



RCE Capital Berhad (Company No. 2444-M)

Incorporated in Malaysia

Interim Financial Report
for 3rd Quarter Ended 31 December 2011

**SUMMARY OF KEY FINANCIAL INFORMATION FOR THE FINANCIAL
PERIOD ENDED 31 DECEMBER 2011**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
1. Revenue	61,110	77,179	180,670	210,687
2. Profit before tax	30,645	42,401	105,237	117,440
3. Profit for the period	24,776	32,780	84,884	87,654
4. Profit attributable to ordinary equity holders of the Company	24,776	32,780	84,884	87,654
5. Basic/diluted earnings per share (sen)	3.17	4.19	10.85	11.20
6. Proposed/Declared dividend per share (sen)	-	-	-	-
		AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the Company (RM)		0.66		0.57
	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
8. Gross interest income	3,411	3,110	10,919	6,918
9. Gross interest expense	9	8	27	20

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		9 MONTHS ENDED	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	61,110	77,179	180,670	210,687
Other income	6,308	4,301	21,705	11,215
Interest expense applicable to revenue	(14,157)	(19,603)	(49,564)	(55,471)
Staff costs and directors' remuneration	(3,283)	(3,216)	(9,722)	(8,792)
Depreciation of plant and equipment and investment properties	(330)	(337)	(976)	(1,033)
Other expenses	(18,994)	(15,915)	(36,849)	(39,146)
Finance costs	(9)	(8)	(27)	(20)
Profit before tax	30,645	42,401	105,237	117,440
Taxation	(5,869)	(9,621)	(20,353)	(29,786)
Profit for the financial period	24,776	32,780	84,884	87,654
Other comprehensive income:				
Financial assets available-for-sale ("AFS"):				
- Unrealised net gain/(loss) on revaluation	280	(337)	(338)	2,701
- Reclassification to profit and loss upon disposal	(2,334)	-	(8,441)	-
Other comprehensive income for the financial period, net of tax	(2,054)	(337)	(8,779)	2,701
Total comprehensive income for the financial period	22,722	32,443	76,105	90,355
Attributable to:				
Equity holders of the Company	24,776	32,780	84,884	87,654
Earnings per share attributable to equity holders of the Company:				
Basic/Diluted (sen)	3.17	4.19	10.85	11.20

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

**RCE Capital Berhad (Company No. 2444-M)**

Incorporated in Malaysia

Interim Financial Report
for 3rd Quarter Ended 31 December 2011**CONDENSED STATEMENT OF FINANCIAL POSITION**

	AS AT 31.12.2011 RM'000	AS AT 31.03.2011 RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	2,926	2,679
Investment properties	2,679	2,700
Goodwill on consolidation	28,677	28,677
Loans and receivables	840,579	973,164
AFS financial assets	-	39,166
Deferred tax assets	20,009	33,783
Total Non-Current Assets	894,870	1,080,169
Current Assets		
Loans and receivables	102,210	112,591
Trade receivables	32,355	37,414
Other receivables, deposits and prepaid expenses	35,133	28,549
Deposits with licensed financial institutions	385,256	512,150
Cash and bank balances	3,760	2,388
Total Current Assets	558,714	693,092
TOTAL ASSETS	1,453,584	1,773,261
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	78,240	78,240
Reserves	434,511	370,142
Total Equity	512,751	448,382
Non-Current Liabilities		
Hire-purchase payables	445	580
Borrowings	485,685	737,379
Deferred tax liabilities	33,741	52,418
Total Non-Current Liabilities	519,871	790,377
Current Liabilities		
Payables and accrued expenses	62,167	89,291
Hire-purchase payables	179	172
Borrowings	342,806	444,715
Tax liabilities	15,810	324
Total Current Liabilities	420,962	534,502
Total Liabilities	940,833	1,324,879
TOTAL EQUITY AND LIABILITIES	1,453,584	1,773,261
NET ASSETS PER SHARE (RM)	0.66	0.57

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.



CONDENSED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Share Capital RM'000	Reserves			Retained Earnings RM'000	Total Reserves RM'000	Minority Interest RM'000	Total Equity RM'000
		Share Premium RM'000	Share Options RM'000	AFS RM'000				
As at 1 April 2010	78,207	58,304	6,555	-	275,796	340,655	-	418,862
Effects of adopting FRS 139	-	-	-	6,753	(71,777)	(65,024)	-	(65,024)
Restated as at 1 April 2010	78,207	58,304	6,555	6,753	204,019	275,631	-	353,838
Total comprehensive income	-	-	-	2,701	87,654	90,355	-	90,355
Transactions with owners								
Dividend	-	-	-	-	(11,932)	(11,932)	-	(11,932)
Issuance of shares pursuant to ESOS exercised	33	280	(120)	-	-	160	-	193
Cancellation of share options	-	-	(393)	-	393	-	-	-
Total transactions with owners	33	280	(513)	-	(11,539)	(11,772)	-	(11,739)
As at 31 December 2010	78,240	58,584	6,042	9,454	280,134	354,214	-	432,454
As at 1 April 2011	78,240	58,584	5,976	8,779	296,803	370,142	-	448,382
Total comprehensive income	-	-	-	(8,779)	84,884	76,105	-	76,105
Transactions with owners								
Dividend	-	-	-	-	(11,736)	(11,736)	-	(11,736)
Cancellation of share options	-	-	(237)	-	237	-	-	-
Total transactions with owners	-	-	(237)	-	(11,499)	(11,736)	-	(11,736)
As at 31 December 2011	78,240	58,584	5,739	-	370,188	434,511	-	512,751

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.



CONDENSED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER 31.12.2011 RM'000	CUMULATIVE QUARTER 31.12.2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial period	84,884	87,654
Adjustments for:		
Taxation	20,353	29,786
Allowance for doubtful debts, net	13,404	15,507
Loss on early redemption of ABS	6,597	-
Depreciation of plant and equipment and investment properties	976	1,033
Amortisation of discount on MTNs	711	934
Finance costs	27	20
Loss on early redemption of MTNs	14	146
Plant and equipment written off	2	-
Interest income	(10,919)	(6,918)
Gain on disposal of AFS financial assets	(8,238)	-
Dividend income	(1,668)	(6,074)
Gain on disposal of plant and equipment	(112)	(54)
Operating profit before working capital changes	<u>106,031</u>	<u>122,034</u>
Decrease/(Increase) in working capital:		
Loans and receivables	129,562	(123,867)
Trade receivables	5,059	(3,566)
Other receivables, deposits and prepaid expenses	245	(15,983)
(Decrease)/Increase in working capital:		
Payables and accrued expenses	(31,567)	59,820
Cash generated from operations	<u>209,330</u>	<u>38,438</u>
Taxes paid	(16,885)	(11,061)
Taxes refunded	454	-
Net cash generated from operating activities	<u>192,899</u>	<u>27,377</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of AFS financial assets	38,625	-
Interest income	10,919	6,918
Dividend received	1,668	6,074
Proceeds from disposal of plant and equipment	120	375
Additions to plant and equipment	(1,188)	(583)
Net cash generated from investing activities	<u>50,144</u>	<u>12,784</u>



CONDENSED STATEMENT OF CASH FLOWS (CONT'D)

	CUMULATIVE QUARTER 31.12.2011 RM'000	CUMULATIVE QUARTER 31.12.2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of other borrowings	76,797	68,362
Drawdown of revolving credits	61,901	315,630
Proceeds from issuance of ABS	-	209,000
Proceeds from issuance of shares	-	193
Redemption of ABS	(255,597)	(55,000)
Repayment of revolving credits	(117,965)	(230,583)
Repayment of other borrowings	(90,972)	(49,511)
Redemption of MTNs	(21,514)	(10,146)
Dividends paid	(11,765)	(11,908)
Repayment of term loans	(9,295)	(49,202)
Repayment of hire-purchase payables	(128)	(392)
Redemption of CPs	-	(4,000)
Repayment of finance lease payables	-	(27)
Finance costs paid	(27)	(20)
Net cash (used in)/generated from financing activities	<u>(368,565)</u>	<u>182,396</u>
Net change in cash and cash equivalents	(125,522)	222,557
Cash and cash equivalents at beginning of financial period	514,538	289,711
Cash and cash equivalents at end of financial period	<u>389,016</u>	<u>512,268</u>
CASH AND CASH EQUIVALENTS AS AT END OF FINANCIAL PERIOD COMPRISE THE FOLLOWING:		
Deposits with licensed financial institutions	385,256	493,756
Cash and bank balances	3,760	18,512
	<u>389,016</u>	<u>512,268</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.



NOTES TO THE INTERIM FINANCIAL REPORT

1 BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2011.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 March 2011, except for the adoption of the following standards, amendments to published standards and interpretations to existing standards which are effective for the financial period commencing 1 April 2011:

FRS 3	:	Business Combinations (Revised)
FRS 127	:	Consolidated and Separate Financial Statements (Revised)
IC Interpretation 4	:	Determining Whether an Arrangement Contains a Lease

Amendments to:

FRS 2	:	Share-based Payment
FRS 5	:	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	:	Financial Instruments: Disclosures
FRS 138	:	Intangible Assets
IC Interpretation 9	:	Reassessment of Embedded Derivatives

Amendments to FRSs classified as "Improvements to FRSs (2010)"

The adoption of the above standards, amendments to published standards and interpretations does not give rise to any material effects to the Group.



NOTES TO THE INTERIM FINANCIAL REPORT

3 AUDITORS' REPORT ON PRECEDING ANNUAL AUDITED FINANCIAL STATEMENTS

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

4 SEASONAL OR CYCLICAL FACTORS

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

5 UNUSUAL ITEMS

There were no unusual items for the current quarter and financial period.

6 CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect for the current quarter and financial period.

7 DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities for the financial period except for the following:

- (a) Redemption of the Asset-Backed Securities ("ABS") by Tresor Assets Berhad, a subsidiary of the Company, as follows:

	CURRENT QUARTER RM'000	CUMULATIVE QUARTER RM'000
Early redemption of ABS	(60,000)	(168,000)
Redemption of ABS upon maturity	(15,000)	(81,000)



NOTES TO THE INTERIM FINANCIAL REPORT

7 DEBT AND EQUITY SECURITIES (CONT'D)

(b) Redemption of the Fixed Rate Medium Term Notes ("MTNs") by RCE Advance Sdn Bhd, a subsidiary of the Company, as follows:

	CURRENT QUARTER RM'000	CUMULATIVE QUARTER RM'000
Early redemption of MTNs	-	(1,500)
Redemption of MTNs upon maturity	(15,000)	(20,000)

8 DIVIDEND

The directors declared and paid a final single-tier dividend in respect of the financial year ended 31 March 2011 of 15.0% (1.50 sen) on 782,395,174 ordinary shares, amounting to RM11,735,928 on 23 September 2011. The dividend has been accounted for in the equity as an appropriation of retained earnings in the financial period ended 31 December 2011.

No dividend has been recommended by the directors or paid for the financial period ended 31 December 2011.

9 SEGMENTAL INFORMATION

Segmental revenue and results for the financial period were as follows:

	Loan Financing RM'000	Investment Holding & Mgmt Services RM'000	Factoring & Confirming RM'000	Eliminations RM'000	Group RM'000
Revenue					
External sales	173,784	2,221	4,665	-	180,670
Intersegment sales	-	71,306	-	(71,306)	-
Total revenue	173,784	73,527	4,665	(71,306)	180,670



NOTES TO THE INTERIM FINANCIAL REPORT

9 SEGMENTAL INFORMATION (CONT'D)

	Loan Financing RM'000	Investment Holding & Mgmt Services RM'000	Factoring & Confirming RM'000	Eliminations RM'000	Group RM'000
Results					
Interest income	10,914	1	4	-	10,919
Segment results	104,434	5,834	(5,004)	-	105,264
Finance costs					(27)
Profit before tax					105,237
Taxation					(20,353)
Profit for the financial period					<u>84,884</u>

10 PROFIT BEFORE TAX

	INDIVIDUAL QUARTER 31.12.2011 RM'000	CUMULATIVE QUARTER 31.12.2011 RM'000
Interest income including investment income	63,943	188,156
Allowance for impairment loss on:		
- Loans and receivables, net	10,724	13,404
- Investment properties	-	-
Gain on:		
- Disposal of quoted AFS securities	2,317	8,238
- Foreign exchange, net:		
- Realised	2	12
- Unrealised	-	-

Other than the above items, there were no exceptional items and inventories written down and written off for the current quarter and financial period ended 31 December 2011.



NOTES TO THE INTERIM FINANCIAL REPORT

11 MATERIAL EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

As at the date of this announcement, there were no material events subsequent to the balance sheet date that affect the results of the Group for the financial period.

12 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period.

13 REVIEW OF PERFORMANCE

For the current quarter under review, the Group posted revenue of RM61.1 million, 20.8% lower compared to the corresponding quarter. This was mainly attributable to lower interest income from loan financing segment arising from lower loan base.

Meanwhile, revenue from investment holding and management services segment decreased from RM1.7 million to RM0.1 million over the corresponding quarter due to lower dividend income after the disposal of the remaining shareholding in AmFirst Real Estate Investment Trust ("AmFirst REIT"). The factoring and confirming segment also registered lower revenue of RM1.4 million due to lower loan disbursed arising from more prudent lending practice.

Following the above, the pre-tax profit of the Group for 9 months ended 31 December 2011 was RM105.2 million, 10.4% lower from RM117.4 million compared to corresponding period. The decrease was contributed by the loan financing segment, which posted a lower pre-tax profit by RM8.6 million arising from lower interest income generated from its loans and receivables. Meanwhile, factoring and confirming segment posted a loss before tax of RM5.0 million after impairment losses of RM7.1 million were made in respect of a few customers. Included in the investment holding and management services segment RM8.2 million net gain is arising from the disposal of its entire shareholding in AmFirst REITs.



NOTES TO THE INTERIM FINANCIAL REPORT

14 MATERIAL CHANGE IN RESULTS OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

For the third quarter ended 31 December 2011, the Group recorded a pre-tax profit of RM30.6 million, 11.9% lower than that of the preceding quarter's pre-tax profit of RM34.8 million. This was largely contributed by higher loan impairment by RM8.4 million, offset by RM2.4 million higher interest income generated from loans and receivables and RM3.0 million lower cost of funding.

15 CURRENT YEAR PROSPECTS

In line with the Group's continuous efforts to expand its loan financing business, the Group will be proactive in seeking and evaluating all opportunities as well as a range of holistic and comprehensive solutions that would benefit our potential business partners for mutual growth and long term sustainability. Accordingly, a personal financing business tie-up was also formed with a new business partner, which is expected to have a favourable impact on the Group's business. In addition, the Group has commenced assisting the co-operatives to venture into islamic pawn broking, otherwise known as Ar-Rahnu business.

For the factoring and confirming segment, however, the Group remains conservative on its performance for the remaining financial year ending 31 March 2012 given the volatility in current market and economic uncertainties. In the meantime, this segment will continue to assess all business opportunities with prudence.

Notwithstanding the above, the Group is cautious of its performance for the remaining financial year ending 31 March 2012 arising from its reduced loan portfolio as well as the overall market uncertainties.



NOTES TO THE INTERIM FINANCIAL REPORT

16 PROFIT FORECAST

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

17 TAXATION

	INDIVIDUAL QUARTER 31.12.2011 RM'000	CUMULATIVE QUARTER 31.12.2011 RM'000
Taxation:		
Current period	9,881	25,403
Overprovision in prior year	(147)	(147)
	<u>9,734</u>	<u>25,256</u>
Deferred taxation:		
Current period	(4,531)	(6,173)
Underprovision in prior year	666	1,270
	<u>(3,865)</u>	<u>(4,903)</u>
	<u>5,869</u>	<u>20,353</u>

The effective tax rate of the Group in the current quarter is lower than the statutory tax rate as a result of certain income which is not taxable and utilisation of tax losses.

18 STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced or pending completion as at the date of this report.



NOTES TO THE INTERIM FINANCIAL REPORT

19 GROUP BORROWINGS AND DEBT SECURITIES

Total borrowings and debt securities (all denominated in Ringgit Malaysia) of the Group as at 31 December 2011 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
At amortised cost			
Secured:			
- Asset-backed securities	70,355	255,000	325,355
- Fixed rate medium term notes	35,515	152,480	187,995
- Revolving credits	144,243	-	144,243
- Term loans	12,666	67,905	80,571
- Bank overdrafts	5	-	5
	<u>262,784</u>	<u>475,385</u>	<u>738,169</u>
Unsecured:			
- Term loans	41,330	-	41,330
- Revolving credits	17,696	10,300	27,996
- Bankers' acceptances	9,837	-	9,837
- Trust receipts	9,177	-	9,177
- Bank overdrafts	1,982	-	1,982
	<u>80,022</u>	<u>10,300</u>	<u>90,322</u>
	<u>342,806</u>	<u>485,685</u>	<u>828,491</u>



NOTES TO THE INTERIM FINANCIAL REPORT

20 CAPITAL COMMITMENTS

31.12.2011
RM'000

Capital expenditure in respect of
plant and equipment:

Approved, contracted but not provided for

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Other than as disclosed in this report, there were no other material capital commitments as at the date of this report.

21 CHANGES IN CONTINGENT LIABILITIES AND ASSETS

The Group's total letters of credit have decreased from RM4.2 million as at 31 March 2011 to RM2.4 million as at 31 December 2011.

Other than as disclosed above, there were no other changes in contingent liabilities and assets since the last financial year ended 31 March 2011.

22 DERIVATIVES AND FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

(a) There were no derivatives as at 31 December 2011.

(b) There were no fair value gain/(loss) on fair value changes of financial liabilities as all financial liabilities were measured at amortised cost.

23 CHANGES IN MATERIAL LITIGATION

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



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NOTES TO THE INTERIM FINANCIAL REPORT

24 EARNINGS PER SHARE ("EPS")

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
Basic:					
Profit for the period attributable to equity holders of the Company	(RM'000)	24,776	32,780	84,884	87,654
Weighted average number of ordinary shares in issue	(unit'000)	782,395	782,395	782,395	782,346
Basic EPS	(sen)	<u>3.17</u>	<u>4.19</u>	<u>10.85</u>	<u>11.20</u>

Basic EPS for the quarter is calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period.

Diluted:

The Group has no dilution in its EPS in the current quarter and the corresponding quarter as there are no dilutive potential ordinary shares.



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for 3rd Quarter Ended 31 December 2011

NOTES TO THE INTERIM FINANCIAL REPORT

25 DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained earnings of the Group as at 31 December 2011, into realised and unrealised profits, pursuant to BMSB's directive dated 20 December 2010, is as follows:

	INDIVIDUAL QUARTER	
	31.12.2011	31.03.2011
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	383,920	315,438
- Unrealised	<u>(13,732)</u>	<u>(18,635)</u>
	<u><u>370,188</u></u>	<u><u>296,803</u></u>

BY ORDER OF THE BOARD
JOHNSON YAP CHOON SENG
Company Secretary
14 February 2012