

RCE CAPITAL BERHAD
(Company No. 2444-M)

QUARTERLY REPORT

Summary of Key Financial Information for the financial year ended 31 March 2006

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
	RM'000	RM'000	RM'000	RM'000
1. Revenue	18,910	11,025	18,910	11,025
2. Profit before taxation	8,923	8,102	8,923	8,102
3. Profit after taxation and minority interest	#REF!	#REF!	#REF!	#REF!
4. Net profit for the period	#REF!	#REF!	#REF!	#REF!
5. Basic earnings per share (sen)	1.71	1.17	1.71	1.17
6. Dividend per share (sen)	-	-	-	-
	AS AT END OF		AS AT PRECEDING	
	CURRENT QUARTER		FINANCIAL YEAR END	
7. Net assets per share (RM)		0.21		0.20
8. Net tangible assets per share (RM)		0.15		0.14

Part A3 : ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
	RM'000	RM'000	RM'000	RM'000
1. Profit from operations	9,578	8,160	9,578	8,160
2. Gross interest income	410	55	410	55
3. Gross interest expense	655	58	655	58

Quarterly report on consolidated results of the Group for the first financial quarter ended 30 June 2006
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/6/2006 RM'000	30/6/2005 RM'000	30/6/2006 RM'000	30/6/2005 RM'000
Revenue	18,910	11,025	18,910	11,025
Waiver of advances by related company	-	1,550	-	1,550
Other operating income	593	252	593	252
Staff costs	(511)	(283)	(511)	(283)
Depreciation of property, plant and equipment	(108)	(96)	(108)	(96)
Other operating expenses	(9,306)	(4,288)	(9,306)	(4,288)
Profit from operations	9,578	8,160	9,578	8,160
Finance costs	(655)	(58)	(655)	(58)
Profit before taxation	8,923	8,102	8,923	8,102
Taxation	(1,963)	(2,739)	(1,963)	(2,739)
Profit for the period	6,960	5,363	6,960	5,363
Attributable to:				
Equity holders of the parent	6,960	4,700	6,960	4,700
Minority interest	-	663	-	663
	6,960	5,363	6,960	5,363
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	1.71	1.17	1.71	1.17
Fully diluted (sen)	n/a	n/a	n/a	n/a

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the Year Ended 31 March 2006)

**RCE CAPITAL BERHAD
(COMPANY NO. 2444-M)
QUARTERLY REPORT
CONDENSED CONSOLIDATED BALANCE SHEET**

	AS AT 30/6/2006 RM'000	AS AT 31/3/2006 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,423	1,344
Investment property	1,762	1,771
Goodwill on consolidation	28,344	28,344
Loans and hire-purchase receivables	263,817	220,284
Long term investment	61,170	61,170
Deferred tax assets	7,619	6,597
	364,135	319,510
Current assets		
Short Term Investment	4,000	4,000
Loans and hire-purchase receivables	15,174	14,920
Other receivables and prepaid expenses	5,057	8,192
Fixed deposits with licensed banks	60,116	48,574
Cash and bank balances	7,298	7,433
	91,645	83,119
Total assets	455,780	402,629
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	46,893	46,893
Share Premium	8,042	8,042
Reserves	44,967	38,007
Total equity	99,902	92,942
Non-current liabilities		
Hire purchase creditors	22	36
Finance lease payables	198	121
Borrowings	98,542	99,686
Bonds and commercial papers	53,000	53,000
Medium Term Notes	168,751	120,000
Deferred taxation	150	150
Total non-current liabilities	320,663	272,993
Current liabilities		
Payables and accrued expenses	18,328	19,601
Hire purchase creditors	65	67
Finance lease payables	159	105
Borrowings	15,429	16,286
Taxation	1,234	635
Total current liabilities	35,215	36,694
Total liabilities	355,878	309,687
Total equity and liabilities	455,780	402,629
NET ASSETS PER SHARES (RM)	0.21	0.20
NET TANGIBLE ASSETS PER SHARE (RM)	0.15	0.14

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the Year Ended 31 March 2006)

**RCE CAPITAL BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Share Capital RM '000	Share Premium RM '000	Reserve on Consolidation RM '000	Retained Profits RM '000	Total RM '000	Minority Interest	Total Equity
<u>As at 30 June 2006</u>							
Balance as at 1 April, 2006	46,893	8,042	2,155	35,852	92,942	-	92,942
Effects of adopting FRS 3	-	-	(2,155)	2,155	-	-	-
Restated balance	46,893	8,042	-	38,007	92,942	-	92,942
Profit for the period	-	-	-	6,960	6,960	-	6,960
Balance as at 30 June 2006	46,893	8,042	-	44,967	99,902	-	99,902
<u>As at 30 June 2005</u>							
Balance as at 1 April, 2005	40,151	-	2,155	16,061	58,367	3,134	61,501
Profit for the period	-	-	-	4,700	4,700	663	5,363
Balance as at 30 June 2005	40,151	-	2,155	20,761	63,067	3,797	66,864

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 31 March 2006)

RCE CAPITAL BERHAD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	CUMULATIVE QUARTER 30/6/2006 RM'000	CUMULATIVE QUARTER 30/6/2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,923	8,102
Adjustment for:		
Allowance for doubtful debts	323	320
Interest expense	6,015	1,120
Depreciation of property, plant and equipment	108	96
Bad debts recovered	(158)	(184)
Waiver of advances by a related company	-	(1,550)
Interest income	(410)	(55)
Operating profit before working capital changes	<u>14,801</u>	<u>7,849</u>
(Increase)/Decrease in:		
Loan and hire purchase receivables	(43,952)	(6,216)
Other receivables and prepaid expenses	3,103	919
Increase/(Decrease) in:		
Payables and accrued expenses	(2,531)	3,470
Cash Generated From/(Used In) Operations	<u>(28,579)</u>	<u>6,022</u>
Interest paid	(5,360)	(1,062)
Tax paid	(1,106)	(1,108)
Net Cash Generated From/(Used in) Operating Activities	<u>(35,045)</u>	<u>3,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	410	55
Addition to property, plant and equipment	-	(317)
Net Cash Generated From / (Used In) Investing Activities	<u>410</u>	<u>(262)</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	CUMULATIVE QUARTER 30/6/2006 RM'000	CUMULATIVE QUARTER 30/6/2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of medium term notes	48,751	-
Proceeds from borrowings	30,000	-
Redemption of commercial papers	(2,000)	(7,000)
Repayment of borrowings	(30,000)	-
Repayment of hire-purchase creditors	(12)	(15)
Repayment of finance lease	(42)	-
Finance costs paid	(655)	(58)
Net Cash Generated From / (Used In) Financing Activities	<u>46,042</u>	<u>(7,073)</u>
Net increase/(decrease) in cash and cash equivalents	11,407	(3,483)
Cash and cash equivalents at beginning of financial period	56,007	17,971
Cash and cash equivalents at end of financial period	<u><u>67,414</u></u>	<u><u>14,488</u></u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD COMPRISE THE FOLLOWING:		
Cash and bank balances	7,298	2,389
Fixed deposit with licensed banks	60,116	12,768
Bank overdrafts	-	(669)
	<u><u>67,414</u></u>	<u><u>14,488</u></u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the Year Ended 31 March 2006)

RCE CAPITAL BERHAD
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QUARTERLY REPORT

NOTES

1. BASIS OF PREPARATION

This interim report is unaudited and has been prepared in accordance with FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 March 2006.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the year ended 31 March 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006 :

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 108, 110, 116, 127, 132, 133, 136 and 138 does not have any significant financial impact on the Group for the current quarter under review.

The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 3: Business Combinations

Under FRS 3, negative goodwill which represents the excess in fair value of the net identifiable assets acquired over the cost of acquisition, is now recognized immediately to the income statement. Prior to 1 April 2006, negative goodwill was capitalized in reserve on consolidation. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 April 2006 of RM2,155,312 was derecognized with a corresponding increase in retained profits.

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CHANGES IN ACCOUNTING POLICIES (CONT'D)

(b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity where it requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with comparatives restated to conform to current period's presentation.

(c) FRS 140 : Investment Property

The adoption of FRS 140 has resulted in a change in accounting policy for investment property. A property that was acquired solely for the purpose of renting to external parties and/or for capital appreciation previously recognized as property, plant and equipment is now reclassified to investment property.

The Group adopted the cost model to measure its investment property. Under the cost model, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

The following comparative amounts have been restated due to the adoption of FRS 140 :

At 31 March 2006:	Previously stated RM'000	Adjustments RM'000	Restated RM'000
Property, Plant and Equipment	3,115	(1,771)	1,344
Investment Property	-	1,771	1,771

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the preceding annual financial statements was not subject to any qualification.

4. SEASONALITY AND CYCLICALITY FACTORS

The Group's operations were not materially affected by seasonal or cyclical factors.

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5. UNUSUAL ITEMS

There were no unusual items in the quarterly financial statement under review.

6. CHANGES IN ESTIMATES

There was no significant change in estimates of amounts reported in current financial period or in previous financial year.

7. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities during the financial period ended 30 June 2006 except for the following:-

- a) Repayment of the Underwritten Commercial Papers (“CPs”) by RCE Premier Sdn Bhd, a subsidiary of the Company, as follow:-

	CURRENT QUARTER RM’000	CUMULATIVE QUARTER RM’000
Redemption of CPs upon maturity for rollover	2,000	2,000

- b) Issuance of Fixed Rate Medium Term Notes (“MTNs”) by RCE Advance Sdn Bhd (formerly known as Perfect Aspiration Sdn Bhd), a subsidiary of the Company as follow:-

	CURRENT QUARTER RM’000	CUMULATIVE QUARTER RM’000
Issuance of MTNs	68,111	68,111

Out of the RM68.11 million proceeds received from the issuance of RM70 million MTNs, RM19.36 million was paid internally by a subsidiary of the Company to subscribe to RM20 million of the MTNs.

8. DIVIDEND

No dividend has been recommended by the Directors or paid for the financial period ended 30 June 2006.

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9. SEGMENTAL INFORMATION

Segmental revenue and results for the financial period ended 30 June 2006 were as follows:

	Investment holding & mgmt services RM'000	Loan Financing RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue					
Total turnover	-	18,910	-	-	18,910
Intersegment turnover	820	-	-	(820)	-
	<u>820</u>	<u>18,910</u>	<u>-</u>	<u>(820)</u>	<u>18,910</u>
Results					
Profit/(loss) from operations	493	9,087	(2)	-	9,578
Finance costs					<u>(655)</u>
Profit before taxation					8,923
Taxation					<u>(1,963)</u>
Profit for the period					<u>6,960</u>
Other Information:					
Depreciation	25	83	-	-	108

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuation of property, plants and equipments have been brought forward, without amendment from the previous annual financial statements.

11. MATERIAL SUBSEQUENT EVENTS

As at the date of this report, there were no events subsequent to the end of the period reported that materially affect the results of the Group for the financial period ended 30 June 2006.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 30 June 2006.

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13. PERFORMANCE REVIEW ON THE RESULTS OF THE GROUP FOR THE PERIOD

For the current financial period ended 30 June 2006, the Group's revenue grew by 71.5% or RM7.9 million compared to the previous year's corresponding period. This significant improvement was mainly attributed to the growth in interest income arising from the increase in loan disbursements in the previous financial year.

The Group recorded a net profit of RM6.9 million for the current financial period ended 30 June 2006. This is an improvement of 48.1% compared to previous year's corresponding period and was mainly attributed to the improved performance of its loan financing operations.

14. CHANGES IN QUARTERLY RESULTS COMPARED TO PRECEDING QUARTER

For the current quarter under review, the Group recorded a revenue of RM18.91 million compared to RM18.97 million in the preceding quarter. The preceding quarter's revenue included dividend income of RM2.5 million received from its investment in AmFirst Property Trust. Taking this into consideration, the Group's revenue for the current quarter is actually 14.8% higher compared to the preceding quarter and this is mainly generated by its loan financing operations.

Net profit for the current quarter was RM6.9 million, lower than the preceding quarter of RM7.3 million. The slight decrease was mainly due to higher borrowing cost incurred on the issuance of medium term notes and the receipt of dividend income in the preceding quarter.

15. CURRENT YEAR PROSPECTS

With the continued expansion of the Group's personal financing business and barring any unforeseen circumstances, the Group expects to show a further improvement in its performance for the financial year ending 31 March 2007.

In addition, pursuant to the proposed restructuring and re-branding exercise ("Proposals") announced by AmFirst Property Trust ("AMFPT") on 28 March 2006, which involves the establishment of a new Real Estate Investment Trust ("REIT") to be known as AmFIRST REIT, the Group is expected to record a gain of approximately RM20.4 million from its investment in AMFPT should the Proposals be implemented as announced.

16. PROFIT FORECAST

There were no profit forecast prepared and profit guarantee made by the Group.

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17. TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/6/2006	30/6/2005	30/6/2006	30/6/2005
	RM'000	RM'000	RM'000	RM'000
Taxation:				
Current year	(2,986)	(3,795)	(2,986)	(3,795)
Deferred taxation:				
Current year	1,023	1,056	1,023	1,056
	<u>(1,963)</u>	<u>(2,739)</u>	<u>(1,963)</u>	<u>(2,739)</u>

The effective tax rate of the Group is lower than the statutory income tax rate for the current quarter and financial period ended 30 June 2006 mainly due to recognition of deferred tax assets.

18. UNQUOTED INVESTMENTS AND PROPERTIES

There were no sale of any unquoted investment and / or properties by the Group for the current quarter and financial period ended 30 June 2006.

19. QUOTED SECURITIES

- a. Investment in quoted property trust units as at 30 June 2006:-

	CUMULATIVE QUARTER RM'000
Investment at cost	61,170
Investment at carrying / book value	61,170
Investment at market value	75,160

- b. There were no investment in quoted shares as at 30 June 2006.

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20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

On 19 May 2006, the Company proposed to undertake the following proposals:

- 1) Proposed special issue of up to 21,100,000 new ordinary shares of RM0.10 each in RCE (“Placement Shares”) to Bumiputra investor(s) (“Proposed Special Issue”);
- 2) Proposed bonus issue of up to 161,576,076 new ordinary shares of RM0.10 each in RCE (“Bonus Shares”) to be credited as fully paid up, on the basis of one (1) bonus share for every three (3) existing ordinary shares held in RCE on an entitlement date to be determined later (“Proposed Bonus Issue”);
- 3) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of RCE after the Proposed Bonus Issue from the Second Board to the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”)(“Proposed Transfer of Listing”); and
- 4) Proposed increase in the authorized share capital of RCE from RM50,000,000 divided into 500,000,000 ordinary shares of RM0.10 each to RM200,000,000 divided into 2,000,000,000 ordinary shares of RM0.10 each by the creation of an additional 1,500,000,000 ordinary shares of RM0.10 each in RCE (“Proposed Increase in Authorised Share Capital”).

On 9 June 2006 and 25 July 2006, approval from the Securities Commission (“SC”) was obtained for the Proposed Special Issue and Proposed Transfer of Listing respectively. As part of the conditions imposed by SC, the Proposed Special Issue is currently pending the approval from Ministry of International Trade and Industry for the recognition of the Placee as an approved Bumiputera.

On 7 July 2006, shareholders’ approval for the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital was obtained at the EGM.

On 26 July 2006, Bursa Securities approved the listing of and quotation for the Bonus Shares and Placement Shares while approval for the Proposed Transfer of Listing was obtained on 15 August 2006.

On 23 August 2006, the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company was transferred from the Second Board to the Main Board of Bursa Securities.

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21. GROUP BORROWINGS

Total borrowings (all denominated in Ringgit Malaysia) of the Group as at 30 June 2006 are as follows:

	Long Term RM'000	Short Term RM'000
Borrowings – Secured		
- Fixed Rate Medium Term Notes	168,751	-
- Fixed Rate Serial Bonds	35,000	10,000
- Underwritten Commercial Papers	18,000	2,000
- Term Loan	28,542	3,429
- Revolving Credit	30,000	-
 Borrowings – Unsecured		
- Fixed Rate Term Loan	<u>40,000</u>	<u>-</u>
	<u>320,293</u>	<u>15,429</u>

22. CONTINGENT LIABILITIES

There were no changes in contingent liabilities since the last annual balance sheet as at 31 March 2006.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There is no off balance sheet financial instrument at the date of this report.

24. MATERIAL LITIGATION

There is no pending material litigation for the Group at the date of this report.

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25. EARNINGS PER SHARE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/6/06	30/6/05	30/6/06	30/6/05
Basic earnings per share:				
Profit for the period attributable to equity holders of the parent (RM'000)	6,960	4,700	6,960	4,700
Number of ordinary shares in issue ('000) (weighted)	407,130	401,513	407,130	401,513
Basic earnings per share (sen)	1.71	1.17	1.71	1.17

The Company does not have in issue any financial instruments or other contract that may entitle its holder to ordinary shares and therefore dilutive to its basic earnings per share.

BY ORDER OF THE BOARD
JOHNSON YAP CHOON SENG
Company Secretary
Date: 23 August 2006