RCE

RCE CAPITAL BERHAD

195301000151 (2444-M)

Annual Report

2020

member of

AMCORP

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Shahman Azman
Non-Independent Non-Executive Chairman

Datuk Mohamed Azmi bin Mahmood
Independent Director

Tan Bun Poo
Independent Director

Mahadzir bin Azizan
Independent Director

Thein Kim Mon
Independent Director

Soo Kim Wai
Non-Independent Non-Executive Director

Shalina Azman
Non-Independent Non-Executive Director

Lum Sing Fai
Non-Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER

Loh Kam Chuin

COMPANY SECRETARIES

Johnson Yap Choon Seng
(MIA 20766)

Seow Fei San
(MAICSA 7009732)

AUDITORS

Deloitte PLT
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia

Tel : +603-7610 8888
Fax : +603-7726 8986

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square
17 Jalan SS 7/26
47301 Petaling Jaya
Selangor, Malaysia

Tel : +603-7803 1126 / +603-7806 2116
Fax : +603-7806 1387 / +603-7806 1261

BUSINESS ADDRESS

20th Floor
Menara Teo Chew
1 Jalan Lumut
50400 Kuala Lumpur, Malaysia

Tel : +603-4047 0988
Fax : +603-4042 8877
Website : www.rce.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

Tel : +603-2783 9299
Fax : +603-2783 9222

Customer Service Centre:
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
(Listed on 20 September 1994)
Stock name : RCECAP
Stock code : 9296

Corporate Structure

RCE CAPITAL BERHAD

- 100% **RCE Marketing Sdn Bhd**
  Provision of general financing services
  - 100% **Zamarad Assets Berhad (“ZAB”)**
  - 100% **Al Dzahab Assets Berhad (“ADA”)**
    ZAB and ADA are included as indirect and not legal subsidiary companies of RCE Capital Berhad as a result of compliance with applicable accounting standards. These are special purpose vehicles owned by TMF Trustees Malaysia Berhad as share trustee for the RM900.0 million Sukuk Murabahah Asset-Backed Securitisation and RM2.0 billion Asset-Backed Securitisation Islamic Medium Term Notes Programmes respectively
  - 100% **RCE Trading Sdn Bhd**
    Investment in securities
  - 100% **RCE Sales Sdn Bhd**
    Provision of general financing services
- 100% **Mezzanine Enterprise Sdn Bhd**
  Provision of financial administrative services
- 100% **EXP Payment Sdn Bhd**
  Processing and administration of payroll collection
- 100% **RCE Factoring Sdn Bhd**
  Confirming and factoring, industrial hire-purchase specialising in trade-related activities and general trading

Note:
This chart features the main operating companies and exclude inactive companies.

Group Financial Highlights

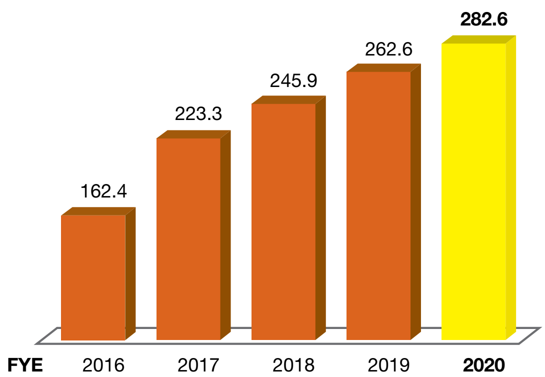
Financial Years Ended 31 March		2016	2017	2018	2019	2020
Profitability						
Revenue	(RM'000)	162,386	223,331	245,906	262,570	282,609
Profit before tax and allowances for impairment loss on receivables	(RM'000)	85,053	128,622	146,968	154,814	171,990
Profit before tax	(RM'000)	54,183	101,490	117,373	131,089	148,900
Net profit attributable to owners of the Company	(RM'000)	39,571	78,949	88,681	95,533	110,581
Key Consolidated Statements of Financial Position Data						
Total assets	(RM'000)	1,550,592	1,702,109	1,858,790	2,226,143	2,431,032
Loans and receivables/ financing, net	(RM'000)	1,260,442	1,411,561	1,524,707	1,598,706	1,689,915
Borrowings (net of deposits, cash and bank balances)	(RM'000)	861,733	1,054,230	1,101,274	1,112,482	1,094,200
Net assets ("NA") attributable to ordinary shareholders	(RM'000)	456,537	441,361	519,273	583,516	673,363
Key Financial Indicators						
NA per ordinary share	(RM)	0.35	1.31	1.52	1.71	1.92
Return on average equity	(%)	7.74	17.59	18.46	17.42	17.60
Earnings per share:						
Basic	(sen)	3.08	23.92	26.03	28.02	31.83
Diluted	(sen)	3.08	23.82	25.98	27.95	31.71
Gearing ratio	(times)	1.89	2.39	2.12	1.91	1.62
Net dividend per share	(sen)	14.00	3.00	7.00	9.00	11.00
Dividend payout ratio	(%)	369^	13	27	33	35
Return on average total assets	(%)	2.84	4.85	4.98	4.68	4.75
Number of ordinary shares as at financial year end	(unit)	1,363,810	350,713~	355,995	360,555	372,938
Share price as at financial year end	(RM)	0.29	1.78	1.23	1.63	1.49

^ *Included special interim dividend of RM0.105 per ordinary share amounting to RM134.678 million.*

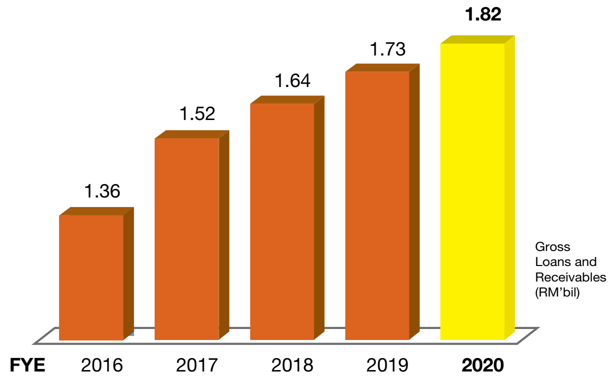
~ *Included share consolidation exercise involving every four (4) ordinary shares of RM0.025 each into one (1) ordinary share of RM0.100.*

Group Financial Highlights

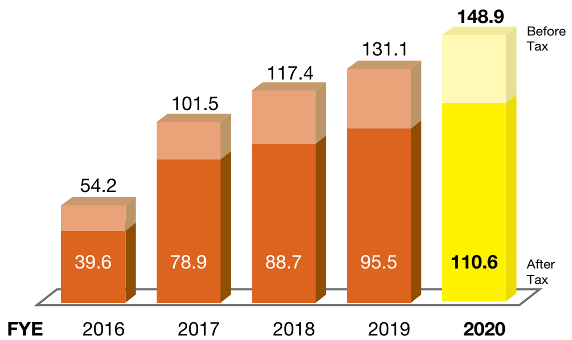
Revenue (RM'mil)



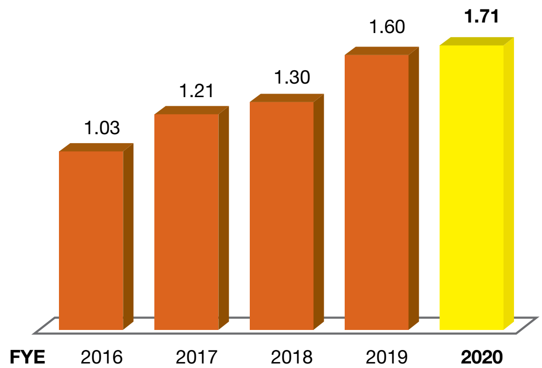
Loans and Receivables/Financing (RM'bil)



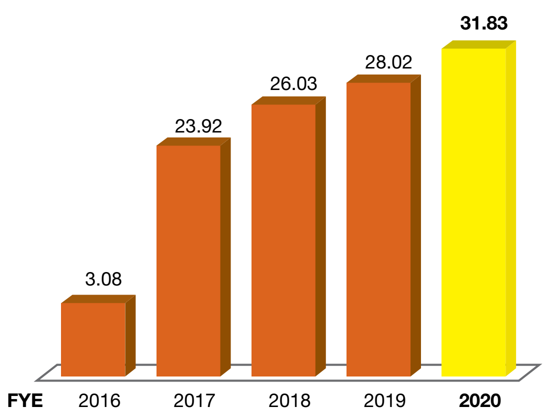
Profits (RM'mil)



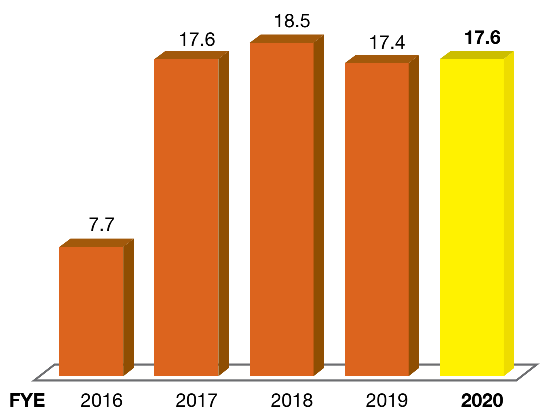
Borrowings (RM'bil)



Earnings Per Share (Sen)



Return On Average Equity (%)



Profile of Directors

SHAHMAN AZMAN
Non-Independent Non-Executive Chairman

Encik Shahman Azman, a Malaysian, male, aged 45, was appointed to the Board on 2 June 2008 and was later redesignated to Non-Independent Non-Executive Chairman on 1 April 2015.

After graduating from Chapman University, U.S.A. with a Bachelor of Communications, Encik Shahman joined Amcorp Group Berhad ("Amcorp") in 1996. He was subsequently promoted to General Manager spearheading the Corporate Planning and Strategy portfolio. In 2001, he joined MCM Technologies Berhad, a former subsidiary of Amcorp, as General Manager of Corporate Planning and Strategy. His last held position in MCM Technologies Berhad was Chief Investment Officer.

Encik Shahman later joined the Company as Director of Corporate Affairs on 1 April 2004 and was promoted to Director of Strategic Business Unit on 1 January 2006.

His directorships in other public companies include Amcorp and Amcorp Global Limited, a company listed on the Mainboard of Singapore Stock Exchange. He is also the Deputy Group Chief Executive Officer of Amcorp Properties Berhad.

DATUK MOHAMED AZMI BIN MAHMOOD
Independent Director

Datuk Mohamed Azmi bin Mahmood, a Malaysian, male, aged 66, was appointed to the Board on 15 March 2017.

He is a Registered Financial Planner from the Malaysian Financial Planning Council and a Fellow Chartered Banker from the Asian Institute of Chartered Bankers.

Datuk Azmi has 37 years of experience in the banking industry. He joined Arab-Malaysian Finance Berhad ("AMFB") in 1981 as an accountant. In 1989, he was seconded by Bank Negara Malaysia to First Malaysia Finance Berhad as the Chief Executive Officer in a rescue scheme for the finance company. In January 1991, he re-joined AMFB and was promoted to Managing Director on 1 August 1994, a position he held until 14 June 2002 to assume the office of Managing Director, Retail Banking in AmBank (M) Berhad. Datuk Azmi was the Deputy Group Chief Executive Officer of AMMB Holdings Berhad from April 2012 to January 2017.

Datuk Azmi also sits on the Board of Trustees of Yayasan Sejahtera.

Profile of Directors

TAN BUN POO
Independent Director

Mr. Tan Bun Poo, a Malaysian, male, aged 70, was appointed to the Board on 1 June 2013.

He graduated with a Bachelor of Commerce from University of Newcastle, Australia in 1973 and obtained his Chartered Accountancy from Institute of Chartered Accountants, Australia in 1976. He is a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Taxation and a Fellow of the Institute of Chartered Accountants in Australia.

Mr. Tan, currently a practising accountant, was a retired Senior Partner with Deloitte. He has more than 40 years of experience in the audits of both private and public companies in varied industries including banking, insurance and other financial services. He was also involved in leading assignments related to outsourced internal audits and risk management services, initial public offerings, corporate restructuring, mergers and acquisitions, and other corporate exercises.

Mr. Tan is a board member of the Auditing & Assurance Standards Board, MIA. He was a council member of MICPA and served as a member in its Accounting & Auditing Technical Committee, Financial Statements Review Committee and Investigation Committee.

Mr. Tan also sits on the Board of Amcorp Properties Berhad, UEM Edgenta Berhad, AmMetLife Takaful Berhad and AmInvestment Bank Berhad.

MAHADZIR BIN AZIZAN
Independent Director

Encik Mahadzir bin Azizan, a Malaysian, male, aged 71, was appointed to the Board on 31 October 2014.

He is a Barrister-at-Law from the Honourable Society of Lincoln's Inn, London, United Kingdom and was called to the English Bar in 1978.

Encik Mahadzir has more than 25 years of experience in corporate legal matters and has held key positions both in private and public sector. After graduation, he joined the Judicial and Legal Service of the Malaysian Government as a Deputy Public Prosecutor and Federal Counsel and subsequently ventured into the private sector and served Malaysian International Shipping Corporation (MISC) and Island & Peninsular Berhad, the property arm of Permodalan Nasional Berhad (PNB) for 24 years. Whilst in the private sector, he also served as Ahli Majlis MARA, director of Amanah Raya Berhad and Tabung Haji group of companies as well as various other directorships in government-linked companies.

He also sits on the Board of ECM Libra Group Berhad (formerly known as ECM Libra Financial Group Berhad), Securities Industry Dispute Resolution Center and AmanahRaya-Kenedix REIT Manager Sdn Bhd, the Manager of AmanahRaya Real Estate Investment Trust.

Profile of Directors

THEIN KIM MON
Independent Director

Mr. Thein Kim Mon, a Malaysian, male, aged 65, was appointed to the Board on 30 September 2019.

Mr. Thein is a Fellow of the Institute of Chartered Accountants, England and Wales (ICAEW)(FCA) and the Institute of Chartered Accountants of Australia (FCA). He is also a Chartered Banker of the Asian Institute of Chartered Bankers and the Chartered Banker Institute in the United Kingdom and a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA).

Mr. Thein was the Group Chief Internal Auditor of AmBank Group from July 2010 to September 2017. He was responsible in providing independent audit and value-added assurance and consulting services to assist AmBank Group in realising its strategic objectives.

Mr. Thein has over 42 years of experience in audit and risk management. Prior to joining AmBank Group, Mr. Thein spent 21 years with the Australia and New Zealand Banking Group (ANZ) where he held several key roles such as Chief Auditor of ANZ in New Zealand and Regional Head of Audit, UK/Europe & Americas in London. Mr. Thein began his career with Coopers & Lybrand (now PricewaterhouseCoopers) in London.

SOO KIM WAI
Non-Independent Non-Executive Director

Mr. Soo Kim Wai, a Malaysian, male, aged 59, was appointed to the Board on 11 August 1997.

Mr. Soo is a Member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Certified Practising Accountant, Australia, and the Association of Chartered Certified Accountants, United Kingdom.

Mr. Soo is currently the Group Managing Director of Amcorp Group Berhad ("Amcorp"). He joined 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. 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.

Apart from Amcorp, his directorships in other public companies include Amcorp Properties Berhad, AMMB Holdings Berhad, AmBank (M) Berhad and Amcorp Global Limited, a company listed on the Mainboard of Singapore Stock Exchange. He also serves as Chairman of AmREIT Managers Sdn Bhd, the Manager of AmFirst Real Estate Investment Trust.

Profile of Directors

SHALINA AZMAN
Non-Independent Non-Executive Director

Puan Shalina Azman, a Malaysian, female, aged 53, 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 Amcorp Group Berhad ("Amcorp") from 1995 to 1999 as 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 Amcorp, Puan Shalina is also the Chairman of Amcorp Properties Berhad and sits on the Board of Rockwills International Berhad.

LUM SING FAI
Non-Independent Non-Executive Director

Mr. Lum Sing Fai, a Malaysian, male, aged 55, was appointed to the Board on 30 September 2019.

He holds a Bachelor of Economics (Hons.) (Business Administration) from University of Malaya.

Mr. Lum has over 30 years of extensive experience in the banking and financial industry. As Managing Director of Capital Markets in Amcorp Group Berhad ("Amcorp"), he has successfully led a broad range of corporate finance, restructuring and funding exercises during his 24 year tenure. Prior to joining Amcorp, Mr. Lum was with Southern Bank Berhad from 1987 to 1994 working in various capacities from operations to corporate banking.

He was a Non-Independent Non-Executive Director of ECM Libra Financial Group Berhad and Director of ECM Libra Investment Bank Berhad from 2008 till 2013 and 2012 respectively.

Mr. Lum also sits on the Board of Amcorp Properties Berhad, AmInvestment Bank Berhad and MTrustee Berhad.

Profile of Chief Executive Officer

LOH KAM CHUIN
Chief Executive Officer

Mr. Loh Kam Chuin, a Malaysian, male, aged 53, was appointed Chief Executive Officer ("CEO") on 1 March 2010.

Mr. Loh holds a Bachelor of Business-Banking and Finance from the University of South Australia. Upon graduation in 1989, he joined Southern Bank Berhad in the Personal Banking Division. In 1995, he joined Fulcrum Capital Sdn Bhd ("FCSB"), a wholly-owned subsidiary of Amcorp Group Berhad, as Manager and was promoted to Senior Manager and later Associate Director of FCSB prior to joining RCE Group. In 2001, he was appointed Director of RCE Marketing Sdn Bhd, a wholly-owned subsidiary of the Company and has since 2006, held the post of Executive Director, Corporate Affairs prior to his current appointment.

He does not hold any directorship in public or public listed companies.

DETAILS OF MEMBERSHIP IN BOARD COMMITTEES

	COMMITTEES OF THE BOARD			
	Audit Committee	**Nomination & Remuneration Committee**	**Employees' Share Scheme Committee**	**Sustainability Management Committee**
Shahman Azman			**Chairman**	**Chairman**
Datuk Mohamed Azmi bin Mahmood	Member	**Chairman**		
Tan Bun Poo	Member			
Mahadzir bin Azizan	Member	Member		
Thein Kim Mon	**Chairman**			
Soo Kim Wai	Member		Member	
Shalina Azman		Member	Member	Member
Lum Sing Fai			Member	
Loh Kam Chuin *(Chief Executive Officer)*			Member	Member

Notes:

Puan Shalina Azman and Encik Shahman Azman are siblings and children of Tan Sri Azman Hashim, a major shareholder of the Company. Save as disclosed herein, none of the Directors and the Chief Executive Officer have any family relationship with any Directors and/or major shareholders of the Company.

None of the Directors and the Chief Executive Officer have any conflict of interest with the Company.

None of the Directors and the Chief Executive Officer have been convicted for offences within the past 5 years, other than traffic offences, if any.

None of the Directors and the Chief Executive Officer have any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

JOHNSON YAP CHOON SENG

Group Chief Financial Officer and Company Secretary

Mr. Johnson Yap Choon Seng, a Malaysian, male, aged 50, was appointed the Group Chief Financial Officer on 21 February 2003. He has been Company Secretary of the Company since February 2005.

He is a Fellow of the Association of Certified Chartered Accountants (ACCA) and a member of the Malaysian Institute of Accountants. He obtained his Executive Masters in Business Administration from the National University of Singapore.

He has over 29 years of experience in financial reporting, corporate finance, company secretarial, information technology and other management discipline.

OON HOOI KHEE

Chief Business Officer

Ms. Oon Hooi Khee, a Malaysian, female, aged 49, joined RCE Capital Berhad and its subsidiaries on 11 September 2006 and has since then held various positions as Head of Department including Finance, Strategy & Planning, Business Development, Information Technology, Compliance, Operations & Methods and Human Resource & Administration prior to her current appointment as Chief Business Officer.

Ms. Oon is a Fellow of the Certified Practising Accountant (CPA), Australia, and a member of the Malaysian Institute of Accountants.

Upon graduating from Monash University with a Bachelor of Economics majoring in Accounting, Ms. Oon joined a Big 4 accounting firm for 8 years covering audit assurance and tax compliance. Thereafter, she spent 4 years as the Head of Finance in a stockbroking company.

Notes:

None of the Key Senior Management members have:

(i) any directorship in public or public listed companies;

(ii) any family relationship with any Directors and/or major shareholders of the Company;

(iii) any conflict of interest with the Company;

(iv) any conviction for offences within the past 5 years, other than traffic offences, if any; and

(v) any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year.

Chairman's Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of RCE Capital Berhad and its subsidiaries ("the Group") for the financial year ended ("FYE") 31 March 2020.

ECONOMIC REVIEW

On the global front, the vulnerability of financial systems remain heightened as concerns of a stagnant global economy and elevated geopolitical tensions persisted. These have increased the volatility of global financial assets and commodity prices. Following these developments, central banks in major economies and emerging markets shifted to dovish monetary policies as trade tensions weighed on global growth prospects.

Nevertheless, during the major part of FYE 2020, monetary easing across key economies managed to cushion global financial conditions and stimulate the global economy as trade tensions between the two biggest economies continued. With the low interest rate environment, most businesses have adapted to the adverse circumstances given their prudential leverage and adequate buffers despite slower global demand. The slower demand in turn did put pressure on corporate profits and investment decisions.

Unfortunately, the COVID-19 pandemic which started in January 2020 and subsequently spread across the globe further exacerbated global economic prospects. The pandemic has caused countries to shut down their economies and the full impact of this unprecedented event will only be known when their economies restart.

On the home front, Malaysia's economy expanded at a moderate 4.3% in 2019 (2018: 4.7%), reflecting a relatively resilient economic growth despite the volatility in the financial markets arising from both global and domestic economic activities. The growth was mainly underpinned by stronger private sector activity, anchored by income and employment growth with sustained consumer-related spending and leisure-related expenditure. However, growth was partially weighed down by supply disruptions in the commodities sector resulting in weaker net exports.

Having said that, as the COVID-19 pandemic expanded to the rest of the world, the Malaysian government on 18 March 2020 implemented a Movement Control Order ("MCO") to restrict movements and close all non-essential business offices and premises in a move to curb the spread of the COVID-19 outbreak. The nationwide MCO was originally supposed to be for two weeks however, it was further extended and relaxed to Conditional MCO allowing some businesses to open in May 2020. The order was subsequently revised to Recovery MCO for a period starting from 10 June to 31 August 2020. Without a doubt, the COVID-19 pandemic and disruptions from the MCO will not only have a profound effect on our economy but also on our way of life and how we interact with each other.

Chairman's Letter to Shareholders

PERFORMANCE REVIEW

Fortunately, despite the economy grinding to a halt towards the end of the financial year arising from the MCO, the Group's overall performance for FYE 2020 ended commendably. We recorded a higher revenue of RM282.6 million, representing an increase of 7.6% as compared to the previous financial year. This was mainly contributed by higher interest/profit income, supported by an enlarged financing base of RM1.8 billion from RM1.7 billion a year ago giving us a 5.3% year-on-year growth.

Management is always active in managing cost and this could be seen in the control of the Group's financing costs as well as overheads. With the total reduction of 50 basis point in the overnight rates by Bank Negara Malaysia ("BNM") on 22 January 2020 and 3 March 2020, the Group was able to reduce the weighted average cost of funds ranging from 4.2% to 5.7% (FYE 2019: 5.1% to 6.3%). Optimisation of overheads has also allowed the Group to achieve a lower cost to income ratio of 22.0% from 22.2% a year ago.

Higher revenue and lower overall cost allowed the Group to post a higher profit after tax of RM110.6 million for the year which was 15.8% more compared to a year ago.

With the improved results, the Group achieved a higher earnings per share of 31.8 sen and return on average equity of 17.6%.

CORPORATE DEVELOPMENT

The Group felt honoured to be recipients of several awards during FYE 2020. It is pleasant yet humbling to be recognised in the industry for efforts contributed by all hardworking personnel in the Group. We were awarded the "Best in Online Presence" by Focus Malaysia in their Best Under Billion Awards 2019 for companies with market capitalisation of RM500.0 million to RM950.0 million which was held on 8 November 2019.

"Best in Online Presence" award presented by Focus Malaysia's Best Under Billion Awards 2019.

Chairman's Letter to Shareholders

On 12 November 2019, the Group also bagged all three awards under the Financial Services sector of The Edge Centurion Club 2019 inaugural event, namely:

- Highest Growth in Profit After Tax over three years;
- Highest Return on Equity over three years; and
- Highest Returns to Shareholders over three years.

The awards were only given to companies listed with market capitalisation of RM100.0 million to below RM1.0 billion in all the 12 sectors of Bursa Malaysia Securities Berhad. They are based on quantifiable performance measurements and as such, the recognition is a testament to the Group's continued performance to bring value to the shareholders.

Awards presented by The Edge Centurion Club 2019 under Financial Services Sector for "Highest Growth in Profit After Tax over three years", "Highest Return on Equity over three years" and "Highest Returns to Shareholders over three years".

"Best in Online Presence" award by Focus Malaysia's Best Under Billion Awards 2019.

Chairman's Letter to Shareholders

On top of these awards, Zamarad Assets Berhad ("ZAB"), the special purpose bankruptcy remote vehicle for the RM2.0 billion Sukuk Murabahah Asset-Backed Securitisation Programme, successfully won the "Best Islamic ABS-Backed Sukuk 2019" award presented by Alpha Southeast Asia 13th Deal & Solution Awards 2019 which was presented on 24 February 2020.

To-date, ZAB has issued three sukuk tranches totalling RM501.0 million in March, July and November 2019 with issuance ranging from RM108.0 million to RM265.0 million. Following this, the remaining programme of RM1.499 billion is available for future issuance.

"Best Islamic ABS-Backed Sukuk 2019" award presented by Alpha Southeast Asia 13th Deal & Solution Awards 2019.

INVESTOR RELATIONS

The Group remains committed to high standards of disclosure and continue to adopt good corporate governance practices across all business units. The Investor Relations Team ("IR Team") is dedicated to convey the latest announcements on business activities, corporate and financial developments in a timely manner and ensure accessibility on the Group's website at www.rce.com.my.

Communication with stakeholders, investors and analysts are regularly conducted by the IR Team as we value constructive feedbacks for the Group's improvement. Quarterly briefings with analysts and fund managers are regularly held, while roadshows with institutional and prospective investors are held occasionally, to ensure up-to-date corporate information is effectively delivered.

Maybank Investment Bank Berhad, KAF-Seagroatt & Campbell Securities Sdn Bhd and RHB Research Institute Sdn Bhd have been providing coverage on the Group's performance since September 2016, January 2018 and January 2020 respectively.

SUSTAINABILITY DEVELOPMENT

Sustainability is one of the key elements that we take into account in all our business practices. For the FYE 2020 Sustainability Statement, we have also reported all identified material sustainability matters of the Group and stakeholders in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Reporting. Our materiality assessment is carried out every two years and will be reviewed in the next financial year.

This year, we have developed a Sustainability Matters Register ("SMR") to document our Economic, Environmental and Social risks and impacts while assessing the relevance and effectiveness of the measures, actions and indicators employed to address each matter identified in the previous financial year. The SMR is subject to semi-annual review or as and when there are significant changes to the market condition, business strategy and operations.

Our commitment towards conservation of the environment, corporate social responsibility and good governance has garnered us notable recognition following the inclusion of RCE Capital Berhad in the FTSE4Good Bursa Malaysia Index on 22 June 2020.

For further details, the Sustainability Statement can be found on pages 23 to 42 of this Annual Report.

Chairman's Letter to Shareholders

DIVIDEND

We have been rewarding our shareholders with consistent dividend payments since 2007 and from FYE 2019 onwards we have been guided to pay dividends of between 20.0% to 40.0% of the Group's profit after tax. This is made possible by the Group's continued performance as well as balancing the cashflow needs and financial obligations of the business.

The Group paid a first interim single-tier dividend of 5.0 sen per share, amounting to RM17.4 million on 5 December 2019.

On behalf of the Board, I am pleased to have declared a second interim single-tier dividend of 6.0 sen per share for FYE 2020 amounting to RM21.3 million, paid on 27 July 2020. The aggregate dividend for FYE 2020 amounts to 11.0 sen per share or RM38.7 million in total. This is equivalent to a total payout ratio of 35.1% and is within our dividend guidance.

LOOKING AHEAD

With the COVID-19 pandemic weighing across all industries and businesses, the International Monetary Fund ("IMF") indicated that a global recession awaits in 2020. Nonetheless, a recovery of global economic output is expected in 2021, given that affected countries will be working relentlessly to contain the pandemic, strengthen their healthcare system and initiate various stimulus packages to repair their economy and to prevent it from further contraction.

At this point, most governments have announced and implemented supplementary fiscal stimulus packages together with their central banks to ease monetary policy by ensuring sufficient credit is injected to the real economy. These coordinated and synchronised actions would be able to relieve the current stress in the global financial market.

Meanwhile, BNM estimated that growth in the Malaysia Gross Domestic Product will range between -3.5% to -5.5% in 2020, as the COVID-19 pandemic continues to weigh on all sectors of the economy. In these uncertain times, disruption in businesses are unavoidable as we head towards unfamiliar social and economic landscapes post the COVID-19 pandemic.

Despite strong economic headwinds and the uncertainties that may lie ahead, we continue to brace ourselves as a responsible financier in a niche market. Quality financing growth will continue to be our priority so as to ensure the Group is able to deliver sustainable returns to the shareholders. This is possible by conducting periodical assessment of our products with prudential credit scoring evaluation to remain competitive and relevant in this challenging market environment.

The events that unfolded recently will accelerate the country's push towards embracing technology and the digital economy. As such, the Group will continue to focus on streamlining its operations, distribution channels and risk management framework to enhance operational efficiencies and customer experience. Therefore, we will continue to explore the digital space and welcome innovations that will add value to the Group as a whole.

ACKNOWLEDGMENTS

I would like to take this opportunity to welcome Mr. Thein Kim Mon and Mr. Lum Sing Fai to the Board of Directors of the Company. Both Mr. Thein and Mr. Lum were appointed as Independent Director and Non-Independent Non-Executive Director respectively on 30 September 2019. Mr. Thein has over 42 years of experience with extensive exposure in audit and risk areas in several financial institutions both foreign and local. Mr. Lum on the other hand has more than 30 years of experience in corporate finance as well as in the banking and financial industry. With both of them on board, I believe the existing Board's synergies will be further strengthened and I look forward to their contributions to the Group.

On behalf of the Board, I would like to extend my deepest gratitude to all of our stakeholders, including our shareholders, customers and business partners for your continued support throughout the year. I would also like to thank the management team and employees for their commitment, efforts in creating value and drive for sustainable growth during these challenging times.

In addition, I wish to convey my appreciation to the regulators for their guidance and support and my fellow Board members for their contributions and advice.

Last but not least, I would like to express our outmost appreciation to all frontliners from the healthcare industry, enforcement officers and other essential services group who had worked selflessly and tirelessly in our fight against the COVID-19 pandemic.

Shahman Azman
Chairman

Management Discussion and Analysis

OUR BUSINESS

RCE Capital Berhad ("RCE") is an established investment holding company listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa") since 23 August 2006 and it is one of Amcorp Group Berhad's subsidiaries. RCE Group's core business is in the provision of financial services. The Group aims to provide responsible financing and ensure delivery of sustainable return to all stakeholders.

The Group's key contributors are RCE Marketing Sdn Bhd ("RCEM") and its subsidiaries ("RCEM Group"), the main financier and total solutions provider to our business partners. They in turn provide shariah-compliant financing to their customers, who are primarily civil servants. The monthly repayments are received from customers through direct salary deduction.

To complement RCEM Group's businesses, EXP Payment Sdn Bhd ("EXP") was acquired in 2014 as it provides collection services for payroll deduction of government departments under the purview of Accountant General's Department of Malaysia as an alternative to deductions done via Biro Perkhidmatan Angkasa.

Meanwhile, RCE Factoring Sdn Bhd ("RCEF") which was acquired back in 2007, provides an avenue for RCE Group to offer commercial financing to small and medium-sized enterprises via factoring and confirming arrangements.

OUR STRATEGY

We remain committed as a responsible financier by embracing company-wide professional practices, upholding an ethical sales channel and developing fair risk-based pricing products with the aim to achieve quality financing growth. In addition, we provide good customer service and speedy turnaround time to meet the customers' needs for sustainable expansion of our consumer financing business, including tapping into latest technologies and process innovations to remain competitive.

20.09.1994
RCE was listed on Bursa's Second Board.

10.06.2003
Acquired 87.5% equity interest in RCEM to provide consumer financing.

30.03.2006
Fully acquired RCEM to be a direct wholly-owned subsidiary.

23.08.2006
RCE was transferred to Bursa's Main Board.

4.01.2007
Acquired RCEF to tap into commercial financing.

14.10.2014
Acquired EXP to provide collections services for RCEM Group.

Management Discussion and Analysis

Revenue
RM282.6 million
2019: RM262.6 million

Gross Financing
RM1.8 billion
2019: RM1.7 billion

Financing Growth
5.3%
2019: RM5.2%

Borrowings
RM1.7 billion
2019: RM1.6 billion

Cost to Income Ratio
22.0%
2019: 22.2%

SUMMARY OF GROUP FINANCIAL PERFORMANCE

For the financial year ended ("FYE") 2020, the Group made steady progress across the board, recording a higher revenue of RM282.6 million, with a 7.6% year-on-year ("YoY") growth from RM262.6 million in FYE 2019. This was primarily led by higher interest/profit income backed by the expanded financing base of RM1.8 billion as at 31 March 2020. While disbursements in the consumer financing market during the second half year were promising, higher early settlements moderated the overall growth. Notwithstanding that, the Group's portfolio continued to register a 5.3% YoY growth from RM1.7 billion a year ago.

Meanwhile, the Group's interest/profit expense increased by RM3.7 million from RM78.0 million to RM81.7 million in FYE 2020. This is due to additional borrowings being utilised, from RM1.6 billion in FYE 2019 to RM1.7 billion in FYE 2020 to fund the higher financing base. As at 31 March 2020, 61.8% (RM1.1 billion) of the total borrowings of RM1.7 billion, was in relation to the sukuk financing. The new sukuk issues has allowed the Group to enjoy cost savings averaging 10 basis points ("bps"), from 5.3% per annum ("p.a.") to 5.2% p.a. a year ago. As a whole, the Group managed to bring down its total weighted average funding costs by 40 bps as compared to last financial year. This was made possible by the Group's diligence in sourcing for cheaper funding and two rounds of reduction in overnight policy rates as announced by Bank Negara Malaysia ("BNM") in January and March 2020 to 2.75% and 2.50% respectively. The Group will continue to maintain adequate liquidity for its business needs at all times.

The Group registered a higher non-core income of RM20.4 million with 31.7% YoY growth from RM15.5 million in FYE 2019, contributed largely by higher interest/profit income earned from deposits with licensed financial institutions. These deposits are mainly from repayments received for the payments of sukuk which are not due. These are mainly deposited into term deposit accounts thereby allowing us to optimise the Group's profit.

Management Discussion and Analysis

Gross Impaired Financing
7.1%
2019: 7.4%

Loan Loss Coverage
173.0%
2019: 172.1%

Profit Before Tax
RM148.9 million
2019: RM131.1 million

Profit After Tax
RM110.6 million
2019: RM95.5 million

Return on Average Equity
17.6%
2019: 17.4%

Earnings Per Share
31.8 sen
2019: 28.0 sen

Correspondingly, the Group's operating expenses increased by 9.0% to RM49.3 million in FYE 2020 from RM45.2 million in FYE 2019 mainly due to the various measures taken to make the business more resilient to disruptions. These include system enhancements to cater to this ever changing economic and credit environment, upskilling and reskilling initiatives as well as the increase in compliance requirements. The Group remains attentive to the nuances of the market and managed to improve its cost to income ratio ("CTI") at 22.0% in FYE 2020 as compared to 22.2% in FYE 2019.

With measures taken to strengthen asset quality, including credit risk management and underwriting criteria, the Group's gross impaired financing ratio improved from 7.4% to 7.1% in the current financial year.

The Group also reported a prudent loan loss coverage of 173.0% in FYE 2020 as compared to the previous financial year of 172.1%. This is after taking into account the downward revision in real gross domestic growth forecasted by BNM following the expected contraction in the Malaysian economy arising from the COVID-19 pandemic. The COVID-19 pandemic necessitated the government to impose a nationwide Movement Control Order ("MCO") stopping all non-essential businesses from operating for the duration of the order effective from 18 March 2020 onwards.

As the MCO only came into effect in the last 2 weeks of the FYE 2020, the Group was able to record a solid growth of 13.6% for its profit before tax from RM131.1 million in FYE 2019 to RM148.9 million in FYE 2020. As a whole, the Group delivered a commendable result for FYE 2020, with a 15.8% increase in its profit after tax to RM110.6 million as compared to RM95.5 million a year ago.

As profitability is sustained, the Group registered a return on average equity of 17.6% for FYE 2020. Similarly, the strong profit trend led to a higher earnings per share of 31.8 sen.

Management Discussion and Analysis

BUSINESS OPERATIONS REVIEW

Consumer Financing

During the financial year, focus was placed on increasing our investments in both online and offline marketing initiatives to build brand awareness and customer loyalty. These initiatives complement our sales channel, besides trainings covering regulatory requirements, code of conduct, health and sales.

Our credit risk strategy is aimed at achieving a fine balance between credit quality, profitability and growth. Credit policies and framework are reviewed periodically to ensure they remain relevant and effective, and aligned to overall credit risk appetite and exposure of the Group.

We continue to reinvest in our business to update ourselves and match the pace of an evolving market. Our office has been renovated to accommodate the growth in manpower as well as renewing service counters to better serve customers in line with our "*Customer For Life*" motto. Processes and technologies are also not overlooked as we continue to search for more effective and efficient practices and models that are currently available in the market.

As we move forward as a Group, consumer financing will remain our core business and primary contributor to our bottom line. We continue to monitor and maintain vigilance in identifying areas of emerging risk that could adversely impact our credit portfolio. Having said that, the disruption arising from the MCO will certainly have an impact on the business for FYE 2021.

LIQUIDITY RISK MANAGEMENT

The Group maintains adequate liquidity using diversified banking facilities from various financial institutions. The debt capital market is also tapped to raise funding through the issuance of sukuk. Funding requirements are actively monitored to ensure optimal rates are obtained.

Group borrowings which comprised short-term revolving credit lines, long-term term loan/financing and sukuk, amounted to RM1.7 billion as at 31 March 2020. At this level of borrowings, the Group's gearing ratio is less than two times (2x).

In March 2019, a RM2.0 billion Sukuk Murabahah Asset-Backed Securitisation Programme via Zamarad Assets Berhad ("ZAB RM2.0 billion Sukuk Programme") was established. ZAB has to-date successfully issued sukuk totalling RM501.0 million in three (3) tranches, out of which RM41.0 million were subscribed internally by our subsidiary, RCE Trading Sdn Bhd. ZAB RM2.0 billion Sukuk Programme also won the "Best Islamic ABS-Backed Sukuk 2019" award presented by Alpha Southeast Asia 13th Deal & Solution Awards 2019 on 24 February 2020.

CAPITAL MANAGEMENT/INVESTMENTS

Effective capital management is fundamental in supporting business sustainability. We further strengthen our monitoring and optimisation of our capital management by focusing on decisive measures to ensure we have strong capital base to meet regulatory requirements and expectations from various stakeholders.

In FYE 2020, the Group bought back 3,958,000 RCE shares from the market for a total consideration of RM6.0 million at an average price of RM1.50 per share. The share buybacks were carried out in accordance to set internal guidelines which, amongst other conditions, will only be activated when the share price falls below the net asset value per share of the Company. However, the share buyback activities have to be balanced with the funding needs of the business which remains the core focus of the Group. As it stands, we have accumulated RM673.4 million of shareholders' equity as at 31 March 2020 to support the Group's financial performance going forward.

The Group is aware of the accelerating pace of technological change. Bearing that in mind, proper due diligence is carried out where investments are concerned to ensure the right tools are being selected for systems enablement. In FYE 2020, of the RM858,000 allocated, approximately RM142,000 was incurred to enhance process simplification tools that the Group have been using since 2017, further to RM1.4 million spent last financial year.

Moving forward, in light of the COVID-19 pandemic, investments in automation and technology have become a priority and have to be more encompassing as personnel are not only required to work from home but also to continue as much as possible with business as usual. As such, more investments will be allocated to automation and technology to build systems resiliency and capability as part of our business sustainability management.

OUR PEOPLE

Our people are the most valuable asset and hence we aim to attract, develop and retain the right talent for the future growth of the Group. In FYE 2020, we continue to build employees' competencies through our robust talent management and leadership development programmes to equip them with the right skills and an agile mindset to operate in this dynamic environment.

Our standard operating policies and procedures on human resource matters are regularly updated and reviewed to develop valuable partnerships with our employees as well as to ensure we remain an employer of choice. Please refer to pages 36 to 40 of our Sustainability Statement on employment management and development. Following the MCO, it has become clear that our people must be versatile and adaptable.

DIVIDEND

On the back of strong earnings and commitment for sustainable shareholder returns, the Board is pleased to have declared a second interim single-tier dividend of 6.0 sen per share, paid on 27 July 2020.

Together with the first interim single-tier dividend of 5.0 sen per share paid on 5 December 2019, total dividend payment for FYE 2020 was 11.0 sen per share, 2.0 sen higher compared to 9.0 sen for FYE 2019. This translates into a total dividend payout ratio of 35.1% compared to 32.5% a year ago, which is within our dividend guidance of between 20.0% to 40.0% of profit after tax implemented from FYE 2019 onwards.

Amidst the downward projection of Malaysia's economic growth, we continue to aim to have an effective capital structure by striving to strike a balance between retaining funds for our business requirements, financial obligations as well as sustainable returns for investors.

Management Discussion and Analysis

OUTLOOK FOR 2020/FYE 2021

The global economy is expected to contract in 2020, following the COVID-19 pandemic. BNM expects Malaysia's economic growth to be between -3.5% to -5.5% (2019: 4.3%), as the COVID-19 impact continues to affect all industries across the board. Headline inflation is forecasted to remain modest in 2020 averaging between -1.5% and 0.5% (2019: 0.7%). Nevertheless, recovery is expected in 2021.

As Malaysia focuses on containing the fallout from its economy, the government has embarked on various stimulus measures and policy rate cuts with continued public sector expenditure. Meanwhile, the financial system continues to serve the needs of the economy, remaining robust and resilient, as well as further supporting the government in weathering challenges under these unprecedented economic conditions.

Last but not least, we are committed to improve our policies and business operations to remain competitive and relevant in delivering long-term sustainable growth. We do this by aligning our strategies with the environment, social and governance principles across the Group as we move into unfamiliar social and economic landscapes post the COVID-19 pandemic.

Sustainability Statement

RCE Capital Berhad ("RCE") and its subsidiaries ("the Group") recognise the importance of sustainable business growth and long-term stakeholders' value creation. To summarise our initiatives in the sustainability front, the Board of Directors ("the Board") is pleased to present the Group's Sustainability Statement ("Statement") for financial year ended 31 March 2020 ("FYE 2020").

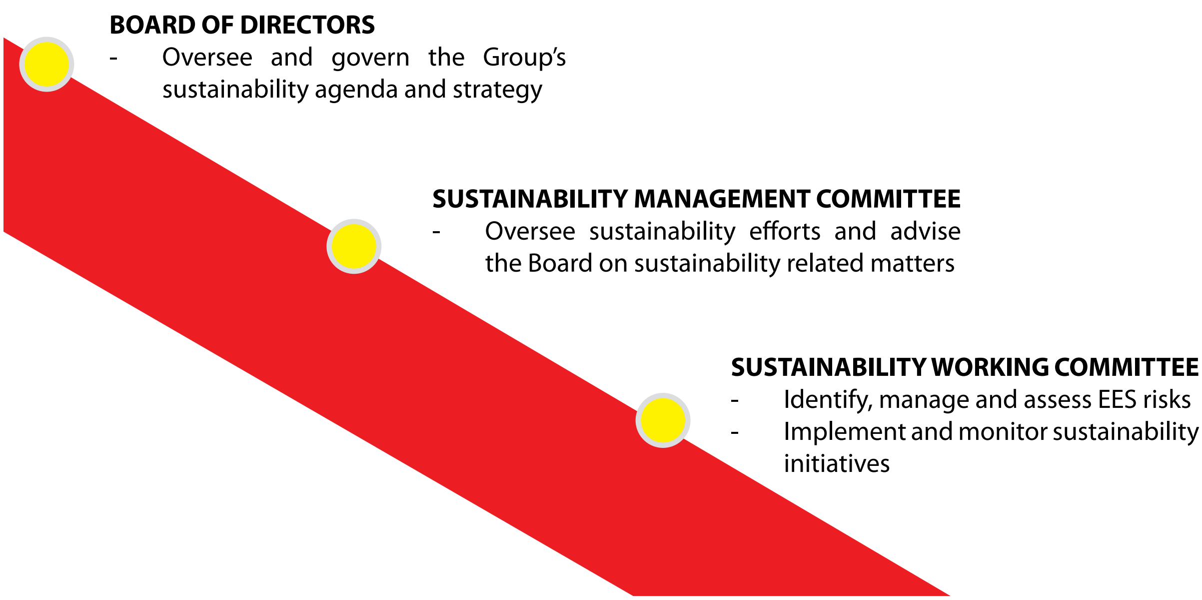
SCOPE OF REPORTING

This Statement is prepared in accordance with Bursa Malaysia Securities Berhad's ("Bursa") Main Market Listing Requirements and Sustainability Reporting Guide, covering the Economic, Environmental and Social ("EES") impact of all our main operating entities as presented on page 3. It also encompasses past three years' performance indicators for various areas identified in our sustainability journey.

SUSTAINABILITY GOVERNANCE STRUCTURE

Our Board oversees and governs the sustainability agenda and strategy, supported by a Sustainability Management Committee ("SMART"), chaired by Encik Shahman Azman.

SMART provides advice as well as recommendations to the Board. It is assisted by a Sustainability Working Committee for identification, management and assessment of EES risks, including implementation and monitoring of sustainability initiatives.



STAKEHOLDER ENGAGEMENT

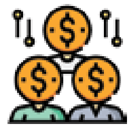
In FYE 2020, we identified nine internal and external key stakeholders who influence our business sustainability. The engagement methods with these stakeholders are as follows:

Business Partners

- Code of Conduct
- Formal and informal meetings
- Briefings
- Corporate website and Facebook

Investors & Analysts

- Annual General Meeting
- Corporate presentations
- Investor relations briefings and roadshows
- Financial statements
- Corporate website

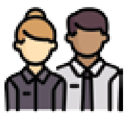


Financiers

- Formal and informal meetings
- Financial statements
- Code of Conduct

Sales Team

- Code of Conduct
- Formal and informal meetings
- Product briefings
- Training and development programmes
- Regular information memorandum



Employees

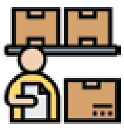
- On-boarding programmes
- Code of Conduct
- Policies and procedures
- Townhall meetings
- Performance appraisals
- Training and development programmes

Government & Regulators

- Disclosure and submission of information and compliance
- Trainings/briefings
- Website/media

Customers

- Customer service online enquiries - through website or email
- Over-the-counter customer service



Suppliers

- Code of Conduct
- Communication and transactions
- Meetings

Community

- Community investment and contributions
- Corporate social responsibility activities/ tie-ups

MATERIALITY MATRIX

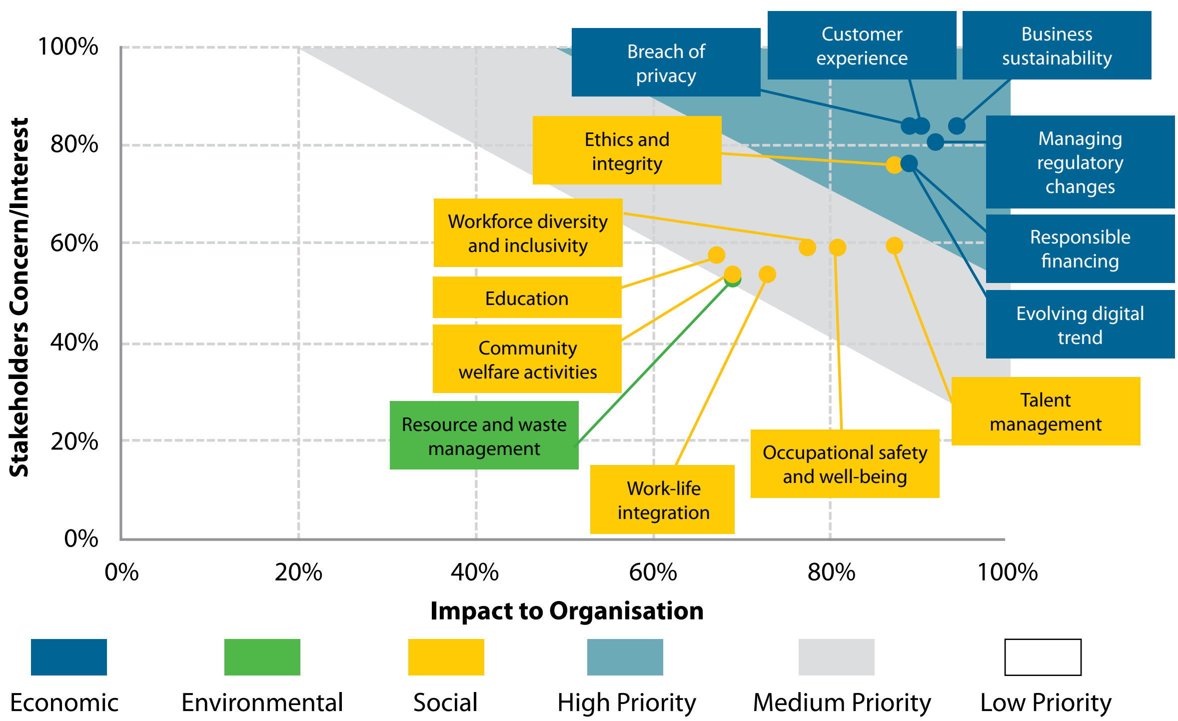
Materiality matrix is a tool used to enhance our sustainability management by prioritising our stakeholders' needs.

In FYE 2019, selected participants facilitated the identification of existing sustainability matters that were deemed material. These matters were then ranked based on their relevance, importance and risks to our business. Guided by Bursa's Sustainability Reporting Guide and Toolkits, they were then compiled and mapped into the materiality matrix.

To ensure the identified matters remain relevant Bursa recommends that a full materiality assessment be carried out every two years.

Additionally in FYE 2020, a Sustainability Matters Register was developed to document the reviews and updates of EES risks with the corresponding controls. The controls were based on the effectiveness of measures, actions and indicators identified in the previous financial year. Those measures, actions and indicators, which remain relevant in FYE 2020 are subject to semi-annual review or as and when there are significant changes to market conditions, business strategies and operations.

Material sustainability matters prioritised based on their significance are as shown below:



A. Economic	B. Environmental	C. Social
i. Corporate strategy • Business sustainability • Responsible financing ii. Managing regulatory changes iii. Evolving digital trend iv. Customer experience v. Breach of privacy	i. Resource and waste management	i. Ethics and integrity ii. Employment management and development • Talent management • Workforce diversity and inclusivity • Work-life integration • Occupational safety and well-being iii. Community investment • Education • Community welfare activities

These identified material sustainability matters influence our business significantly and the risks are managed as reasonably practicable in minimising any adverse impact to the Group as a whole.

MATERIAL SUSTAINABILITY MATTERS

A. ECONOMIC

i. Corporate Strategy

The interest of all stakeholders is taken into account when planning our corporate strategies for business sustainability. We are mindful of our obligations in the non-bank financial industry and in the provision of credit solutions to our customers as we are guided by Bank Negara Malaysia's ("BNM") guidelines for responsible financing.

Business Sustainability

Business sustainability solutions are vital to ensure minimal disruption to operations and longevity of the Group. A summary of our efforts as an intermediary in the provision of personal financing are as follows:

Our sustainability efforts have met the globally recognised standards of FTSE Russell. On 22 June 2020, RCE was included as a constituent of FTSE4Good Bursa Malaysia Index.

SUSTAINABILITY RECOGNITION

FTSE4Good

"FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that RCE has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products."

1. Developing brand presence and online marketing with Business Partners ("BPs")

Brand carries a company's image and values. It influences the public's perception to create trust, credibility and social acceptance. Today, the use of social media as a tool to influence or instigate is prevalent and if left unchecked, the brand's presence could be jeopardised. As such, we need to protect our branding in this digital era.

During the financial year, online engagement channels were enhanced to refresh the websites. New Facebook platforms were introduced for closer engagement with BPs' customers. Social media marketing was also launched through an integrated online approach while conventional marketing materials such as leaflets, buntings and posters were revamped.

2. Stable funding with prudent asset-liability management

In March 2019, a RM2.0 billion Sukuk Murabahah Asset-Backed Securitisation Programme ("RM2.0 billion Sukuk Programme") was established via Zamarad Assets Berhad ("ZAB"), which marked our fifth venture into the debt capital market. ZAB's RM2.0 billion Sukuk Programme provides stability for our overall funding structure and facilitates the Group's asset-liability management.

To-date, three tranches have been issued:

		Subscription		
Tranche	**Issuance Date**	**External RM'mil**	**Internal* RM'mil**	**Amount RM'mil**
First	*27 March 2019*	*240.0*	*25.0*	*265.0*
Second	*26 July 2019*	*100.0*	*8.0*	*108.0*
Third	*19 November 2019*	*120.0*	*8.0*	*128.0*
Utilised Amount		***460.0***	***41.0***	***501.0***
Unutilised Amount				***1,499.0***

* Internally subscribed by RCE Trading Sdn Bhd, an indirect subsidiary.

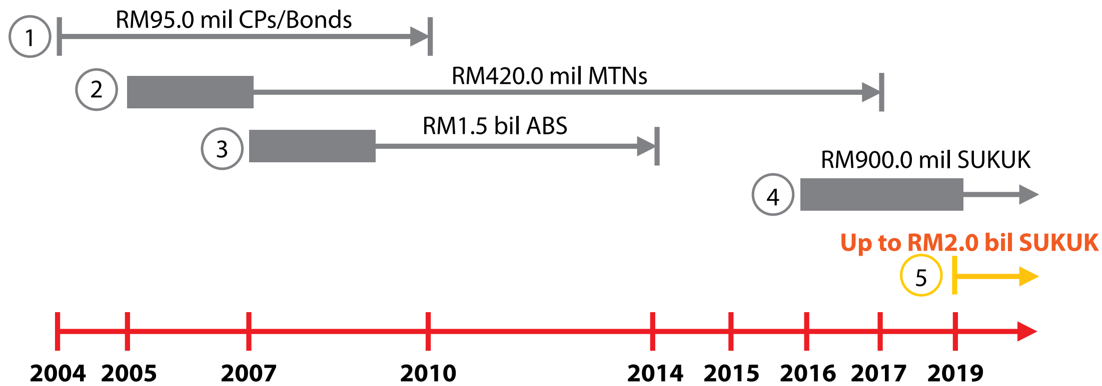
On 27 March 2020, RM35.0 million from the first tranche of RM240.0 million was redeemed as per schedule. All our previous private debt securities programmes have either been early or fully redeemed on schedule, demonstrating our consistent commitment to honour our obligations. The existing Al Dzahab Assets Berhad's RM900.0 million Sukuk Murabahah Asset-Backed Securitisation Programme, which was fully issued in FYE 2018 is no exception, with RM135.0 million redeemed on maturity during the financial year.

In addition, we also utilised other banking facilities to support the expansion of our consumer financing business. As at 31 March 2020, our borrowings increased to RM1.7 billion from RM1.6 billion a year ago. We continue to ensure that an optimal mix is attained and good progress is made in improving our funding structure.

With access to stable funding, we are committed to optimising our costs so as to bring affordable financing to our customers.

Sustainability Statement

DEBT MARKET FUNDING



1. RCE Premier	2. RCE Advance	3. Tresor Assets	4. Al Dzahab Assets	5. Zamarad Assets
RM95.0 mil CPs/Bonds	**RM420.0 mil MTNs**	**RM1.5 bil ABS**	**RM900.0 mil ABS SUKUK**	**Up to RM2.0 bil ABS SUKUK**
MARC: A	MARC: A+	RAM: AAA	RAM: AAA	RAM: AAA & AA2
October 2004	*December 2005*	*November 2007*	*March 2016*	*March 2019*
Fully Redeemed October 2010	**Fully Redeemed** March 2017	**Early Redeemed** September 2014	**Fully Issued** March 2018	**3rd Issuance** November 2019
6.31% - 8.56%	7.81%	6.47%	5.51%	4.68%

Note: The above rates represent all-in cost.

CP = Commercial Paper
MTN = Medium Term Note
ABS = Asset-Backed Securities
MARC = Malaysian Rating Corporation Berhad
RAM = RAM Rating Services Berhad

3. Robust collections management infrastructure for a smooth revenue stream

As a personal financing provider, it is important that a healthy cashflow position is maintained at all times. An effective collection mechanism is vital for the sustainability of our Group to meet our financial, operational and liquidity requirements.

This is aligned with our business processes whereby our Collections Team is required to comply with the stipulated timelines and procedures when booking new salary deductions. It is also imperative that the maximum allowable deductions authorised by the employers and regulators are not breached to ensure smooth activation of monthly salary deductions. Once booked and activated, the monthly repayments have to be closely monitored.

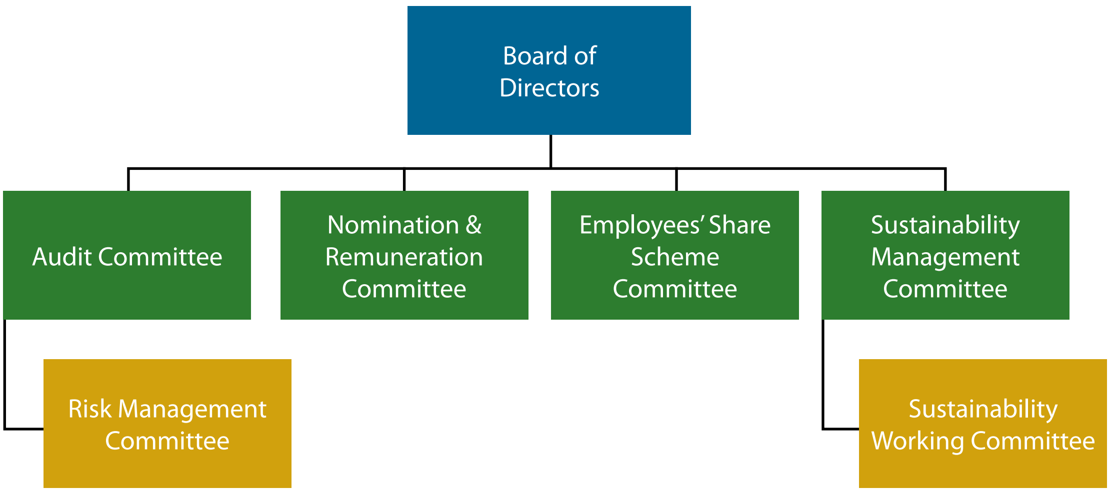
Two collections management service providers are engaged to conduct salary deductions, namely:

- EXP Payment Sdn Bhd, a wholly-owned subsidiary of the Group; and
- Biro Perkhidmatan Angkasa, provider of ANGKASA Salary Deduction System.

Through the collections system, disruptions in salary deductions are automatically detected allowing for identification and classification of accounts that are in arrears or non-performing. This will trigger our Recovery Team to initiate prompt collection efforts for customers who have failed to meet their obligations. Our actions include but are not limited to contacting customers and their employers, issuing reminders and assigning the non-performing accounts to collection agencies that are also engaged by financial institutions. Ultimately, legal recourse against customers will be initiated once the above options are exhausted.

4. Internal risk assessment to review the effectiveness of established controls

The Board delegates its responsibilities and functions to the Board Committees, namely Audit, Nomination & Remuneration, Employees' Share Scheme and Sustainability Management Committees. These Committees operate within their own defined terms of reference approved by the Board. Matters or issues discussed are tabled and recommendations recorded and furnished to the Board for further clarification thereon.



The Audit Committee provides oversight for matters relating to internal risk assessments and controls. They are responsible for ensuring the Group has effective and efficient operations, continuous compliance with laws and regulations, as well as proper internal procedures and guidelines.

Meanwhile, the Risk Management Committee principally monitors and manages risk exposure. They make sure corrective action plans are implemented by the Management within the required timeline to address any control weaknesses identified. The Risk Management Committee reports to the Audit Committee.

Our Compliance, Operations and Methods Team regularly conducts compliance and process improvement reviews for corrective actions. Standard Operating Procedures ("SOPs") are developed, enhanced and reviewed periodically to ensure controls and business processes remain relevant and effective. At departmental level, control self-assessments are carried out semi-annually by line managers. The assessments are done to identify potential risks and threats that may arise from changes in the business environment and/or processes to ensure no regulatory requirements are breached.

Sustainability Statement

5. Business Continuity Management ("BCM") to build resilience against unfavourable events

BCM is about our preparedness to either continue, resume or reinstate our services during crisis or disruptions. The ability to maintain sufficient level of operations soonest possible and minimising interference in the provision of services to customers is paramount.

Our BCM components comprise the following:

- Risk evaluation and business impact analysis on affected department(s);
- Business continuity plan ("BCP") for conducting operations during disruptions;
- SOPs/policies defining scope and reach of BCM;
- BCM Incident and Recovery Management Team to spearhead BCM processes before, during and after crisis;
- Key designated personnel in each department responsible for enacting BCM procedures;
- Business continuity site and backup infrastructure for conducting operations in the event our physical premise is compromised; and
- Periodical drills and testing of BCP, including periodic penetration tests to assess system security and remedial actions to address identified security vulnerabilities.

In fact, our BCP was tested recently.

As early as February 2020, as news of the COVID-19 pandemic was spreading across the world, we activated our BCP. At that time a staff or an individual in the office premise who tested positive for COVID-19 would have caused the office building to be sealed for a few days. That would have disrupted work.

Phase 1 - 13 February 2020
Activation of APEC

18 staff
(9%)

The BCP was carried out in stages. On 13 February 2020, we activated our Alternate Processing Centre ("APEC") where 9% of our staff from various departments were deployed. From 9 March 2020, another 13% of the workforce, again from various departments, were allowed to work from home. By the time the nation went under a Movement Control Order ("MCO") on 18 March 2020, the entire workforce including those stationed in our APEC was ready to work from home.

Phase 2 - 9 March 2020
Work From Home

+24 staff
(13%)

There are a lot of moving parts in operations. The first two phases were crucial in identifying gaps and issues. It allowed for remedial actions to be taken to close gaps and resolve issues that may not have been anticipated.

Throughout the MCO, all staff were working from home. In general, whilst not optimal, normal day-to-day operations were still carried out. Credit evaluations and approvals to disbursements and collections went on as usual. Management meetings proceeded as scheduled with the exception these were conducted via video calls.

Phase 3 - 18 March 2020
Work From Home
following the MCO

+149 staff
(78%)

In fact, prior to the activation of the BCP, measures were already undertaken to safeguard employees and company, namely:

- Daily temperature checks and recording for all employees and visitors;
- Hand sanitisers placed at front desk and common areas in the office premise;
- Sanitisation of front desk and common areas at least twice a day;
- Visitor's Self-Declaration Forms which must be completed before they are allowed into the office premise;
- Daily status updates of COVID-19 cases to raise awareness with frequent reminders to maintain good hygiene;
- Adopted mandatory 14 days' self-quarantine guidelines for employees travelling overseas or have close contact with person(s) who have travelled overseas; and
- Released company-wide travel alerts advising employees to restrict travel plans to countries affected by COVID-19.

Responsible Financing

While we believe in timely delivery of financing to customers in their moment of need, we also need to do it responsibly. We ensure customers are aware of their obligations and commitments when financing is obtained. It is also imperative that they use the financing for legitimate purposes.

Technical and soft skills trainings are provided to our Sales Team to cultivate service quality and professionalism as we promote responsible financing. Sales Team participation has improved to 98.0% in FYE 2020 from 92.7% a year ago.

Sales Team training participation rate
%

2020 : 98.0

2019 : 92.7
2018 : 79.4

Our Credit Specialists assess customers' creditworthiness using an in-house developed credit scoring model. Those assessed to be financially stable and have sufficient repayment capabilities are offered financing products matching their credit profile. Using an interactive "Know Your Customer" process, our product features are clearly disclosed to them for their consideration. Financing will only be disbursed after obtaining their unambiguous acceptance of our offer.

Once disbursed, repayment conduct is monitored frequently. Proactive actions are taken to reach customers with irregular repayment patterns. Surveillance and precautionary measures like phone calls and issuing reminders help in ensuring continuous servicing of their outstanding financing.

Finally, we endeavour to continue our efforts in servicing the niche market as a responsible financier guided by BNM's guidelines and policies.

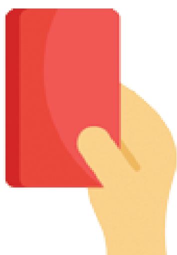
ii. Managing Regulatory Changes

The Group remains committed and recognises the importance of adaptability in managing changes in laws, regulations, guidelines and industry practices. A high standard of governance practices is expected in all employees regardless of position. To mitigate risks of legal or regulatory non-compliance, policies and procedures are regularly reviewed, updated and enhanced. They must then be disseminated to the employees in a timely manner.

Active engagement with regulators through forums, trainings or direct consultations are also conducted to keep ourselves updated with the latest developments and requirements. Trainings are provided to directors, employees, BPs and Sales Team to create the necessary awareness and readiness.

With the introduction of Section 17A of Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") which took effect on 1 June 2020, an evaluation was carried out to gauge the adequacy of existing procedures in protecting directors and the company. This was carried out by an external consultant for an independent review of the gaps in our procedures.

As it stands, claims or incidents of non-compliance to-date are primarily due to penalties imposed arising from tax audits that were resolved during the financial year.



Claims of non-compliance
RM

2020 : 10,339

2019 : 598
2018 : 5

iii. Evolving Digital Trend

The increasing reliance on technology to drive business is inevitable. Rapid evolution in digitalisation has disrupted established norms of existing enterprises. This has led to higher customer expectation on services. It in turn drives the need for us to develop digital strategies and invest in the right infrastructure to remain agile and relevant.

The Group embraces technology to enhance customer engagement and experience. Process flows and systems are improved to deliver our products to customers in the most effective way possible.

Better call centre technology and interactive voice response systems have been installed. This has increased the efficiency in handling enquiries, resolving disputes and following up on customer complaints. We have improved our online application systems to a platform capable of providing live updates. A real-time dashboard is now available to monitor the performance of Sales Team and staff. It is also used as a tool to motivate employees towards achieving organisation goals and objectives.

In FYE 2020, approximately RM142,000 of the allocated RM858,000 was invested in technology to further improve business processes.

iv. Customer Experience

In this evolving environment, sustainable long term growth can only be achieved by understanding customer needs. Maintaining quality customer engagement is the cornerstone of the Group's business growth and success.

"Customer For Life" is the focus. We adopt this mindset to increase customer acquisition and retention while improving their experience across all channels. Potential customers may contact our BPs through various platforms, e.g. websites, Facebook pages, phones or emails. For those using these channels, our aim is to attend to all customers' enquiries within three working days.

Alternatively, they may opt for a more personalised service through our Sales Team who will handhold their application journey. Walk-in customers will also experience a more comfortable environment following our newly renovated customer service centre and well-trained Customer Service Officers.

As such, investments in front-end processes have been made to improve our deliveries. We aspire to build lasting impressions. We do this by continuously leveraging on innovative solutions to deliver positive customer experience.

v. Breach of Privacy

Sound data security infrastructure and data management practices form the backbone of our approach in safeguarding customer privacy. We strive to comply with the requirements set out in the Personal Data Protection Act 2010 ("PDPA").

Our customers' personal data are properly collected, used and stored throughout the whole life cycle of data management. The control measures in place for mitigating breach of privacy include the following:

- Disclosure of our Privacy Notice online at www.rce.com.my;
- Briefing on PDPA requirements to new joiners as part of our employee on-boarding programme;
- IT Policy Handbook for employees as guidance on good security practices in password management and handling of information or equipment;
- Information security policy detailing limitation on user access and disclosure of information on a need-to-know basis sufficient for employees to discharge their duties;
- Backup policy outlining the procedure for reformatting backup medias before disposal;
- Established information security incident response procedure to manage any security incident; and
- Signing of non-disclosure agreement with third parties before any not publicly available information including customer's personal data are provided.

Sustainability Statement

We continuously review, enhance and invest in applications, software and equipment to guard against potential threats and cybercrimes. The Group's investment on data security infrastructure is presented below:

Investment on data security infrastructure
RM'000

2020 : 113.4

2019 : 327.4
2018 : 99.6

B. ENVIRONMENTAL

i. Resource and Waste Management

As a member of the global community, we must play our part in conservation. Natural resources are depleting at an alarming rate. As such, we must do our part to contribute to more eco-friendly causes.

Besides periodic emails, a lot of effort and thought is spent in townhall meetings, workshops and get-togethers in sharing and educating the employees on the need to minimise wastages.

The "Green Initiatives and Indicators" undertaken by RCE can be summarised as follows:

- A lock-print policy has been implemented since FYE 2019 to limit and reduce paper wastage. Employees also receive emails reminding them to "Think before you Print". If printing is necessary, they are to print on both sides unless recycled paper is used. Colour printing is only used when necessary. To reduce wastage of toners, employees are encouraged not to have colour toned backgrounds. As a result, a 20.0% reduction in paper utilisation per headcount is recorded in FYE 2020.

Paper utilisation per headcount
'000 pieces

2020 : 6.0

2019 : 7.5
2018 : 9.4

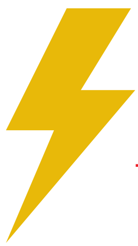
- A committee is set up to organise activities and create awareness related to environmental sustainability, consisting of voluntary employees from each department.

- On 23 November 2019, a "Tree Planting Workshop" was held at Taman Tugu Nursery, attended by 40 employees as an activity to increase awareness on the importance of trees and their role in combating global warming.

40 tree samplings were planted by RCE employees.

A group photo of our employees in the "Tree Planting Workshop".

- Lastly, electricity consumption per square foot dropped from 1.1 kWh to 1.0 kWh even when we expanded our office space by 33.3% during the year. Part of the reason for the lower per square foot consumption is due to the extensive use of energy saving lights.



Electricity consumption kWh per square feet

2020 : 1.0

2019 : 1.1
2018 : 1.3

C. SOCIAL

i. Ethics and Integrity

The Board is unwavering in its anti-bribery stance pursuant to the MACC Act. It is also guided by the five principles set out in MACC Guidelines on Adequate Procedures. The tone from the Board is communicated to RCE employees, encouraging them to observe the highest standards in professionalism and ethics when carrying out their duties.

To demonstrate our commitment to business integrity, we have adopted an Anti-Bribery and Corruption Policy encompassing treatments of gift and hospitality, facilitation payments as well as charitable and political donations. This policy was incorporated into our new Code of Conduct for BPs issued on 9 January 2020.

The Code of Conduct was promptly communicated to relevant stakeholders, outlining fundamental guiding principles on acceptable conduct with our employees in the following areas:

- Compliance with applicable laws and regulations;
- Anti-Bribery and Corruption Policy;
- Conflict of interest;
- Anti-trust and fair competition;
- Confidential information;
- Insider trading; and
- Anti-money laundering and counter financing of terrorism.

Briefings and trainings are also provided to employees and Sales Team to promote ethical conduct and values. Established processes are in place to investigate any reported instances of fraud or misconduct. Whilst our Sales Team is regularly reminded through information memorandums, disciplinary actions have been taken against parties involved in misconduct, including:

- Issuance of warning letters;
- Fines;
- Disqualification from incentive programmes; and/or
- Termination of engagement.

Conduct and decision making is guided by our Employee Handbook and SOPs. They are subject to regular reviews and changes are communicated to employees promptly. The Employee Handbook is made available in our Intranet at all times for employees' easy reference. New joiners are briefed during on-boarding to ensure they are aware of our values, principles, standards and norms.

ii. Employment Management and Development

Four key areas of our approach to employment management and development are as follows:

- Talent management
- Workforce diversity and inclusivity
- Work-life integration
- Occupational safety and well-being

Talent Management

In RCE, we support and adhere strictly to the recently enacted Minimum Wages Order 2020 in building and reviewing our remuneration structure. On top of that, we also provide fixed allowances to all confirmed employees in addition to their basic salaries.

We encourage employees to improve themselves by making available learning opportunities, recognition programmes and competitive rewards. They are also provided with a well-equipped and conducive work environment. A clear focus on learning and development is crucial to keep our people engaged, productive and prepared for the next stage of their career.

The Group practices meritocracy and strikes a balance to ensure diversity. Equal opportunities are provided to all individuals regardless of gender, race or religion. Our talent management framework aims to attract, develop and retain the right calibre of people to drive the Group's business.

Recruitment

- We attract potential talent via media advertisements, recruitment agencies, Group's website and/or internal employee recommendations.
- Our recruitment and selection practices are fair, objective and non-discriminatory.

Development

- We provide on-boarding to all new joiners, giving them a comprehensive insight into who we are, what we stand for and the way we work.
- We also provide on-the-job training to all employees to help them gain hands-on knowledge in the workplace.
- Leadership development continues to be a key focus for RCE. Numerous leadership trainings are conducted to help employees unleash their full potential, strengthening their ability to lead, problem solve and accept challenges.
- Employee training and awareness programmes are carried out regularly to keep them updated with latest market developments, equipping them with new knowledge or skills.
- Employees are encouraged to share the training materials and knowledge to all colleagues.

Investment on employee training
RM'000

2020 : 380.9

2019 : 332.0
2018 : 230.8

Average training hours per employee

2020 : 38

2019 : 55
2018 : 40

Retention

- In today's business climate, benefits and compensation are important factors to not just attract, but also retain employees.
- Our basic remuneration scheme which includes a competitive base salary with performance driven reward packages is constantly reviewed to incentivise performance. We strive to meet our employees' needs so as to position RCE as their employer of choice.
- Remuneration and benefit packages like Employees' Share Scheme, Loan Interest Subsidy, Fixed Allowances, Children Education Achievement Incentive, Perfect Attendance Scheme, Medical Benefits and Long Service Awards are offered.
- We are committed to nurturing a high performance culture by:
  - fostering and inculcating our values amongst our employees which is communicated via clear and simple infographics in our revamped intranet; and
  - rewarding high performers and counselling poor performers.
- Performers are acknowledged and rewarded as we advocate a culture based on meritocracy.
- These employee retention initiatives have allowed us to record staff turnover rate of 14.1% in FYE 2020.

Overall turnover rate
%

2020 : 14.1

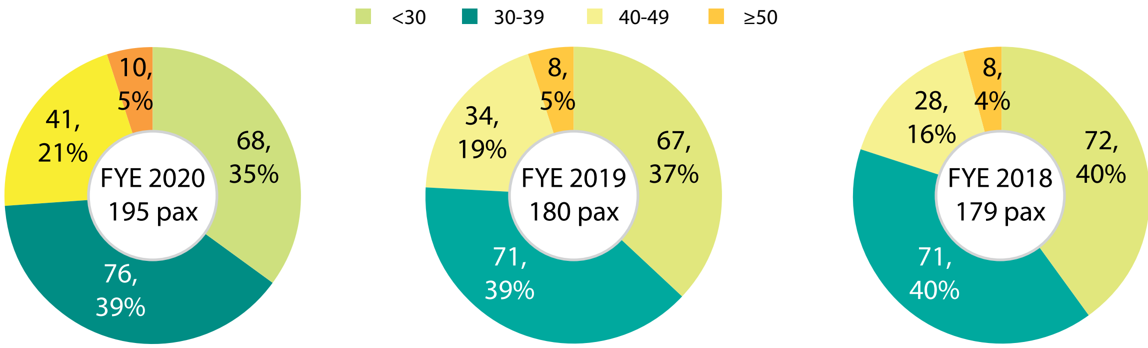
2019 : 18.1
2018 : 13.8

Workforce Diversity and Inclusivity

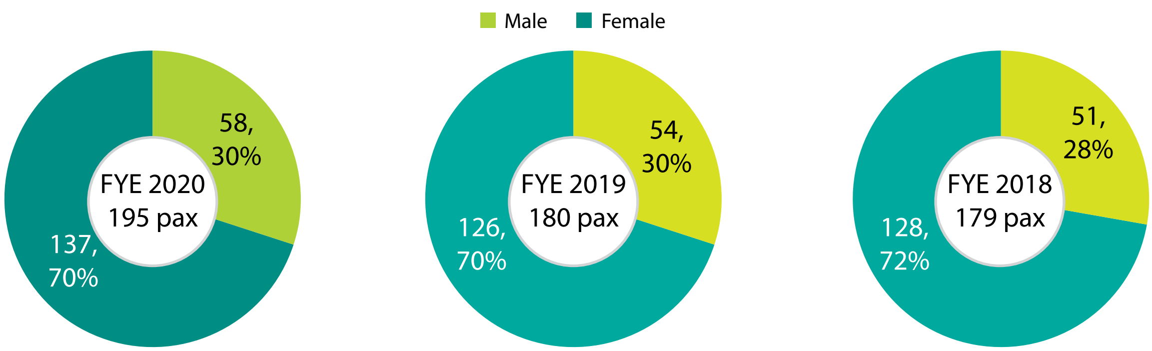
We have put in place an environment that promotes equal employment opportunity, regardless of race, gender, religion, age and disability. We believe that a mixture of people from different backgrounds and beliefs is vital in providing us the competitive edge in our business. Also, a healthy mix of people promotes creative ideas in tackling the various challenges of today. More importantly, we recognise the power of each individual to make a difference and we support our people in achieving their professional and community related goals.

To-date, RCE has on record a total of 195 employees.

Age Distribution



Gender Distribution



Work-life Integration

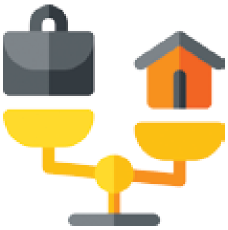
We recognise the importance of work-life integration in our employees' daily lives for a more enriching and rewarding career. We also encourage our employees to stand out and share their views which are taken into account to improve and foster better work-life experience. Various engagement activities during the financial year serve as a platform for networking and relationship building to cultivate a sense of belonging amongst employees.

The activities conducted in FYE 2020 include:

- Zumba, Yoga and Badminton sessions;
- Table Tennis Tournament and Virtual Reality Challenge;
- Movie Day;
- Participation in Eagle Run Kuala Lumpur 2020;
- Jenga competition;
- Monthly birthday celebrations; and
- New Year Dinner.

Birthday celebration for our employees.

All our activities are well received with a healthy participation rate recorded.



Participation rate
%

2020 : 90.6

2019 : 80.6
2018 : 74.5

Occupational Safety and Well-being

Safety is a top priority for RCE

~ WE CARE ~
Safety and Health at the heart of the future of work

Workplace safety and health are of paramount importance to us. We have in place an Occupational Safety and Health policy to provide practical guidelines and controls in maintaining a safe and healthy work environment. Our Safety Health and Emergency Response Team are trained regularly to equip themselves with the right knowledge and skills to act during emergencies. Besides attending to first aid training, they are also updated with current best practices.

To further improve our emergency response capabilities, each floor in the office is now equipped with an Automated External Defibrillator. A wheelchair is also made available in the office. Checks are conducted to ensure they are always in good condition and safe for use.

We also believe in an environment that supports both physical and emotional well-being of our people. In FYE 2020, various talks were carried out by external parties to inculcate a safe and healthy work place, like:

- Yay or Nay – On Healthy Eating;
- First Aid and Cardiopulmonary Resuscitation by International Medical University;
- Race to Fitness;
- Bye-Bye Cholesterol and Rule The Pressure;
- Fire Safety and Emergency Response; and
- Shrug Off Fats.

Sustainability Statement

Additional initiatives done internally to promote a more health-centric lifestyle include:

- Sharing of 24 Wellness Headlines with employees by our Wellness Squad; and
- "Fruity Tuesday" where fresh fruits are distributed to employees every Tuesday.

During the financial year, an employee was injured while on duty. It occurred when he was surveying the renovation works in preparation for the shift in office. The employee was promptly sent to a hospital for treatment and had since fully recovered.

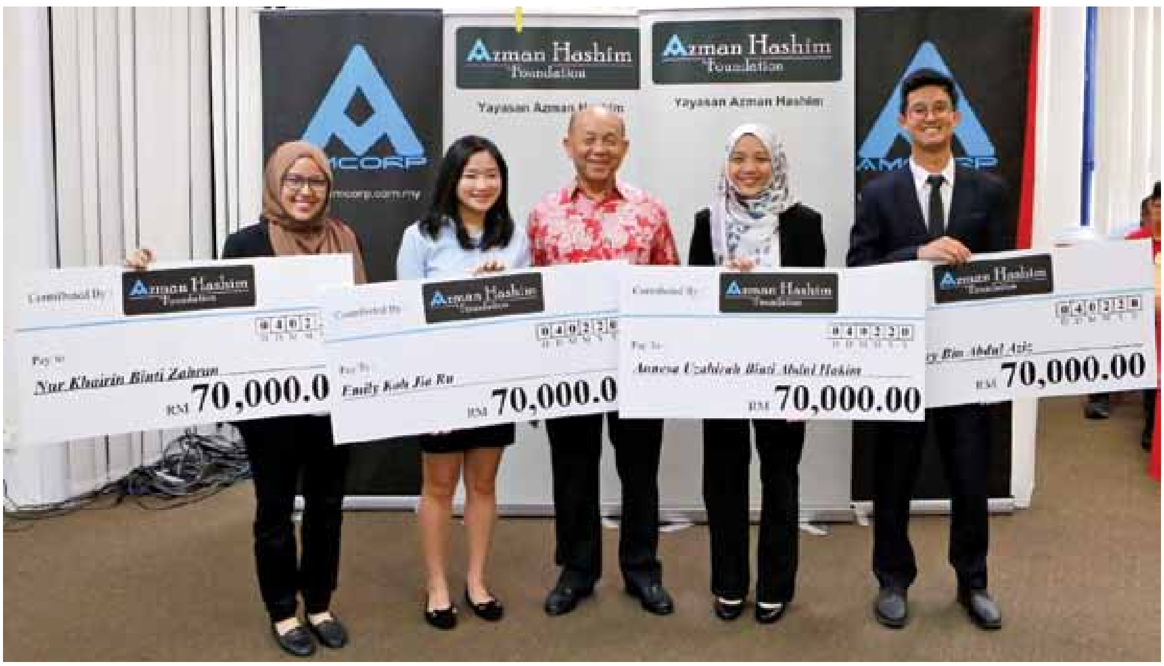
iii. Community Investment

RCE is involved in various causes, most notably, our support for education, health and victims of domestic violence.

Education

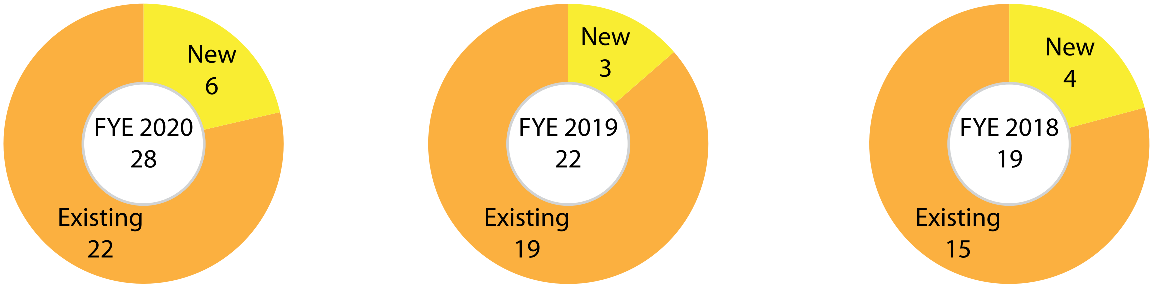
Part of our commitment to give back to society is through working with Yayasan Azman Hashim. It is a non-profit charitable organisation founded by Tan Sri Azman Hashim, the Chairman of our ultimate holding company. Through this partnership, study grants are extended to deserving Malaysian students pursuing the Association of Chartered Certified Accountants ("ACCA") qualification on a full time basis.

Since its inception, we have granted a total of RM406,000 as well as provided the students with employment opportunities upon completion of their studies. During the financial year, six students were sponsored to pursue their higher education. This brings the total number of students who received the study grants from 22 to 28.

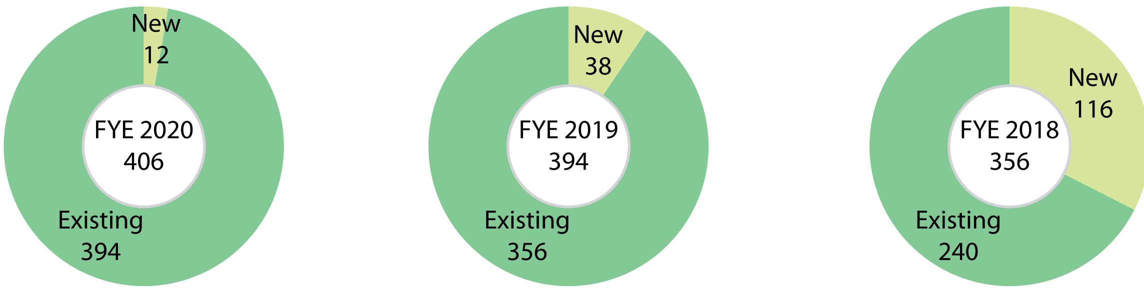


Tan Sri Azman Hashim (centre) with Amcorp Study Grant recipients.

Accumulated number of study grants



Accumulated study grants paid
RM'000



Community Welfare Activities

We work to foster a safer, happier and more caring society for community members and other stakeholders. Various initiatives were carried out with the aim of bringing our employees and partners together to improve the lives of the underprivileged.

Corporate Social Responsibility Activities

We have continued our long term partnership with the National Kidney Foundation ("NKF") in organising health screening roadshows to raise public awareness on the importance of healthcare.

Our employees and NKF staff members at the health screening event held at Dewan Bahasa dan Pustaka on 30 October 2019.

Sustainability Statement

This financial year, our employees accompanied 35 children and 10 caretakers from Rumah Nur Qaseh for a movie screening of Spiderman: Far from Home. Each child was provided with school supplies and before the movie screening they were treated to a sumptuous meal in an Indonesian restaurant.

Employees movie outing with the children from Rumah Nur Qaseh.

Finally, since mid FYE 2020, we have been contributing to Women's Aid Organisation ("WAO") to support their cause in assisting survivors of domestic abuse. The contributions allow WAO to engage a full time counsellor, providing counselling services to any women who approach them.

Mr. Loh Kam Chuin, our CEO (second from left) presenting cheque to WAO representative.

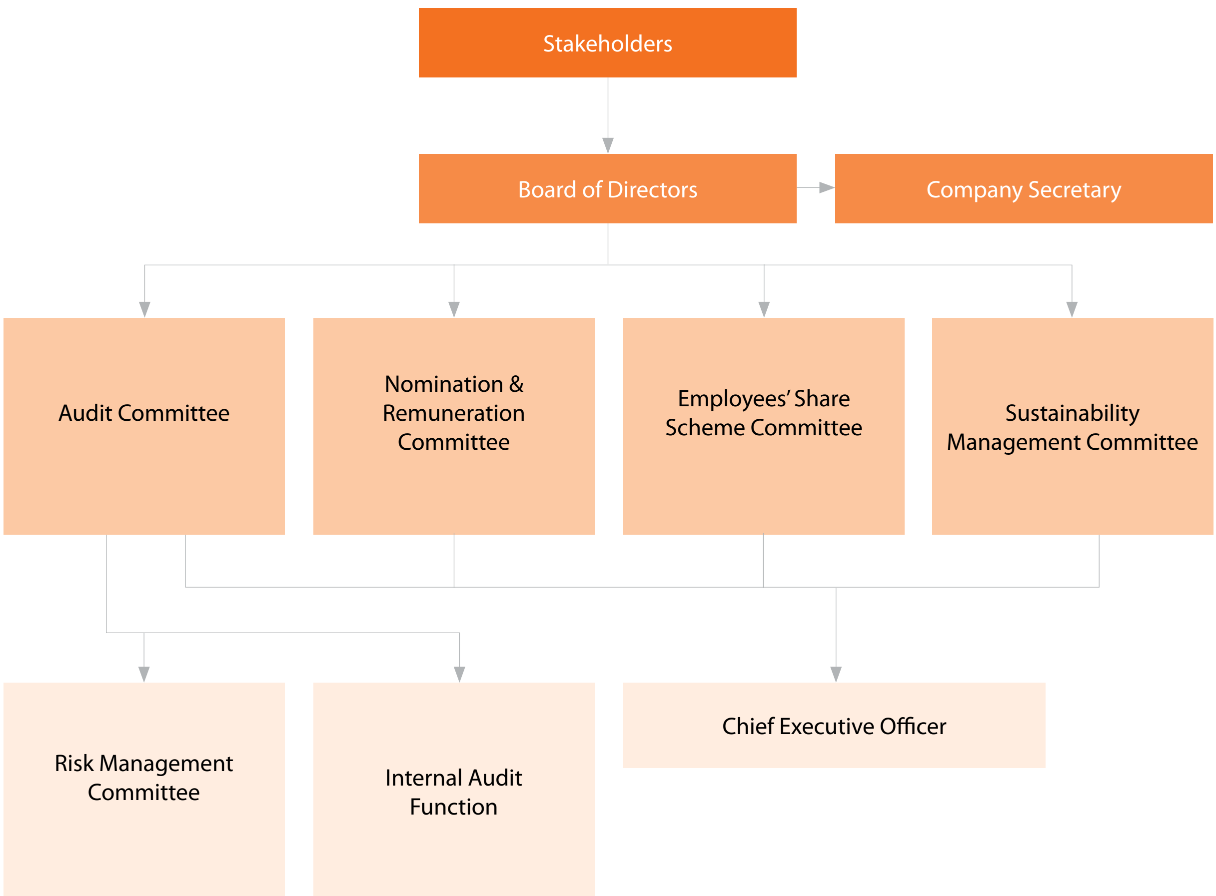
Corporate Governance Overview Statement

The Board of Directors of RCE Capital Berhad ("RCE" or "the Company") recognises the importance of safeguarding and promoting the interests of shareholders. The Board remains steadfast in its commitment in upholding the value of good corporate governance by continuously advocating transparency, accountability, integrity and responsibility to enhance long term shareholders' value and safeguarding the stakeholders' value.

The Board presents this Corporate Governance Overview Statement ("Statement") to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended 31 March 2020. The overview takes guidance from the three (3) key corporate governance principles as set out in the Malaysian Code on Corporate Governance ("Code").

This Statement is prepared in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and shall be read together with the Corporate Governance Report ("CG Report") of the Company, which provides the details on how the Company has applied each practice as set out in the Code. The CG Report is available on the Company's website at www.rce.com.my.

The governance structure of RCE is as follows:



Corporate Governance Overview Statement

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Group is helmed by an effective and experienced Board comprising individuals of calibre and credibility from a diverse professional backgrounds with a wealth of experience, skills and expertise. The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Group's business.

The Directors together as a team, set the values and standards of the Company and ensure that the Group's business is properly managed to safeguard the Group's assets and shareholders' investment.

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. The Board provides guidance and input to Management and also reviews 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 to safeguard the assets of the Group. The Board also remains cognisant of the need for sustainable practices to manage the economic, environmental and social impact to address the long-term interest of the stakeholders.

Management on the other hand is responsible for managing the day-to-day operations of the Group's business activities in accordance with the direction of the Board and is accountable for the execution of policies and strategies set by the Board to achieve the Group's corporate objectives. Management provides relevant information to the Board in a concise and timely manner to enable the Board to make informed decisions and discharge its duties effectively.

The Directors are mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. Each Director is expected to devote sufficient time to carry out their role as Directors and members of the Board Committees, if applicable, apart from attending Board and Board Committees meetings, shareholders' meeting and Directors' training.

In fostering time commitment from the Board, the Directors are required to notify the Chairman before accepting any new directorship in other public listed companies and such notification shall include an indication of time that will be spent on the new appointment. In accepting such appointment, the Directors shall take into consideration the time spent on the appointment to enable them to devote sufficient time to carry out their duties to the Company. The Directors shall seek guidance from the Chairman of the Board if there is any potential conflict of interest and shall upon appointed, notify the Company Secretary who shall inform the Chairman and other Board members accordingly. None of the Directors of the Company serve in more than five (5) listed companies and the Chief Executive Officer ("CEO") of the Company does not serve as a director in other listed company.

The Directors are also required to notify the Company as and when they are appointed to other boards and provide the updates on their directorships and shareholdings in other companies on a quarterly basis.

The Board is of the view that the current external directorships held by the Directors of the Company do not give rise to any conflict of interest nor impair their ability to discharge their duties effectively. Moreover, each Director is able to discern an appropriate amount of time to commit to the Company without it being formally regulated. The Board believes that the provisions of the Companies Act 2016 ("the Act") and the Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment from Directors to perform their duties.

The Board meets at least four (4) times annually with additional meetings convened as and when deemed necessary. During the financial year, the Board met four (4) times with the presence of the senior management where it deliberated and considered a variety of matters including the Group's financial results, budget and strategy, declaration of dividends, solvency position of the Company for dividend and share buyback, sustainability, established good corporate governance practices, readiness gap assessment review on compliance with new Section 17A of MACC Act 2009, corporate proposals and strategic issues that affect the Group's business operations.

Board meetings are of sufficient duration to ensure adequate analysis and deliberation during the decision-making process. The Board decisions made shall be by a majority as prescribed under the Constitution of the Company. Where a potential conflict of interest arises, it is mandatory for the Directors concerned to declare their interests and abstain from the deliberation and decision-making process. In the event where a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting, in respect of their shareholdings in the Company, on the resolution relating to the corporate proposal, and will further undertake to ensure that person(s) connected to them similarly abstain from voting on the resolution.

In the intervals between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions which are supported with all relevant information and explanations to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation at the next Board meeting.

Details of attendance of Directors at the Board meetings during the financial year are as follows:

Name of Directors	No. of Meetings Attended
Shahman Azman	4/4
Datuk Mohamed Azmi bin Mahmood	4/4
Tan Bun Poo	4/4
Mahadzir bin Azizan	4/4
Soo Kim Wai	4/4
Shalina Azman	4/4
Thein Kim Mon *(Appointed on 30 September 2019)*	2/2*
Lum Sing Fai *(Appointed on 30 September 2019)*	2/2*

Note:
* *Reflects the number of meetings held during the financial year following their appointment as Directors.*

All Directors have more than adequately complied with the minimum requirements on attendance at Board meetings as stipulated under the Listing Requirements of Bursa Securities (minimum 50% attendance).

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is demonstrated by amongst others, the full attendance and time spent at the Board and Board's Committee meetings by the Directors during the financial year.

To assist the Board in carrying out its responsibilities and functions, it has delegated certain responsibilities to the Board Committees, namely Audit Committee, Nomination & Remuneration Committee, Employees' Share Scheme Committee and Sustainability Management Committee. These Committees operate within their own defined terms of reference approved by the Board, and report to the Board on matters considered and their recommendations thereon. At all times, the Board has collective oversight over the Board Committees.

The Board Committees exercise transparency and full disclosure in their proceedings. The Board is kept apprised of the activities and the decisions of the Board Committees through the circulation of the minutes of the meetings of the Board Committees and update by the chairman of the respective Board Committees. The ultimate responsibility for the final decision on all matters however, lies with the Board.

- **Audit Committee**

  The Audit Committee's principal role is to monitor the integrity of financial statements, risk management and internal controls and effectiveness of external and internal audit processes. Further details are disclosed under Principle B: Effective Audit and Risk Management in this Statement.

- **Nomination & Remuneration Committee**

  The Nomination & Remuneration Committee ("N&R Committee") comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors and meets at least once in a financial year and whenever required. The N&R Committee had carried out the following activities during the financial year:

  - reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
  - reviewed and assessed the performance of each individual Director, CEO, and the effectiveness of the Board and the Board Committees via the Board Effectiveness Assessment exercise facilitated by an independent external consultant, namely Deloitte Risk Advisory Sdn Bhd for the financial year ended 31 March 2019;
  - reviewed and assessed the independence of the Independent Directors;
  - reviewed the Directors who are due for retirement at the Company's 65th Annual General Meeting ("AGM") to determine whether or not to recommend their re-election;
  - reviewed and recommended the remuneration package of the CEO and renewal of service agreement for the CEO;
  - reviewed the performance of the Audit Committee and each of its members;
  - reviewed the training courses attended by the Directors and assessed their training needs;
  - reviewed and recommended the Directors' fees for the financial year ended 31 March 2019;

- reviewed and recommended the appointment of Mr. Thein Kim Mon as Independent Director and Chairman of the Audit Committee of the Company;
- reviewed and recommended the appointment of Mr. Lum Sing Fai as Non-Independent Non-Executive Director of the Company; and
- reviewed and recommended the redesignation of Mr. Tan Bun Poo from Chairman of the Audit Committee to member of the Audit Committee of the Company.

The terms of reference of the N&R Committee is available at the Company's website at www.rce.com.my.

- **Employees' Share Scheme ("ESS") Committee**

  The ESS Committee was established to administer the Company's ESS in accordance with the By-Laws governing and constituting the ESS as approved by the shareholders. During the financial year, the ESS Committee reviewed the fifth grant of options to the CEO and eligible employees under the Employees' Share Option Scheme of the Company's ESS, and recommended the same for the Board's approval.

- **Sustainability Management Committee**

  The Sustainability Management Committee was established to assist the Board in administering and overseeing the development and implementation of the Group's sustainability strategies. During the financial year, the Sustainability Management Committee deliberated, amongst others, the Sustainability Statement for the financial year ended 31 March 2019.

In discharging its roles and responsibilities, the Board is guided by a Board Charter which sets out the role, functions, composition, operation and processes of the Board as well as the matters that the Board may delegate to the Board Committees, CEO and Management.

The Board is also supported by suitably qualified Company Secretaries who are experienced, competent and knowledgeable. They provide advisory services to the Board and its Committees on issues relating to corporate governance matters, compliance with laws, rules, procedures and regulations affecting the Group.

Additionally, the Group in its effort to enhance corporate governance has also put in place a whistle blowing policy to provide an avenue for employees and stakeholders to report genuine concerns about malpractices, unethical behaviour, misconduct or failure to comply with regulatory requirements without fear of reprisal, discrimination or adverse consequences. Confidentiality of the matters raised and the identity of the whistle blowers are protected under the policy.

The Board Charter, Directors' Code of Conduct and Ethics and the whistle blowing policy together with the details of reporting channels are accessible on the Company's website at www.rce.com.my.

The Board acknowledges the importance of continuous education and training in order to broaden one's perspective and to keep abreast with the current and future developments in the industry and global markets, regulatory updates as well as management strategies to enhance the Directors' skills and knowledge in discharging their duties.

Corporate Governance Overview Statement

During the financial year under review, the Company had organised in-house trainings conducted by external consultants for the Directors and employees of the Group. The Directors are also encouraged to attend various external professional programmes which they individually considered as relevant and useful to further enhance their business acumen and professionalism in discharging their stewardship responsibilities.

The Company Secretary keeps Directors informed of relevant external training programmes and all Directors have attended external conferences/workshops or internally organised programmes. All internal and external training programmes attended by Directors are recorded and maintained by the Company Secretary, which will be tabled to the N&R Committee and the Board for notation on a half-yearly basis, to assist the N&R Committee and the Board on the evaluation and determination of the Directors' training needs.

The external conferences/workshops and internally organised programmes attended by the Directors during the financial year were as follows:

Director	Course Attended
Shahman Azman	Thought Leadership Series: The Convergence of Digitisation and Sustainability
	Corporate Liability Provision and Competition Act
	Session on Corporate Governance and Anti-Corruption
	PwC Budget 2020 Seminar - Achieving dynamic growth for shared prosperity
Datuk Mohamed Azmi Bin Mahmood	Thought Leadership Series: Leadership Greatness in Turbulent Times: Building Corporate Longevity
	Cyber Security in the Boardroom - Accelerating from Acceptance to Action
	Demystifying the Diversity Conundrum: The Road to Business Excellence
	Thought Leadership Series: The Convergence of Digitisation and Sustainability
	Corporate Liability Provision and Competition Act
	Thought Leadership Series: Sustainability-Inspired Innovations Enablers of the 21st Century
	Building Trust and Transparency: Collaborate, Accelerate, Strengthen
Tan Bun Poo	Biz Conference: Beyond Financing - Halal Chapter
	Related Party Transactions
	Anti Money Laundering
	Malaysia Financial Services Industry Conference 2019
	2019 Human Capital Trends
	Cyber Security Awareness
	Business Model and Technological Disruptions
	Khazanah Conference MegaTrends
	Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009
	PwC Budget 2020 Seminar - Achieving dynamic growth for shared prosperity
	MFRS 16 - Leases

Director	Course Attended
Mahadzir Bin Azizan	Business Continuity Management for AmanahRaya Berhad Board of Directors
	Corporate Liability Provision and Competition Act
	Cyber Proofing The Next Wave - Latest Trends in Cybersecurity
	Compliance Insights: Past Lessons and Future Directions - Risk Management
	Offsite Planning Meeting
	General Understanding of Section 17A, Malaysian Anti-Corruption Commission Act 2009
Thein Kim Mon	Mandatory Accreditation Programme
	Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009
	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
Soo Kim Wai	Board Technology Day
	Tax Planning Opportunities in Malaysia
	Withersworldwide Family Office Conference
	Risk Management: BASEL Foundation Internal Ratings Based Accreditation
	Cyber Security Awareness
	Anti Money Laundering
	Mid-Year Outlook 2019: The Path Ahead
	Corporate Liability Provision and Competition Act
	Business Model and Technological Disruptions
	Malaysian Institute of Accountants Conference 2019
	Ernst & Young C-Suite Forum 2019
	Malaysia - What's Next for Politics?
	FIDE Forum: Digital Banking: Why does it Matter?
Shalina Azman	Succession Planning for Business Leaders
	Managing Corporate Governance Challenges: Compliance Reality
	Cyber Security in the Boardroom - Accelerating from Acceptance to Action
	Effective Investor Marketing, Stakeholder Motivation and Fund-Raising
	The New Anti-Corruption Law Affects You! - What PLC Directors Must Know
	Raising Defences: Section 17A, MACC Act
	Cyber Security Awareness

Director	Course Attended
Lum Sing Fai	Board Technology Day
	Risk Management - Module 2: Model Methodology, Model Performance & Governance
	AMLA Training
	Risk Management - Module 3: Why are we embarking Internal Rating Based (IRB) journey and accreditation expectations
	Risk Management - Module 1: Key concepts of credit risk management
	Islamic Finance for Board of Directors Training Programme
	Anti Money Laundering
	Cyber Security Awareness
	Corporate Liability Provision and Competition Act
	Business Model and Technological Disruptions
	Section 17A MACC (Amendment) Act 2018

The N&R Committee and the Board upon assessing the training needs of each of its Directors, are satisfied that the Directors have received the necessary training during the financial year under review which enhanced their effectiveness and contribution to the Board.

II. Board Composition

In September 2019, Mr. Thein Kim Mon, who has extensive experience in audit and risk management in banking industry, and Mr. Lum Sing Fai, who has vast experience in the banking and financial industry, were appointed as Independent Non-Executive Director and Non-Independent Non-Executive Director of the Company respectively to complement the existing Board skill set.

As at end of the financial year, the Board comprised eight (8) members, entirely of Non-Executive Directors, of whom four (4) are Non-Independent Directors (including the Chairman) and four (4) are Independent Directors. The structure of the Board ensures that no single Director is dominant in the decision-making process. The present composition is in compliance with paragraph 15.02 of the Listing Requirements and the Code. A brief profile of each Director is set out in the Profile of Directors section of this Annual Report.

The Board has in place a 12-year tenure policy for its Independent Directors to limit the tenure of the Independent Directors to twelve (12) years.

The Group practices non-discrimination in any form whether based on age, gender or ethnicity throughout the organisation and this includes the selection of Board members. The Board is committed to ensuring that its composition not only reflects the diversity as recommended by the Code, as best as it can, but also has the right mix of skills and balance to contribute to the achievement of the Company’s goal. The current Directors present a diverse mix of qualifications and experiences covering business, finance, audit, banking, accounting and legal. Together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to the Group.

In this regards, the Board through its N&R Committee reviews annually, the effectiveness of the Board and Board Committees as well as the independence of the Independent Directors, performance of individual Directors and CEO. The performance of each Director who is retiring at the next AGM is taken into account by the Board in determining whether or not the Board should support the re-election of the said Director.

Based on the results of the evaluations for the financial year under review, the Board concluded that the Board as a whole and its Committees have been effective in discharging their oversight responsibilities during the financial year. Premised on the outcome of the evaluations, the Board also agreed that the current composition of the Board is appropriate, taking into account the current mix of skills, experience and core competencies in the Board composition and given the Group's businesses and the size of its business operations. Individual Directors of the Company and the CEO possessed the required competence to manage the Group's affairs and created value to the organisation and its shareholders.

III. Appointment to the Board

As part of the N&R Committee's oversight of Board succession planning, it is also responsible for identifying suitable candidates to fill Board vacancies as and when the needs arise, or to identify candidates to complement the Board's current composition, and make recommendations to the Board on their appointment to the Board and where applicable, to the various Board Committees. The N&R Committee will assess the suitability of candidates, taking into consideration the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, personal qualities, time commitment, the potential for the candidate's skills to augment the existing Board, the candidate's availability to commit to the Board's activities, and in the case of candidate proposed for appointment as Independent Director, the candidate's independence. The N&R Committee is responsible to ensure that the procedures for appointing new Directors are transparent.

The appointments of Mr. Thein Kim Mon and Mr. Lum Sing Fai followed the above process. The N&R Committee, having reviewed the skillset, expertise and experience possessed by the abovementioned Directors, recommended their appointments to the Board. The newly appointed Directors received an induction which is tailored to the new Director's individual requirements.

IV. Remuneration

The Board is aware that a fair remuneration is critical to attract, retain and motivate its Directors and senior management. The Company has in place a Remuneration Policy for Directors and CEO which sets out the criteria applied in recommending their remuneration packages.

The aforesaid policy is to set remuneration at levels which are sufficient to attract and retain Directors and CEO needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.

For the CEO, the N&R Committee reviews the remuneration package annually and recommends to the Board on specific adjustments and/or rewards that reflect his contributions throughout the year as well as corporate performance and achievement of key performance indicators, taking into consideration the market and industry practices. Long term incentives are implemented through ESS of the Company.

In the case of Non-Executive Directors, their remunerations reflect the expertise and level of responsibilities undertaken by the Non-Executive Directors. Meeting attendance allowances are also paid to Independent Directors in accordance with the number of meetings attended during the financial year. Individual Directors will abstain from participating in the discussion and decision of their own remuneration package. Non-Executive Directors' fees and benefits are subject to the approval of shareholders at the AGM based on the recommendation of the Board.

In June 2020, the Board approved the recommendation by the N&R Committee in respect of the Non-Executive Directors' fee for the financial year ended 31 March 2020, which will be put forth to the shareholders for approval at the 66th AGM in accordance with Section 230 of the Act.

The Company has also in place a Directors and Officers liability insurance ("D&O policy") to indemnify the Directors against liability and costs incurred by them in discharging their duties as Directors, to the extent permitted under the Act. The Directors are required to contribute jointly to the premium of the D&O policy.

The details of the Directors' remuneration for the financial year ended 31 March 2020 are disclosed in the CG Report under Practice 7.1.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company comprises five (5) Non-Executive Directors, four (4) of whom are Independent Directors which is in compliance with the Listing Requirements of Bursa Securities.

Mr. Thein Kim Mon, an Independent Director was appointed the Chairman of the Audit Committee on 30 September 2019. He is not the Chairman of the Board.

Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company's external auditors which ensure the objectivity, independence and effectiveness of external auditors are maintained.

The performance of the Audit Committee and its members were evaluated as part of the Board's annual assessment and based on the findings, the Board is satisfied that the Audit Committee has discharged its responsibilities effectively during the financial year. The Audit Committee has adequate understanding of the Company's significant financial and non-financial risks. Each of its members made positive contribution to the overall effectiveness of the Audit Committee as well.

A full Audit Committee Report enumerating its membership and a summary of activities during the financial year is set out in the Audit Committee Report.

II. Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility in maintaining a sound system of internal control and risk management that provides reasonable assurance of effective and efficient operations, compliance with laws and regulations, as well as internal procedures and guidelines.

A Risk Management Committee comprising members with risk and business management knowledge and experience has been established by the Company to implement the risk management policies and strategies formulated and approved by the Board. It monitors and manages the principal risk exposures by ensuring that Management has taken the necessary steps to mitigate such risks and recommends action where necessary. The Risk Management Committee reports to the Audit Committee which in turn will brief the Board on its findings, if so required.

The Board continues to maintain and regularly review the adequacy of its system of internal control and risk management processes to ensure, as far as possible, the protection of the Group's assets and its shareholders' investments.

The Statement on Risk Management and Internal Control, which provides an overview of the management of risks and state of internal control within the Group, is set out on pages 57 to 60 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company always ensures that its communication with the shareholders and various stakeholders is transparent, timely and effective. The public can access the latest information regarding the Group through its website at www.rce.com.my. The Company and its investor relations team also conduct briefing and press interviews to provide the investors, analysts and fund managers and members of the media with opportunities to receive information relating the Group. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has an online enquiry form that can be obtained from the Company's website to which stakeholders can direct their queries or concerns.

Investor relation matters may be directed to the following person:

Mr. Loh Kam Chuin
Chief Executive Officer
Telephone number: +603-4047 0988
Email: IR@rce.com.my

II. Conduct of General Meetings

The Company's general meetings remain as the principal forum for dialogue and interaction with shareholders and provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's businesses and corporate developments.

Notice of the 65th AGM, the Form of Proxy and the Annual Report were issued and uploaded onto the Company's website more than 28 days before the 65th AGM. This allows shareholders sufficient time to make necessary arrangements to attend and participate in person or by proxies.

To ensure effective participation of and engagement with shareholders at the 65th AGM of the Company held on 28 August 2019, all members of the Board were present at the meeting to respond to the questions raised by the shareholders and proxies.

At the 65th AGM, Management also presented a comprehensive review of the Company's financial performance for the financial year and the Group's prospects and strategies as well as the Company's response to the queries raised by the Minority Shareholders Watch Group. Shareholders were encouraged to participate in the question and answer session on the Group's operations and all resolutions proposed, and were given opportunities to communicate and give constructive feedbacks to the Board.

Corporate Governance Overview Statement

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Act 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, they have consistently used and applied the appropriate and relevant accounting policies and made judgements and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Group keep proper accounting records in accordance with the provisions of the Act 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 Group to prevent and detect fraud and other irregularities.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board is satisfied that the Group has maintained high standards of corporate governance and strived to achieve the highest level of integrity and ethical standard, in all its business dealings.

Moving forward, the Board will continue to operationalise and improve the Company's corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

This Statement is made in accordance with the resolution of the Board of Directors dated 16 June 2020.

Additional Compliance Information

1. Material Contracts

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

2. Employees' Share Scheme

The Employees' Share Scheme ("ESS") implemented on 31 December 2015 is the only share scheme of the Company in existence during the financial year ended 31 March 2020. The details of the ESS are as follows:

(a) The total number of options granted, exercised, cancelled and outstanding under the ESS since its commencement up to the financial year ended 31 March 2020 are set out below:

Description	Number of Options	
	Grand Total	Directors and Chief Executive
Granted	43,229,000	2,200,000
Exercised	31,985,650	1,700,000
Cancelled	3,753,350	–
Outstanding	7,490,000	500,000

(b) Percentages of options applicable to Directors and senior management under the ESS during the financial year and since its commencement up to the financial year ended 31 March 2020 are set out below:

Directors and Senior Management	Percentage	
	During the financial year	Since commencement up to 31 March 2020
Aggregate maximum allocation	25.04%	21.00%
Actual options granted	25.04%	21.00%

(c) The Non-Executive Directors are not eligible to participate in the ESS.

Additional Compliance Information

3. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the external auditors and their affiliated companies or firms to the Company and the Group for the financial year ended 31 March 2020 are as follows:

Fees	Company RM	Group RM
Audit Fees	75,000	273,500
Non-Audit Fees	22,000	103,000
Total	**97,000**	**376,500**

The non-audit fees incurred by the Company and the Group consist of the following:

- Tax related matters;
- Gap Assessment Review in relation to Corporate Liability under Section 17A of the Malaysian Anti-Corruption Commission Act 2009; and
- Review of the Statement on Risk Management and Internal Control.

4. Utilisation of Proceeds

In March 2019, a RM2.0 billion Sukuk Murabahah Asset-Backed Securitisation Programme was established via Zamarad Assets Berhad ("ZAB") backed by receivables originated by RCE Marketing Sdn Bhd, a wholly-owned subsidiary of the Company.

During the financial year, ZAB issued its second and third tranche of Sukuk with proceeds totalling RM220.0 million. Details of the utilisation as at 31 March 2020 are as follow:

Description	RM'000
Proceeds	220,000
Utilisation:	
(a) purchase consideration of the acquired islamic financing agreements	(212,737)
(b) minimum profit balance required for finance service reserve account	(4,854)
(c) issuance related expenses	(1,851)
(d) deposit into revenue account	(558)
Balance as at 31 March 2020	–

5. Recurrent Related Party Transactions

The information on recurrent related party transactions for the financial year is set out in Note 24 to the financial statements.

Statement on Risk Management and Internal Control

The Board of Directors of RCE Capital Berhad ("Board") is responsible for the Group's risk management and internal control system as well as reviewing its adequacy and effectiveness on an on-going basis.

The Group's system of risk management and 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 is pleased to disclose that:

(i) there is an on-going process for identifying, evaluating, monitoring and managing the significant risks faced by the Group throughout the financial year up to the date of approval of this statement; and

(ii) the said process is regularly reviewed by the Board and accords with the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Issuers.

Whilst the Board has overall responsibility for the establishment of the Group's risk management and internal control system, it has delegated the responsibility of implementation and monitoring of this system to the Management who will report on identified risks and actions taken to mitigate and control the risks. The Chief Executive Officer, Mr. Loh Kam Chuin, and the Group Chief Financial Officer, Mr. Johnson Yap Choon Seng, have provided assurance to the Board that the risk management and internal control system is operating adequately and effectively, in all material aspects, during the financial year under review.

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

RISK MANAGEMENT

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. The Risk Management Committee is chaired by Encik Shahman Azman, who is the Non-Executive Chairman of RCE Capital Berhad.

Risks are defined as uncertain future events which could influence the achievement of the Group's objectives. Risks are assessed according to the impact and likelihood of risk events.

A two pronged risk management approach is adopted where:

(a) key risks including environment, social and governance risks are identified and evaluated together with mitigating controls as part of the decision making process for each significant business transaction by line managers; and

(b) day-to-day operational risk management by line managers entail:
- identification of risks;
- implementation of mitigating controls; and
- self-assessment to determine changes in risks and internal controls effectiveness.

Risk papers are prepared by line managers and reviewed by Management to document the identification and assessment of risks made in regards to significant business transactions and deliberated by the Risk Management Committee and reviewed by the Audit Committee.

Statement on Risk Management and Internal Control

Besides identifying and evaluating risks, line managers also design, operate and monitor suitable internal controls to mitigate and control the risks requiring risk management actions. These are documented in the risk profile (risk register) and reviewed by Management.

Risk profile and corresponding controls are self-assessed by line managers and reviewed by Management to determine that the risk profile continues to be relevant and that the controls are practiced and effective in mitigating and controlling the risks.

Results of self-assessment are deliberated by the Risk Management Committee and reviewed by the Audit Committee.

During the financial year, key risks reviewed by the Group include:

(a) Credit Risk Management;
(b) Compliance risks arising from change in laws and regulations including Malaysian Anti-Corruption Commission (Amendment) Act 2018;
(c) Information technology security risks;
(d) Financial risks including liquidity risks; and
(e) Health and safety risk arising from viral pandemic.

The mitigating controls employed by the Group include:

(a) Stringent credit approval process as well as constant credit monitoring and analysis;
(b) Keep abreast with changes in laws and regulations, monitor deadlines, use of checklist, organise and attend trainings, review and update existing policies and procedures, appointment of professional firm for Malaysian Anti-Corruption Commission (Amendment) Act 2018 readiness gap assessment review, assessment report reviewed by the Board;
(c) Conduct external and web application penetration testing, Red Team and phishing exercise;
(d) Active cashflow and debt management including matching maturity profiles of assets and liabilities; and
(e) Implement temperature check for staff and visitors, provision of hand sanitisers at points of entry, provision of face masks to employees, operate from secondary site, arrangements for staff to work from home, introduction of employee health and travel declaration, leveraging on technology to hold meetings online.

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 Division'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 has engaged the services of the Internal Audit Division of Amcorp Group Berhad, a major shareholder of the Company, to perform its internal audit functions. The Internal Audit Department is headed by Ms. Chia Meng Yee since year 2001. She is a member of The Malaysian Institute of Certified Public Accountants (MICPA).

(iii) Internal audit reports and the proposed corrective actions are presented at the Audit Committee Meetings. Follow up audits are performed to review the status and effectiveness of management actions.

(iv) A management structure exists with clearly defined lines of responsibility and the appropriate levels of delegation to promote checks and balances through the segregation of duties. The Management team, led by the Chief Executive Officer and comprises other heads of department, is responsible for implementing the Group's strategies and managing day-to-day business. Management team performs regular monitoring and review of the Group's financial results and provides the quarterly financial and operation reports to the Audit Committee/ Board. Meetings are held at operational and management levels regularly to identify, discuss and resolve business and operational issues.

(v) Compliance remains the key priority of the Group. The Compliance, Operations and Methods Department is responsible to oversee the compliance of all operating units towards their respective standard operating procedures and regulatory requirements as well as the formulation and development of the standard operating procedures. Operating units have standard operating procedures in which their operations must comply with so as to achieve clear accountabilities. The operating procedures are periodically reviewed and updated as and when necessary to ensure relevance to the Group's operations.

(vi) Regulatory requirements are communicated to all operating units through awareness campaigns and trainings to infuse the requirements into the business processes to manage compliance risks.

(vii) Compliance and process improvement reviews are carried out for the purpose of checking compliance and continuous enhancement on internal control and operational efficiencies, without compromising internal controls and value creation to the shareholders and stakeholders.

(viii) A Code of Conduct is incorporated in the Group's Employee Handbook together with the corporate values, which emphasises ethical behaviour, quality products and services. The Code of Conduct must be complied by all employees and is reviewed periodically to streamline its effectiveness and relevance in the current business environment.

(ix) A formal staff performance appraisal system, guided by key performance indicators to evaluate and measure staff performance and their competency is performed once a year to link performance and remuneration in order to create a high performance work culture. Training and development programmes are provided to employees to enhance their knowledge and competency in carrying out their duties and responsibilities towards achieving the Group's objectives.

(x) Key staff and departmental heads are enrolled in a One-To-One and Group Leadership Coaching Programmes to help raise awareness in their leadership and communication style in order to drive positive results and achieve peak performance.

(xi) The Group also practices Annual and Mid-Year Strategy & Budgeting and monitoring process as follows:

(a) There is an annual budgeting process for each area of business and approval of the annual budget by the Board.
(b) Actual performance is compared with budget monthly, together with explanation of any major variance, while budget for the current year is reviewed at least semi-annually. Action plans are formulated to address any areas of concern.

Statement on Risk Management and Internal Control

(xii) Adequate insurance and physical security of major assets are in place to protect assets of the Group and are sufficiently covered against any mishap that will result in material losses to the Group.

(xiii) The Group has established and put in place a whistle blowing policy to provide an avenue for the Board, officers and employees as well as members of the public a safe channel of reporting of concerns about possible improprieties. Allegation of improprieties, if any, is reported at the Audit Committee Meetings.

The Board is of the view the Group's risk management and internal control systems is satisfactory, adequate and effective for the Group's purpose. The Board will continue to monitor all major risks affecting the Group and take the necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control system of the Group.

Pursuant to paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Statutory Auditors have reviewed this statement for inclusion in the annual report of the Group for the financial year ended 31 March 2020. Their review is performed in accordance with Audit Assurance and Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants. The Statutory Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control for the Group.

AAPG 3 does not require the Statutory Auditors to consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. Based on their procedures performed, the Statutory Auditors have reported to the Board that nothing has come to their attention which causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 16 June 2020.

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

The composition of the Audit Committee of RCE Capital Berhad is as follows:

Name	Designation	Directorship
Thein Kim Mon	Chairman	Independent Director
Tan Bun Poo	Member	Independent Director
Datuk Mohamed Azmi bin Mahmood	Member	Independent Director
Mahadzir bin Azizan	Member	Independent Director
Soo Kim Wai	Member	Non-Independent Non-Executive Director

No alternate Directors were appointed as members of the Audit Committee. Mr. Tan Bun Poo and Mr. Soo Kim Wai are members of the Malaysian Institute of Accountants ("MIA"). The Audit Committee meets the requirements of paragraph 15.09(1)(c)(i) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") which requires at least one (1) member of the Audit Committee must be a member of the MIA.

During the financial year ended 31 March 2020, Mr. Thein Kim Mon was appointed as the Chairman of the Audit Committee on 30 September 2019 in place of Mr. Tan Bun Poo who relinquished his Chair. However, Mr. Tan Bun Poo remains a member of the Audit Committee.

The members of the Audit Committee have sufficient understanding of the Group's business to continuously apply a critical and probing view on the Company's financial reporting process, transactions and other financial information. The Audit Committee Chairman together with the Audit Committee members play an active role in engaging with the Management, Group Chief Financial Officer, internal auditors and external auditors.

The Board of Directors ("the Board"), via the Nomination & Remuneration ("N&R") Committee annually reviews the terms of office and performance of the Audit Committee and its members through an effectiveness evaluation exercise. The N&R Committee assessed the Audit Committee's performance for the financial year ended 31 March 2020 and was satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance to its terms of reference.

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2020, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:

Name	No. of Meetings Attended
Thein Kim Mon *(Appointed on 30 September 2019)*	2/2^
Tan Bun Poo	4/4
Datuk Mohamed Azmi bin Mahmood	4/4
Mahadzir bin Azizan	4/4
Soo Kim Wai	4/4

Note:

^ *Reflects the number of meetings held during the financial year following his appointment to the Audit Committee*

The Audit Committee Meetings were conducted in accordance with the requisite quorum as stipulated in the terms of reference of the Audit Committee, which requires at least two (2) members, with the majority of members present must be Independent Directors.

Audit Committee Report

By invitation, the Chief Executive Officer, Group Chief Financial Officer, the senior management personnel and representative of the internal auditors attended all the meetings held during the financial year, to present their reports on financial results, audit and other matters for the Audit Committee's deliberation and approval, if required. Representatives of the external auditors were also invited to attend these meetings, when necessary, to present their annual audit plan and annual audited financial statements as well as other matters deemed relevant. This provided a platform for direct interaction between members of the Audit Committee, Management and auditors. Invitations were extended to other Board members of the Company to Audit Committee Meetings to share their knowledge and experiences.

The Company Secretary acts as the Secretary of the Audit Committee. The Audit Committee members are provided with the agenda and relevant committee papers before each meeting. Minutes of the Audit Committee Meetings will be distributed to the Board for notation and the Chairman of the Audit Committee shall report key issues discussed in the Audit Committee Meetings to the Board.

TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its terms of reference. The terms of reference is accessible on the Company's corporate website at www.rce.com.my.

SUMMARY OF ACTIVITIES

The key activities undertaken by the Audit Committee in discharging its functions and duties during the financial year were as follows:

- **Financial Results**

  a. Reviewed the unaudited quarterly financial results of the Group and related announcements prior to recommending them to the Board for consideration and approval and the release of the Group's results to Bursa Securities. The review included detailed discussions with Chief Executive Officer, Group Chief Financial Officer and senior personnel from Group Finance Department to ensure compliance with financial reporting standards and clarity of disclosures. Areas of discussion included, amongst others, the overall performance of the Group, the prospects of the Group, accounting treatment of significant transactions and the underlying activities that lead to such transactions.

  b. Reviewed the annual audited financial statements of the Group for the financial year ended 31 March 2019 with Management and external auditors prior to submission to the Board for their consideration and approval. The review focused particularly on application of new accounting standards, adjustments arising from the audits, significant matters highlighted including financial reporting issues, key audit matters, significant and unusual events/transactions and how these matters were addressed, compliance with applicable approved accounting standards in Malaysia and other legal and regulatory requirements as well as any correspondence from regulators in relation to financial reporting. Upon deliberation, the Audit Committee concluded that the annual audited financial statements of the Group presented a true and fair view of the Group's financial performance for the financial year ended 31 March 2019.

  c. Reviewed the effect and impact on the financial statements of the Group arising from the adoption of Malaysian Financial Reporting Standards 16.

- **Internal Audit**

a. Reviewed the Annual Audit Plan for adequacy of scope and coverage on the activities of the Group and provided input on key areas to be included as part of the Annual Audit Plan. Risks affecting the audit areas determined the frequency of audit coverage. Annual Audit Plan was approved for adoption as a result of the review.

b. Reviewed the audit procedures used by the internal auditors in carrying out their audit. The Audit Committee provided feedback on areas of concern to the internal auditors for enhancement of audit procedures.

c. Reviewed and approved the Internal Audit Charter to ensure the Internal Audit Function is guided by the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework and that the purpose, authority and responsibility of the Internal Audit Function continue to be adequate to enable the Internal Audit Function to accomplish its purpose.

d. Reviewed the proposed development of an information technology ("IT") audit framework and IT audit plan by independent service providers to ensure that the Group's IT environment remains intact from the constant evolution of IT threats and vulnerabilities and as an avenue to upskill the existing Internal Audit Function.

e. Reviewed the internal audit reports, audit recommendations made and adequacy of Management's responses to these recommendations and actions taken to improve the system of internal control and procedures. During the meetings, enquiries were made to both internal auditors and Management over details of issues raised, root causes and the proposed corrective actions. The Audit Committee also provided additional advisories and constructive feedback on issues raised through the discussions with internal auditors and Management to ensure satisfactory and timely remedial actions have been committed by Management to address identified risks.

f. Monitored and deliberated the implementation of audit recommendations arising from internal audit activities as well as the follow-up audits conducted by internal auditors to ensure that all key risks and controls have been addressed. The Audit Committee also considered the timeliness of completion of the proposed actions and whether such actions effectively resolve the issues raised.

g. Reviewed the status of audit assignment reported by the internal auditors to ensure that the progress was in line with the approved Annual Audit Plan.

h. Reviewed the proposed fees for the outsourcing of the Group's Internal Audit Function to Corporateview Sdn Bhd, a wholly-owned subsidiary of Amcorp Group Berhad for the financial year under review, at the Audit Committee Meeting held on 28 May 2019. The Audit Committee recommended the proposed fees for the outsourcing of the Group's Internal Audit Function for the Board's approval and the same was duly approved by the Board.

Audit Committee Report

i. Reviewed the resource requirements for the year and assessed the performance and competency of the Internal Audit Function. A formal annual appraisal of the internal auditors was performed on 18 February 2020 where areas reviewed covered adequacy of scope, functions, competency, resources and authority of the Internal Audit Function. The Audit Committee was satisfied that the internal auditors had discharged their duties effectively during the period under review.

j. Reviewed the whistle blowing reports received via the whistle blowing channels managed by Internal Audit Function. All reports received through the whistle blowing channels were tabled to the Audit Committee on a quarterly basis, with pertinent reports highlighted for deliberation.

k. Reviewed the Statement on Risk Management and Internal Control to ensure that it is consistent with their understanding of the state of internal control of the Group and recommended the same to the Board for inclusion in the Annual Report. Compliance with the requirements as set out in The Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers on the content of the Statement on Risk Management and Internal Control were also assessed by the Audit Committee.

- **External Audit**

a. Reviewed with the external auditors the audit planning memorandum prior to the commencement of the annual audit, which outlined the audit strategy, audit materiality, scope of work, methodology and timetable, areas of focus, changes to accounting standards, regulatory requirements and the extent of compliance, as well as the proposed fees for the audit and non-audit services for the financial year under review, at the Audit Committee Meeting held on 11 November 2019. The Audit Committee recommended the proposed audit and non-audit fees for the Board's approval and the same were duly approved by the Board.

b. Reviewed and deliberated on the external auditors' presentation of the results of their annual audit for the financial year under review and their audit report in ensuring that appropriate actions have been taken.

c. Reviewed with the external auditors the impact of new or proposed changes in accounting standards, regulatory requirements including changes in tax legislation and recent development.

d. Reviewed the provision of non-audit services rendered by the external auditors to the Group, in circumstances where the auditors were best qualified and suitable to provide the required services given their comprehensive knowledge of the Group's business operations, systems and processes. In considering the nature and scope of the non-audit services, the Audit Committee was satisfied that the services were not likely to create any conflict of interest or impair the external auditors' independence and objectivity.

e. Held two (2) discussions with the external auditors without the presence of Management on 28 May 2019 and 11 November 2019 respectively, to discuss issues requiring attention/significant matters arising from the audit.

f. Reviewed, assessed and monitored the performance, suitability and independence of the external auditors. Areas of the performance review included the quality of services rendered, quality and sufficiency of resources, level of communication and interaction by the audit team and independence, objectivity and professionalism of the audit team. The external auditors had provided an annual confirmation of their independence in accordance with the terms of all professional and regulatory requirements.

   Following the outcome of the assessment and having satisfied with the external auditors' performance, suitability and independence, the Audit Committee at its meeting held on 16 June 2020 recommended to the Board for approval of the re-appointment of Deloitte PLT as auditors of the Company. A resolution for their re-appointment will be tabled for shareholders' approval at the forthcoming annual general meeting.

- **Related Party Transactions**

  a. Reviewed the recurrent related party transactions of a revenue or trading nature and any outstanding amount due/owing to the Group by its related parties on a quarterly basis to ensure the amounts transacted were within the approved shareholders' mandate obtained from the shareholders.

  b. Reviewed the Circular to Shareholders in respect of the recurrent related party transactions prior to recommending them for the Board's approval to seek shareholders' mandate at the annual general meeting of the Company.

- **Employees' Share Scheme ("ESS")**

  Reviewed and verified that options allocated and granted during the financial year under the Company's ESS were in accordance with the allocation criteria approved by the ESS Committee and in compliance with the By-Laws of the ESS. Areas reviewed include maximum number of shares available under ESS, eligibility of the allottees, basis of allocation and option price.

- **Risk Management Committee**

  a. Evaluated the adequacy of the Risk Management Framework of the Group.

  b. Reviewed the deliberations on risk management approaches by the Risk Management Committee.

  c. Reviewed the Control Self-Assessment ratings submitted by the respective operations management on a half-yearly basis, which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan, where necessary.

  d. Reviewed the proposed appointment of independent service provider to perform independent review on Information Security Policy, Business Continuity Management framework and Incident Response Procedure; and to develop an IT audit plan for the Group's Internal Audit Function.

  e. Reviewed the Anti Money Laundering (AML)/Counter Financing of Terrorism (CFT) Process for the Group.

Audit Committee Report

- **Others**

  Reviewed the Audit Committee Report for inclusion into the Annual Report.

INTERNAL AUDIT FUNCTION

The Company engaged the services of the internal audit department of Amcorp Group Berhad, a major shareholder of the Company, to perform its internal audit function. The Internal Audit Function is independent of the activities it audits and carries out its works through a risk-based approach by focusing on key risk areas. The costs incurred for the Internal Audit Function of the Group for the financial year ended 31 March 2020 was RM243,650.

The Internal Audit Function reports directly to the Audit Committee and assists the Audit Committee in the discharge of its duties and functions. Its role is to provide independent and objective reports to the Board on the organisation's management, operations, records, accounting policies, risk management framework and internal controls.

The Internal Audit Function presents its Annual Audit Plan, which includes the scope and functions of the Internal Audit for the financial year for consideration and approval of the Audit Committee at the beginning of the financial year. This Annual Audit Plan is subject to review at the quarterly meetings of the Audit Committee in response to changes in the operational, financial and control environment.

The scope of internal audit functions performed by the internal auditors 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; and
- applicable laws and regulations are complied with.

During the financial year, the Internal Audit Function undertook reviews in accordance with its approved Annual Audit Plan covering the following areas: debtor's ledger reconciliation, loan processing, loan documentation, disbursements, marketing expenses, income recognition, collection monitoring, loan settlement, loan rehabilitation, impairment and information technology. The Internal Audit Function manages the whistle blowing channels to ensure all the channels are available throughout and reports received are investigated and reported to the Audit Committee. The Internal Audit Function also carried out review of related party transactions and Management's self-assessment of risk profiles.

The above reviews performed by the Internal Audit Function provide indication on the effectiveness of the Group's system of risk management and internal control, and that there is an appropriate balance of controls and risks in achieving the Group's business objectives and policies.

Audit reports were issued to highlight any deficiency or findings requiring Management's attention. Such reports also included practical and cost effective recommendations as well as proposed corrective actions to be adopted by Management. The audit reports together with Management's responses were reported to the Audit Committee on a quarterly basis. Follow-up audits were then carried out to determine whether corrective actions have been taken by Management.

The Company engaged external consultant to develop an IT audit framework and IT audit plan for the Group's Internal Audit Function.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 16 June 2020.

Financial Statements

Directors' Report

The directors of **RCE CAPITAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary company are disclosed in Note 17 to the financial statements.

FINANCIAL RESULTS

The audited results of the Group and of the Company for the financial year ended 31 March 2020 are as follows:

	The Group RM	The Company RM
Profit for the financial year	110,580,874	24,562,618

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

Dividends declared or paid by the Company since the end of the previous financial year are as follows:

	RM
In respect of financial year ended 31 March:	
2020:	
Interim single-tier dividend of 5.00 sen per ordinary share, declared on 11 November 2019 and paid on 5 December 2019	17,436,615
2019:	
Final single-tier dividend of 5.00 sen per ordinary share, declared on 28 August 2019 and paid on 11 September 2019	17,440,266

The Board of Directors ("Board") has declared a second interim single-tier dividend of 6.00 sen per ordinary share, estimated at RM21,019,975 in respect of financial year ended 31 March 2020, to be paid on 27 July 2020. The entitlement date for the dividend payment is 16 July 2020.

DIVIDENDS (CONT'D)

A depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4.30 pm on 16 July 2020 in respect of ordinary transfers; and

(b) shares bought from Bursa Malaysia Securities Berhad ("Bursa") on a cum entitlement basis.

This second interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2021.

Total dividend declared in respect of the financial year ended 31 March 2020 is 11.00 sen, equating to 34.8% of dividend payout ratio. This is within the dividend guidance of between 20.0% to 40.0% of the Group's profit for the financial year.

The Board does not recommend any final dividend for the financial year ended 31 March 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Note 28 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the total number of issued shares of the Company was increased from 360,555,536 to 372,938,136 by way of the issuance of 12,382,600 new ordinary shares pursuant to share options exercised.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

There was no other issuance of shares or debentures during the financial year.

Directors' Report

TREASURY SHARES

During the financial year, the Company repurchased 3,958,000 of its ordinary shares listed and quoted on the Main Market of Bursa from the open market at an average buy-back price of RM1.50 per share. The total consideration paid, including transaction costs, of RM5,965,980 was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016.

The Company has the right to cancel, resell and/or, distribute the treasury shares as dividends at a later date or transfer the treasury shares for Employees' Share Scheme ("ESS") or as purchase consideration at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased have been sold, cancelled or transferred during the financial year.

As at 31 March 2020, the number of ordinary shares in issue after deducting the treasury shares is 350,332,911 shares. Further details are disclosed in Note 27 to the financial statements.

ESS

The ESS which was approved by the shareholders at the Extraordinary General Meeting held on 2 September 2015, is governed by the bylaws. The ESS was implemented on 31 December 2015, to be in force for a period of five (5) years and may be extended for another five (5) years by the Board upon recommendation of the ESS Committee. The ESS comprises shares and/or options to subscribe for share of up to fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time for eligible executive directors and employees of the Group.

The salient features of the ESS are disclosed in Note 36 to the financial statements.

The persons to whom the share options are granted have no right to participate by virtue of the share options in any other share of any other company in the Group.

The movements in share options pursuant to the ESS during the financial year are as follows:

			ESS options over ordinary shares				
Grant date	**Expiry date**	**Exercise price per share RM**	**Balance as at 1.04.2019**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2020**
18.08.2017	17.08.2019	1.48	6,830,000	–	(5,077,500)	(1,752,500)	–
4.07.2018	30.12.2020	1.37	5,990,100	–	(4,046,500)	–	1,943,600
29.05.2019	30.09.2020	1.45	–	8,947,000	(3,258,600)	(142,000)	5,546,400
			12,820,100	8,947,000	(12,382,600)	(1,894,500)	7,490,000

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, 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 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 written off for bad debts or the amount of 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 the current assets in the financial statements of the Group and of the Company misleading; or

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

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

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

(a) any charge on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities 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 will or may substantially affect the ability of the Group or 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 the operations of the Group and of the Company for the succeeding financial year.

Directors' Report

DIRECTORS

The directors of the Company in office during the financial year and the period from the end of the financial year to the date of this report are:

Shahman Azman	
Datuk Mohamed Azmi Bin Mahmood	
Tan Bun Poo	
Mahadzir Bin Azizan	
Soo Kim Wai	
Shalina Azman*	
Thein Kim Mon	(Appointed on 30 September 2019)
Lum Sing Fai	(Appointed on 30 September 2019)

* Director of the Company and subsidiary companies

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of directors of the subsidiary companies (excluding director who is also director of the Company) during the financial year and up to the date of this report are as follows:

Loh Kam Chuin	
Oon Hooi Khee	
Teoh Boon Wee	
Yam Kwai Ying Sharon^	
Edmund Lee Kwing Mun^	(Appointed on 16 December 2019)
Kew Thean Yew^	(Appointed on 31 January 2020)
Norhayati Binti Azit^	(Resigned on 1 October 2019)
Hooi Toong Wan	
Thiru Selvi A/P Suparamaniam^	(Appointed on 1 October 2019 and resigned on 31 January 2020)

^ Directors of the special purpose vehicles, which are included as indirect and not legal subsidiary companies of the Company.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of directors in office at the end of the financial year in shares and share options over shares in the Company and its related companies during the financial year are as follows:

	Number of ordinary shares			
	Balance as at 1.04.2019/ Date of Appointment	**Alloted/ Acquired**	**Disposed**	**Balance as at 31.03.2020**
Shares in the Company:				
Direct interest:				
Shahman Azman	300,000	–	–	300,000
Shalina Azman	450,000	–	–	450,000
Lum Sing Fai	499	–	–	499

	Number of ordinary shares			
	Balance as at 1.04.2019/ Date of Appointment	**Alloted/ Acquired**	**Disposed**	**Balance as at 31.03.2020**
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Shahman Azman	886,700	–	–	886,700
Lum Sing Fai	667	166	–	833

	Number of Class A Redeemable Convertible Preference Shares			
	Balance as at 1.04.2019/ Date of Appointment	**Allotted/ Acquired**	**Converted/ Redeemed**	**Balance as at 31.03.2020**
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Lum Sing Fai	333	–	(333)	–

Directors' Report

DIRECTORS' INTERESTS (CONT'D)

	Number of Class B Redeemable Convertible Preference Shares			
	Balance as at 1.04.2019/ Date of Appointment	Allotted/ Acquired	Converted/ Redeemed	Balance as at 31.03.2020
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Lum Sing Fai	100	–	–	100

	ESS options over ordinary shares			
	Balance as at 1.04.2019	Granted	Exercised	Balance as at 31.03.2020
Options in a related company, Amcorp Properties Berhad				
Shahman Azman	2,256,000	816,000	–	3,072,000

Other than those disclosed above, none of the other directors in office at the end of the financial year held any interest in shares and options over 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, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the 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 disclosed in Note 24 to the financial statements.

During and at the end of the financial year, there are no arrangement subsisted to which the Company is 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 other than the share options granted pursuant to the Company's ESS as disclosed in Note 36 to the financial statements.

Further details of directors' remuneration are disclosed in Note 7 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Group and the Company maintain directors and officers' liability insurance for the purpose of Section 289 of the Companies Act 2016, which provides appropriate insurance cover for their directors and officers throughout the financial year.

The insurance premium paid by the Group during the financial year amounted to RM26,235.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year is disclosed in Note 37 to the financial statements.

HOLDING COMPANIES

The Company is a subsidiary company of Cempaka Empayar Sdn. Bhd. The intermediate holding company is Amcorp Group Berhad, a company incorporated in Malaysia. The directors regard Clear Goal Sdn. Bhd., a company incorporated in Malaysia as the ultimate holding company.

AUDITORS

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board, as approved by the Board in accordance with a resolution of the directors.

SHAHMAN AZMAN **SOO KIM WAI**

Kuala Lumpur
16 June 2020

Independent Auditors' Report

to the Members of RCE Capital Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **RCE CAPITAL BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 March 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 82 to 172.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our ethical responsibilities in accordance with the said By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters presented below are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company of the financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Allowances for impairment loss on receivables

MFRS 9 *Financial Instruments* requires the Group to account for loans and receivables/financing impairment loss with a forward looking expected credit loss ("ECL") approach.

The measurement of ECLs is complex and requires the application of significant judgement and estimates which includes the identification of credit exposures with a significant increase in credit risk and assumptions used in ECL models such as expected future cash flows, time value of money, forward looking macroeconomic factors and probability-weighted scenario.

Note 3 to the financial statements makes reference to the significant accounting policies, Note 19 contains the disclosure of loans and receivables/financing and the disclosure of credit risk is made in Note 34 to the financial statements.

How the Scope of our Audit Responded to the Key Audit Matter

We performed the following procedures to address the key audit matters:

- Evaluated the design and implementation of the key controls over impairment of loans and receivables/financing.
- Involved financial risk specialist to evaluate the appropriateness of forward looking macroeconomic factors used in the Group's ECL model, as well as the impact of COVID-19.
- Evaluated whether changes in the modeling approach, parameters and assumptions were needed and if any changes made were appropriate.
- Assessed, tested and monitored the sensitivity of the impairment to changes in modeling assumptions.
- Reviewed and tested a sample of loans and receivables/financing to evaluate if credit staging is appropriately classified in accordance to the Group's definition of significant increase in credit risk.
- Involved information technology specialists to perform substantive analytic procedures by recomputing the ECL balance based on data of the Group and compared the independently generated expectation against the ECL balance recorded by the Group.

Independent Auditors' Report
to the Members of RCE Capital Berhad

Key Audit Matters	***How the Scope of our Audit Responded to the Key Audit Matter***
Impairment of goodwill on consolidation	
As at 31 March 2020, the Group recognised goodwill amounting to RM47,332,991 as disclosed in Note 18 to the financial statements. Significant judgement is required to determine whether the goodwill is impaired. The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of value-in-use of the cash-generating unit (as detailed in Note 18 to the financial statements) to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key sources of estimation uncertainty relating to impairment of goodwill are disclosed in Note 4.2(a) to the financial statements.	We performed the below procedures to address the key audit matters: • Evaluated management's budgeting process by comparing actual results to previously forecast results. • Considered the assumptions used in the cash flow projections and evaluated the reasonableness of these assumptions by comparing them to externally available economic and financial data. • Assessed the appropriateness of the discount rate used by management to calculate the present value of the cash flow projections. • Compared the value-in-use amount against the carrying amount of the goodwill to determine any impairment allowance required. • Performed sensitivity analysis around the assumptions used in the cash flow projections.

We have not identified any key matter pertaining to the financial statements of the Company for the financial year ended 31 March 2020.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report of the Group and of the Company, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so with regards the Group or the Company.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of the Group and of the Company.

As part of an audit in accordance with approved standards on auditing in Malaysia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Independent Auditors' Report
to the Members of RCE Capital Berhad

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report
to the Members of RCE Capital Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

WONG KAR CHOON
Partner - 03153/08/2020 J
Chartered Accountant

16 June 2020

Statements of Comprehensive Income

For The Financial Year Ended 31 March 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Interest/profit income	5	256,781,701	234,265,300	–	–
Other revenue	5	25,826,975	28,304,356	25,368,383	20,361,093
Revenue	5	282,608,676	262,569,656	25,368,383	20,361,093
Other income		20,401,767	15,493,137	190,171	492,064
Interest/profit expense applicable to revenue	6	(81,703,521)	(78,019,398)	–	–
Directors' remuneration	7	(715,040)	(610,340)	(458,000)	(389,000)
Staff costs	8	(23,459,273)	(20,767,684)	(130,000)	(145,000)
Allowances for impairment loss on receivables, net	9	(23,090,419)	(23,725,003)	–	–
Depreciation of plant and equipment and right-of-use ("ROU") assets	15 – 16	(2,122,884)	(2,629,313)	–	–
Other expenses		(22,886,684)	(21,165,984)	(476,168)	(672,291)
Finance costs	10	(132,901)	(56,510)	–	(62,852)
Profit before tax	9	148,899,721	131,088,561	24,494,386	19,584,014
Income tax (expense)/credit	11	(38,318,847)	(35,555,118)	68,232	(80,642)
Profit for the financial year		110,580,874	95,533,443	24,562,618	19,503,372
Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss:					
Foreign currency translations		(345)	769	–	–
Other comprehensive (loss)/income for the financial year, net of tax		(345)	769	–	–
Total comprehensive income for the financial year		110,580,529	95,534,212	24,562,618	19,503,372
Attributable to:					
Owners of the Company		110,580,874	95,533,443		
Earnings per ordinary share (sen):					
Basic	13	31.83	28.02		
Diluted	13	31.71	27.95		

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position

As At 31 March 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
ASSETS					
Non-Current Assets					
Plant and equipment	15	7,298,118	4,543,166	–	–
ROU assets	16	5,826,763	–	–	–
Investment in subsidiary companies	17	–	–	354,485,815	354,285,815
Goodwill on consolidation	18	47,332,991	47,332,991	–	–
Loans and receivables/financing	19	1,520,055,301	1,447,008,748	–	–
Other investments	20	2	2	2	2
Deferred tax assets	21	45,400,632	41,977,418	103,200	–
Total Non-Current Assets		1,625,913,807	1,540,862,325	354,589,017	354,285,817
Current Assets					
Loans and receivables/financing	19	169,859,501	151,697,708	–	–
Trade receivables	22	3,011,296	3,669,005	–	–
Other receivables, deposits and prepaid expenses	23	12,049,064	37,535,799	54,639	108,581
Amounts due from subsidiary companies	24	–	–	9,792,219	6,995,156
Deposits with licensed financial institutions	25	360,739,009	275,807,957	–	–
Cash and bank balances	25	259,458,948	216,570,218	787,996	34,617
Total Current Assets		805,117,818	685,280,687	10,634,854	7,138,354
Total Assets		2,431,031,625	2,226,143,012	365,223,871	361,424,171

Statements of Financial Position

As At 31 March 2020

		The Group		The Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	26	172,237,774	154,454,399	172,237,774	154,454,399
Treasury shares	27	(25,910,249)	(19,944,269)	(25,910,249)	(19,944,269)
Reserves	28	527,035,875	449,006,007	218,363,807	226,351,850
Total Equity		673,363,400	583,516,137	364,691,332	360,861,980
Non-Current Liabilities					
Payables	29	780,224	717,858	–	–
Hire-purchase payables	30	365,922	714,295	–	–
Borrowings	31	1,082,930,715	1,029,203,259	–	–
Lease liabilities	32	4,415,581	–	–	–
Deferred tax liabilities	21	1,476,386	163,718	–	–
Total Non-Current Liabilities		1,089,968,828	1,030,799,130	–	–
Current Liabilities					
Payables and accrued expenses	29	30,204,800	26,256,761	532,539	562,191
Hire-purchase payables	30	348,373	372,106	–	–
Borrowings	31	631,466,863	575,657,005	–	–
Lease liabilities	32	748,544	–	–	–
Tax liabilities		4,930,817	9,541,873	–	–
Total Current Liabilities		667,699,397	611,827,745	532,539	562,191
Total Liabilities		1,757,668,225	1,642,626,875	532,539	562,191
Total Equity and Liabilities		2,431,031,625	2,226,143,012	365,223,871	361,424,171

The accompanying notes form an integral part of the financial statements.

Statements of Changes In Equity

For The Financial Year Ended 31 March 2020

The Group	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Capital Redemption Reserve RM	Employees' Share Scheme RM	Exchange Translation Reserve RM	Retained Earnings RM	Sub-total Reserves RM	Total RM
				Non-Distributable Reserves				Distributable Reserve		
Balance as at 1 April 2018		44,675,603	(13,352,618)	72,592,303	30,902,850	3,475,420	–	380,979,006	487,949,579	519,272,564
Effects of adopting MFRS 9		–	–	–	–	–	–	(6,146,114)	(6,146,114)	(6,146,114)
Restated as at 1 April 2018		44,675,603	(13,352,618)	72,592,303	30,902,850	3,475,420	–	374,832,892	481,803,465	513,126,450
Total comprehensive income		–	–	–	–	–	769	95,533,443	95,534,212	95,534,212
Transactions with owners										
Dividends	14	–	–	–	–	–	–	(27,306,157)	(27,306,157)	(27,306,157)
Share options granted under ESS		–	–	–	–	2,469,640	–	–	2,469,640	2,469,640
Issuance of shares pursuant to ESS exercised	26	6,283,643	–	–	–	(1,421,041)	–	1,421,041	–	6,283,643
Cancellation of share options		–	–	–	–	(464,690)	–	464,690	–	–
Shares repurchased		–	(6,591,651)	–	–	–	–	–	–	(6,591,651)
Total transactions with owners		6,283,643	(6,591,651)	–	–	583,909	–	(25,420,426)	(24,836,517)	(25,144,525)
Transfer arising from "no par value" regime		103,495,153	–	(72,592,303)	(30,902,850)	–	–	–	(103,495,153)	–
Balance as at 31 March 2019		154,454,399	(19,944,269)	–	–	4,059,329	769	444,945,909	449,006,007	583,516,137

The Group	Note	Share Capital RM	Treasury Shares RM	Employees' Share Scheme RM	Exchange Translation Reserve RM	Retained Earnings RM	Sub-total Reserves RM	Total RM
				Non-Distributable Reserves		Distributable Reserve		
Balance as at 1 April 2019		154,454,399	(19,944,269)	4,059,329	769	444,945,909	449,006,007	583,516,137
Total comprehensive (loss)/ income		–	–	–	(345)	110,580,874	110,580,529	110,580,529
Transactions with owners								
Dividends	14	–	–	–	–	(34,876,881)	(34,876,881)	(34,876,881)
Share options granted under ESS		–	–	2,326,220	–	–	2,326,220	2,326,220
Issuance of shares pursuant to ESS exercised	26	17,783,375	–	(3,747,071)	–	3,747,071	–	17,783,375
Cancellation of share options		–	–	(632,770)	–	632,770	–	–
Shares repurchased	27	–	(5,965,980)	–	–	–	–	(5,965,980)
Total transactions with owners		17,783,375	(5,965,980)	(2,053,621)	–	(30,497,040)	(32,550,661)	(20,733,266)
Balance as at 31 March 2020		172,237,774	(25,910,249)	2,005,708	424	525,029,743	527,035,875	673,363,400

Statements of Changes In Equity

For The Financial Year Ended 31 March 2020

The Company	Note	Share Capital RM	Treasury Shares RM	Non-Distributable Reserves: Share Premium RM	Non-Distributable Reserves: Capital Redemption Reserve RM	Non-Distributable Reserves: Employees' Share Scheme RM	Distributable Reserve: Retained Earnings RM	Sub-total Reserves RM	Total RM
Balance as at 1 April 2018		44,675,603	(13,352,618)	72,592,303	30,902,850	3,475,420	228,209,575	335,180,148	366,503,133
Total comprehensive income		–	–	–	–	–	19,503,372	19,503,372	19,503,372
Transactions with owners									
Dividends	14	–	–	–	–	–	(27,306,157)	(27,306,157)	(27,306,157)
Share options granted under ESS		–	–	–	–	2,469,640	–	2,469,640	2,469,640
Issuance of shares pursuant to ESS exercised	26	6,283,643	–	–	–	(1,421,041)	1,421,041	–	6,283,643
Cancellation of share options		–	–	–	–	(464,690)	464,690	–	–
Shares repurchased		–	(6,591,651)	–	–	–	–	–	(6,591,651)
Total transactions with owners		6,283,643	(6,591,651)	–	–	583,909	(25,420,426)	(24,836,517)	(25,144,525)
Transfer arising from "no par value" regime		103,495,153	–	(72,592,303)	(30,902,850)	–	–	(103,495,153)	–
Balance as at 31 March 2019		154,454,399	(19,944,269)	–	–	4,059,329	222,292,521	226,351,850	360,861,980

The Company	Note	Share Capital RM	Treasury Shares RM	Non-Distributable Reserve Employees' Share Scheme RM	Distributable Reserve Retained Earnings RM	Sub-total Reserves RM	Total RM
Balance as at 1 April 2019		154,454,399	(19,944,269)	4,059,329	222,292,521	226,351,850	360,861,980
Total comprehensive income		–	–	–	24,562,618	24,562,618	24,562,618
Transactions with owners							
Dividends	14	–	–	–	(34,876,881)	(34,876,881)	(34,876,881)
Share options granted under ESS		–	–	2,326,220	–	2,326,220	2,326,220
Issuance of shares pursuant to ESS exercised	26	17,783,375	–	(3,747,071)	3,747,071	–	17,783,375
Cancellation of share options		–	–	(632,770)	632,770	–	–
Shares repurchased	27	–	(5,965,980)	–	–	–	(5,965,980)
Total transactions with owners		17,783,375	(5,965,980)	(2,053,621)	(30,497,040)	(32,550,661)	(20,733,266)
Balance as at 31 March 2020		172,237,774	(25,910,249)	2,005,708	216,358,099	218,363,807	364,691,332

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 March 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	148,899,721	131,088,561	24,494,386	19,584,014
Adjustments for:				
Allowances for impairment loss on receivables, net	23,090,419	23,725,003	–	–
Share options granted under ESS	2,326,220	2,469,640	130,000	145,000
Depreciation of plant and equipment and ROU assets	2,122,884	2,629,313	–	–
Finance costs	132,901	56,510	–	62,852
Plant and equipment written off	51,041	21	–	–
Waiver of debt owing by a subsidiary company	–	–	–	181,020
Allowance for impairment loss on investment in a subsidiary company	–	–	–	40,000
Interest/profit income from deposits with licensed financial institutions	(12,025,623)	(7,984,616)	–	–
Net gain on disposal of plant and equipment	–	(91,664)	–	–
Dividend income	–	–	(25,000,000)	(20,000,000)
Interest income on amounts due from subsidiary companies	–	–	(182,620)	(486,157)
Operating Profit/(Loss) Before Working Capital Changes	164,597,563	151,892,768	(558,234)	(473,271)
(Increase)/Decrease in working capital:				
Loans and receivables/financing	(114,336,827)	(105,967,618)	–	–
Trade receivables	695,771	281,468	–	–
Other receivables, deposits and prepaid expenses	25,102,168	(3,995,022)	(2,847)	2,631
Amounts due from subsidiary companies	–	–	(418,223)	35,487,268
Increase/(Decrease) in working capital:				
Payables and accrued expenses	5,323,186	(3,545,069)	(29,652)	(44,544)
Cash Generated From/(Used In) Operations	81,381,861	38,666,527	(1,008,956)	34,972,084
Taxes paid	(45,180,765)	(33,160,056)	(117,475)	(221,579)
Taxes refunded	1,828,611	3,045,079	139,296	–
Net Cash Generated From/(Used In) Operating Activities	38,029,707	8,551,550	(987,135)	34,750,505

Statements of Cash Flows

For The Financial Year Ended 31 March 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest/profit income from deposits with licensed financial institutions received	12,025,623	7,984,616	–	–
Net proceeds from disposal of plant and equipment	–	91,670	–	–
Dividend received	–	–	25,000,000	20,000,000
Proceeds from redemption of redeemable convertible non–cumulative preference share ("RCNCPS")	–	–	–	20,000,000
Additions to plant and equipment	(3,468,013)	(626,209)	–	–
Acquisitions of subsidiary companies	–	–	–	(47,022,604)
Subscription of ordinary shares in a subsidiary company	–	–	(200,000)	(20,000)
Net Cash Generated From/(Used In) Investing Activities	8,557,610	7,450,077	24,800,000	(7,042,604)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of revolving credits	853,000,000	380,800,000	–	–
Issuance of Sukuk Murabahah ("Sukuk")	220,000,000	240,000,000	–	–
Drawdown of term loans/financing	40,000,000	120,000,000	–	–
Proceeds from issuance of shares	17,783,375	6,283,643	17,783,375	6,283,643
Drawdown of other borrowings	2,989,958	3,450,012	–	–
Repayment of revolving credits	(710,000,000)	(328,800,000)	–	–
Redemption of Sukuk	(170,000,000)	–	–	–
Repayment of term loans/financing	(127,981,460)	(104,820,225)	–	–
Placements of deposits, cash and bank balances, net:				
Assigned in favour of the trustees	(69,624,709)	(140,157,485)	–	–
Pledged to licensed financial institutions	(5,279,773)	(9,456,673)	–	–
Dividends paid	(34,876,881)	(27,306,157)	(34,876,881)	(27,306,157)
Shares repurchased	(5,965,980)	(6,591,651)	(5,965,980)	(6,591,651)
Repayment of other borrowings	(2,989,958)	(3,450,012)	–	–
Repayment of hire-purchase payables	(372,106)	(348,976)	–	–
Repayment of lease liabilities	(221,582)	–	–	–
Finance costs paid	(132,901)	(56,510)	–	(62,852)
Net Cash Generated From/(Used In) Financing Activities	6,327,983	129,545,966	(23,059,486)	(27,677,017)

Statements of Cash Flows

For The Financial Year Ended 31 March 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
NET CHANGE IN CASH AND CASH EQUIVALENTS	52,915,300	145,547,593	753,379	30,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	159,751,310	14,203,717	34,617	3,733
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 25)	212,666,610	159,751,310	787,996	34,617

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements

31 March 2020

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Main Market of Bursa ("Bursa").

The registered office of the Company is located at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at 20th Floor, Menara Teo Chew, No. 1 Jalan Lumut, 50400 Kuala Lumpur, Malaysia.

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiary companies are as disclosed in Note 17. There have been no significant changes in the nature of these principal activities during the financial year other than as disclosed in Note 17.

The financial statements of the Group and of the Company have been authorised by the Board for issuance on 16 June 2020.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgements in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 4. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

2.1 Changes in Accounting Policies

As at the date of issuance of the financial statements, certain new and revised MFRSs, Amendments and Issues Committee ("IC") Interpretations which are relevant to the operations of the Group and of the Company are as follows:

MFRS 16	Leases
IC interpretation 23	Uncertainty over Income Tax Treatments

Amendments to:

MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation

Amendments to MFRSs classified as "Annual Improvements to MFRSs 2015 – 2017 Cycle"

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

2.1 Changes in Accounting Policies (Cont'd)

The adoption of the above does not give rise to any material financial effects on the financial statements of the Group and of the Company other than as discussed below:

(a) MFRS 16, Leases ("MFRS 16")

MFRS 16 replaces the requirements of MFRS 117, Leases and its related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The ROU assets are initially measured at cost and subsequently measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The ROU assets are recognised at an amount equal to the lease liabilities at the date of initial application for leases previously recognised as an operating lease.

ROU assets are depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116, Property, Plant and Equipment whereas lease liabilities are accreted to reflect interest expense on a straight-line basis over the lease term and are reduced to reflect lease payments made.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Group.

The Group applied MFRS 16 using modified retrospective approach and measured the ROU assets equals to the lease liabilities as at 1 April 2019 with no restatement of comparatives as permitted by MFRS 16.

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

2.1 Changes in Accounting Policies (Cont'd)

(a) MFRS 16 (Cont'd)

The following table summarises the financial effects arising from adoption of MFRS 16:

	As at 1 April 2019	Recognition under MFRS 16	Restated as at 1 April 2019
The Group:			
Statements of financial position			
Non-Current Assets			
Plant and equipment	4,543,166	(1,136,867)	3,406,299
ROU assets	–	1,211,415	1,211,415
Non-Current Liabilities			
Lease liability	–	(61,196)	(61,196)
Current Liabilities			
Lease liability	–	(13,352)	(13,352)

2.2 Standards, Amendments and Interpretations Issued But Not Yet Effective

The Group and the Company have not adopted the following relevant standards, amendments and interpretations that have been issued but not yet effective:

Amendments to:

MFRS 3	Business Combinations – Definition of Business[1]
MFRS 16	Leases – COVID-19 - Related Rent Concessions[2]
MFRS 101	Presentation of Financial Statements – Definition of Material[1]
MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current[3]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2022

The Group and the Company will adopt the above standards, amendments and interpretations when they become effective. The adoption will not result in any significant financial impact on the financial statements of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the accounting policies below.

3.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial year using the acquisition method of accounting. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at its acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recognised as goodwill in the statements of financial position (see Note 3.8 on Goodwill on Consolidation). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiary companies.

Control is achieved when the Group:

(a) has power over the investee;

(b) is exposed, or has rights, to variable returns from its involvement with the investee; and

(c) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (Cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

(a) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(b) potential voting rights held by the Group, other vote holders or other parties;

(c) rights arising from other contractual arrangements; and

(d) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting pattern at previous shareholders' meetings.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

When the Group ceases to have control, any retained interest in the subsidiary company is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented within equity in the statements of financial position, separately from equity attributable to owners of the Company.

For each business combination, any non-controlling interest in the acquiree (if any) is recognised by the Group on the acquisition date either at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

All profit or loss and each component of other comprehensive income of the subsidiary companies are attributed to the owners of the Company and to the non-controlling interest even if the attribution of losses to the non-controlling interest results in a deficit balance in the shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue Recognition

Revenue of the Group consists mainly of interest/profit and fee income from consumer financing, factoring and confirming activities, fee income from processing and administration of payroll collection and interest/profit income from deposits with licensed financial institutions.

Revenue of the Company consists of administrative fees, dividend income from subsidiary companies and interest/profit income from deposits with licensed financial institutions.

Revenue is recognised when the Group and the Company have satisfied a performance obligation by transferring control of a service (i.e. contract asset) to a customer. The amount of revenue recognised is the amount of the transaction price allocated to the performance obligation. Transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised services, excluding the amount collected on behalf of third parties. The transaction price is allocated to each performance obligation on the basis of relative stand-alone selling prices of each distinct service in the contract as below:

(a) Fee income from consumer financing, factoring and confirming

Fee income from consumer financing, factoring and confirming are recognised at a point in time when the Group satisfies its performance obligation upon rendering its services.

(b) Fee income from processing and administration of payroll collection

Fee income from processing and administration of payroll collection is recognised at a point in time when services are rendered.

(c) Administrative fees

Administrative fees are recognised at a point in time when services are rendered.

Revenue from other sources are recognised as follows:

(a) Interest/profit income

Interest/profit income is recognised using the effective interest/profit method.

(b) Overdue interest income

Overdue interest income is recognised upon collection.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue Recognition (Cont'd)

(c) Dividend income

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

(d) Interest/profit income from deposits with licensed financial institutions

Interest/profit income from deposits with licensed financial institutions recognised on an accrual basis using the effective interest/profit method.

3.4 Segment Reporting

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transaction are within the Group.

Segment information is disclosed in Note 12.

3.5 Plant and Equipment and Depreciation

Plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Plant and Equipment and Depreciation (Cont'd)

Depreciation is calculated to write off the cost or valuation of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Office equipment, furniture and fittings	20%
Motor vehicles	20%
Office renovation	20%
Computers and IT equipment	25% - 50%

Work-in-progress is not depreciated until it is completed and ready for intended use.

At each reporting date, the carrying amount of an item of plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.10(b) on Impairment of Other Non-Financial Assets).

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

Motor vehicles under hire purchase arrangement are presented under ROU assets in statements of financial position upon adoption of MFRS 16 (see Note 3.6(a)(i) on ROU assets).

3.6 Leases and Hire-Purchase

Accounting policy applicable after 1 April 2019

The Group has applied MFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under MFRS 117.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases and Hire-Purchase (Cont'd)

Accounting policy applicable after 1 April 2019 (Cont'd)

(a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

(i) ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets are as follows:

Office floors	60 - 76 months
Motor vehicles	60 months

The ROU assets are subject to impairment (see Note 3.10(b) on Impairment of Other Non-Financial Assets).

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of the lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amounts of lease liabilities are remeasured if there is a modification, a change in the lease term or a change in the lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases and Hire-Purchase (Cont'd)

Accounting policy applicable after 1 April 2019 (Cont'd)

(a) Group as a lessee (Cont'd)

(iii) Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office floors (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

(b) Group as a lessor

Leases in which the Group do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight line basis over the lease terms and is included as income in the statements of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

Accounting policy applicable before 1 April 2019

(a) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all of the risks and rewards incidental to the ownership. All leases that do not transfer substantially all of the risks and rewards are classified as operating leases.

(b) Finance lease and hire-purchase

Assets acquired by way of finance lease or hire-purchase are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of leases, less accumulated depreciation and any accumulated impairment losses. The corresponding liability is included in the statements of financial position as finance lease or hire-purchase.

In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine. Otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases and Hire-Purchase (Cont'd)

Accounting policy applicable before 1 April 2019 (Cont'd)

(b) Finance lease and hire-purchase (Cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable plant and equipment (see Note 3.5 on Plant and Equipment and Depreciation).

(c) Operating lease

Leases other than finance lease are classified as operating lease and the related rental is charged to statements of comprehensive income as incurred.

3.7 Investment in Subsidiary Companies

A subsidiary company is an entity, including structured entity, controlled by the Company.

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost less accumulated impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.8 Goodwill on Consolidation

Goodwill arising on consolidation is the excess of cost of investment over the Group's share of the net fair value of net assets of the 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 ("CGUs") 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 company, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss ("FVTPL"), which are initially measured at fair value.

The Group and the Company classified the financial assets in the following measurement categories: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

The Group and the Company determine the classification of financial assets at initial recognition. The financial assets are not subsequently reclassified unless the Group and the Company change its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Classification and subsequent measurement

(i) Amortised cost

Financial assets are measured at amortised cost if the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest/profit method. Gains and/or losses are recognised in profit or loss upon derecognition, reclassification or impairment, and through the amortisation process.

Interest/profit income calculated using the effective interest/profit method is recognised in profit or loss. A modification gain or loss is recognised in profit or loss when the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset.

Financial assets measured at amortised cost are classified as current assets, except for those having maturity later than 12 months after the reporting date which are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Assets (Cont'd)

(a) Classification and subsequent measurement (Cont'd)

(ii) FVOCI

Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and for selling the financial assets, where those cash flows represent SPPI, are measured at FVOCI.

Subsequent to initial recognition, financial assets at FVOCI are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses and interest/profit income are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

(iii) FVTPL

Financial assets measured at FVTPL are financial assets that do not meet the criteria for amortised cost or FVOCI. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

(b) Debt instruments

Debt instruments are those instruments that meet the definition of financial liability from the issuers' perspective. The classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

(c) Equity instruments

Equity instruments are financial assets that meet the definition of equity, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest.

The Group subsequently measures all equity instruments at FVTPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI.

When the election to FVOCI is made, fair value gains or losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Assets (Cont'd)

(c) Equity instruments (Cont'd)

Dividend representing the returns on such investments, continues to be recognised in profit or loss when the Group's right to receive such payments is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3.10 Impairment of Assets

(a) Financial assets

ECLs are derived from unbiased and probability-weighted credit losses determine by evaluating a range of possible outcomes and considering future economic conditions.

The Group and the Company apply a three-stage approach to measure ECL on financial assets measured at amortised cost. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

(i) Stage 1: 12-months ECL - not credit impaired

For financial assets where there have not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

(ii) Stage 2: Lifetime ECL - not credit impaired

For financial assets where there have been a significant increase in credit risk since initial recognition but that are not credit impaired and not originated credit-impaired financial assets, a lifetime ECL is recognised.

(iii) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired but not originated credit-impaired financial assets, a lifetime ECL is recognised and interest/profit income is calculated by applying the effective interest rate ("EIR") to the amortised cost (net of provision) rather than the gross carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data with consideration of forward looking information, using not only past and current information, but also forward looking information.

In the measurement of ECL, forward looking adjustment is in accordance with the expected future macroeconomic conditions, including combination of statistical analysis and expert judgements based on the availability of detailed information. In addition, key macroeconomic variables encompassed in ECL measurement includes probability-weighted scenarios based on available forecasts.

At each reporting date, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the remaining expected life between reporting date and the date of initial recognition. The Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information.

The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on a basis of shared credit risk characteristics, taking into account the collection mode, disbursement period and other relevant factors.

If in a subsequent period, the asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance for that financial asset reverts from lifetime ECL to 12 months ECL.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. In assessing whether a customer is in default, the Group and the Company consider indicators that are qualitative and quantitative such as where the principal and/or interest/profit of the financial asset is past due a certain period of time.

For financial assets measured at amortised cost other than loans and receivables/financing, the Group and the Company apply the simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. The ECL is computed based on provisional matrix.

The Group's assessments on changes in credit risk are disclosed in Note 34(b).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the receivable does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due as disclosed in Note 34(b).

(b) Other non-financial assets

At each reporting date, the Group and the Company review the carrying amounts of non-financial 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. 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 CGUs 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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 financial years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with licensed financial institutions and other short-term, highly liquid investments with maturities of three (3) months or less, which are readily convertible to known cash and are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(a) Financial liabilities at FVTPL

The Group and the Company have not designated any financial liabilities at FVTPL.

(b) Other financial liabilities

The Group and the Company's other financial liabilities include payables and borrowings.

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest/profit method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

3.13 Borrowing Costs

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest/profit expense and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

(a) the amount of the loss allowance; and

(b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15.

Liabilities arising from financial guarantees are presented together with other provisions.

3.15 Income Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base. Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient future taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient future taxable profits will be available, such reductions will be reversed to the extent of the future taxable profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Income Taxes (Cont'd)

(b) Deferred tax (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

3.16 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 reporting 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

3.17 Employee Benefits

(a) 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 and of the Company. 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.

(b) Defined contribution plan

The Group and the Company make statutory contributions to the Employee Provident Fund, a defined contribution pension scheme. Contributions are charged to profit or loss in the period in which the related service is performed. Once the contributions have been paid, the Group and the Company have no further payment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Employee Benefits (Cont'd)

(c) Share-based compensation

The Group and the Company operate an equity-settled, share-based compensation plan, wherein shares or options to subscribe for shares of the Company are granted to eligible directors and employees of the Group based on certain financial and performance criteria and such conditions as it may deem fit.

The total fair value of share options granted to eligible directors and employees is recognised as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the share options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the share options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable on vesting date.

At each reporting date, the Company revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to equity when the share options are exercised.

The equity amount is recognised as non-distributable reserve until the option is exercised or until the option expires, upon which it will be transferred directly to retained earnings.

3.18 Foreign Currencies

(a) Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Foreign Currencies (Cont'd)

(b) Foreign currency transactions and balances

In preparing the financial statements of the Group, transactions in foreign currency other than the entity's functional currency are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting date, foreign currency monetary assets and liabilities are translated into the functional currency at exchange rates prevailing on the reporting date. Non-monetary items that are measured at fair value in a foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of foreign currency non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are recognised directly to other comprehensive income.

(c) Foreign operation

The results and financial position of a subsidiary company with functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the end of the reporting period;

(ii) items of income and expenses are translated at average exchange rates for the financial year, which approximates the exchange rates at the dates of the transactions; and

(iii) all resulting exchange differences are recognised in other comprehensive income through the exchange translation reserve within equity.

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in functional currency other than the currency of the Company or of the foreign operation are recognised in profit or loss of the Company or of the foreign operation, as appropriate. In the Group's financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under exchange translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under exchange translation reserve will be reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Share Capital and Share Issuance Expenses

An equity instrument is a contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities.

Ordinary shares are classified as equity instruments. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

Distributions to holders of ordinary shares are debited directly to equity and interim dividends declared on or before the end of the reporting date are recognised as liabilities. Final dividends are recognised upon the approval of shareholders in a general meeting.

3.20 Treasury Shares

Shares repurchased by the Company are held as treasury shares and are measured and carried at the cost of purchase. Treasury shares are presented in the financial statements as a set-off against equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are re-issued by re-sale in the open market, the difference between the sales consideration and the carrying amount is recognised in equity. When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the distributable retained earnings.

3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgements Made in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, which are described in Note 3, 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, except for those involving estimations which are dealt with in Note 4.2 below.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.2 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 reporting 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 of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable pre-tax discount rate in order to calculate the present value of those cash flows.

The expected future cash flows used in impairment testing are based on the estimates derived from historical, industry trend, economic conditions and other information available in the general market, including impact of COVID-19 pandemic.

(b) Allowances for impairment loss on receivables

The Group records impairment losses on its receivables using ECL models. The impairment losses computed based on the ECL models require judgement to ensure impairment losses recorded reflect the credit risk of the Group's loans and receivables/financing in accordance with the requirements of MFRS 9. Areas of judgement includes determination of criteria for significant increase in credit risk, selection of appropriate models and measurement of EAD, PD and LGD and the application of forward looking information into the ECL models.

The application of forward looking information includes sourcing of economic variables forecast periodically, complemented by regression testing. The Group also consider the unfavourable impact arising from COVID-19 pandemic occurred towards the end of the financial year. As with any economic forecasts, the projections and likelihoods of occurrence are subject to inherent uncertainty. The Group considers these forecasts represent its best estimate and appropriately represent a range of possible economic scenarios.

(c) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, tax losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.2 Key Sources of Estimation Uncertainty (Cont'd)

(d) Fair value of borrowings

The fair value of borrowings is estimated by discounting future contractual cash flows at the current market interest/profit rates available to the Group for similar financial instruments. The inputs to derive at discounted cash flows are taken from observable markets, where possible with certain degree of judgement involved such as liquidity risk and market volatility.

5. REVENUE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest income:				
Consumer financing	102,368,438	119,903,750	–	–
Factoring and confirming	481,010	460,689	–	–
Deposits with licensed financial institutions	30,362	42,073	–	–
	102,879,810	120,406,512	–	–
Profit income:				
Consumer financing	153,901,891	113,858,788	–	–
	256,781,701	234,265,300	–	–
Other revenue:				
Shariah fee income from consumer financing	17,786,351	21,044,979	–	–
Processing and administration of payroll collection	7,941,561	7,148,550	–	–
Factoring and confirming	99,063	110,827	–	–
Administrative service to a subsidiary company	–	–	368,383	361,093
Dividend income from a subsidiary company	–	–	25,000,000	20,000,000
	8,040,624	7,259,377	25,368,383	20,361,093
	25,826,975	28,304,356	25,368,383	20,361,093
	282,608,676	262,569,656	25,368,383	20,361,093

5. REVENUE (CONT'D)

During the financial year, the other revenue of the Group and of the Company, which are recognised at a point in time is as below:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Shariah fee income from consumer financing	17,786,351	21,044,979	–	–
Processing and administration of payroll collection	7,941,561	7,148,550	–	–
Factoring and confirming	99,063	110,827	–	–
Administrative service to a subsidiary company	–	–	368,383	361,093
	25,826,975	28,304,356	368,383	361,093

6. INTEREST/PROFIT EXPENSE APPLICABLE TO REVENUE

	The Group	
	2020 RM	2019 RM
Interest expense on:		
Revolving credits	6,363,586	10,140,585
Term loans	5,198,675	7,081,708
Bankers' acceptances	16,748	16,599
Bank overdrafts	10	–
	11,579,019	17,238,892
Profit expense on:		
Sukuk	56,784,672	42,742,807
Term financing	11,375,844	14,644,543
Revolving credits	1,963,986	3,393,156
	70,124,502	60,780,506
	81,703,521	78,019,398

7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Directors of the Company:				
- Fees	420,000	360,000	420,000	360,000
- Other emoluments	254,000	215,000	38,000	29,000
- Defined contributions	41,040	35,340	–	–
	715,040	610,340	458,000	389,000
Benefits-in-kind	239,115	221,159	–	–
Total directors' remuneration	954,155	831,499	458,000	389,000

The directors' remuneration represents amounts paid to or receivable by the directors for the respective financial year and are disclosed in accordance with Fifth Schedule (2) of the Companies Act 2016. These have been accrued in profit or loss over one or more financial years.

During the financial year:

(a) no professional fees are paid to directors or any firms of which directors are members for services rendered to the Group and the Company; and

(b) no amount is paid to or receivable by any third party for services provided by directors to the Group and the Company.

8. STAFF COSTS

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Salaries	16,320,613	13,707,695	–	–
Share options granted under ESS	2,326,220	2,469,640	130,000	145,000
Defined contributions	2,218,235	1,939,183	–	–
Social security contributions	144,694	136,582	–	–
Others	2,449,511	2,514,584	–	–
	23,459,273	20,767,684	130,000	145,000

Staff costs include provisions that are accrued and charged based on expected expenditures.

9. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest/profit income from deposits with licensed financial institutions	(12,025,623)	(7,984,616)	–	–
Bad debt recoveries	(5,802,430)	(5,231,831)	–	–
Net gain on disposal of plant and equipment	–	(91,664)	–	–
Interest income on amount due from a subsidiary company	–	–	(182,620)	(423,305)
Allowances for impairment loss on receivables, net	23,090,419	23,725,003	–	–
Collection fees	3,432,892	3,362,132	–	–
Facility fees	4,029,211	3,272,504	–	–
Legal and professional fees	2,281,532	2,276,311	110,884	130,031
Management fee payable to a related company	1,291,000	1,330,000	–	–
Expenses relating to:				
Short-term leases	537,531	776,353	–	–
Leases of low value assets	72,600	71,502	–	–
Auditors' remuneration:				
Statutory audit	298,872	303,671	75,000	70,000
Non-statutory audit	10,000	140,000	10,000	10,000
Internal audit fee payable to a related company	243,650	226,000	41,000	33,000
Rental of:				
Disaster recovery centre	85,200	39,600	–	–
Warehouse	78,088	62,294	–	–
Plant and equipment written off	51,041	21	–	–
Waiver of debt owing by a subsidiary company	–	–	–	181,020

10. FINANCE COSTS

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Interest expense on:				
Lease liabilities	91,295	–	–	–
Hire-purchase payables	41,606	56,510	–	–
Amount due to a subsidiary company	–	–	–	62,852
	132,901	56,510	–	62,852

11. INCOME TAX EXPENSE/(CREDIT)

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Income tax payable:				
Current year	39,191,548	35,115,611	34,923	80,659
Under/(Over) provision in prior years	1,237,845	1,155,107	45	(17)
	40,429,393	36,270,718	34,968	80,642
Deferred tax (Note 21):				
Current year	(386,963)	(721,543)	(16,800)	–
(Over)/Under provision in prior years	(1,723,583)	5,943	(86,400)	–
	(2,110,546)	(715,600)	(103,200)	–
Income tax expense/(credit)	38,318,847	35,555,118	(68,232)	80,642

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11. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

A reconciliation of income tax expense/(credit) applicable to profit before tax at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company are as follows:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	148,899,721	131,088,561	24,494,386	19,584,014
Tax at applicable statutory tax rate of 24% (2019: 24%)	35,735,933	31,461,255	5,878,653	4,700,163
Effect of different tax rates in foreign jurisdiction	7,416	11,006	–	–
Tax effects of:				
Expenses not deductible for tax purposes	3,165,640	3,079,337	141,211	180,533
Income not subject to tax	(108,106)	(161,894)	(6,001,741)	(4,800,037)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	3,702	4,364	–	–
Tax at effective tax rate	38,804,585	34,394,068	18,123	80,659
Under/(Over) provision in prior years	1,237,845	1,155,107	45	(17)
(Over)/Under provision of deferred tax in prior years	(1,723,583)	5,943	(86,400)	–
Income tax expense/(credit)	38,318,847	35,555,118	(68,232)	80,642

The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profits for the year of assessment 2020. The computation of deferred tax as at 31 March 2020 uses the same statutory tax rate. Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12. SEGMENT INFORMATION

In the previous financial year, the Group had two reportable operating segments. These were organised into business segment based on their services as follow:

(i) Consumer financing

This segment is engaged in provision of general consumer loan financing.

(ii) Investment holding, management services and others ("IHMSO")

This segment is engaged in investment activities, provision of management services and factoring and confirming.

During the financial year, IHMSO is not disclosed as a reportable segment as it no longer meets the reporting threshold under MFRS 8, Operating Segments. Accordingly, segment information is not presented as the Group is primarily engaged in the provision of general consumer financing.

The following tables provide segment information for the reportable segments in the previous financial year:

The Group 2019	**Consumer financing RM**	**Investment holding, management services and others RM**	**Note**	**Total RM**
Revenue				
Total revenue	261,956,067	20,974,682		282,930,749
Inter-segment revenue	–	(20,361,093)		(20,361,093)
External revenue	261,956,067	613,589		262,569,656
Results				
Segment results	132,179,494	(1,034,423)		131,145,071
Finance costs	(56,510)	–		(56,510)
Profit/(loss) before tax	132,122,984	(1,034,423)		131,088,561
Income tax expense	(34,925,934)	(629,184)		(35,555,118)
Profit/(loss) for the financial year	97,197,050	(1,663,607)		95,533,443

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12. SEGMENT INFORMATION (CONT'D)

The Group 2019	**Consumer financing RM**	**Investment holding, management services and others RM**	**Note**	**Total RM**
Interest/profit income including interest/profit income from deposits with licensed financial institutions	241,739,942	509,974		242,249,916
Interest/profit expense applicable to revenue	78,002,799	16,599		78,019,398
Depreciation of plant and equipment	2,606,428	22,885		2,629,313
Other non-cash expenses/(income)	26,132,929	(29,929)	A	26,103,000
Statements of Financial Position				
Capital additions	960,021	–	B	960,021
Segment assets	2,173,339,704	52,803,308		2,226,143,012
Segment liabilities	1,641,833,779	793,096		1,642,626,875

Note **Nature of amounts reported in the consolidated financial statements.**

A Other material non-cash expenses/(income) consist of the following items:

	2019 RM
Allowances for impairment loss on receivables, net	23,725,003
Share options granted under ESS	2,469,640
Plant and equipment written off	21
Net gain on disposal of plant and equipment	(91,664)
	26,103,000

B Capital additions consist of:

	2019 RM
Plant and equipment (Note 15)	960,021

13. EARNINGS PER ORDINARY SHARE ("EPS")

(a) Basic EPS

	The Group 2020 RM	The Group 2019 RM
Profit for the financial year attributable to ordinary equity holders of the Company	110,580,874	95,533,443
Weighted average number of ordinary shares in issue:		
Balance net of treasury shares as at beginning of financial year	341,908,311	342,021,911
Effects of:		
Issuance of shares pursuant to ESS exercised	6,925,366	1,974,669
Shares repurchased	(1,372,375)	(3,109,120)
Balance as at end of financial year	347,461,302	340,887,460
Basic EPS (sen)	31.83	28.02

The basic EPS of the Group is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

(b) Diluted EPS

	The Group 2020 RM	The Group 2019 RM
Profit for the financial year attributable to ordinary equity holders of the Company	110,580,874	95,533,443
Weighted average number of ordinary shares in issue	347,461,302	340,887,460
Effects of dilution of ESS	1,278,395	957,392
Adjusted weighted average number of ordinary shares in issue	348,739,697	341,844,852
Diluted EPS (sen)	31.71	27.95

The diluted EPS of the Group is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares adjusted for dilutive effects of ESS.

14. DIVIDENDS

	The Company Dividends recognised in financial year 2020 RM	2019 RM
Recognised during the financial year:		
Final dividend for 2018: 4.00 sen per ordinary share under single-tier system, paid on 4 October 2018	–	13,658,744
Interim dividend for 2019: 4.00 sen per ordinary share under single-tier system, paid on 13 December 2018	–	13,647,413
Final dividend for 2019: 5.00 sen per ordinary share under single-tier system, paid on 11 September 2019	17,440,266	–
Interim dividend for 2020: 5.00 sen per ordinary share under single-tier system, paid on 5 December 2019	17,436,615	–
	34,876,881	27,306,157

The Board has declared a second interim single-tier dividend of 6.00 sen per ordinary share, estimated at RM21,019,975 in respect of financial year ended 31 March 2020, to be paid on 27 July 2020. The entitlement date for the dividend payment is 16 July 2020.

A depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4.30 pm on 16 July 2020 in respect of ordinary transfers; and

(b) shares bought from Bursa on a cum entitlement basis.

This second interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2021.

Total dividend declared in respect of the financial year ended 31 March 2020 is 11.00 sen, equating to 34.8% of dividend payout ratio. This is within the dividend guidance of between 20.0% to 40.0% of the Group's profit for the financial year.

The Board does not recommend any final dividend for the financial year ended 31 March 2020.

15. PLANT AND EQUIPMENT

The Group	Office equipment, furniture and fittings RM	Computers and IT equipment RM	Motor vehicles under hire-purchase RM	Office renovation RM	Work-in-progress RM	Total RM
Cost						
Balance as at 1 April 2018	1,416,944	17,642,287	2,321,791	1,161,019	344,045	22,886,086
Additions	41,577	401,329	170,074	13,390	333,651	960,021
Disposals	(23,506)	–	(490,000)	–	–	(513,506)
Write off	(25,140)	(3,827)	–	–	–	(28,967)
Reclassification	–	32,300	–	–	(32,300)	–
Balance as at 31 March 2019/ 1 April 2019	1,409,875	18,072,089	2,001,865	1,174,409	645,396	23,303,634
Effects of adopting of MFRS 16 (Note 16)	–	–	(2,001,865)	–	–	(2,001,865)
Restated as at 1 April 2019	1,409,875	18,072,089	–	1,174,409	645,396	21,301,769
Additions	250,797	1,538,331	–	912,253	2,668,552	5,369,933
Write off	(4,170)	(100,748)	–	(264,676)	–	(369,594)
Reclassification	160,200	129,871	–	–	(290,071)	–
Balance as at 31 March 2020	1,816,702	19,639,543	–	1,821,986	3,023,877	26,302,108
Accumulated depreciation						
Balance as at 1 April 2018	1,109,205	13,744,125	962,918	857,353	–	16,673,601
Charge for the financial year	101,108	2,043,299	392,079	92,827	–	2,629,313
Disposals	(23,501)	–	(489,999)	–	–	(513,500)
Write off	(25,126)	(3,820)	–	–	–	(28,946)
Balance as at 31 March 2019/ 1 April 2019	1,161,686	15,783,604	864,998	950,180	–	18,760,468
Effects of adopting of MFRS 16 (Note 16)	–	–	(864,998)	–	–	(864,998)
Restated as at 1 April 2019	1,161,686	15,783,604	–	950,180	–	17,895,470
Charge for the financial year	142,384	1,160,906	–	123,783	–	1,427,073
Write off	(3,930)	(100,736)	–	(213,887)	–	(318,553)
Balance as at 31 March 2020	1,300,140	16,843,774	–	860,076	–	19,003,990
Carrying amount						
Balance as at 31 March 2019	248,189	2,288,485	1,136,867	224,229	645,396	4,543,166
Balance as at 31 March 2020	516,562	2,795,769	–	961,910	3,023,877	7,298,118

15. PLANT AND EQUIPMENT (CONT'D)

During the financial year, the Group acquired plant and equipment at an aggregate cost of RM5,369,933 (2019: RM960,021) as follows:

	The Group 2020 RM	The Group 2019 RM
Acquired via:		
Cash payments	3,468,013	626,209
Payables	1,901,920	186,812
Hire-purchase arrangements (Note 30)	–	147,000
	5,369,933	960,021

16. ROU ASSETS

The carrying amounts of ROU assets recognised and movements during the financial year are as follows:

ROU assets of the Group:

	Office floors RM	Motor vehicles under hire-purchase RM	Total RM
Cost			
Balance as at 1 April 2019	–	–	–
Effects of adopting MFRS 16	74,548	2,001,865	2,076,413
Restated as at 1 April 2019	74,548	2,001,865	2,076,413
Additions	5,311,159	–	5,311,159
Balance as at 31 March 2020	5,385,707	2,001,865	7,387,572
Accumulated depreciation			
Balance as at 1 April 2019	–	–	–
Effects of adopting MFRS 16	–	(864,998)	(864,998)
Restated as at 1 April 2019	–	(864,998)	(864,998)
Charge for the financial year	(294,341)	(401,470)	(695,811)
Balance as at 31 March 2020	(294,341)	(1,266,468)	(1,560,809)
Carrying amount			
Balance as at 31 March 2020	5,091,366	735,397	5,826,763

16. ROU ASSETS (CONT'D)

The following are the amounts recognised in profit or loss:

	The Group 2020 RM
Depreciation of ROU assets	695,811
Expense relating to:	
Short-term leases	537,531
Leases of low value assets	72,600
Interest expense on lease liabilities	91,295
	1,397,237

The Group leases office floors and motor vehicles under hire-purchase arrangement with average lease term of 5 years. The Group also has certain leases with lease terms of 12 months or less and with low value. The Group applies the recognition exemptions for these leases as permitted by MFRS 16.

The maturity analysis of lease liabilities is presented in Note 32.

17. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2020 RM	2019 RM
Unquoted shares, at cost	374,278,002	374,472,645
Subscription of ordinary shares in a subsidiary company	200,000	20,000
	374,478,002	374,492,645
Less: Allowance for impairment	(19,992,187)	(20,206,830)
	354,485,815	354,285,815

Movement in allowance for impairment:

	The Company	
	2020 RM	2019 RM
Balance as at 1 April	20,206,830	20,206,830
Written off	(214,643)	–
Balance as at 31 March	19,992,187	20,206,830

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17. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The details of the subsidiary companies are as follows:

	Place of Business/ Country of Incorporation	Effective Ownership Interest and Voting Interest 2020 %	2019 %	Principal Activities
Direct subsidiary companies				
RCE Marketing Sdn. Bhd.	Malaysia	100	100	Provision of general financing services activities
Mezzanine Enterprise Sdn. Bhd.	Malaysia	100	100	Provision of financial administrative services
RCE Factoring Sdn. Bhd.	Malaysia	100	100	Confirming, factoring and industrial hire-purchase, specialising in trade related activities and general trading
EXP Payment Sdn. Bhd.#	Malaysia	100	100	Processing and administration of payroll collection
Strategi Interaksi Sdn. Bhd.#	Malaysia	100	100	Dormant
RCE Synergy Sdn. Bhd.	Malaysia	100	100	Dormant
RCE Credit Pte. Ltd.#	Singapore	100	100	Dormant
Effusion.Com Sdn. Bhd.	Malaysia	–	100	De-registered from the Companies Commission of Malaysia
Indirect subsidiary companies				
RCE Equity Sdn. Bhd.$^{\pi}$	Malaysia	100	100	Provision of financial administrative services
RCE Sales Sdn. Bhd.$^{\pi}$	Malaysia	100	100	Provision of general financing services
RCE Trading Sdn. Bhd.$^{\pi}$	Malaysia	100	100	Investment in securities

17. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

	Place of Business/ Country of Incorporation	Effective Ownership Interest and Voting Interest 2020 %	2019 %	Principal Activities
Indirect subsidiary companies (Cont'd)				
Al Dzahab Assets Berhad[π]	Malaysia	100	100	A special purpose vehicle established to acquire a pool of eligible financing from its immediate holding company and to issue Sukuk to fund the purchase of such financing
Zamarad Assets Berhad[π]	Malaysia	100	100	A special purpose vehicle established to acquire a pool of eligible financing from its immediate holding company and to issue Sukuk to fund the purchase of such financing
RCE Commerce Sdn.Bhd.[π]	Malaysia	100	100	Dormant
RCE Advance Sdn. Bhd.[π]	Malaysia	–	100	Dissolved under member's voluntary winding up

[#] Audited by another firm of auditors

[π] Held indirectly through RCE Marketing Sdn. Bhd. ("RCEM")

During the financial year:

(a) the Company has subscribed 200,000 ordinary shares of EXP Payment Sdn. Bhd. ("EXP") at a consideration of RM200,000;

(b) Effusion.Com Sdn. Bhd., a dormant direct subsidiary company of the Company has been struck off on 27 May 2019; and

(c) RCE Advance Sdn. Bhd., a dormant indirect subsidiary company of the Company has been dissolved under member's voluntary winding up on 26 June 2019.

The struck off and dissolution have no material financial effect to the Group.

17. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

In the previous financial year:

(a) Zamarad Assets Berhad ("ZAB") and RCE Credit Pte. Ltd. ("RCPL") were incorporated in Malaysia and Singapore respectively. The issued and paid-up share capital are RM1.00 for ZAB and SGD1.00 for RCPL comprising one (1) ordinary share. The incorporations have no material financial effect to the Group;

(b) the Company has subscribed 20,000 ordinary shares of Strategi Interaksi Sdn. Bhd. ("SISB") at a consideration of RM20,000. In addition, SISB has redeemed the entire 20,000 RCNCPS under the name of the Company for a total redemption sum of RM20,000,000; and

(c) the Company acquired two (2) indirect subsidiary companies, EXP and Mezzanine Enterprise Sdn. Bhd. from its wholly-owned direct subsidiary companies, SISB and RCEM at purchase considerations of RM19,798,980 and RM27,223,622 respectively.

18. GOODWILL ON CONSOLIDATION

	The Group	
	2020 RM	2019 RM
Goodwill on consolidation, at cost	47,843,974	47,843,974
Less: Allowance for impairment	(510,983)	(510,983)
Carrying amount	47,332,991	47,332,991

Allocation of goodwill to CGUs

Goodwill acquired in business combinations is allocated, at acquisition, to the CGUs that are expected to benefit from the business combination, as follows:

(i) consumer financing operations of RCEM and its subsidiary companies ("RCEM Group") as a group CGU;

(ii) processing and administration of payroll collection operations of EXP as an individual CGU; and

(iii) factoring and confirming operations of RCE Factoring Sdn. Bhd. ("RCEF") as an individual CGU.

18. GOODWILL ON CONSOLIDATION (CONT'D)

The carrying amount of goodwill allocated to each CGU is as follows:

	The Group	
	2020	**2019**
	RM	**RM**
Consumer financing	28,343,821	28,343,821
Processing and administration of payroll collection	18,989,170	18,989,170
	47,332,991	47,332,991

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

In the previous financial years, the goodwill on factoring and confirming operations of RM333,154 as an individual CGU was fully impaired.

Key assumptions used in value-in-use calculations

(a) Consumer Financing

The recoverable amount of the CGU is determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculation include quantum of loan disbursements, which is based on RCEM Group's past performance and management's expectation on the growth in loans demand and the availability of funds by RCEM Group. The pre-tax discount rate applied to the cash flow projections is 5.94% (2019: 6.54%) per annum. No growth rate is assumed in extrapolating the cash flows beyond the five-year period.

(b) Processing and Administration of Payroll Collection

The recoverable amount of the CGU is determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculation include quantum of loan collection, which is based on management's expectation on the growth in loans demand. The pre-tax discount rate applied to the cash flow projections is 5.94% (2019: 6.54%) per annum. No growth rate is assumed in extrapolating the cash flows beyond the five-year period.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGU to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

19. LOANS AND RECEIVABLES/FINANCING

	Receivables		The Group
	Loans RM	Financing RM	Total RM
2020			
At amortised cost, gross	823,299,415	996,827,912	1,820,127,327
Less: Allowances for impairment	(71,333,919)	(58,878,606)	(130,212,525)
	751,965,496	937,949,306	1,689,914,802
Amount receivable within one year	(77,269,197)	(92,590,304)	(169,859,501)
Non-current portion	674,696,299	845,359,002	1,520,055,301
2019			
At amortised cost, gross	804,422,480	924,674,220	1,729,096,700
Less: Allowances for impairment	(80,397,600)	(49,992,644)	(130,390,244)
	724,024,880	874,681,576	1,598,706,456
Amount receivable within one year	(77,343,957)	(74,353,751)	(151,697,708)
Non-current portion	646,680,923	800,327,825	1,447,008,748

19. LOANS AND RECEIVABLES/FINANCING (CONT'D)

The non-current portion of the loans and receivables/financing is as follows:

	Receivables Loans RM	Receivables Financing RM	The Group Total RM
2020			
Amount receivables:			
Within 1 to 2 years	81,016,770	116,029,395	197,046,165
Within 2 to 5 years	266,248,863	396,574,510	662,823,373
After 5 years	327,430,666	332,755,097	660,185,763
	674,696,299	845,359,002	1,520,055,301
2019			
Amount receivables:			
Within 1 to 2 years	72,646,545	95,442,804	168,089,349
Within 2 to 5 years	259,785,186	335,159,791	594,944,977
After 5 years	314,249,192	369,725,230	683,974,422
	646,680,923	800,327,825	1,447,008,748

Loans and receivables/financing which arose from the provision of financing are governed under Facility Agreements, Assignment Agreements and the Power of Attorney (collectively referred to as "Security Agreements") between the corporations or cooperatives and the Group.

The information on the financial risk of loans and receivables/financing are disclosed in Note 34.

Included in loans and receivables/financing are:

	The Group 2020 RM	The Group 2019 RM
Assigned in favour of trustees	996,827,912	924,674,220
Pledged to financial institutions	670,668,250	588,546,039
Held in trust for financial institutions	–	15,653,729
	1,667,496,162	1,528,873,988

19. LOANS AND RECEIVABLES/FINANCING (CONT'D)

Movement in allowances for impairment:

	Stage 1 RM	Stage 2 RM	Stage 3 RM	Collective assessment RM	Individual assessment RM	Total RM
Balance as at 1 April 2018	–	–	–	52,002,973	66,679,519	118,682,492
Restated for adoption of MFRS 9	46,904,461	5,098,512	66,679,519	(52,002,973)	(66,679,519)	–
Effects of adopting MFRS 9	4,022,103	3,996,728	–	–	–	8,018,831
Restated as at 1 April 2018	50,926,564	9,095,240	66,679,519	–	–	126,701,323
Changes in the ECL:						
Transfer to Stage 1	1,075,755	(3,224,530)	(6,449,280)	–	–	(8,598,055)
Transfer to Stage 2	(803,045)	4,795,239	(4,776,569)	–	–	(784,375)
Transfer to Stage 3	(1,578,988)	(2,485,213)	46,593,690	–	–	42,529,489
Net adjustment of allowances for impairment	(1,306,278)	(914,504)	35,367,841	–	–	33,147,059
New financial assets originated or purchased	7,197,822	–	–	–	–	7,197,822
Financial assets derecognised	(788,555)	(109,532)	(1,744,059)	–	–	(2,642,146)
Changes in risk parameters	(7,756,591)	(1,706,802)	(4,290,105)	–	–	(13,753,498)
Written off	–	–	(20,260,316)	–	–	(20,260,316)
Balance as at 31 March 2019/ 1 April 2019	48,272,962	6,364,402	75,752,880	–	–	130,390,244
Changes in the ECL:						
Transfer to Stage 1	584,750	(1,603,679)	(4,360,617)	–	–	(5,379,546)
Transfer to Stage 2	(536,695)	3,014,853	(3,059,806)	–	–	(581,648)
Transfer to Stage 3	(1,175,913)	(1,493,755)	37,838,580	–	–	35,168,912
Net adjustment of allowances for impairment	(1,127,858)	(82,581)	30,418,157	–	–	29,207,718
New financial assets originated or purchased	8,675,840	–	–	–	–	8,675,840
Financial assets derecognised	(1,616,030)	(188,137)	(2,866,159)	–	–	(4,670,326)
Changes in risk parameters	(4,659,144)	(696,191)	(4,729,416)	–	–	(10,084,751)
Written off	–	–	(23,306,200)	–	–	(23,306,200)
Balance as at 31 March 2020	49,545,770	5,397,493	75,269,262	–	–	130,212,525

The information on the credit quality analysis and write off of loans and receivables/financing are disclosed in Note 34(b).

19. LOANS AND RECEIVABLES/FINANCING (CONT'D)

Forward looking adjustment incorporated into ECL:

The Group has applied the latest economic scenarios to reflect an unbiased probability-weighted range of possible future outcome and contraction of forecasted Real Gross Domestic Product, a forward looking variable used for the ECL calculation. Accordingly, the ECL as at the end of the financial year has been adjusted to reflect the unfavourable impact arising from COVID-19.

20. OTHER INVESTMENTS

	The Group and The Company 2020 RM	2019 RM
Investments, at FVTPL:		
Association memberships	2	2

21. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	The Group 2020 RM	2019 RM	The Company 2020 RM	2019 RM
Balance as at 1 April	41,813,700	39,157,221	–	–
Effects of adopting MFRS 9	–	1,940,879	–	–
Restated as at 1 April	41,813,700	41,098,100	–	–
Recognised in profit or loss (Note 11)	2,110,546	715,600	103,200	–
Balance as at 31 March	43,924,246	41,813,700	103,200	–

Presented after appropriate offsetting as follows:

	The Group 2020 RM	2019 RM	The Company 2020 RM	2019 RM
Deferred tax assets	45,400,632	41,977,418	103,200	–
Deferred tax liabilities	(1,476,386)	(163,718)	–	–
	43,924,246	41,813,700	103,200	–

21. DEFERRED TAX (CONT'D)

(b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Loans and receivables/ financing RM	Payables RM	Other temporary differences RM	Total RM
Balance as at 1 April 2018	37,064,337	963,619	1,453,674	39,481,630
Effects of adopting MFRS 9	1,940,879	–	–	1,940,879
Restated as at 1 April 2018	39,005,216	963,619	1,453,674	41,422,509
Recognised in profit or loss	500,001	239,593	(184,685)	554,909
Balance as at 31 March 2019	39,505,217	1,203,212	1,268,989	41,977,418
Balance as at 1 April 2019	39,505,217	1,203,212	1,268,989	41,977,418
Recognised in profit or loss	2,233,550	(325,502)	1,515,166	3,423,214
Balance as at 31 March 2020	41,738,767	877,710	2,784,155	45,400,632

Deferred tax liabilities of the Group:

	Plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 April 2018	(324,409)	–	(324,409)
Recognised in profit or loss	160,691	–	160,691
Balance as at 31 March 2019	(163,718)	–	(163,718)
Balance as at 1 April 2019	(163,718)	–	(163,718)
Recognised in profit or loss	(73,713)	(1,238,955)	(1,312,668)
Balance as at 31 March 2020	(237,431)	(1,238,955)	(1,476,386)

21. DEFERRED TAX (CONT'D)

Deferred tax assets of the Company:

	Other temporary differences RM
Balance as at 1 April 2019	–
Recognised in profit or loss	103,200
Balance as at 31 March 2020	103,200

(c) The amount of unused tax losses and unabsorbed capital allowances for which no deferred tax assets are recognised in the statements of financial position due to uncertainty of their recoverability, are as follows:

	The Group	
	2020 RM	2019 RM
Unused tax losses	2,237,211	2,221,784
Unabsorbed capital allowances	4,531,676	4,531,676
	6,768,887	6,753,460

In accordance with the provision in Finance Act 2018, the unutilised tax losses are available for utilisation in the next consecutive seven years effective from year of assessment 2019, for which, any excess at the end of the seventh year, will be disregarded.

22. TRADE RECEIVABLES

	The Group 2020 RM	The Group 2019 RM
Confirming receivables	2,828,072	3,592,233
Factoring receivables	2,006,323	2,358,558
	4,834,395	5,950,791
Less: Allowances for impairment	(1,823,099)	(2,281,786)
Trade receivables, net	3,011,296	3,669,005

The credit period granted by the Group ranges from 90 to 150 (2019: 90 to 150) days. The EIR is at 11.39% (2019: 11.38%) per annum.

In the previous financial year, there was significant concentration of credit risk arising from the amount due from one (1) major customer amounting to 64.22% of the total trade receivables. The extension of credits to and the repayments from this customer was closely monitored by the management to ensure that this customer adhered to the agreed credit terms and policies.

Movement in allowances for impairment:

	Lifetime ECL RM	Credit impaired RM	Individual assessment RM	Total RM
Balance as at 1 April 2018	–	–	2,676,155	2,676,155
Restated for adoption of MFRS 9	–	2,676,155	(2,676,155)	–
Effects of adopting MFRS 9	68,162	–	–	68,162
Restated as at 1 April 2018	68,162	2,676,155	–	2,744,317
Charge for the financial year	(1,163)	–	–	(1,163)
Changes in risk parameters	1,898	(224,969)	–	(223,071)
Written off	–	(238,297)	–	(238,297)
Balance as at 31 March 2019/ 1 April 2019	68,897	2,212,889	–	2,281,786
Charge for the financial year	55,283	–	–	55,283
Changes in risk parameters	(64,882)	(28,463)	–	(93,345)
Written off	–	(420,625)	–	(420,625)
Balance as at 31 March 2020	59,298	1,763,801	–	1,823,099

The information on the credit quality analysis and write off of trade receivables are disclosed in Note 34(b).

23. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	10,240,131	33,927,841	359	175
Prepaid expenses	1,303,973	1,521,183	11,288	8,625
Refundable deposits	422,990	316,510	–	–
Tax recoverable	81,970	1,770,265	42,992	99,781
	12,049,064	37,535,799	54,639	108,581

Included in other receivables of the Group are collections in transit from various corporations and cooperatives of RM8,317,056 (2019: RM30,266,681).

Included in refundable deposits of the Group are RM2,000 (2019: RM164,791) paid in relation to the rental of office premises to related parties.

24. RELATED PARTY TRANSACTIONS

The outstanding balances arising from related party transactions as at the reporting date are as below:

	The Company	
	2020 RM	2019 RM
Amounts due from subsidiary companies	9,792,219	6,995,156

The amounts due from subsidiary companies arose mainly from advances given, are unsecured, bear interest rates ranging from 1.60% to 1.90% (2019: 1.90%) per annum, repayable on demand and to be settled in cash, except otherwise stated.

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiary companies.

24. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures

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

Name of related parties	Relationship
AmFunds Management Berhad ("AFMB") AmBank Berhad ("AMB") AmBank Islamic Berhad ("AIB")	A company in which a deemed substantial shareholder of the Company has indirect interest and certain directors of the Company have directorship
Corporateview Sdn. Bhd. ("CVSB") Harpers Travel (Malaysia) Sdn. Bhd. ("HTSB") Fulcrum Capital Sdn. Bhd. ("FCSB")	Subsidiary companies of Amcorp Group Berhad, the intermediate holding company of the Company
AmMetLife Insurance Berhad ("ALIB")	A company in which a deemed substantial shareholder of the Company has indirect interest
AmInvestment Bank Berhad ("AIBB")	A company in which a deemed substantial shareholder and a director of the Company have substantial interest or directorship
AON Insurance Brokers (M) Sdn. Bhd. ("AIBM")	A company in which certain directors of the Company have directorship

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

	The Company	
	2020 RM	2019 RM
Direct subsidiary companies:		
Net interest income on amount due from RCEM	(182,620)	(423,305)
Administrative fees receivable from RCEM	(368,383)	(361,093)

24. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures (Cont'd)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other related parties:				
Interest/profit income receivable from deposits placed with:				
AIB	(10,939,920)	(7,016,109)	–	–
AFMB	(442,556)	(412,566)	–	–
Net proceeds from disposal of plant and equipment to CVSB	–	(90,000)	–	–
Interest/profit expense payable to:				
AMB	7,147,240	11,879,762	–	–
AIB	1,903,120	4,547,001	–	–
Fees payable to CVSB:				
Management fee	1,291,000	1,330,000	–	–
Internal audit fees	243,650	226,000	41,000	33,000
Fees payable to AIBB:				
Placement fee	530,133	1,347,000	–	–
Arranger fee	–	690,000	–	–
Insurance premium and brokerage fee payable to AIBM	481,146	423,363	–	–
Rental payable to:				
ALIB	198,714	796,801	–	–
CVSB	88,800	39,600	–	–
Purchase of travel package from HTSB	13,255	16,598	6,255	12,534
Marketing expenses incurred arising from purchase of travel package from HTSB	142,400	603,061	–	–

24. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures (Cont'd)

The outstanding balances arising from related party transactions as at the reporting date are as below:

	The Group	
	2020 RM	2019 RM
Borrowings with:		
AIB	150,252,959	90,889,124
AMB	149,844,080	199,578,263
	300,097,039	290,467,387

(c) Compensation of key management personnel ("KMP")

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Short-term employees' benefits	5,869,712	5,591,615	458,000	389,000
Defined contribution plan	741,798	694,322	–	–
Share options granted under ESS	452,400	446,890	130,000	145,000
	7,063,910	6,732,827	588,000	534,000

The comparative information of the Group has been restated as a result of a change in composition of KMP.

25. CASH AND CASH EQUIVALENTS

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Deposits with licensed financial institutions				
- Licensed islamic financial institutions	344,971,668	270,424,465	–	–
- Other financial institutions	15,767,341	5,383,492	–	–
	360,739,009	275,807,957	–	–
Cash and bank balances				
- Licensed islamic financial institutions	229,993,448	191,336,208	–	–
- Other financial institutions	29,465,500	25,234,010	787,996	34,617
	259,458,948	216,570,218	787,996	34,617
	620,197,957	492,378,175	787,996	34,617
Less: Deposits, cash and bank balances Assigned in favour of the trustees	(354,174,846)	(284,550,137)	–	–
Pledged to:				
- Licensed islamic financial institutions	(26,470,709)	(24,257,610)	–	–
- Other financial institutions	(26,885,792)	(23,819,118)	–	–
	(53,356,501)	(48,076,728)	–	–
	(407,531,347)	(332,626,865)	–	–
	212,666,610	159,751,310	787,996	34,617

Deposits with licensed financial institutions of the Group have a weighted average remaining maturity period of 94 (2019: 80) days. The information on weighted average effective interest rate ("WAEIR") is disclosed in Note 34.

25. CASH AND CASH EQUIVALENTS (CONT'D)

The outstanding balances arising from related party transaction as at the reporting date are as below:

	The Group	
	2020 RM	2019 RM
Deposits and bank balances placed with:		
AIB	562,598,757	447,461,945
AMB	21,729,963	22,238,676
AFMB	10,267,341	5,383,492
	594,596,061	475,084,113

26. SHARE CAPITAL

	The Group and The Company			
	2020	2019	2020	2019
	No. of shares		RM	RM
Ordinary shares				
Balance as at 1 April	360,555,536	355,994,636	154,454,399	44,675,603
Issuance of shares pursuant to ESS exercised	12,382,600	4,560,900	17,783,375	6,283,643
Transfer arising from "no par value" regime	–	–	–	103,495,153
Balance as at 31 March	372,938,136	360,555,536	172,237,774	154,454,399

During the financial year, the total number of issued shares of the Company was increased from 360,555,536 to 372,938,136 by way of the issuance of 12,382,600 new ordinary shares pursuant to share options exercised.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

In the previous financial year, the total number of issued shares of the Company was increased from 355,994,636 to 360,555,536 by way of the issuance of 4,560,900 new ordinary shares pursuant to share options exercised.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

27. TREASURY SHARES

The shareholders of the Company, by a resolution passed at an annual general meeting held on 28 August 2019, has granted an approval to the Company to buy back its own shares of up to 10% of its total number of issued shares of the Company.

During the financial year, the Company repurchased its issued ordinary shares from the open market as summarised below:

	Number of shares Unit	Total consideration RM	Highest RM	Purchase price per share Lowest RM	Average RM
Balance as at 1 April 2019	18,647,225	19,944,269	1.650	1.160	1.209
Shares repurchased during the financial year:					
- April 2019	376,900	622,251	1.660	1.610	1.640
- May 2019	353,100	580,163	1.663	1.590	1.632
- June 2019	253,000	414,231	1.640	1.610	1.626
- July 2019	184,300	297,693	1.610	1.590	1.605
- August 2019	192,700	310,064	1.610	1.590	1.600
- October 2019	236,500	366,215	1.570	1.524	1.538
- November 2019	42,000	66,379	1.570	1.570	1.570
- January 2020	100,000	165,293	1.650	1.640	1.642
- February 2020	60,000	98,048	1.623	1.623	1.623
- March 2020	2,159,500	3,045,643	1.502	1.357	1.405
	3,958,000	5,965,980	1.663	1.357	1.500
Balance as at 31 March 2020	22,605,225	25,910,249	1.663	1.160	1.111

The total consideration paid, including transaction costs, of RM5,965,980 was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016.

The Company has the right to cancel, resell and/or, distribute the treasury shares as dividends at a later date or transfer the treasury shares for ESS or as purchase consideration at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased have been sold, cancelled or transferred during the financial year.

As at 31 March 2020, the number of ordinary shares in issue after deducting the treasury shares is 350,332,911 shares.

28. RESERVES

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Non-distributable:				
ESS	2,005,708	4,059,329	2,005,708	4,059,329
Exchange translation reserve	424	769	–	–
	2,006,132	4,060,098	2,005,708	4,059,329
Distributable:				
Retained earnings	525,029,743	444,945,909	216,358,099	222,292,521
	527,035,875	449,006,007	218,363,807	226,351,850

(a) Non-distributable:

(i) ESS:

The ESS reserve represents the equity settled share options granted to eligible directors and employees. This reserve is made up of the cumulative value of services received from eligible directors and employees recorded on the grant date of share options. Details of ESS granted to eligible directors and employees are disclosed in Note 36.

(ii) Exchange translation reserve:

Exchange translation reserve represents the foreign currency exchange differences arising from the translation of the financial statements of the foreign operation whose functional currency is different from that of the presentation currency of the Group. It also represents the exchange differences arising from monetary items, which form part of the net investment in foreign operation of the Group.

(iii) Share premium arose from the following:

	The Group and The Company 2020 RM	The Group and The Company 2019 RM
Balance as at 1 April	–	72,592,303
Transfer arising from “no par value” regime	–	(72,592,303)
Balance as at 31 March	–	–

(iv) Capital redemption reserve was arose from redemption of RCNCPS in the financial year ended 31 March 2015. The entire amount of capital redemption reserve has been reclassified to share capital in the previous financial year.

28. RESERVES (CONT'D)

(a) Non-distributable (Cont'd):

The Companies Act 2016 abolished the concept of nominal value in share with effect from 31 January 2017. Notwithstanding that, Section 618 of the Companies Act 2016 provides a transitional period of twenty four (24) months from 1 February 2017 to 31 January 2019 for the share premium and capital redemption reserves of the Group and of the Company outstanding as at 31 January 2017 to be utilised for specific purposes.

In the previous financial year, the Group and the Company recognised the share premium and capital redemption reserves as part of the Group and of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(b) Distributable:

Retained earnings:

Distributable reserves are those available for distribution as dividends.

Under the single-tier system, the dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax in the hands of the shareholders.

29. PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current				
Payables	12,918,716	15,121,887	49,902	–
Accrued expenses	15,730,703	9,702,207	482,637	562,191
Deposits	1,555,381	1,432,667	–	–
	30,204,800	26,256,761	532,539	562,191
Non-current				
Payables	780,224	717,858	–	–
	30,985,024	26,974,619	532,539	562,191

Included in payables of the Group are:

(i) refundable collections amounting to RM2,103,764 (2019: RM3,111,894); and

(ii) collections received from customers amounting to RM2,048,462 (2019: RM1,614,838) on behalf of various corporations and cooperatives by subsidiary companies.

30. HIRE-PURCHASE PAYABLES

	The Group 2020 RM	The Group 2019 RM
Total outstanding	751,250	1,164,962
Less: Future finance charges	(36,955)	(78,561)
Principal outstanding	714,295	1,086,401
Less: Amounts due within one year	(348,373)	(372,106)
Non-current portion	365,922	714,295

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

	The Group 2020 RM	The Group 2019 RM
Financial years ending 31 March:		
2021	–	348,373
2022	260,185	260,185
2023	97,572	97,572
2024	8,165	8,165
	365,922	714,295

The interest rates implicit in these hire-purchase arrangements of the Group range from 4.37% to 4.83% (2019: 4.37% to 4.83%) per annum. The Group's hire-purchase payables are secured by a charge over the assets under hire-purchase.

A reconciliation of hire-purchase payables to cash flows arising from financing activities is as follows:

	The Group 2020 RM	The Group 2019 RM
Balance as at 1 April	1,086,401	1,288,377
Cash flows	(372,106)	(348,976)
Non-cash changes (Note 15)	–	147,000
Balance as at 31 March	714,295	1,086,401

31. BORROWINGS

	Note	The Group 2020 RM	The Group 2019 RM
At amortised cost			
Secured			
Current			
- Conventional			
Term loans	(a)	56,028,479	50,196,167
Revolving credits	(b)	203,748,220	208,267,102
		259,776,699	258,463,269
- Shariah			
Sukuk	(c),(d)	101,385,904	172,750,766
Term financing	(a)	50,850,887	73,036,043
Revolving credits	(b)	219,453,373	71,406,927
		371,690,164	317,193,736
		631,466,863	575,657,005
Non-current			
- Conventional			
Term loans	(a)	19,339,657	49,831,718
- Shariah			
Sukuk	(c),(d)	957,705,117	832,471,511
Term financing	(a)	105,885,941	146,900,030
		1,063,591,058	979,371,541
		1,082,930,715	1,029,203,259
		1,714,397,578	1,604,860,264
Disclosed in the statements of financial position as:			
Current		631,466,863	575,657,005
Non-current		1,082,930,715	1,029,203,259
		1,714,397,578	1,604,860,264

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31. BORROWINGS (CONT'D)

The maturity profile of the borrowings is as follows:

	The Group	
	2020 RM	2019 RM
On demand or within one year	631,466,863	575,657,005
More than 1 year and less than 2 years	217,037,553	165,430,130
More than 2 years and less than 5 years	560,833,068	489,073,058
More than 5 years	305,060,094	374,700,071
	1,714,397,578	1,604,860,264

A reconciliation of borrowings to cash flows arising from financing activities are as follows:

	2019 RM	Cash flows RM	Non-cash changes RM	2020 RM
Term loans/financing	319,963,958	(87,981,460)	122,466	232,104,964
Sukuk	1,005,222,277	50,000,000	3,868,744	1,059,091,021
Revolving credits	279,674,029	143,000,000	527,564	423,201,593
Total	1,604,860,264	105,018,540	4,518,774	1,714,397,578

	2018 RM	Cash flows RM	Non-cash changes RM	2019 RM
Term loans/financing	302,464,413	15,179,775	2,319,770	319,963,958
Sukuk	766,926,817	240,000,000	(1,704,540)	1,005,222,277
Revolving credits	229,099,116	52,000,000	(1,425,087)	279,674,029
Total	1,298,490,346	307,179,775	(809,857)	1,604,860,264

Included in non-cash changes are accrued interest/profit and transaction costs.

31. BORROWINGS (CONT'D)

(a) Term financing 1 (Secured)

During the financial year ended 31 March 2013, RCEM was granted a RM200.0 million back-to-back financing sale arrangement by a licensed islamic financial institution, of which RM50.0 million was ear-marked for Revolving credit 3 as disclosed in Note 31(b), for working capital purposes. As at the reporting date, the said term financing has been fully repaid.

Term financing 1 was secured against the rights, titles, benefits and interests of the eligible financing receivables and the amounts collected or received in respect thereof.

The said term financing bore profit rate at 5.95% (2019: 5.95%) per annum for a tenure of five (5) years from the date of the disbursement of the applicable tranche of the term financing.

Term financing 2 (Secured)

During the financial year ended 31 March 2016, a term financing of RM300.0 million was granted to RCEM for working capital purposes.

Term financing 3 (Secured)

During the financial year ended 31 March 2018, a revolving credit was converted into a term financing of RM200.0 million for working capital purposes.

The term financing 2 and 3 are secured against the following:

(i) An assignment of the rights, titles, benefits and interests of the eligible financing receivables;

(ii) A letter of set off executed by RCEM in favour of the licensed financial institution;

(iii) A fixed deposit by RCEM on lien or charged;

(iv) An assignment of the designated accounts and all monies standing to the credit of the accounts; and

(v) An irrevocable corporate guarantee by the Company.

These term financing bear profit rate at 5.98% (2019: 6.54%) per annum for tenure ranging from six (6) to seven (7) years from the date of the first disbursement of the applicable tranche of the term financing.

31. BORROWINGS (CONT'D)

(a) Term loan 4 (Secured)

During the financial year ended 31 March 2018, a term loan facility of RM150.0 million was granted to RCEM for working capital purpose.

The said term loan bears interest rate at 5.50% (2019: 5.88%) per annum for a tenure of three (3) years from the date of the first disbursement of the term loan.

Term loan 5 (Secured)

During the financial year, a term loan facility of RM30.0 million was granted to RCEM for working capital purpose.

The said term loan bears interest rate at 4.63% per annum for a tenure of five (5) years from the date of the first disbursement of the term loan.

The term loans 4 and 5 are secured against the following:

(i) An assignment of the rights, titles, benefits and interests of the eligible receivables under the agreement entered into between RCEM with corporations and cooperatives;

(ii) A charge over the designated accounts and all monies standing to the credit of the accounts; and

(iii) An irrevocable corporate guarantee by the Company.

(b) Revolving credit 1 (Secured)

During the financial year ended 31 March 2009, RCEM obtained a revolving credit facility of RM30.0 million from a licensed financial institution for working capital purposes. This revolving credit facility's limit was increased by RM20.0 million to a total of RM50.0 million in financial year ended 31 March 2011.

Revolving credit 2 (Secured)

During the financial year ended 31 March 2014, a revolving credit facility of RM100.0 million was granted by a licensed financial institution to RCEM working capital purposes. In the previous financial year, the facility limit was revised to RM60.0 million.

31. BORROWINGS (CONT'D)

(b) Revolving credit 2 (Secured) (Cont'd)

Both facilities are secured against the following:

(i) An assignment of the rights, titles, benefits and interests of receivables under the agreement entered into between RCEM with corporations and cooperatives;

(ii) An assignment of the loans and receivables;

(iii) An irrevocable undertaking by RCEM;

(iv) An assignment of the designated accounts and all monies standing to the credit of the accounts; and

(v) An irrevocable corporate guarantee by the Company.

The revolving credits 1 and 2 bear interest at rates ranging from 4.03% to 4.05% (2019: 5.10% to 5.25%) per annum.

Revolving credit 3 (Secured)

During the financial year ended 31 March 2013, a revolving credit facility of RM100.0 million, which was ear-marked from Term financing 1 as disclosed in Note 31(a) was granted to RCEM for working capital purposes. The facility limit was revised to RM50.0 million during the financial year ended 31 March 2014.

Revolving credits 4 and 5 (Secured)

During the financial year ended 31 March 2016, RCEM was granted two revolving credit facilities of RM100.0 million each by a licensed financial institution for working capital purposes. Out of which, the revolving credit 4 facility has expired in the previous financial year.

These are secured against the following:

(i) A charge over a designated account and all monies standing to the credit of the account; and

(ii) A charge over the rights, titles, benefits and interests of the applicable personal financing portfolio and the amounts collected or received in respect thereof.

Revolving credit 4 was secured against the above and an irrevocable corporate guarantee by the Company. It bore profit rate at 5.43% per annum.

Both revolving credits 3 and 5 bear profit rate at 4.23% (2019: 5.00% to 5.28%) per annum.

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31. BORROWINGS (CONT'D)

(b) Revolving credits 6 (Secured)

In the previous financial year, a revolving credit facility of RM100.0 million was granted by a licensed islamic financial institution to RCEM for working capital purposes.

The revolving credit is secured against the following:

(i) An assignment of the rights, titles, benefits and interests of receivables under the agreement entered into between RCEM with corporations;

(ii) An assignment of the designated accounts and all monies standing to the credit of the accounts; and

(iii) An irrevocable corporate guarantee by the Company.

The revolving credit bears profit rate at 4.12% (2019: 5.54%) per annum.

Revolving credits 7 (Secured)

In the previous financial year, a revolving credit facility of RM100.0 million was granted by a licensed islamic financial institution to RCEM for working capital purposes.

The revolving credit is secured against the following:

(i) A charge over the rights, titles, benefits and interests of the applicable personal financing portfolio and the amounts collected or received in respect thereof;

(ii) A charge over a designated account and all monies standing to the credit of the account; and

(iii) An irrevocable corporate guarantee by the Company.

The revolving credit bears profit rate at 4.48% (2019: 5.28%) per annum.

Revolving credits 8 (Secured)

During the financial year, a revolving bridging facility of RM30.0 million was granted by a licensed financial institution to RCEM for origination of financing agreements.

31. BORROWINGS (CONT'D)

(b) Revolving credits 8 (Secured) (Cont'd)

The revolving credit is secured against the following:

(i) An assignment of the rights, titles, benefits and interests of receivables of the applicable financing agreements and the amounts collected or received in respect thereof entered into between RCEM with corporations and cooperatives;

(ii) An assignment and charge over the financing agreements by RCEM to corporations and cooperatives;

(iii) An irrevocable undertaking by RCEM;

(iv) An assignment and charge over the designated accounts and all monies standing to the credit of the accounts; and

(v) An irrevocable corporate guarantee by the Company.

The revolving credit bears interest rate at 4.70% per annum.

Revolving credits 9 (Unsecured)

All revolving credit facilities of RCEF amounting to RM5.5 million (2019: RM5.5 million) are secured against a corporate guarantee by the Company. There is no outstanding revolving credit as at 31 March 2020 and 31 March 2019 respectively.

(c) RM900.0 million Sukuk (Secured)

Al Dzahab Assets Berhad ("ADA") was incorporated on 5 November 2015 as a special purpose vehicle for the sole purpose of undertaking the Sukuk Murabahah Asset-backed Securitisation Programme amounting up to RM900.0 million which involved the purchase from RCEM from time to time the financing meeting certain pre-determined eligibility criteria. The purchases of financing receivables were funded by the proceeds from the issuance of Sukuk by ADA.

In financial year ended 31 March 2018, ADA has fully issued its RM900.0 million Sukuk Programme since its establishment in June 2016.

During the financial year, ADA has redeemed RM135.0 million (2019: RMnil) of Class A Series 1 Sukuk from its Tranches 1 to 3 upon maturity.

The Sukuk is constituted by a trust deed dated 8 June 2016 made between ADA and the Trustee for the holders of the Sukuk.

31. BORROWINGS (CONT'D)

(c) RM900.0 million Sukuk (Secured) (Cont'd)

The main features of the Sukuk are as follows:

(i) The maximum issue size of the RM900.0 million Sukuk consists of a multiple series of Class A, Class B and Class C;

(ii) All Sukuk were issued at par and have maturity tenures ranging from three (3) to ten (10) years within each tranche;

(iii) Each series of the Sukuk under Class A and Class B bear fixed profit rates ranging from 4.70% to 11.00% (2019: 4.70% to 11.00%) per annum, payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates; and

(iv) The Class C Sukuk bears fixed profit rates ranging from 18.00% to 35.00% (2019: 18.00% to 35.00%) per annum and payable in full or in part upon the full redemption of Class A and Class B.

(d) RM2.0 billion Sukuk (Secured)

ZAB was incorporated on 13 June 2018 as a special purpose vehicle for the sole purpose of undertaking the Sukuk Murabahah Asset-backed Securitisation Programme amounting up to RM2.0 billion which involved the purchase from RCEM from time to time of the financing receivables meeting certain pre-determined eligibility criteria. The purchases of the financing were funded by the proceeds from the issuance of Sukuk by ZAB.

During the financial year, ZAB has further issued two (2) (2019: one (1)) tranches of Sukuk amounting to RM236.0 million (2019: RM265.0 million), out of which RM16.0 million (2019: RM25.0 million), were subscribed by a subsidiary company, RCE Trading Sdn. Bhd..

In addition, ZAB has redeemed RM35.0 million (2019: RMnil) of its Class A Tranche 1 Series 1 Sukuk upon maturity.

The Sukuk is constituted by a trust deed dated 19 March 2019 made between ZAB and the Trustee for the holders of the Sukuk.

The main features of the Sukuk are as follows:

(i) The maximum issue size of the RM2.0 billion Sukuk consists of a multiple series of Class A, Class B and Class C;

(ii) All Sukuk under first to third tranches were issued at par and have maturity tenures ranging from one (1) to eight point five (8.5) years;

31. BORROWINGS (CONT'D)

(d) RM2.0 billion Sukuk (Secured) (Cont'd)

(iii) Each series of the Sukuk under Class A and Class B bear fixed profit rates ranging from 3.90% to 9.50% (2019: 4.55% to 9.50%) per annum, payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates; and

(iv) The Class C Sukuk bears fixed profit rates ranging from 33.00% to 57.00% (2019: 33.00%) per annum and payable in full or in part upon the full redemption of Class A and Class B.

The Sukuk are secured against the following:

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

(ii) A first legal charge by the share trustee, over the entire issued and paid-up share capital of ADA and ZAB;

(iii) An assignment of the rights, titles, benefits and interests under the eligible financing receivables purchased by ADA and ZAB; and

(iv) An assignment and charge over the designated accounts and all monies standing to the credit of the accounts of ADA and ZAB.

(e) Other borrowings (Unsecured)

(i) Bank overdraft 1

The bank overdraft facilities of RCEF amounting to RM0.7 million (2019: RM0.7 million) are secured against an irrevocable corporate guarantee by the Company. There is no outstanding bank overdraft as at 31 March 2020 and 31 March 2019 respectively.

(ii) Others

All bankers' acceptances, trust receipts and bills payable amounting to RM10.0 million (2019: RM10.0 million) are secured against an irrevocable corporate guarantee by the Company.

The bankers' acceptances facilities bear interest rate at 4.87% (2019: 5.25%) per annum.

32. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the financial year are as follow:

	The Group 2020 RM
Balance as at 1 April	–
Effects of adopting MFRS 16	74,548
Restated as at 1 April	74,548
Cash flows	(221,582)
Non-cash changes	5,311,159
Balance as at 31 March	5,164,125
Disclosed in the statements of financial position as:	
Non-current	4,415,581
Current	748,544
Total lease liabilities	5,164,125

The weighted average discount rate applied ranges from 5.38% to 6.30% per annum. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The maturity profile of the lease liabilities are as follows:

	The Group 2020 RM
On demand or within one year	748,544
More than 1 year and less than 2 years	792,346
More than 2 years and less than 5 years	2,647,219
More than 5 years	976,016
	5,164,125

33. COMMITMENTS

Capital commitments

	The Group	
	2020 RM	2019 RM
Capital expenditure in respect of plant and equipment not provided for:		
Approved and contracted for	717,878	1,128,824

34. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management objectives and policies are monitored by a Risk Management Committee which reports to the Audit Committee.

The operations of the Group are subject to a variety of financial risks, including interest/profit rate (both fair value and cash flow), credit and liquidity risks. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Interest/profit rate risk

Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rates. Cash flow interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates.

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

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

The Group manages its interest/profit rate risk exposure from interest/profit 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/profit rate environment and achieve a certain level of protection against rate hikes.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk

Credit risk is the risk of default that may arise on its outstanding contractual obligations resulting in financial loss to the Group. The Group adopts a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk.

(i) Consumer financing services:

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 loans and receivables/financing.

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

(ii) Factoring and confirming:

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The information on significant concentration of credit risk are disclosed in Note 22.

The credit risk for receivables/financing, deposits with licensed financial institutions, cash and bank balances is considered negligible, since the counterparties are reputable organisations with high quality external credit ratings.

Credit quality analysis

The Group uses three categories of loans and receivables/financing which reflect their credit risk and how the allowances for impairment is determined for each of those categories.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

A summary of the assumptions underpinning the Group's ECL model is as follows:

(i) Loans and receivables/financing

Category	Group's definition of category
Stage 1	Loans and receivables/financing that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date.
Stage 2	All loans and receivables/financing that have been significant increase in credit risk since intial recognition but do not have objective evidence of impairment.
Stage 3	When one or more objectives evidence of defaults that have a detrimental impact on the estimated future cash flows have occurred.

(ii) Trade receivables

Category	Group's definition of category
Lifetime ECL	Receivables for which there is a significant increase in credit risk as significant increase in credit risk is presumed if interest and/or principal repayments are from 0 to 90 days past due from the credit period granted.
Credit impaired	Interest and/or principal repayments are more than 90 days past due from the credit period granted.

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of loans and receivables/financing and adjusts for forward looking macroeconomic data.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

The Group provides for credit losses as follow:

(i) Loans and receivables/financing

Group internal credit rating	Credit quality by days past due	Basis for recognition of ECL provision	Gross carrying amount* RM	Gross carrying amount (net of impairment provision) RM	Basis for calculation of interest/profit income
2020					
Stage 1	0 to 30	12 months expected losses.	1,098,447,496	1,073,289,142	Gross carrying amount
	0 to 90^	Where expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	646,634,656	622,247,240	
			1,745,082,152	1,695,536,382	
Stage 2	31 to 90	Lifetime expected losses.	4,158,118	2,569,137	Gross carrying amount
	91 to 180^		15,141,404	11,332,892	
			19,299,522	13,902,029	
Stage 3	More than 90	Lifetime expected losses.	33,432,796	–	Amortised cost carrying amount (net of credit allowance)
	More than 180^		41,836,466	–	
			75,269,262	–	

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

(i) Loans and receivables/financing (Cont'd)

Group internal credit rating	Credit quality by days past due	Basis for recognition of ECL provision	Gross carrying amount* RM	Gross carrying amount (net of impairment provision) RM	Basis for calculation of interest/profit income
2019					
Stage 1	0 to 30	12 months expected losses.	964,794,654	942,761,731	Gross carrying amount
	0 to 90^	Where expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	692,853,129	666,613,090	
			1,657,647,783	1,609,374,821	
Stage 2	31 to 90	Lifetime expected losses.	4,278,553	2,531,159	Gross carrying amount
	91 to 180^		18,906,649	14,289,641	
			23,185,202	16,820,800	
Stage 3	More than 90	Lifetime expected losses.	29,691,056	–	Amortised cost carrying amount (net of credit allowance)
	More than 180^		46,061,824	–	
			75,752,880	–	

* Excluded fees for the provision of services to be recognised over a period of time of RM19,523,609 (2019: RM27,489,165).

^ In relation to a portfolio of loans and receivables/financing, which is subject to distinguishable administration technical delay due to logistic consideration.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

(ii) Trade receivables

Group internal credit rating	Credit quality by days past due	Basis for recognition of ECL provision	Gross carrying amount RM	Gross carrying amount (net of impairment provision) RM	Basis for calculation of interest income
2020					
Lifetime ECL	0 to 90	Lifetime ECL	3,070,594	3,011,296	Gross carrying amount
Credit impaired	More than 90	Credit impaired	1,763,801	–	Amortised cost carrying amount (net of credit allowance)
2019					
Lifetime ECL	0 to 90	Lifetime ECL	3,737,902	3,669,005	Gross carrying amount
Credit impaired	More than 90	Credit impaired	2,212,889	–	Amortised cost carrying amount (net of credit allowance)

There are no significant changes to estimation technique or assumption made during the financial year, other than as disclosed in Note 19.

Write off

Write off exercise on fully impaired accounts is carried out periodically. The Group categorised loans and receivables/financing and trade receivables for write off when customer fails to make contractual payments in a given period and actions taken to recover have not been successful.

Where loans and receivables/financing and trade receivables have been written off, the Group continues to engage in enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The amount outstanding on loans and receivables/financing and trade receivables that were written off during the financial year and are still subject to enforcement activities are RM23,726,825 (2019: RM20,498,613).

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

In addition, the Group and the Company are exposed to credit risk representing the amount granted summarised as below:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Irrevocable loan commitments issued on behalf of customers	1,179,647	595,452	–	–
Financial guarantees to licensed financial institutions for borrowing facilities granted to subsidiary companies	–	–	1,037,200,000	977,200,000
	1,179,647	595,452	1,037,200,000	977,200,000

As at the reporting date, the fair value of the financial guarantees are RMnil (2019: RMnil), determined based on probability-weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

(i) The likelihood of the guaranteed party defaulting within the guaranteed period;

(ii) The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and

(iii) The estimated loss exposure if the party guaranteed were to default.

The counterparties to the financial guarantee contracts do not have a right to demand for settlement as no default events have arisen. Accordingly, financial guarantee contracts under the scope of MFRS 7 Financial Instruments: Disclosures are not included in the following interest/profit rate and liquidity risks' maturity profile.

Collaterals

The main types of collaterals obtained by the Group are as follows:

(i) Consumer financing - financing receivables by corporations or cooperatives to their members or customers and assignment of collection proceeds in the designated account of corporations or cooperatives; and

(ii) Factoring and confirming - land and buildings.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Collaterals (Cont'd)

As at the reporting date, the financial effect of collaterals (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held by the Group are as follows:

	Maximum Exposure RM	Collateral value RM	Financial effect of collaterals %
2020			
Loans and receivables/financing	771,489,105	734,548,337	95.21
Trade receivables	3,011,296	2,240,000	74.39
	774,500,401	736,788,337	95.13
2019			
Loans and receivables/financing	751,501,931	704,249,194	93.71
Trade receivables	3,669,005	2,400,000	65.41
	755,170,936	706,649,194	93.57

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

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 level of cash to meet its working capital requirements, while maintaining the availability of a diverse source of banking facilities from various financial institutions at a reasonable level to its overall debt position. It also strives to maintain a balance between continuity of funding and flexibility through the use of these facilities.

Cash flow forecasting is performed in the operating entities of the Group on an aggregate basis, taking into consideration the Group's debt financing plans, including the matching of maturity profiles of its financial assets and liabilities.

In addition, the Group plans to match its assets by converting the current into non-current liabilities in order to meet its short-term obligations as and when they fall due, including raising funds from the market as evidenced from the establishment of sukuk programmes as disclosed in Notes 31(c) and 31(d) respectively.

The Group also manages its liquidity risk by maintaining a portion of its resources in deposits, cash and bank balances with licensed financial institutions amounting to RM620,197,957 (2019: RM492,378,175) as disclosed in Note 25 to meet estimated commitments arising from its financial liabilities.

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Interest/profit rate and liquidity risk tables

Analysis of financial instruments based on remaining contractual maturity

The following table sets out the WAEIR, carrying amounts and the remaining maturities as at the reporting date of the Group's and of the Company's financial instruments that are exposed to interest/profit rate risk:

The Group	Note	WAEIR %	Total RM	Maturity profile: Within 1 year RM	2-5 years RM	After 5 years RM
2020						
Fixed rate						
Loans and receivables/financing	19	13.25	1,689,914,802	169,859,501	859,869,538	660,185,763
Trade receivables	22	11.39	3,011,296	3,011,296	–	–
Payables	29	–	13,698,940	12,918,716	780,224	–
Hire-purchase payables	30	4.52	714,295	348,373	365,922	–
Sukuk	31	5.39	1,059,091,021	101,385,904	653,921,348	303,783,769
Lease liabilities	32	5.86	5,164,125	748,544	3,439,565	976,016
Floating rate						
Deposits with licensed financial institutions	25	3.27	360,739,009	360,739,009	–	–
Revolving credits	31	4.22	423,201,593	423,201,593	–	–
Term loans/financing	31	5.73	232,104,964	106,879,366	123,949,273	1,276,325
2019						
Fixed rate						
Loans and receivables/financing	19	13.15	1,598,706,456	151,697,708	763,034,326	683,974,422
Trade receivables	22	11.38	3,669,005	3,669,005	–	–
Payables	29	–	15,839,745	15,121,887	717,858	–
Hire-purchase payables	30	4.54	1,086,401	372,106	714,295	–
Sukuk	31	5.48	1,005,222,277	172,750,766	463,717,529	368,753,982
Term loans/financing	31	5.95	18,355,963	18,355,963	–	–
Floating rate						
Deposits with licensed financial institutions	25	3.41	275,807,957	275,807,957	–	–
Term loans/financing	31	6.30	301,607,995	104,876,247	190,785,659	5,946,089
Revolving credits	31	5.09	279,674,029	279,674,029	–	–

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Interest/profit rate and liquidity risk tables (Cont'd)

Analysis of financial liabilities based on an undiscounted basis

The following table summarises the remaining maturities as at the reporting date of the Group's financial liabilities based on contractual undiscounted repayment obligations:

The Group	Total RM	Maturity profile Within 1 year RM	2-5 years RM	After 5 years RM
2020				
Fixed rate				
Sukuk	1,305,600,821	148,928,934	815,224,017	341,447,870
Hire-purchase payables	751,250	373,230	378,020	–
Lease liabilities	6,104,980	1,023,413	4,075,194	1,006,373
Floating rate				
Revolving credits	424,679,961	424,679,961	–	–
Term loans/financing	252,359,698	117,527,967	133,533,364	1,298,367
2019				
Fixed rate				
Sukuk	1,255,735,757	220,978,697	615,438,182	419,318,878
Term loans	18,882,248	18,882,248	–	–
Hire-purchase payables	1,164,962	413,712	751,250	–
Floating rate				
Term loans/financing	335,584,999	121,258,067	208,302,986	6,023,946
Revolving credits	281,368,033	281,368,033	–	–

Sensitivity analysis for interest/profit rate risk

As at the reporting date, if interest/profit rate had been 50 basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would increase/decrease by RM2,493,380 (2019: RM2,214,580) arising mainly as a result of a lower/higher interest/profit expense on floating rate borrowings.

34. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values

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

(i) Financial assets

The Group's and the Company's principal financial assets are loans and receivables/financing, trade receivables, other receivables, amounts due from subsidiary companies, deposits with licensed financial institutions and cash and bank balances.

(ii) 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 borrowings and payables.

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

		2020		2019	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset					
Loans and receivables/ financing	19	1,689,914,802	1,715,180,443	1,598,706,456	1,621,574,158
Financial liabilities					
Borrowings					
- Sukuk	31	1,059,091,021	1,123,856,282	1,005,222,277	1,055,695,838

34. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

The methods and assumptions used by management to determine the fair values of the financial instruments are as follows:

(i) Loans and receivables/financing

The fair values of loans and receivables/financing with remaining maturity of less than one year are estimated to approximate their carrying amounts. For loans and receivables/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing rates of loans and receivables/financing of similar credit profile.

The fair values of impaired loans and receivables/financing are represented by their carrying amounts, net of credit allowance, being the expected recoverable amount.

(ii) Short-term financial instruments

The fair values are estimated to approximate their carrying amounts as the financial instruments are considered short-term in nature.

(iii) Sukuk

The fair values are estimated using discounting technique. The discount rates are based on market rates available to the Group for similar instruments.

The fair value hierarchies used to classify financial instruments not measured at fair value in the statements of financial position, but for which fair value is disclosed, are as follows:

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

34. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Financial asset				
Loans and receivables/financing	–	–	1,715,180,443	1,715,180,443
Financial liabilities				
Borrowings				
- Sukuk	–	1,123,856,282	–	1,123,856,282
2019				
Financial asset				
Loans and receivables/financing	–	–	1,621,574,158	1,621,574,158
Financial liabilities				
Borrowings				
- Sukuk	–	1,055,695,838	–	1,055,695,838

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group continue as going concerns while maintaining sustainable return to stakeholders.

The Group monitors capital using a gearing ratio, which is net borrowings divided by total equity. Net borrowings are calculated as total borrowings less deposits, cash and bank balances. Total equity is calculated as share capital plus reserves as shown in the statements of financial position.

35. CAPITAL MANAGEMENT (CONT'D)

As at the reporting date, the gearing ratio is as follows:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Total borrowings	1,714,397,578	1,604,860,264	–	–
Less: Deposits, cash and bank balances	(620,197,957)	(492,378,175)	(787,996)	(34,617)
Net borrowings	1,094,199,621	1,112,482,089	(787,996)	(34,617)
Total equity	673,363,400	583,516,137	364,691,332	360,861,980
Gearing ratio (times)	1.62	1.91	–	–

36. ESS

The ESS which was approved by the shareholders at the Extraordinary General Meeting held on 2 September 2015, is governed by the bylaws. The ESS was implemented on 31 December 2015, to be in force for a period of five (5) years and may be extended for another five (5) years by the Board upon recommendation of the ESS Committee. The ESS comprises shares and/or options to subscribe for share of up to fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time for eligible executive directors and employees of the Group.

The salient features of the ESS are as follows:

(a) The maximum number of shares to be allotted and issued pursuant to the ESS shall not at any point in time in aggregate exceed 15% of the issued and paid-up share capital of the Company (excluding treasury shares);

(b) Not more than 10% of the total number of shares to be issued under the ESS shall be allocated to any executive director or employee, who either singly or collectively through persons connected with the executive director or employee, holds 20% or more of the issued and paid-up share capital of the Company;

(c) The eligible persons are executive directors and employees who have attained the age of 18 years, not an undischarged bankrupt and has not served a notice of resignation or received a notice of termination or subject to any disciplinary proceeding; and

(d) The option price shall be at a discount of not more than 10% of the 5 days weighted average market price of the Company's shares immediately preceding the date of offer.

36. ESS (CONT'D)

The movements in share options pursuant to the ESS during the financial year are as follows:

Grant date	Expiry date	Exercise price per share RM	Balance as at 1.04.2019	Granted	Exercised	Cancelled	Balance as at 31.03.2020
			ESS options over ordinary shares				
18.08.2017	17.08.2019	1.48	6,830,000	–	(5,077,500)	(1,752,500)	–
4.07.2018	30.12.2020	1.37	5,990,100	–	(4,046,500)	–	1,943,600
29.05.2019	30.09.2020	1.45	–	8,947,000	(3,258,600)	(142,000)	5,546,400
			12,820,100	8,947,000	(12,382,600)	(1,894,500)	7,490,000
Weighted average exercise price		(RM)	1.43	1.45	1.44	1.48	1.43
Weighted average share price		(RM)			1.64		
Weighted average of remaining contractual life		(days)					207

Grant date	Expiry date	Exercise price per share RM	Balance as at 1.04.2018	Granted	Exercised	Cancelled	Balance as at 31.03.2019
			ESS options over ordinary shares				
3.02.2017	2.02.2019	1.30	1,598,850	–	(1,147,000)	(451,850)	–
18.08.2017	17.08.2019	1.48	8,670,000	–	(1,050,000)	(790,000)	6,830,000
4.07.2018	30.12.2020	1.37	–	8,516,000	(2,363,900)	(162,000)	5,990,100
			10,268,850	8,516,000	(4,560,900)	(1,403,850)	12,820,100
Weighted average exercise price		(RM)	1.45	1.37	1.38	1.41	1.43
Weighted average share price		(RM)			1.61		
Weighted average of remaining contractual life		(days)					373

36. ESS (CONT'D)

The fair value of share options granted, determined using the Trinomial valuation model, took into account the terms and conditions upon which the share options were granted. The fair value of share options measured at grant date and the assumption are as follows:

		Grant date	
		2020	**2019**
		29.05.2019	**4.07.2018**
Fair value of share options at grant dates	(RM)	0.260	0.290
Grant date share price	(RM)	1.650	1.580
Exercise price	(RM)	1.450	1.370
Expected volatility	(%)	28.89	19.01
Expected life	(days)	490	909
Risk free rate	(%)	3.456	3.758
Expected dividend yield	(%)	6.061	1.611

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share options grant were incorporated into the measurement of fair value.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 11 March 2020, the World Health Organisation declared COVID-19 outbreak as a pandemic as it continued to spread across the globe. On the home front, the Malaysian government on 18 March 2020 implemented a Movement Control Order ("MCO") to restrict human movements and closed all non-essential business offices in a move to curb the spread of COVID-19. The MCO was subsequently relaxed to allow certain businesses to recommence.

The Group and the Company's financial performance for current financial year was not significantly affected, other than those disclosed elsewhere in the financial statements as the effects of COVID-19 were only felt towards the end of March 2020.

In response to this, appropriate measures covering credit, operational and liquidity risks were taken and closely monitored to safe guard the financial position, performance and cash flows of the Group and the Company.

Statement By Directors

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 82 to 172 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended on that date.

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

SHAHMAN AZMAN

SOO KIM WAI

Kuala Lumpur
16 June 2020

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 financial statements set out on pages 82 to 172 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.

Subscribed and solemnly declared by the abovenamed **YAP CHOON SENG** at **KUALA LUMPUR** this 16th day of June 2020.

YAP CHOON SENG
MIA 20766

Before me

PESURUHJAYA SUMPAH
W 749
AMIRUL IMRAN BIN MOHD ALI
1/10/2018 - 31/12/2020
MALAYSIA
No 29, Tingkat Satu
Jalan Melayu
50100 Kuala Lumpur

COMMISSIONER FOR OATHS

Analysis of Shareholdings

as at 30 July 2020

Issued Shares	:	378,428,536 ordinary shares
Voting Rights	:	One (1) vote per ordinary share on a poll or one (1) vote per shareholder on show of hands

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	834	9.82	27,240	0.01
100 to 1,000	1,545	18.19	956,139	0.27
1,001 to 10,000	4,486	52.82	18,816,042	5.29
10,001 to 100,000	1,463	17.23	40,870,165	11.48
100,001 to less than 5% of issued shares	162	1.91	117,463,742	33.01
5% and above of issued shares	3	0.03	177,689,983	49.94
Total	**8,493**	**100.00**	**355,823,311**	**100.00**

THIRTY LARGEST REGISTERED SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD (AGB CBC2)	107,000,000	30.07
2.	CEMPAKA EMPAYAR SDN BHD	46,264,983	13.00
3.	BBL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	24,425,000	6.86
4.	ROCKWILLS TRUSTEE BERHAD - RCE TRUST	16,948,000	4.76
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	16,666,700	4.68
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD	7,414,700	2.08
7.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	4,400,000	1.24
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	4,190,000	1.18
9.	WOO KHAI YOON	3,800,000	1.07
10.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (8109706)	3,617,800	1.02

Analysis of Shareholdings
as at 30 July 2020

THIRTY LARGEST REGISTERED SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
11.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	2,522,900	0.71
12.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	2,346,600	0.66
13.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	2,000,000	0.56
14.	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR YAP CHOON SENG	1,760,000	0.50
15.	B-OK SDN BHD	1,735,000	0.49
16.	LOH KAM CHUIN	1,500,000	0.42
17.	LIEW SZE FOOK	1,315,000	0.37
18.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM (8036608)	1,300,000	0.37
19.	CARTABAN NOMINEES (TEMPATAN) SDN BHD - RHB TRUSTEES BERHAD FOR KAF VISION FUND	1,150,000	0.32
20.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - KAF TACTICAL FUND	1,100,000	0.31
21.	HONG WENG HWA	1,089,187	0.31
22.	YAP PHAIK KWAI	1,000,000	0.28
23.	OON HOOI KHEE	950,000	0.27
24.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - KAF CORE INCOME FUND	919,300	0.26
25.	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM	827,000	0.23
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SU TIING UH	808,400	0.23
27.	KHOO BOON CHONG	800,000	0.22
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SKYTURE CAPITAL SDN BHD (KL C/PIV)	800,000	0.22
29.	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR LOH KAM CHUIN	775,000	0.22
30.	TAN AIK CHOON	763,700	0.21
	Total	**260,189,270**	**73.12**

Analysis of Shareholdings
as at 30 July 2020

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
Cempaka Empayar Sdn Bhd	194,356,684	54.62	–	–
Amcorp Group Berhad	–	–	194,356,684[(1)]	54.62
Clear Goal Sdn Bhd	–	–	194,356,684[(1)]	54.62
Tan Sri Azman Hashim	750,000	0.21	211,304,684[(2)]	59.38

Notes:

(1) *Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through Cempaka Empayar Sdn Bhd.*

(2) *Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through Cempaka Empayar Sdn Bhd and the interest held under Rockwills Trustee Berhad – RCE Trust.*

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AND OPTIONS HELD UNDER THE EMPLOYEES' SHARE SCHEME OF THE COMPANY

Name of Directors and Chief Executive Officer	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%	No. of Options Held
Shahman Azman	300,000	0.08	–	–	–
Datuk Mohamed Azmi bin Mahmood	–	–	–	–	–
Tan Bun Poo	–	–	–	–	–
Mahadzir bin Azizan	–	–	–	–	–
Thein Kim Mon	–	–	–	–	–
Soo Kim Wai	–	–	–	–	–
Shalina Azman	450,000	0.13	–	–	–
Lum Sing Fai	499	*	–	–	–
Loh Kam Chuin *(Chief Executive Officer)*	2,275,000	0.64	–	–	–

Note:

* *Negligible*

The analysis of shareholdings is based on the Record of Depositors as at 30 July 2020, net of 22,605,225 treasury shares.

Analysis of Shareholdings
as at 30 July 2020

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AND OPTIONS HELD UNDER THE EMPLOYEES' SHARE SCHEME IN AMCORP PROPERTIES BERHAD, A RELATED COMPANY

Name of Directors and Chief Executive Officer	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%	No. of Options Held
Shahman Azman					
- Ordinary Shares	886,700	0.12	–	–	3,072,000
Lum Sing Fai					
- Ordinary Shares	833	*	–	–	–
- Class B Redeemable Convertible Preference Shares	100	*	–	–	–
Loh Kam Chuin *(Chief Executive Officer)*					
- Ordinary Shares	833	*	–	–	–
- Class B Redeemable Convertible Preference Shares	100	*	–	–	–

Note:
* *Negligible*

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixty-Sixth Annual General Meeting of RCE Capital Berhad will be conducted virtually through live streaming at the broadcast venue at Main Hall, Level 1, PJ Tower, No. 18 Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, Malaysia on Tuesday, 22 September 2020 at 10.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2020 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees of RM420,000 for the financial year ended 31 March 2020. **Resolution 1**

3. To approve the Directors' benefits to the Non-Executive Directors of the Company up to an aggregate amount of RM700,000 for the period from 23 September 2020 until the next Annual General Meeting of the Company. **Resolution 2**

4. To re-elect the following Directors who retire pursuant to Clause 103 of the Company's Constitution:

   (i) Mr. Thein Kim Mon **Resolution 3**

   (ii) Mr. Lum Sing Fai **Resolution 4**

5. To re-elect the following Directors who retire pursuant to Clause 118 of the Company's Constitution:

   (i) Mr. Soo Kim Wai **Resolution 5**

   (ii) Datuk Mohamed Azmi bin Mahmood **Resolution 6**

6. To re-appoint Deloitte PLT as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

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

7. **Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

   Resolution 8

   "THAT subject always to the Companies Act 2016, provisions of the Company's Constitution 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 75 of the Companies Act 2016 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 ten per centum (10%) of the total number of issued shares 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."

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

   Resolution 9

   "THAT subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the renewal of existing shareholders' mandate for 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(I) of the Circular to Shareholders dated 24 August 2020, 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;

   AND THAT such authority conferred 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 340(2) of the Companies Act 2016 ("Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) 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."

9. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.2(II) of the Circular to Shareholders dated 24 August 2020, 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 10**

AND THAT such authority conferred 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 340(2) of the Companies Act 2016 ("Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) 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."

10. **Proposed Renewal of Share Buy-Back Authority**

Resolution 11

"THAT subject to the Companies Act 2016 ("Act"), provisions of the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and any other relevant authorities, approval be and is hereby given for the Company to purchase ordinary shares in the Company as may be determined by the Directors 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:

(i) the aggregate number of ordinary shares 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 centum (10%) of the total number of issued ordinary shares of the Company for the time being;

(ii) the maximum amount of funds to be allocated by the Company for the purpose of purchasing its own ordinary shares shall not exceed the Company's retained profits at the time of purchase(s);

(iii) the authority conferred by this resolution will be effective immediately upon the passing of this ordinary resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at the general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders in general meeting,

whichever is the earlier;

(iv) the shares so purchased by the Company pursuant to the Share Buy-Back Mandate be retained as treasury shares which may be distributed as dividends and/or resold on Bursa Securities and/or cancelled and/or dealt with by the Directors in the manners allowed by the Act;

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."

Notice of Annual General Meeting

11. **Proposed Establishment of a New Employees' Share Scheme ("Proposed ESS")**

"THAT subject to the approvals of all relevant authorities being obtained, the Company be and is hereby authorised: **Resolution 12**

(a) to establish, implement and administer the Proposed ESS for the benefit of the eligible executive directors and employees of the Company and its subsidiaries which are not dormant ("Group") who meets the criteria of eligibility for participation in the Proposed ESS ("Eligible Persons") in accordance with the draft By-Laws ("By-Laws") which is set out in Appendix I of the Circular to Shareholders dated 24 August 2020 in relation to the Proposed ESS ("Circular");

(b) to appoint a trustee to facilitate the implementation of the Proposed ESS, if required;

(c) to provide money or other assistance (financial or otherwise), and/or to authorise and/or procure any one or more of the subsidiaries of the Company, to provide money or other assistance (financial or otherwise) from time to time if required to enable the trustee to subscribe for and/or acquire new or existing ordinary shares in the Company ("Shares") and/or payment of equivalent cash value to the Eligible Persons, to the extent permitted by law;

(d) to make the necessary applications to Bursa Malaysia Securities Berhad ("Bursa Securities") and do all things necessary at the appropriate time or times for permission to deal in and for the listing of and quotation for the new Shares that may hereafter or from time to time be allotted and issued pursuant to the Proposed ESS;

(e) to modify and/or amend the By-Laws from time to time as may be required/permitted by the relevant authorities or deemed necessary by the relevant authorities or the Board of Directors of the Company or any committee of the Proposed ESS established or appointed by it provided that such modifications and/or amendments are effected and permitted in accordance with the provisions of the By-Laws;

(f) to do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules or regulations, or impose such terms and conditions or delegate part of its power as may be necessary or expedient in order to give full effect to the Proposed ESS and terms of the By-Laws; and

(g) to allot and issue, transfer and/or procure for delivery from time to time such number of Shares or new Shares which may be made available under the Proposed ESS provided the maximum number of Shares to be allotted and issued and/or transferred pursuant to the Proposed ESS and any other schemes involving issuance of new Shares to be implemented by the Company shall not at any point in time in aggregate exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) or such other percentage of the total number of issued Shares (excluding treasury shares) that may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Proposed ESS.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed ESS with full power to consent to and to adopt such conditions, modifications, variations and/or amendments as it may deem fit and/or as may be required by the relevant regulatory authorities.

AND FURTHER THAT the proposed By-Laws of the Proposed ESS, as set out in Appendix I of the Circular, be and is hereby approved."

12. **Proposed Allocation to Loh Kam Chuin, Chief Executive Officer of the Company, under the Proposed ESS**

"THAT subject to the passing of Ordinary Resolution 12, the Directors of the Company be and are hereby authorised at any time and from time to time to grant to Loh Kam Chuin, Chief Executive Officer of the Company, such number of Shares in the Company which will be vested in him at a specified future date and to allot and issue and/or deliver such number of options, Shares and/or the equivalent cash value or combinations thereof comprised in the Proposed ESS granted and/or awarded to him from time to time, provided always that not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the Shares available under the Proposed ESS shall be allocated to any eligible Director or employee who, either singly or collectively through persons connected with the eligible Director or employee, holds twenty percent (20%) or more of the total number of issued Shares (excluding treasury shares), subject always to such terms and conditions and/or any adjustment which may be made in accordance with the By-Laws governing and constituting the Proposed ESS as set out in Appendix I of the Circular." **Resolution 13**

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

By Order of the Board

JOHNSON YAP CHOON SENG (MIA 20766)
SEOW FEI SAN (MAICSA 7009732)
Secretaries

Petaling Jaya
24 August 2020

Notice of Annual General Meeting

Notes:

1. The Sixty-Sixth Annual General Meeting will be conducted virtually through live streaming and online remote voting via the Remote Participation and Voting facilities which are available on Securities Services e-Portal at https://sshsb.net.my/.

   Should you wish to personally participate at the Meeting remotely, please register electronically via Securities Services e-Portal at https://sshsb.net.my/ by registration cut-off time and date. Please refer to the Administrative Guide for the Sixty-Sixth Annual General Meeting for further details.

   The Administrative Guide for the Sixty-Sixth Annual General Meeting is available for download at www.rce.com.my.

2. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Members/proxies will not be allowed to be physically present at the broadcast venue.

3. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 14 September 2020 shall be eligible to participate and vote at the Sixty-Sixth Annual General Meeting.

4. A member entitled to participate and vote at the Meeting is entitled to appoint not more than two (2) proxies to participate 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. There shall be no restriction as to the qualification of the proxy.

5. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

6. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said account.

7. A member who is an exempt authorised nominee is entitled to appoint multiple proxies for each omnibus account it holds.

8. 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 an officer or attorney duly authorised.

9. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting. Alternatively, you may submit the Form of Proxy electronically via Securities Services e-Portal at https://sshsb.net.my/.

Explanatory Notes:

(i) The Audited Financial Statements under Agenda 1 are meant for discussion only in accordance with Section 340(1)(a) of the Companies Act 2016 and do not require shareholders' approval. Hence, this Agenda will not be put forward for voting.

(ii) **Resolution 2 - Directors' Benefits**

Pursuant to Section 230(1) of the Companies Act 2016, fees and benefits payable to the Directors of the Company shall be approved at a general meeting.

The proposed Resolution 2 is to seek shareholders' approval for the payment of Directors' benefits for the period from 23 September 2020 until the next Annual General Meeting ("AGM") of the Company ("Relevant Period") up to an aggregate amount of RM700,000.

In determining the estimated total Directors' benefits for the Relevant Period, the size of the Board and Board Committees and the number of meetings estimated to be held during the Relevant Period were taken into consideration.

(iii) **Resolution 8 - Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

The Ordinary Resolution proposed under Agenda 7 is for the purpose of seeking a renewal of the general mandate ("General Mandate") and if passed, will empower the Directors of the Company pursuant to Section 75 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new share in the Company was issued pursuant to the mandate granted to the Directors at the Sixty-Fifth AGM of the Company held on 28 August 2019.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to funding future investment, working capital, acquisitions or such other purposes as the Directors consider would be in the best interest of the Company.

(iv) **Resolutions 9 and 10 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

The Ordinary Resolutions proposed under Agendas 8 and 9, if passed, will renew the existing mandate and grant new mandate to allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Notice of Annual General Meeting

(v) **Resolution 11 - Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution proposed under Agenda 10, if passed, will allow the Company to purchase up to 10% of the total number of issued ordinary shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(vi) **Resolution 12 - Proposed Establishment of a New Employees' Share Scheme ("Proposed ESS")**

The Ordinary Resolution proposed under Agenda 11, if passed, will allow the Company to establish a new employees' share scheme which comprises:

(a) an employees' share option scheme which will entitle the eligible executive directors and employees of the Company and its subsidiaries, excluding dormant companies ("Eligible Persons"), upon exercise, to subscribe for new and/or existing ordinary shares in the Company ("Shares") at a specified future date at a pre-determined price; and
(b) a restricted share grant plan which entitles the Eligible Persons to receive new and/or existing Shares at no consideration and/or the equivalent cash value of such Shares or combinations thereof, based on certain vesting conditions or performance targets to be met.

(vii) **Resolution 13 - Proposed Allocation to Loh Kam Chuin, Chief Executive Officer of the Company, under the Proposed ESS**

The Ordinary Resolution proposed under Agenda 12, if passed, will allow the Company to offer and grant to Loh Kam Chuin, options to subscribe or acquire Shares at a specified future date at a pre-determined price and to receive new and/or existing Shares at no consideration and/or the equivalent cash value of such Shares or combinations thereof.

Further information on the Proposed Shareholdes' Mandate, Proposed Renewal of Share Buy-Back Authority and Proposed ESS are set out in the Circulars/Statement to Shareholders dated 24 August 2020 which are available on the Company's website at www.rce.com.my.

RCE

RCE CAPITAL BERHAD

Registration No. 195301000151 (2444-M)

FORM OF PROXY

I/We ____ NRIC No./Passport No./Company No.: ________________________

of ____

being a member/members of **RCE CAPITAL BERHAD**, hereby appoint:

(1) Name of Proxy: ____________________________________ NRIC No./Passport No.: ________________________________

Address: ____

Email: ____ Tel No.: ____

(2) Name of Proxy: ____________________________________ NRIC No./Passport No.: ________________________________

Address: ____

Email: ____ Tel No.: ____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Sixty-Sixth Annual General Meeting of the Company to be conducted virtually at the broadcast venue at Main Hall, Level 1, PJ Tower, No. 18 Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, Malaysia on Tuesday, 22 September 2020 at 10.30 a.m. and at any adjournment thereof, in the manner as indicated below:

No.	Resolutions	For	Against
1.	To approve the payment of Directors' fees.		
2.	To approve the Directors' benefits.		
3.	To re-elect Mr. Thein Kim Mon as Director.		
4.	To re-elect Mr. Lum Sing Fai as Director.		
5.	To re-elect Mr. Soo Kim Wai as Director.		
6.	To re-elect Datuk Mohamed Azmi bin Mahmood as Director.		
7.	To re-appoint Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	Authority to issue shares pursuant to Section 75 of the Companies Act 2016.		
9.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
11.	Proposed Renewal of Share Buy-Back Authority.		
12.	Proposed Establishment of a New Employees' Share Scheme ("Proposed ESS").		
13.	Proposed Allocation to Loh Kam Chuin, Chief Executive Officer of the Company, under the Proposed ESS.		

Please indicate with an "X" in the spaces 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 _____________________, 2020.

No. of Shares Held		
CDS Account No.		
Proportion of holdings to be represented by each proxy	Proxy 1 %	Proxy 2 %

____

Signature of Shareholder/Common Seal

Tel No. (During office hours): ____________________

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Please fold here

STAMP

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Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

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