered to
- operations are cost effective and efficient
- assets and resources are satisfactorily safeguarded and efficiently used
- integrity of records and information is protected
- applicable laws and regulations are complied with

The emphasis of such audit visits encompass critical areas of the Group such as revenue, cost of sales, expenditure, assets, internal controls, operating performance and financial statement review. Audit reports are issued to highlight any deficiency or findings requiring the management's attention. Such reports also include practical and cost effective recommendations as well as proposed corrective actions to be adopted by the management. The audit reports and management's responses are circulated to the Audit Committee and the Group Chairman for review and comments. Follow-up audits are then carried out to determine whether corrective actions have been taken by the management.

Financial Statements

Directors' Report	42
Report of the Auditors	46
Income Statements	47
Balance Sheets	48
Statements of Changes in Equity	50
Cash Flow Statements	51
Notes to the Financial Statements	53
Statement by Directors	94
Declaration by the Officer Primarily Responsible for the Financial Management of the Company	94

The directors of **RCE CAPITAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended March 31, 2007.

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 14 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 for the year	63,371,276	1,022,288

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

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year.

At the forthcoming annual general meeting, a final dividend in respect of the financial year ended March 31, 2007 of 10%, less 26% tax on 646,337,640 ordinary shares, amounting to RM4,782,899 will be proposed for shareholders' approval. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the financial year ending March 31, 2008.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

As approved by the shareholders at the Extraordinary General Meeting ("EGM") held on July 7, 2006:

- (i) the authorised share capital of the Company was increased from RM50,000,000, divided into 0.5 billion ordinary shares of RM0.10 each, to RM200,000,000, divided into 2 billion ordinary shares of RM0.10 each, by the creation of an additional 1.5 billion ordinary shares of RM0.10 each;

ISSUE OF SHARES AND DEBENTURES (CONT'D)

- (ii) the issued and paid-up ordinary share capital of the Company was increased from RM46,892,823 to RM62,523,764 by way of bonus issue of 156,309,410 new ordinary shares of RM0.10 each on the basis of one (1) new ordinary share for every three (3) existing ordinary shares of RM0.10 each held, by capitalising RM7,791,506 from the share premium account and RM7,839,435 from the unappropriated profit account; and
- (iii) the issued and paid-up share capital of the Company was further increased from RM62,523,764 to RM64,633,764 by way of a private placement of 21,100,000 new ordinary shares of RM0.10 each at a premium of RM0.171 per share to an approved bumiputra placee of the Ministry of International Trade and Industries. The resulting premium of RM3,608,100 has been credited to the share premium account.

These new ordinary shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

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

SHARE OPTIONS

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

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

OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

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

OTHER FINANCIAL INFORMATION (CONT'D)

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

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

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

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

DIRECTORS

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

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

In accordance with Article 106 of the Company's Articles of Association, Tan Sri Dato' Azman Hashim and Mr. Chew Keng Yong retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.10 each			Balance as of 31.3.2007
	Balance as of 1.4.2006	Bought	Sold	
Shares in the Company				
Direct interests				
Chew Keng Yong	32,250	1,644,050	-	1,676,300
Indirect interests				
Tan Sri Dato' Azman Hashim	182,069,680	85,889,893	-	267,959,573

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of the balances and transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests as mentioned in Note 21 to the Financial Statements.

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

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 22, 2007

We have audited the accompanying balance sheets as of March 31, 2007 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of March 31, 2007 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of subsidiary companies of which we have not acted as auditors as shown in Note 14 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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

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



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



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

May 22, 2007

INCOME STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

RCE CAPITAL BERHAD

ANNUAL REPORT 2007

47

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	5	98,671,353	57,478,045	3,306,972	3,031,532
Other income		24,156,947	3,370,290	-	10,111,999
Interest expense applicable to revenue	7	(26,393,280)	(8,391,611)	-	-
Directors' remuneration	8	(189,840)	(134,841)	(189,840)	(134,841)
Staff costs	7	(2,677,153)	(2,427,047)	(569,750)	(627,200)
Depreciation of property, plant and equipment	12	(364,237)	(395,213)	(73,498)	(120,248)
Depreciation of investment property	13	(36,583)	(36,584)	-	-
Other expenses		(16,514,135)	(24,440,544)	(247,966)	(3,395,904)
Operating profit	7	76,653,072	25,022,495	2,225,918	8,865,338
Finance costs	9	(2,893,262)	(1,510,341)	(546,743)	(110,337)
Profit before tax		73,759,810	23,512,154	1,679,175	8,755,001
Income tax expense	10	(10,388,534)	(1,196,865)	(656,887)	(597,879)
Profit for the year		63,371,276	22,315,289	1,022,288	8,157,122
Attributable to:					
Equity holders of the Company		63,371,276	19,790,948		
Minority interest		-	2,524,341		
		63,371,276	22,315,289		
Earnings per ordinary share:					
Basic (sen)	11	9.98	3.69		

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

BALANCE SHEETS

AS OF MARCH 31, 2007

RCE CAPITAL BERHAD 48
ANNUAL REPORT 2007

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	1,759,341	1,343,947	228,474	206,502
Investment property	13	1,734,682	1,771,265	-	-
Investments in subsidiary companies	14	-	-	64,671,956	54,338,802
Goodwill on consolidation	15	28,676,975	28,343,821	-	-
Loans and hire-purchase receivables - non-current portion	16	368,967,714	220,284,312	-	-
Other investments	17	31,557,173	61,169,971	-	-
Deferred tax assets	18	7,891,652	6,596,874	-	-
Total Non-current Assets		440,587,537	319,510,190	64,900,430	54,545,304
Current Assets					
Short-term investments	19	8,499,693	4,000,000	-	-
Trade receivables	20	15,034,707	1,407,246	-	-
Loans and hire-purchase receivables	16	45,668,639	14,920,047	-	-
Other receivables, deposits and prepaid expenses	20	10,668,233	6,784,737	755,836	3,390
Amount owing by subsidiary companies	21	-	-	63,444,981	83,356,568
Short-term and fixed deposits with licensed financial institutions	28	162,627,317	48,573,559	-	-
Cash and bank balances	28	5,355,243	7,432,912	25,694	133,197
Total Current Assets		247,853,832	83,118,501	64,226,511	83,493,155
Total Assets		688,441,369	402,628,691	129,126,941	138,038,459
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	64,633,764	46,892,823	64,633,764	46,892,823
Reserves	23	97,102,135	46,049,520	6,645,281	17,941,654
Total Equity		161,735,899	92,942,343	71,279,045	64,834,477
Non-Current Liabilities					
Hire-purchase payables	24	56,312	36,026	56,312	-
Finance lease payables	25	145,217	121,330	-	-
Borrowings	26	456,324,341	272,685,179	40,000,000	-
Deferred tax liabilities	18	189,000	150,000	-	-
Total Non-current Liabilities		456,714,870	272,992,535	40,056,312	-

(Forward)

BALANCE SHEETS

AS OF MARCH 31, 2007

RCE CAPITAL BERHAD
ANNUAL REPORT 2007 **49**

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Current Liabilities					
Other payables and accrued expenses	27	36,444,651	19,601,360	713,872	252,845
Amount owing to a subsidiary company	21	-	-	16,972,322	72,935,447
Hire-purchase payables	24	55,578	67,022	19,552	-
Finance lease payables	25	206,806	105,070	-	-
Borrowings	26	30,257,504	16,285,718	-	-
Tax liabilities		3,026,061	634,643	85,838	15,690
Total Current Liabilities		69,990,600	36,693,813	17,791,584	73,203,982
Total Liabilities		526,705,470	309,686,348	57,847,896	73,203,982
Total Equity and Liabilities		688,441,369	402,628,691	129,126,941	138,038,459

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2007

RCE CAPITAL BERHAD
ANNUAL REPORT 2007

50

The Group	Note	Non-Distributable Reserves -			Distributable Reserve -	Total Reserves	Minority Interests	Total
		Share Capital	Share Premium	Reserve on Consolidation	Unappropriated Profit			
		RM	RM	RM	RM	RM	RM	RM
Balance as of April 1, 2005		40,151,250	-	2,155,312	16,060,995	18,216,307	3,134,037	61,501,594
Profit for the year		-	-	-	19,790,948	19,790,948	2,524,341	22,315,289
Issuance of shares	22	6,741,573	8,042,265	-	-	8,042,265	-	14,783,838
Acquisition of shares from minority shareholders		-	-	-	-	-	(5,658,378)	(5,658,378)
Balance as of March 31, 2006		46,892,823	8,042,265	2,155,312	35,851,943	46,049,520	-	92,942,343
Effect of adopting FRS 3 Business Combinations	2(b)	-	-	(2,155,312)	2,155,312	-	-	-
		46,892,823	8,042,265	-	38,007,255	46,049,520	-	92,942,343
Profit for the year		-	-	-	63,371,276	63,371,276	-	63,371,276
Bonus issue	22	15,630,941	(7,791,506)	-	(7,839,435)	(15,630,941)	-	-
Private placement	22	2,110,000	3,608,100	-	-	3,608,100	-	5,718,100
Shares issue expenses		-	(295,820)	-	-	(295,820)	-	(295,820)
Balance as of March 31, 2007		64,633,764	3,563,039	-	93,539,096	97,102,135	-	161,735,899

The Company	Note	Non-Distributable Reserve -		Distributable Reserve -	Total Reserves	Total
		Share Capital	Share Premium	Unappropriated Profit		
		RM	RM	RM	RM	RM
Balance as of April 1, 2005		40,151,250	-	1,742,267	1,742,267	41,893,517
Profit for the year		-	-	8,157,122	8,157,122	8,157,122
Issuance of shares	22	6,741,573	8,042,265	-	8,042,265	14,783,838
Balance as of March 31, 2006		46,892,823	8,042,265	9,899,389	17,941,654	64,834,477
Profit for the year		-	-	1,022,288	1,022,288	1,022,288
Bonus issue	22	15,630,941	(7,791,506)	(7,839,435)	(15,630,941)	-
Private placement	22	2,110,000	3,608,100	-	3,608,100	5,718,100
Shares issue expenses		-	(295,820)	-	(295,820)	(295,820)
Balance as of March 31, 2007		64,633,764	3,563,039	3,082,242	6,645,281	71,279,045

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

RCE CAPITAL BERHAD

ANNUAL REPORT 2007

51

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit for the year	63,371,276	22,315,289	1,022,288	8,157,122
Adjustments for:				
Finance costs	29,286,542	9,901,952	546,743	110,337
Income tax expense	10,388,534	1,196,865	656,887	597,879
Allowance for impairment in value	3,506,353	-	-	-
Allowance for doubtful debts, net	3,267,617	16,426,142	-	2,900,000
Amortisation of discount on medium term notes	642,725	-	-	-
Depreciation of property, plant and equipment	364,237	395,213	73,498	120,248
Bad debts written off	349,066	78,133	-	-
Depreciation of investment property	36,583	36,584	-	-
Property, plant and equipment written off	12,769	-	-	-
Gain on disposal(s) of:				
Other investment	(20,398,965)	-	-	-
Quoted shares	(106,119)	-	-	-
Property, plant and equipment	-	(111,286)	-	(109,999)
Dividend income	(3,641,470)	(3,638,256)	-	-
Interest income	(3,097,072)	(786,325)	(54,194)	-
Waiver of debt by a related party	-	(1,549,696)	-	-
Gain on redemption of investment in preference shares of a subsidiary company	-	-	-	(10,002,000)
Operating Profit Before Working Capital Changes	83,982,076	44,264,615	2,245,222	1,773,587
(Increase)/Decrease in:				
Loan and hire-purchase receivables	(183,048,677)	(181,605,869)	-	-
Trade receivables	2,444,946	227,377	-	-
Other receivables, deposits and prepaid expenses	(2,460,518)	(20,149)	(752,446)	35,498
Amount owing by subsidiary companies	-	-	19,911,587	(5,961,293)
Increase/(Decrease) in:				
Other payables and accrued expenses	10,364,151	8,398,131	461,027	63,877
Amount owing to a subsidiary company	-	-	(55,963,125)	(4,184,041)
Cash Used In Operations	(88,718,022)	(128,735,895)	(34,097,735)	(8,272,372)
Interest paid	(26,393,280)	(8,391,611)	-	-
Tax paid	(11,510,788)	(7,841,987)	(586,739)	(606,189)
Tax refunded	1,343,979	193,033	-	-
Net Cash Used In Operating Activities	(125,278,111)	(144,776,460)	(34,684,474)	(8,878,561)

(Forward)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

RCE CAPITAL BERHAD
ANNUAL REPORT 2007 **52**

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Capital distribution from other investments		23,305,410	-	-	-
Proceeds from disposal of other investments		23,200,000	-	-	-
Dividend received		3,605,050	3,444,562	-	-
Interest received		3,097,072	786,325	54,194	-
Proceeds from disposals of quoted shares		365,592	-	-	-
Proceeds from:					
Disposal of property, plant and equipment		-	7,828,787	-	110,000
Redemption of investment in preference shares of a subsidiary company		-	-	-	12,002,000
Acquisition of a subsidiary company (Note 14)		(6,665,118)	-	(10,333,154)	-
Acquisition of investment in corporate bonds		(4,000,000)	(4,000,000)	-	-
Acquisition of quoted shares		(759,166)	-	-	-
Additions to property, plant and equipment (Note 12)		(213,970)	(868,740)	(10,470)	-
Acquisition of investment in property trust units		-	(31,970,897)	-	-
Additional investment in a subsidiary company		-	-	-	(2,000)
Net Cash From/(Used In) Investing Activities		41,934,870	(24,779,963)	(10,289,430)	12,110,000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Issuance of medium term notes		219,931,000	120,000,000	-	-
Drawdown of term loans, net		20,764,447	71,970,897	40,000,000	-
Issuance of shares		5,718,100	-	5,718,100	-
Drawdown/(Settlement) of other borrowings, net		331,479	(2,500,000)	-	-
(Settlement)/Drawdown of revolving credits, net		(30,000,000)	30,000,000	-	(2,000,000)
Redemption of bonds and commercial papers, net		(18,000,000)	(10,000,000)	-	-
Finance costs paid		(2,893,262)	(1,510,341)	(546,743)	(110,337)
Share issue expenses		(295,820)	(216,162)	(295,820)	(216,162)
Repayment of:					
Finance lease payables		(160,456)	(90,393)	-	-
Hire-purchase payables		(76,158)	(62,527)	(9,136)	-
Net Cash From/(Used In) Financing Activities		195,319,330	207,591,474	44,866,401	(2,326,499)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		111,976,089	38,035,051	(107,503)	904,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		56,006,471	17,971,420	133,197	(771,743)
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	167,982,560	56,006,471	25,694	133,197

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

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the main board of Bursa Malaysia Securities Berhad.

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 14.

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on May 22, 2007.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Changes in Accounting Policies

On April 1, 2006, the Group and the Company adopted all of the new and revised Financial Reporting Standards ("FRSs") that are relevant to its operations and effective for periods beginning on or after January 1, 2006 as follows:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 140	Investment Property

The application of the revised FRS 101, Presentation of Financial Statements, has resulted in a change in the presentation of the income statements, balance sheets, statements of changes in equity and cash flow statements. The changes in the presentation have been applied retrospectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

Changes in Accounting Policies (cont'd)

The adoption of these new and revised FRSs has not resulted in principal changes in accounting policies of the Group and the Company except as follows:

(a) FRS 101: Presentation of Financial Statements

Prior to April 1, 2006, minority interest at the balance sheet date was presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interest is presented within total equity. In the consolidated income statement, minority interest is presented as an allocation of the total profit and loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interest.

These changes in presentation in the consolidated financial statements have been applied retrospectively. As of March 31, 2007 and 2006, no minority interest was presented on the consolidated balance sheet as the Company held 100% equity interest in all of its subsidiary companies.

(b) FRS 3: Business Combinations and FRS 136: Impairment of Assets

In prior years, goodwill on consolidation is stated at cost less accumulated impairment, if any. Goodwill on consolidation is not amortised and is reviewed at each balance sheet date, and will be written down for impairment when it is considered necessary. Negative goodwill is not amortised and is included as part of non-distributable reserve under shareholders' equity.

With the adoption of FRS 3 and FRS 136 on April 1, 2006, goodwill is tested annually for impairment, including in the year of its initial recognition, or more frequently when there is an indication that the cash-generating unit to which goodwill was allocated may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Also, with the adoption of FRS 3, any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in income statement. Prior to April 1, 2006, negative goodwill was credited as reserve on consolidation in the consolidated balance sheet. In accordance with the transitional provisions of FRS 3, the negative goodwill as of April 1, 2006 of RM2,155,312 was derecognised and an adjustment has been made to the opening unappropriated profit and reserve on consolidation.

(c) FRS 140: Investment Property

In prior years, the Group's interest in a leasehold building held to earn rentals and/or for capital appreciation, which was stated at cost less accumulated depreciation and any impairment losses, was classified as property, plant and equipment. With the adoption of FRS 140 on April 1, 2006, the Group's interest in the leasehold building has been reclassified as investment property.

As the Group has elected to apply the cost model in valuing its leasehold building, as allowed by FRS 140, the Group's leasehold building will continue to be stated at cost less accumulated depreciation and any impairment losses.

This change in presentation in the consolidated financial statements has been applied retrospectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

Accounting Standards Issued but Not Effective

As of the date of authorisation of the financial statements, the following new/revised FRSs and IC Interpretations which are relevant to the operations of the Group and the Company were in issue but not yet effective:

(a) FRS 117 Leases

FRS 117 is effective for accounting periods on or after October 1, 2006. The Group and the Company will apply this standard from financial period beginning April 1, 2007.

(b) Related Party Disclosures

FRS 124 is effective for accounting periods beginning on or after October 1, 2006 and will affect the identification of related parties and certain other related party disclosures. The Group and the Company will apply this standard from financial periods beginning April 1, 2007.

(c) FRS 139 Financial Instruments: Recognition and Measurement

The effective date of FRS 139 has yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company will apply this standard when it becomes effective.

The directors are of the opinion that the abovementioned new/revised FRSs will have no material financial impact on the financial statements of the Group and the Company for the financial year ending March 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Revenue and Revenue Recognition

Revenue of the Group consists of interest income from hire-purchase and cash loan financing, commission income from provision of financial administrative, debts management and information technology support services, interest income from factoring and confirming activities, rental income and income from trading of securities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue and Revenue Recognition (cont'd)

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

(i) Hire-purchase and cash loan financing

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

(ii) Factoring and confirming activities

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

(iii) Others

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

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

Rental income is recognised on accrual basis.

Income from trading of securities is recognised when the risks and rewards of ownership have passed.

Foreign Currency Conversion

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

As of March 31, 2007 and 2006, none of the balances in the balance sheet is to be settled in foreign currencies and the Group does not have any foreign subsidiary companies.

Income Tax

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

Deferred tax is provided for, using the "liability" method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Assets Excluding Goodwill

At each balance sheet date, the Group and the Company review the carrying amounts of their non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statements.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statements.

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:

Office equipment, furniture and fittings	15% - 20%
Computers and information technology ("IT") equipment	20% - 33.33%
Computers and IT equipment under finance lease	20%
Motor vehicles	20% - 25%
Motor vehicles under hire-purchase	20%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Plant and Equipment under Hire-Purchase Arrangements

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

Leased Assets

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

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

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

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and any impairment losses.

Depreciation of investment property is computed on a straight-line method to write off the cost over its estimated useful life at the annual depreciation rate of 2%.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill on Consolidation

Goodwill arising on consolidation represents the excess of cost of acquisition over the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities, and is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Long-Term Investment

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

Short-Term Investments

Short-term investments, representing investments in securities held for trading purpose, fixed rate medium term notes and unquoted corporate bonds, are stated at cost adjusted for amortisation of premium or accretion of discount, where applicable, to maturity dates.

Investments in quoted shares are stated at the lower of cost and market value on a portfolio basis.

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, interest-in-suspense 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the income statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

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

Cash Flow Statements

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except for the following:

(a) Impairment test of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (cont'd)

(b) Allowance for doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals with were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

5. REVENUE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Loan financing services:				
Interest income*	65,739,491	21,528,757	-	-
Commission income**	25,557,912	27,297,932	-	-
Others	2,520,629	4,749,638	-	-
	93,818,032	53,576,327	-	-
Dividend income from investment in real estate investment trust/property trust units	3,641,470	3,638,256	-	-
Factoring and confirming	874,270	-	-	-
Rental income	231,462	263,462	-	-
Trading of securities	106,119	-	-	-
Management fee from a subsidiary company	-	-	3,306,972	3,031,532
	98,671,353	57,478,045	3,306,972	3,031,532

* Comprises interest income from hire-purchase and cash loan financing.

** Comprises commission income from provision of financial administrative and debts management services.

6. SEGMENT REPORTING

The Group 2007	Loan financing services RM	Investment holding and management services RM	Factoring and confirming RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	94,155,613	3,641,470	874,270	-	-	98,671,353
Inter-segment sales	360,000	9,863,786	-	-	(10,223,786)	-
Total revenue	94,515,613	13,505,256	874,270	-	(10,223,786)	98,671,353
Results						
Profit/(Loss) from operations	46,136,434	29,988,224	594,981	(3,261)	(63,306)	76,653,072
Finance costs						(2,893,262)
Profit before tax						73,759,810
Income tax expense						(10,388,534)
Profit for the year						63,371,276

(Forward)

6. SEGMENT REPORTING (CONT'D)

The Group 2007	Loan financing services RM	Investment holding and management services RM	Factoring and confirming RM	Others RM	Eliminations RM	Consolidated RM
Other Information						
Capital additions	484,989	95,470	4,590	-	-	585,049
Depreciation and amortisation	988,057	110,081	17,632	-	(72,225)	1,043,545
Non-cash expenses other than depreciation and amortisation	3,629,452	3,506,353	-	-	-	7,135,805
Consolidated Balance Sheet						
Segment assets	613,353,450	240,024,499	21,173,271	107,452	(186,217,303)	688,441,369
Segment liabilities	471,184,959	133,387,547	10,747,946	4,630	(91,645,673)	523,679,409
Unallocated corporate liabilities						3,026,061
Consolidated total liabilities						526,705,470
The Group 2006						
Revenue						
External sales	53,576,327	3,901,718	-	-	-	57,478,045
Inter-segment sales	-	3,031,532	-	-	(3,031,532)	-
Total revenue	53,576,327	6,933,250	-	-	(3,031,532)	57,478,045
Results						
Profit from operations	22,164,646	11,319,048	-	1,540,801	(10,002,000)	25,022,495
Finance costs						(1,510,341)
Profit before tax						23,512,154
Income tax expense						(1,196,865)
Profit for the year						22,315,289
(Forward)						

6. SEGMENT REPORTING (CONT'D)

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

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

7. OPERATING PROFIT AND STAFF COSTS

Operating profit is arrived at after the following credits/(charges):

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Gain on disposal of investment in property trust units (Note 17)	20,398,965	-	-	-
Interest income from short-term and fixed deposits	3,097,072	786,325	54,194	-
Bad debts recovered	603,827	876,618	-	-
Realised gain on foreign exchange	2,974	-	-	-
Gain on redemption of investment in preference shares of a subsidiary company	-	-	-	10,002,000
Waiver of debt by a related party (Note 21)	-	1,549,696	-	-
Gain on disposal of property, plant and equipment	-	111,286	-	109,999
Interest expense applicable to revenue:				
Fixed rate medium term notes, serial bonds and commercial papers (Note 26)	(22,093,513)	(6,386,701)	-	-
Term loan	(4,223,045)	(2,004,910)	-	-
Trust receipt	(49,886)	-	-	-
Revolving credit	(14,479)	-	-	-
Bankers' acceptances	(12,223)	-	-	-
Bank overdraft	(134)	-	-	-
	(26,393,280)	(8,391,611)	-	-
Allowance for doubtful debts, net	(3,267,617)	(16,426,142)	-	(2,900,000)
Private placement expenses on fixed rate medium term notes, serial bonds and commercial papers	(3,219,956)	(3,792,815)	-	-
Allowance for impairment loss on other investment	(3,506,353)	-	-	-
Amortisation of discount on medium term notes	(642,725)	-	-	-
Bank borrowings facility fees	(561,817)	(1,715,000)	(37,000)	-
Bad debts written off	(349,066)	(78,133)	-	-
Rental of:				
Premises	(236,013)	(154,856)	(36,000)	(36,000)
Office equipment	(18,177)	(16,969)	(4,640)	(7,540)
Royalty expense	(91,437)	-	-	-
Staff costs:				
Salaries	(2,363,422)	(2,150,036)	(565,000)	(600,000)
Contribution to defined contribution plan	(202,846)	(217,392)	-	-
Social security contribution	(16,396)	(12,261)	-	-
Others	(94,489)	(47,358)	(4,750)	(27,200)
	(2,677,153)	(2,427,047)	(569,750)	(627,200)
Auditors' remuneration:				
Statutory audit				
- Current year	(81,120)	(69,000)	(18,500)	(15,500)
- Underprovision in prior year	(11,855)	(7,500)	(3,000)	(4,500)
Other services	(6,000)	(7,200)	(6,000)	(3,000)
Property, plant and equipment written off	(12,769)	-	-	-

8. DIRECTORS' REMUNERATION

	The Group and The Company	
	2007 RM	2006 RM
Directors of the Company:		
Non-executive directors		
- Fees and allowances	189,840	134,841

Included in fees and allowances are contributions to Employees Provident Fund of RM6,840 (2006: RM6,840).

The estimated monetary value of benefits-in-kind received and receivable by a director otherwise than in cash from the Company amounted to RM25,383 (2006: RM Nil).

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	
	2007	2006
Non-Executive Directors		
RM50,000 and below	6	7
RM50,001 - RM100,000	1	-

9. FINANCE COSTS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest on:				
Term loans	2,857,680	1,342,761	543,507	-
Hire-purchase and finance lease	35,582	32,082	3,236	-
Revolving credits	-	109,820	-	84,659
Bank overdrafts	-	25,678	-	25,678
	2,893,262	1,510,341	546,743	110,337

10. INCOME TAX EXPENSE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Income tax payable:				
Current	11,043,606	4,738,887	642,920	575,690
Under/(Over)provision in prior years	432,209	(1,084,348)	13,967	22,189
Deferred tax (Note 18):				
Current	(1,110,281)	(2,469,674)	-	-
Underprovision of deferred tax liabilities in prior year	23,000	12,000	-	-
	(1,087,281)	(2,457,674)	-	-
	10,388,534	1,196,865	656,887	597,879

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before tax	73,759,810	23,512,154	1,679,175	8,755,001
Tax at applicable statutory tax rate of 27% (2006: 28%)	19,665,398	6,296,566	453,377	2,451,400
Tax at applicable statutory tax rate of 20% (2006: 20%)	197,649	204,884	-	-
Tax effects of (income)/expenses not (assessable)/deductible in determining taxable profit	(2,605,100)	1,882,163	200,943	(1,875,710)
Realisation of deferred tax assets not recognised previously	(7,574,380)	(6,114,400)	(11,400)	-
Effects of changes in tax rate on deferred tax brought forward	248,114	-	-	-
Deferred tax assets not recognised	1,644	-	-	-
Tax at effective tax rate	9,933,325	2,269,213	642,920	575,690
Under/(Over) provision of tax payable in prior years	432,209	(1,084,348)	13,967	22,189
Underprovision of deferred tax liabilities in prior year	23,000	12,000	-	-
Income tax charged to income statements	10,388,534	1,196,865	656,887	597,879

11. EARNINGS PER ORDINARY SHARE

	The Group	
	2007 RM	2006 RM
Profit for the year attributable to equity holders of the Company	63,371,276	19,790,948
	2007	2006
	Shares	Shares (Restated)
Weighted average number of shares in issue:		
At beginning of year	468,928,230	401,512,500
Effect of bonus issue of shares	156,309,410	133,960,634
Effect of private placement of shares	9,827,397	-
Effect of issuance of shares	-	369,401
Total	635,065,037	535,842,535
Earnings per ordinary share (sen)	9.98	3.69

The basic earnings per ordinary share of the Group has been calculated by dividing the Group's profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year and the comparative figure had been restated to adjust for the effect of the bonus issue.

12. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land - at valuation RM	Office equipment, furniture and fittings RM	Computers and IT equipment RM	Computers and IT equipment under finance lease RM	Motor vehicles RM	Motor vehicles under hire- purchase RM	Total RM
Cost							
Balance as of April 1, 2005	7,717,500	211,040	514,941	-	903,643	360,355	9,707,479
Additions	-	65,049	803,691	316,793	-	-	1,185,533
Disposals	(7,717,500)	-	(92,836)	-	(405,000)	-	(8,215,336)
Balance as of							
March 31, 2006	-	276,089	1,225,796	316,793	498,643	360,355	2,677,676
Additions	-	50,480	153,020	286,079	-	95,470	585,049
Acquisition of a subsidiary company	-	204,651	308,521	-	271,314	-	784,486
Disposals	-	-	(270,454)	-	-	-	(270,454)
Write-off	-	(3,050)	-	(15,020)	-	-	(18,070)
Balance as of							
March 31, 2007	-	528,170	1,416,883	587,852	769,957	455,825	3,758,687

(Forward)

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

The Group	Freehold land - at valuation RM	Office equipment, furniture and fittings RM	Computers and IT equipment RM	Computers and IT equipment under finance lease RM	Motor vehicles RM	Motor vehicles under hire-purchase RM	Total RM
Accumulated depreciation							
Balance as of April 1, 2005	-	204,724	383,134	-	573,616	274,877	1,436,351
Charge for the year	-	7,234	119,899	59,738	122,864	85,478	395,213
Disposals	-	-	(92,836)	-	(404,999)	-	(497,835)
Balance as of March 31, 2006	-	211,958	410,197	59,738	291,481	360,355	1,333,729
Charge for the year	-	23,212	157,407	98,658	77,964	6,996	364,237
Acquisition of a subsidiary company	-	173,179	302,936	-	101,020	-	577,135
Disposals	-	-	(270,454)	-	-	-	(270,454)
Write-off	-	(3,048)	-	(2,253)	-	-	(5,301)
Balance as of March 31, 2007	-	405,301	600,086	156,143	470,465	367,351	1,999,346
Net book value							
As of March 31, 2007	-	122,869	816,797	431,709	299,492	88,474	1,759,341
As of March 31, 2006	-	64,131	815,599	257,055	207,162	-	1,343,947

The Company	Office equipment RM	Motor vehicles RM	Motor vehicle under hire-purchase RM	Total RM
Cost				
Balance as of April 1, 2005	36,328	899,999	-	936,327
Disposals	-	(405,000)	-	(405,000)
Balance as of March 31, 2006	36,328	494,999	-	531,327
Addition	-	-	95,470	95,470
Balance as of March 31, 2007	36,328	494,999	95,470	626,797
Accumulated depreciation				
Balance as of April 1, 2005	33,172	576,404	-	609,576
Charge for the year	2,904	117,344	-	120,248
Disposals	-	(404,999)	-	(404,999)
Balance as of March 31, 2006	36,076	288,749	-	324,825
Charge for the year	252	66,250	6,996	73,498
Balance as of March 31, 2007	36,328	354,999	6,996	398,323
Net book value				
Balance as of March 31, 2007	-	140,000	88,474	228,474
Balance as of March 31, 2006	252	206,250	-	206,502

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

During the current financial year,

- (i) the Group acquired property, plant and equipment at an aggregate cost of RM585,049 (2006: RM1,185,533), of which RM371,079 (2006: RM316,793) were acquired under hire-purchase and finance lease arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM213,970 (2006: RM868,740).
- (ii) the Company acquired property, plant and equipment at an aggregate cost of RM95,470 (2006: RM Nil), of which RM85,000 (2006: RM Nil) were acquired under a hire-purchase arrangement. Cash payments for the acquisition of property, plant and equipment amounted to RM10,470 (2006: RM Nil).

13. INVESTMENT PROPERTY

	The Group Leasehold building RM
Cost	
Balance as at April 1, 2005, April 1, 2006 and March 31, 2007	1,829,190
Accumulated depreciation	
Balance as at April 1, 2005	21,341
Charge for the year	36,584
Balance as at March 31, 2006	57,925
Charge for the year	36,583
Balance as at March 31, 2007	94,508
Net book value	
Balance as at March 31, 2007	1,734,682
Balance as at March 31, 2006	1,771,265

As of March 31, 2007, the strata title pertaining to the leasehold building has yet to be issued and registered under the name of a subsidiary company.

14. INVESTMENTS IN SUBSIDIARY COMPANIES

	The Company	
	2007	2006
	RM	RM
Unquoted shares - at cost	64,886,599	54,553,445
Less: Allowance for impairment loss	(214,643)	(214,643)
	<u>64,671,956</u>	<u>54,338,802</u>

14. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

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

Direct Subsidiary Companies	Effective Equity Interest		Principal Activities
	2007 %	2006 %	
Effusion.Com Sdn. Bhd.	100	100	Property investment
RCE Enterprise Sdn. Bhd.	100	100	Investment holding
RCE Resources Sdn. Bhd.	100	100	Investment holding
RCE Factoring Sdn. Bhd. [^] (formerly known as AMDB Factoring Sdn. Bhd.)	100	-	Confirming and factoring, specialising in trade related activities and general trading
Indirect Subsidiary Companies			
RCE Equity Sdn. Bhd. ^π (formerly known as Indigenous Capital Sdn. Bhd.)	100	100	Property investment, provision of financial administrative services, debts management services and trading of securities
RCE Advance Sdn. Bhd. ^{π ^}	100	100	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue private debt securities to fund the purchase of such receivables
RCE Commerce Sdn. Bhd. ^π	100	100	Provision of information technology and financial administrative services
RCE Management Sdn. Bhd. ^π	100	100	Dormant
RCE Marketing Sdn. Bhd. ^{#^}	100	100	Provision of general loan financing services
RCE Premier Sdn. Bhd. ^π	100	100	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue private debt securities to fund the purchase of such receivables
RCE Premium Sdn. Bhd. ^π	100	100	Dormant
RCE Sales Sdn. Bhd. ^β	100	100	Provision of financial administrative services
RCE Synergy Sdn. Bhd. ^Ψ	100	100	Investment holding

(Forward)

14. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Indirect Subsidiary Companies	Effective Equity Interest		Principal Activities
	2007	2006	
	%	%	
RCE Trading Sdn. Bhd. ^π	100	100	Provision of financial administrative services
R & R Music Sdn. Bhd. ^β	100	100	Dormant

Held indirectly through RCE Enterprise Sdn. Bhd.

Ψ Held indirectly through RCE Resources Sdn. Bhd.

π Held indirectly through RCE Marketing Sdn. Bhd.

β Held indirectly through RCE Trading Sdn. Bhd.

^ Audited by another firm of auditors.

During the current financial year, the Company acquired 100% equity interest in RCE Factoring Sdn. Bhd. (formerly known as AMDB Factoring Sdn. Bhd.) ("RCEF"), comprising 10 million ordinary shares of RM1.00 each, at a cash consideration of RM10 million.

The net assets acquired in the abovementioned acquisition of RCEF are as follows:

	Book Value RM	Fair Value Adjustments RM	Fair Value on Acquisition RM
Property, plant and equipment	207,351	-	207,351
Deferred tax assets	168,497	-	168,497
Trade and other receivables, deposits and prepaid expenses	16,072,407	-	16,072,407
Tax recoverable	304,146	-	304,146
Cash and cash equivalents	3,668,036	-	3,668,036
Trade and other payables and accrued expenses	(8,500)	-	(8,500)
Short-term borrowings	(3,941,297)	-	(3,941,297)
Amount owing to former holding company	(6,470,640)	-	(6,470,640)
Net assets acquired	10,000,000	-	10,000,000
Goodwill on acquisition			333,154
Total purchase consideration and incidental acquisition costs			10,333,154
Net cash outflow on acquisition:			
Purchase consideration			10,000,000
Incidental acquisition costs			333,154
Cash and cash equivalents acquired			(3,668,036)
			6,665,118

15. GOODWILL ON CONSOLIDATION

	The Group	
	2007 RM	2006 RM
Goodwill on Consolidation:		
At beginning of year	28,343,821	19,002,200
Arising from acquisition of a subsidiary company (Note 14)	333,154	-
Arising from acquisition of minority shareholder's equity interest in a subsidiary company	-	9,341,621
	28,676,975	28,343,821
At end of year	28,676,975	28,343,821

During the year, the Company acquired the entire equity interest in RCE Factoring Sdn. Bhd. (formerly known as AMDB Factoring Sdn. Bhd.) ("RCEF") at a cash consideration of RM10 million. This acquisition resulted in a goodwill on consolidation of RM333,154.

In 2006, the Company acquired the remaining 12.5% equity interest in RCE Enterprise Sdn. Bhd. ("RCEE") at a purchase consideration of RM15 million, satisfied by the issuance and allotment of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share. The said acquisition resulted in a goodwill on consolidation of RM9,341,621.

Allocation of goodwill to cash-generating units

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from the business combination, as follows:

- (i) Loan financing operations of RCEE and its subsidiary companies ("RCEE Group") as a group CGU; and
- (ii) Factoring and confirming operations of RCEF as an individual CGU.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Key assumptions used in value in use calculations

The recoverable amount of the CGUs is determined from value in use calculation, which uses cash flow projections based on financial budgets approved by management. The key assumption for the value in use calculation is that regarding the quantum of loan disbursements, which is based on RCEE Group's past performance and management's expectation on the growth in loans demand by civil servants and, the availability of funds from the issuance of private debts securities by RCEE Group.

16. LOANS AND HIRE-PURCHASE RECEIVABLES

	The Group	
	2007	2006
	RM	RM
Receivables	859,310,845	571,611,478
Unearned interest income	(357,635,748)	(244,194,450)
	501,675,097	327,417,028
Less: Allowance for doubtful debts	(59,645,870)	(56,453,778)
	442,029,227	270,963,250
Less: Prepayments	(27,392,874)	(35,758,891)
	414,636,353	235,204,359
Amount receivable within one year (shown under current assets)	(45,668,639)	(14,920,047)
	368,967,714	220,284,312
Non-current portion	368,967,714	220,284,312

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

	The Group	
	2007	2006
	RM	RM
Amount receivable:		
Within one to two years	35,762,548	17,551,100
Within two to five years	133,573,695	75,836,279
After five years	199,631,471	126,896,933
	368,967,714	220,284,312

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 Cooperatives”), are governed under Revolving Loan Facility Agreement, Assignment Agreement and the Power of Attorney (collectively referred to as “Security Agreements”) between the Cooperatives and the Group.

The loans and hire-purchase receivables are repayable over a maximum period of seven (7) years to ten (10) years (2006: seven (7) to ten (10) years) with effective interest rates ranging from 15.90% to 16.70% (2006: 15.90% to 16.70%) per annum.

The Group received advances from the Cooperatives to finance its loan and hire-purchase financing operations in prior years. Pursuant to a Settlement Agreement dated March 31, 2005, it was mutually agreed between the Cooperatives and the Group that the outstanding balance be used as part settlement of amounts outstanding from loan and hire-purchase financing granted by the Group to the members of the Cooperatives and accordingly, the said RM27,392,874 (2006: RM35,758,891) has been presented in the financial statements as prepayment for the release of loans and hire-purchase receivables which have been assigned by the Cooperatives to the Group in accordance with the terms of the Security Agreements.

17. OTHER INVESTMENTS

	The Group	
	2007 RM	2006 RM
At costs:		
Real estate investment trust quoted in Malaysia	35,063,526	-
Property trust units quoted in Malaysia	-	61,169,971
Less: Allowance for impairment in value	(3,506,353)	-
	31,557,173	61,169,971
Market value	31,557,173	75,742,584

Other investment as of March 31, 2006 represented investment in 58,263,526 units of AmFirst Property Trust ("AMFPT"). During the current financial year, following the restructuring and re-branding exercise of AMFPT and the listing of AmFIRST Real Estate Investment Trust ("AmFIRST REIT"), the Group was entitled to 58,263,526 units of AmFIRST REIT in exchange for the AMFPT units on the basis of 1 unit of AmFIRST REIT plus RM0.40 cash for every 1 unit of AMFPT. This exercise resulted in a gain of RM20,398,965 to the Group.

At the conclusion of the abovementioned exercise, the Group also exercised its option to dispose off 23,200,000 units of AmFIRST REIT at a consideration of RM1.00 per unit amounting to RM23,200,000.

Other investments as of March 31, 2007 and 2006 have been pledged as securities for a term loan facility and a revolving credit facility granted to the Group as mentioned in Note 26.

18. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2007 RM	2006 RM
Deferred Tax Assets		
At beginning of year	6,596,874	4,000,200
Transfer from income statements (Note 10)	1,126,281	2,596,674
Acquisition of a subsidiary company (Note 14)	168,497	-
At end of year	7,891,652	6,596,874

18. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The deferred tax assets of the Group are in respect of tax effects of the following:

	The Group	
	2007 RM	2006 RM
Temporary differences arising from:		
Loans and hire-purchase receivables	7,764,652	6,596,874
Unabsorbed capital allowances	68,000	-
Unused tax loss	59,000	-
	7,891,652	6,596,874

Deferred Tax Liabilities

	The Group	
	2007 RM	2006 RM
At beginning of year	150,000	11,000
Transfer from income statements (Note 10)	39,000	139,000
	189,000	150,000

The deferred tax liabilities of the Group are in respect of the tax effects of temporary differences arising from property, plant and equipment.

As mentioned in Note 3, deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of March 31, 2007, the amount of deferred tax assets, calculated at current tax rate which has not been recognised in the financial statements, is as follows:

	Deferred Tax Assets/(Liabilities)			
	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax effects of:				
Temporary differences arising from:				
Property, plant and equipment	(26,200)	(6,500)	(18,000)	(6,500)
Receivables	178,100	18,400	18,000	18,400
Unused tax losses	1,358,300	9,203,300	-	-
Unabsorbed capital allowances	1,113,500	1,153,000	-	-
Net	2,623,700	10,368,200	-	11,900

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

19. SHORT-TERM INVESTMENTS

	The Group	
	2007 RM	2006 RM
Held for trading purpose, at cost:		
Investment in unquoted corporate bonds	8,000,000	4,000,000
Investment in quoted shares	499,693	-
	8,499,693	4,000,000
Market value of quoted shares	757,073	-

The unquoted corporate bonds, which will mature in September 2010 and January 2012, are unsecured and have no fixed coupon rate. Coupon rates will be determined semi-annually depending on the performance of the bonds. During the current financial year, no interest income has been received or is receivable in respect of these corporate bonds.

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

Trade receivables comprise:

	The Group	
	2007 RM	2006 RM
Bills receivables	8,631,039	-
Factoring receivables	7,860,128	-
Commission receivables	-	1,407,246
	16,491,167	1,407,246
Less: Allowance for doubtful debts	(1,456,460)	-
	15,034,707	1,407,246

The credit period granted by the Group ranges from 14 to 150 days (2006: 14 to 120 days).

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Other receivables, deposits and prepaid expenses comprise:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other receivables	5,403,974	3,747,312	65,646	65,646
Less: Allowance for doubtful debts	(65,646)	(65,646)	(65,646)	(65,646)
	5,338,328	3,681,666	-	-
Tax recoverable	4,173,841	2,787,279	-	-
Prepaid expenses	1,020,087	241,376	755,836	3,390
Refundable deposits	135,977	74,416	-	-
	10,668,233	6,784,737	755,836	3,390

Included in prepaid expenses of the Group and the Company as of March 31, 2007 is upfront facility fee amounting to RM703,000 paid in respect of the RM40 million term loan secured during the current financial year (Note 26), which is to be deducted over the tenure of the said term loan of 60 months.

21. RELATED PARTY TRANSACTIONS

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

	The Company	
	2007 RM	2006 RM
Amounts owing by subsidiary companies	66,344,981	86,256,568
Less: Allowance for doubtful debts	(2,900,000)	(2,900,000)
Net	63,444,981	83,356,568

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")	A subsidiary company of AmcorpGroup Berhad, a substantial shareholder of the Company
Meridian Mode Sdn. Bhd. ("MMSB")	A company in which a director of certain subsidiary companies is also a director and has a direct interest
Redi Management Group Sdn. Bhd. ("RMG")	A company in which a director of the Company has an indirect interest

21. RELATED PARTY TRANSACTIONS (CONT'D)

During the financial year, significant related party transactions, which are determined on a basis negotiated between the said parties, are as follows:

	The Company	
	2007 RM	2006 RM
Subsidiary companies:		
Management fees receivable from RCE Marketing Sdn. Bhd.	3,306,972	3,031,532
Redemption of non-cumulative non-convertible redeemable preference shares by RCE Enterprise Sdn. Bhd. ("RCEE")	-	12,002,000
Other related party:		
Acquisition of 100% equity interest in RCE Factoring Sdn. Bhd. (formerly known as AMDB Factoring Sdn. Bhd.) from AMDB	10,000,000	-

	The Group	
	2007 RM	2006 RM
Other related parties:		
Acquisition of the remaining 12.5% equity interest in RCEE from MMSB	-	15,000,000
Waiver of debt by RMG	-	1,549,696

22. SHARE CAPITAL

	The Group and The Company	
	2007 RM	2006 RM
Authorised:		
Ordinary shares of RM0.10 each		
At beginning of year	50,000,000	50,000,000
Created during the year	150,000,000	-
At end of year	200,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of RM0.10 each		
At beginning of year	46,892,823	40,151,250
Issued during the year:		
Bonus issue	15,630,941	6,741,573
Private placement	2,110,000	-
	17,740,941	6,741,573
At end of year	64,633,764	46,892,823

22. SHARE CAPITAL (CONT'D)

As approved by the shareholders at the Extraordinary General Meeting ("EGM") held on July 7, 2006:

- (i) the authorised share capital of the Company was increased from RM50,000,000, divided into 0.5 billion ordinary shares of RM0.10 each, to RM200,000,000, divided into 2 billion ordinary shares of RM0.10 each, by the creation of an additional 1.5 billion ordinary shares of RM0.10 each;
- (ii) the issued and paid-up ordinary share capital of the Company was increased from RM46,892,823 to RM62,523,764 by way of bonus issue of 156,309,410 new ordinary shares of RM0.10 each on the basis of one (1) new ordinary share for every three (3) existing ordinary shares of RM0.10 each held, by capitalising RM7,791,506 from the share premium account and RM7,839,435 from the unappropriated profit account; and
- (iii) the issued and paid-up share capital of the Company was further increased from RM62,523,764 to RM64,633,764 by way of a private placement of 21,100,000 new ordinary shares of RM0.10 each at a premium of RM0.171 each to an approved bumiputra placee of the Ministry of International Trade and Industries. The resulting premium of RM3,608,100 has been credited to the share premium account as mentioned in Note 23.

In 2006, as approved by the shareholders at an EGM held on January 17, 2006, the issued and paid-up share capital was increased from RM40,151,250 comprising 401,512,500 ordinary shares of RM0.10 each to RM46,892,823 comprising 468,928,230 ordinary shares of RM0.10 each, by the issuance and allotment of 67,415,730 new ordinary shares of RM0.10 each at an issue price of RM0.2225 per share for the purpose of the acquisition of the remaining 12.5% equity interest in RCE Enterprise Sdn. Bhd. The resulting premium of RM8,258,427 has been credited to the share premium account as mentioned in Note 23.

These new ordinary shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

23. RESERVES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable reserves:				
Share premium	3,563,039	8,042,265	3,563,039	8,042,265
Reserve on consolidation	-	2,155,312	-	-
Distributable reserve:				
Unappropriated profit	93,539,096	35,851,943	3,082,242	9,899,389
	<hr/>	<hr/>	<hr/>	<hr/>
	97,102,135	46,049,520	6,645,281	17,941,654

23. RESERVES (CONT'D)

Share premium

Share premium arose from the following:

	The Group and The Company	
	2007 RM	2006 RM
At beginning of year	8,042,265	-
Issuance of 67,415,730 new ordinary shares of RM0.10 each at a premium of RM0.1225 per share	-	8,258,427
Bonus issue of 156,309,410 new ordinary shares of RM0.10 each	(7,791,506)	-
Private placement of 21,100,000 new ordinary shares of RM0.10 each at a premium of RM0.171 per share	3,608,100	-
Shares issue expenses	(295,820)	(216,162)
At end of year	3,563,039	8,042,265

Unappropriated Profit

Distributable reserves are those available for distribution as dividends.

Based on the prevailing tax rate applicable to dividends and the estimated tax credits available, the unappropriated profit of the Company as of March 31, 2007 is available for distribution by way of cash dividends without additional tax liabilities being incurred.

24. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Total outstanding	123,584	108,656	86,568	-
Less: Interest-in-suspense	(11,694)	(5,608)	(10,704)	-
Principal outstanding	111,890	103,048	75,864	-
Less: Amount due within one year (shown under current liabilities)	(55,578)	(67,022)	(19,552)	-
Non-current portion	56,312	36,026	56,312	-

24. HIRE-PURCHASE PAYABLES (CONT'D)

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Financial years ending March 31,				
2008	-	36,026	-	-
2009	21,259	-	21,259	-
2010	22,966	-	22,966	-
2011	12,087	-	12,087	-
	<hr/>		<hr/>	
	56,312	36,026	56,312	-
	<hr/>		<hr/>	

The interest rate implicit in these hire-purchase arrangements of the Group ranges from 6.34% to 7.60% (2006: 6.34% to 7.60%) per annum. The Group's hire-purchase payables are secured by a charge over the assets under hire-purchase.

25. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007 RM	2006 RM	2007 RM	2006 RM
Amounts payable under finance lease:				
Within one year	227,761	120,211	206,806	105,070
In the second to fifth year inclusive	153,956	127,059	145,217	121,330
	<hr/>		<hr/>	
	381,717	247,270	352,023	226,400
Less: Future finance charges	(29,694)	(20,870)	-	-
	<hr/>		<hr/>	
Present value of lease payables	352,023	226,400	352,023	226,400
	<hr/>			
Less: Amount due within 12 months (shown under current liabilities)			(206,806)	(105,070)
			<hr/>	<hr/>
Non-current portion			145,217	121,330
			<hr/>	<hr/>

25. FINANCE LEASE PAYABLES (CONT'D)

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

	The Group	
	2007 RM	2006 RM
Financial years ending March 31,		
2008	-	114,548
2009	106,947	6,782
2010	38,270	-
	145,217	121,330

The interest rate implicit in these finance lease arrangements of the Group ranges from 7.73% to 10.21% (2006: 8.92% to 9.25%) per annum. The Group's finance lease payables are secured by a charge over the leased assets.

26. BORROWINGS

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Secured:					
Fixed rate medium term notes	(a)	340,573,725	120,000,000	-	-
Fixed rate serial bonds	(b)	35,000,000	45,000,000	-	-
Underwritten commercial papers	(b)	14,000,000	22,000,000	-	-
Term loan	(c)	12,735,344	31,970,897	-	-
Revolving credit	(f)	-	30,000,000	-	-
		402,309,069	248,970,897	-	-
Unsecured:					
Term loans	(d) & (e)	80,000,000	40,000,000	40,000,000	-
Trust receipts	(g)	1,930,510	-	-	-
Bankers' acceptances	(h)	1,323,000	-	-	-
Revolving credit	(h)	1,019,266	-	-	-
		84,272,776	40,000,000	40,000,000	-
		486,581,845	288,970,897	40,000,000	-
Less: Amount due within one year (shown under current liabilities)		(30,257,504)	(16,285,718)	-	-
Non-current portion		456,324,341	272,685,179	40,000,000	-

26. BORROWINGS (CONT'D)

Except for the abovementioned revolving credits of RM Nil (2006: RM30,000,000) for which the repayment date is not determinable, the non-current portion of the borrowings is repayable as follows:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Financial years ending March 31,				
2008	-	14,571,436	-	-
2009	41,984,728	34,571,436	-	-
2010	81,476,956	47,571,436	-	-
2011	66,647,734	54,571,436	-	-
2012	76,593,011	24,571,436	40,000,000	-
2013	35,673,525	14,571,436	-	-
2014	20,643,217	22,256,563	-	-
2015	53,187,161	10,000,000	-	-
2016	42,677,945	20,000,000	-	-
2017	37,440,064	-	-	-
	456,324,341	242,685,179	40,000,000	-
Add: Revolving credit	-	30,000,000	-	-
	456,324,341	272,685,179	40,000,000	-

(a) Fixed Rate Medium Term Notes

During the current financial year, RCE Advance Sdn. Bhd. ("RCEA") issued RM280 million (2006: RM140 million) out of a total of RM420 million 10-year fixed rate medium term notes ("MTNs") for the purpose of financing the working capital of the Group, out of which RM50 million (2006: RM20 million) MTNs were taken up by a subsidiary company within the Group, RCE Equity Sdn. Bhd. (formerly known as Indigenous Capital Sdn. Bhd.).

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

The main features of the MTNs are as follows:

- (i) The maximum issue size of the RM420 million MTNs comprises:
 - RM240 million Class A MTNs;
 - RM120 million Class B MTNs; and
 - RM60 million Class C MTNs.

26. BORROWINGS (CONT'D)

(a) Fixed Rate Medium Term Notes (cont'd)

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

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

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

Series	Tenure	Class A MTNs RM'000	Class B MTNs RM'000	Class C MTNs RM'000
1	Three (3) years	10,000	-	-
2	Four (4) years	5,000	-	-
3	Five (5) years	5,000	-	-
4	Six (6) years	5,000	-	-
5	Six (6) years	-	5,000	-
6	Seven (7) years	-	5,000	-
7	Eight (8) years	5,000	-	-
8	Eight (8) years	-	5,000	-
9	Nine (9) years	5,000	-	-
10	Ten (10) years	5,000	-	-
11	Ten (10) years	-	5,000	-
12	Ten (10) years	-	-	10,000
		40,000	20,000	10,000

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

26. BORROWINGS (CONT'D)

(a) Fixed Rate Medium Term Notes (cont'd)

- (vi) Each series of the MTNs under the Class A MTNs and Class B MTNs bear a fixed coupon rates ranging from 6.25% to 9.00% per annum, payable semi-annually in arrears with the last coupon payment to be made on the respective maturity dates; and
- (vii) The Class C MTNs bear an initial fixed coupon rate at 15.00% per annum, but may be reset on the third and/or sixth anniversary from the issuance of the Class C MTNs at a new coupon rate to be determined with the Notesholders of the Class C MTNs at the time the coupon rate is to be reset. The coupon payment under the Class C MTNs shall be calculated annually but payment is deferred until all Class A MTNs and Class B MTNs have been fully redeemed. The entire deferred Class C MTNs coupon payment will be paid in one lump sum.

The MTNs are secured against the following:

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

(b) Fixed Rate Serial Bonds and Underwritten Commercial Papers

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

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

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

- (i) 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
	45,000,000	

26. BORROWINGS (CONT'D)

(b) Fixed Rate Serial Bonds and Underwritten Commercial Papers (cont'd)

- (ii) Each tranche of the bonds bears a fixed coupon rates ranging from 6.60% to 8.00% per annum, payable semi-annually in arrears with the last coupon payment to be made on the last respective maturity date; and
- (iii) 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:

- (i) 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;
- (ii) 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	-

- (iii) 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;
- (iv) 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
- (v) The existing CPs issued bear interest at rates ranging from 4.20% to 5.75% (2006: 3.60% to 4.75%) per annum.

The whole amount of RM14,000,000 (2006: RM4,000,000) of the CPs issued as of March 31, 2007 is classified as current liabilities based on management's expectation of the amount of the CPs to be redeemed upon their maturity during the twelve (12) months after the financial year-end.

The Bonds and CPs are secured against the following:

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

26. BORROWINGS (CONT'D)

(c) Term Loan 1

In 2006, another term loan of RM32 million was granted to RCE Synergy Sdn. Bhd. ("RCES") to finance the acquisition of property trust units (Note 17). This term loan, which is guaranteed by the Company and secured by a memorandum of deposit over the property trust units held by RCES, bears interest at 8.25% (2006: 8.00%) per annum and is repayable over 84 equal monthly installments of RM380,953 commencing October 1, 2006. During the current financial year, the repayment terms have been revised to 79 equal monthly installments of RM165,394 commencing March 1, 2007 and a final installment of RM165,400.

(d) Term Loan 2

In 2006, an unsecured term loan of RM40 million was granted to RCEM pursuant to a Primary Collateralised Loan Obligation Transaction Facility Agreement ("Facility Agreement") entered into between RCEM, a third party and a local financial institution. The said term loan bears interest at 7.13% per annum and has maturity period not exceeding five (5) years commencing from the date of drawdown of the facility and is repayable in one lump sum anytime prior to the last day of the tenure of the facility at the Group's option.

(e) Term Loan 3

During the current financial year, an unsecured term loan of RM40 million was granted to the Company pursuant to a Primary Collateralised Loan Obligation Transaction Facility Agreement ("Facility Agreement") entered into between the Company, a third party and a local financial institution. The said term loan bears interest at 7.63% per annum and has maturity period not exceeding five (5) years commencing from the date of drawdown of the facility and is repayable in one lump sum upon maturity.

(f) Revolving Credit No. 1

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

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

The revolving credits bear interest at rates ranging from 5.15% to 5.55% (2006: 4.55% to 5.00%) per annum.

(g) Revolving Credit No. 2

During the current financial year, another revolving credit facility of RM30,000,000 was granted to the Group and was secured by the following:

- (i) An irrevocable undertaking by the Company; and
- (ii) A second charge over 58,263,526 units of AmFirst Property Trust. As of the end of the financial year, this facility was secured against the 35,063,526 units of AmFIRST REIT (Note 17).

The revolving credit bears interest rate at 6.69% per annum.

26. BORROWINGS (CONT'D)

(h) Others

The unsecured bankers' acceptance, revolving credits and trust receipts of a subsidiary company are guaranteed by the Company or its former holding company, AMDB Berhad.

27. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	26,454,835	11,401,633	-	-
Accrued interest expense on medium term notes, bonds and commercial papers	8,272,573	3,863,508	-	-
Other accrued expenses	1,717,243	4,336,219	713,872	252,845
	36,444,651	19,601,360	713,872	252,845

Included in other payables of the Group as of March 31, 2007 is RM7,455,382 (2006: RM5,821,516) representing collections on behalf of various co-operatives by a subsidiary company in its capacity as the collection and payment agent for those co-operatives.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term and fixed deposits with licensed financial institutions	162,627,317	48,573,559	-	-
Cash and bank balances	5,355,243	7,432,912	25,694	133,197
	167,982,560	56,006,471	25,694	133,197

As of March 31, 2007, short-term and fixed deposits, cash and bank balances of the Group amounting to RM89,678,926 and RM1,013,028 (2006: RM35,270,680 and RM2,811,370) respectively have been assigned in favour of the Trustees of the RM45 million 5-year fixed rate serial bonds, the RM50 million 7-year underwritten commercial papers and the RM420 million 10-year fixed rate medium term notes facilities of certain subsidiary companies (Note 26).

As of March 31, 2007, short-term and fixed deposits of the Group amounting to RM Nil (2006: RM611,190) have been pledged to a licensed bank for revolving credit facility granted to a subsidiary company (Note 26).

Short-term and fixed deposits with licensed financial institutions of the Group has an average remaining maturity ranging from 2 to 85 days (2006: 1 to 328 days), with effective interest rates ranging from 2.61% to 3.46% (2006: 2.60% to 3.25%) per annum.

29. CONTINGENT LIABILITIES - UNSECURED

As of March 31, 2007, the Company is contingently liable in respect of the following:

- (i) guarantee issued in favour of a trustee for the RM420 million (2006: RM420 million) medium term notes facility of a subsidiary company;
- (ii) guarantee issued in favour of a bank for a RM32 million (2006: RM32 million) term loan facility granted to a subsidiary company;
- (iii) guarantees issued in favour of a trustee for the RM45 million (2006: RM45 million) 5-year fixed rate serial bonds and up to RM50 million (2006: RM50 million) 7-year underwritten commercial papers facility of a subsidiary company; and
- (iv) guarantees issued in favour of a bank for RM30 million (2006: RM30 million) revolving credit facility granted to a subsidiary company.

As of March 31, 2007, amount outstanding from these facilities amounted to approximately RM402 million (2006: RM249 million).

30. FINANCIAL INSTRUMENTS**Financial Risk Management Objectives and Policies**

The operations of the Group are subject to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities.

(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.

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

(i) Interest rate risk (cont'd)

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

The Group	Effective Interest Rate %	Total RM	Maturity Profile		
			Within 1 Year RM	2-5 Years RM	After 5 Years RM
2007					
Financial assets					
Trade receivables	10.80 to 12.05	15,034,707	15,034,707	-	-
Loans and hire-purchase receivables	15.90 to 16.70	414,636,353	45,668,639	169,336,243	199,631,471
Short-term and fixed deposits with financial institutions	2.61 to 3.46	162,627,317	162,627,317	-	-
		592,298,377	223,330,663	169,336,243	199,631,471
Financial liabilities					
Hire-purchase payables	6.34 to 7.60	111,890	55,578	56,312	-
Finance lease payables	7.93 to 10.21	352,023	206,806	145,217	-
Fixed rate medium term notes	6.25 to 9.00	340,573,725	-	153,763,517	186,810,208
Term loans (secured and unsecured)	7.13 to 8.25	92,735,344	1,984,728	87,938,912	2,811,704
Fixed rate serial bonds	6.60 to 8.00	35,000,000	10,000,000	25,000,000	-
Underwritten commercial papers	4.20 to 5.75	14,000,000	14,000,000	-	-
Other bank borrowings *	3.74 to 8.75	4,272,776	4,272,776	-	-
		487,045,758	30,519,888	266,903,958	189,621,912
2006					
Financial assets					
Loans and hire-purchase receivables	15.90 to 16.70	235,204,359	14,920,047	93,387,379	126,896,933
Fixed deposits	2.60 to 3.25	48,573,559	48,573,559	-	-
		283,777,918	63,493,606	93,387,379	126,896,933
Financial liabilities					
Hire-purchase payables	6.34 to 7.60	103,048	67,022	36,026	-
Finance lease payables	8.92 to 9.25	226,400	105,070	121,330	-
Fixed rate medium term notes	6.25 to 9.00	120,000,000	-	40,000,000	80,000,000
Term loans	7.13 to 8.00	71,970,897	2,285,718	69,685,179	-
Fixed rate serial bonds	6.60 to 8.00	45,000,000	10,000,000	35,000,000	-
Underwritten commercial papers	3.60 to 4.75	22,000,000	4,000,000	18,000,000	-
Other bank borrowings *	4.55 to 5.00	30,000,000	-	30,000,000	-
		289,300,345	16,457,810	192,842,535	80,000,000

* Other bank borrowings comprise revolving credits, bankers' acceptances and trust receipts.

(Forward)

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

(i) Interest rate risk (cont'd)

	Effective Interest Rate %	Total RM	← Maturity Profile →		
			Within 1 Year RM	2-5 Years RM	After 5 Years RM
The Group 2007					
Financial liability					
Bank borrowing	7.63	40,000,000	-	40,000,000	-
2006					
Financial liability					
Bank borrowing	-	-	-	-	-

(ii) Credit risk

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

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

(iii) Liquidity risk

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

Financial Assets

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

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

Financial Liabilities and Equity Instruments

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

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

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial Liabilities and Equity Instruments (cont'd)

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

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

Fair Values

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

	2007		2006	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Asset				
Investment in quoted real estate investment trust/ property trust units (Note 17)	31,557,173	31,557,173	61,169,971	75,742,584
Financial Liability				
Fixed rate medium term notes ("MTNs") (including accrued interest of RM6,851,586 (2006: RM2,124,146) (Note 26))	347,425,311	331,724,810	122,124,146	116,136,892

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

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

31. COMPARATIVE FIGURES

(i) Prior Year's Adjustment

As mentioned in Note 2, the following comparative amounts have been restated as a result of adopting FRS 140 Investment Property:

The Group	As Previously Stated RM	Prior Year's Adjustment RM	As Restated RM
As of March 31, 2006			
Property, plant and equipment	3,115,212	(1,771,265)	1,343,947
Investment property	-	1,771,265	1,771,265

31. COMPARATIVE FIGURES (CONT'D)

(ii) Reclassification

- (a) As disclosed in Note 11, the weighted average number of shares in issue used in the computation of earnings per share ("EPS") for the financial year ended March 31, 2006 has been restated to adjust for the effect of bonus issue during the current financial year, resulting in a change in the EPS as follows:

The Group	As Previously Stated	Adjustment	As Restated
As of March 31, 2006			
Weighted average number of shares in issue	407,130,478	128,712,057	535,842,535
EPS (sen)	4.86	(1.17)	3.69

- (b) Comparative figures on the directors' remunerations of subsidiary companies have been reclassified to staff costs to conform with current year's presentation.

The Group	As Previously Stated RM	Adjustment RM	As Restated RM
Financial year ended March 31, 2006			
Directors' remuneration	520,941	(386,100)	134,841
Staff costs	2,040,947	386,100	2,427,047

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 Malaysian Accounting Standard Board 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, 2007 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 22, 2007

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 22nd day of May, 2007.

Before me,



COMMISSIONER FOR OATHS

Tan Sri Dato' Azman Hashim
Wakil Pendaftar
Majlis Sukan Kuala Lumpur
No. 1, Jalan Sultan
00100 Kuala Lumpur

ANALYSIS OF SHAREHOLDINGS

AS AT JULY 31, 2007

RCE CAPITAL BERHAD
ANNUAL REPORT 2007

95

Authorised Capital	:	RM200,000,000
Issued and Paid-Up Capital	:	RM64,633,764
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less than 100	132	1.98	6,126	0.00
100 to 1,000	541	8.10	420,116	0.06
1,001 to 10,000	3,833	57.37	20,680,167	3.20
10,001 to 100,000	1,865	27.91	63,739,370	9.86
100,001 to less than 5% of issued shares	307	4.60	240,398,955	37.20
5% and above of issued shares	3	0.04	321,092,906	49.68
Total	6,681	100.00	646,337,640	100.00

THIRTY LARGEST REGISTERED SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	CIMB Group Nominees (Tempatan) Sdn Bhd - <i>AmcorpGroup Berhad for Cempaka Empayar Sdn Bhd</i>	232,092,906	35.91
2.	Citigroup Nominees (Asing) Sdn Bhd - <i>Goldman Sachs International</i>	54,000,000	8.35
3.	HSBC Nominees (Asing) Sdn Bhd - <i>Exempt AN for The Hongkong and Shanghai Banking Corporation Limited</i>	35,000,000	5.42
4.	Kenanga Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Irama Hasrat Sdn Bhd</i>	23,850,666	3.69
5.	Cempaka Empayar Sdn Bhd	23,066,667	3.57
6.	Aras Kreatif Sdn Bhd	14,770,000	2.29
7.	Cempaka Empayar Sdn Bhd	12,800,000	1.98
8.	Blue Ribbon International Limited	9,817,596	1.52
9.	Mayban Nominees (Tempatan) Sdn Bhd - <i>Mayban Trustees Berhad for Public Aggressive Growth Fund</i>	8,742,900	1.35
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd - <i>PB Asia Equity Fund</i>	5,800,000	0.90
11.	Amanah Raya Nominees (Tempatan) Sdn Bhd - <i>Public Smallcap Fund</i>	5,561,200	0.86
12.	Mayban Nominees (Tempatan) Sdn Bhd - <i>Mayban Trustees Berhad for Public Balanced Fund</i>	5,120,000	0.79
13.	Amanah Raya Nominees (Tempatan) Sdn Bhd - <i>Public Savings Fund</i>	4,650,000	0.72
14.	AIBB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Wong Yee Hui</i>	4,156,600	0.64
15.	Citigroup Nominees (Asing) Sdn Bhd - <i>UBS AG Singapore for Tan Ah Ee</i>	4,130,666	0.64
16.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Susy Ding</i>	3,312,666	0.51

No.	Name of Shareholders	No. of Shares Held	% of Shares
17.	AllianceGroup Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Goh Kheng Peow</i>	3,000,000	0.46
18.	HLB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Wong Yee Hui</i>	2,868,700	0.44
19.	Public Invest Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Yoong Fui Kien</i>	2,735,000	0.42
20.	HSBC Nominees (Asing) Sdn Bhd - <i>BNY Brussels for CF Canlife Far East Unit Trust</i>	2,640,000	0.41
21.	Citigroup Nominees (Asing) Sdn Bhd - <i>GSCO for Wexford Spectrum Trading Ltd</i>	2,383,000	0.37
22.	Cartaban Nominees (Asing) Sdn Bhd - <i>State Street Luxembourg Fund AA30 for Allianz Global Investors Selections RCM Malaysia Fund</i>	2,225,700	0.34
23.	Public Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Kong Goon Khing</i>	2,200,000	0.34
24.	BHLB Trustee Berhad - <i>PruGrowth Fund</i>	1,967,200	0.30
25.	Choo Yoke Kuen	1,930,000	0.30
26.	Chew Keng Yong	1,676,300	0.26
27.	BHLB Trustee Berhad - <i>Exempted-Trust Account for EPF Investment for Member Savings Scheme</i>	1,598,500	0.25
28.	Citigroup Nominees (Asing) Sdn Bhd - <i>UBS AG for Black River Asia Fund Ltd</i>	1,556,000	0.24
29.	Chua Teong Kim @ Seow Teong Kim	1,500,000	0.23
30.	ECM Libra Avenue Nominees (Asing) Sdn Bhd - <i>DBS Vickers Securities (Singapore) Pte Ltd for Optimus Capital International Limited</i>	1,500,000	0.23

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Cempaka Empayar Sdn Bhd	267,959,573	41.46	-	-
Goldman Sachs International	54,000,000	8.35	-	-
AmcorpGroup Berhad	-	-	267,959,573 ⁽¹⁾	41.46
Clear Goal Sdn Bhd	-	-	267,959,573 ⁽¹⁾	41.46
Tan Sri Dato' Azman Hashim	-	-	267,959,573 ⁽¹⁾	41.46
The Goldman Sachs Group, Inc.	-	-	54,000,000 ⁽²⁾	8.35
HSBC Holdings Plc	-	-	38,265,000	5.92
JPMorgan Chase & Co.	-	-	35,000,000	5.42

Notes:

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

⁽²⁾ Deemed interested through shareholdings in Goldman Sachs International.

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

The Directors' interest in shares in the Company and its related companies are the same as that shown in the Directors' Report for the financial year ended 31 March 2007.



RCE CAPITAL BERHAD

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

FORM OF PROXY

I/We _____ (NRIC No./Company No. : _____)

of _____

being a member/members of **RCE CAPITAL BERHAD** ("the Company"), hereby appoint _____

of _____

or failing him/her, _____

of _____

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us and on my/our behalf at the Fifty-Third Annual General Meeting of the Company to be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 13 September 2007 at 3.30 p.m. and at any adjournment thereof, in the manner as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2007 together with the Reports of the Directors and Auditors thereon.		
2.	To declare a Final Dividend of 10% less 26% income tax for the financial year ended 31 March 2007.		
3.	To re-elect Y. Bhg. Tan Sri Dato' Azman Hashim as Director.		
4.	To re-elect Mr. Chew Keng Yong as Director.		
5.	To re-appoint Messrs Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To approve the payment of Directors' fees.		
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
9.	Proposed Purchase by the Company of Its Own Shares of Up To 10% of Its Issued and Paid-Up Share Capital.		
10.	Proposed Amendments to the Articles of Association of the Company.		

Please indicate with an "X" in the space provided above as to how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this _____ day of _____ 2007

Signature of Shareholder/Common Seal

No. of shares held

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.
5. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company at 7th Floor, Wisma Tan Kim San, No. 518A, 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

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Stamp

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

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