RCE

RCE CAPITAL BERHAD

195301000151 (2444-M)

ANNUAL REPORT 2021

member of

AMCORP

Contents

Membantu anda dengan
MUDAH dan CEPAT

Corporate Information

BOARD OF DIRECTORS

Shahman Azman
Non-Independent
Non-Executive Chairman

Tan Sri Mazlan bin Mansor
Independent Director

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)
(SSM PC No. 202008000685)

Seow Fei San
(MAICSA 7009732)
(SSM PC No. 201908002299)

REGISTERED OFFICE

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

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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

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

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

RCE CAPITAL BERHAD

100% I **RCE Marketing Sdn Bhd**

- Provision of shariah-compliant and conventional financing services

100% I **Zamarad Assets Berhad ("ZAB")**

100% I **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 issuance of RM900.0 million Sukuk Murabahah Asset-Backed Securitisation and RM2.00 billion Asset-Backed Securitisation Islamic Medium Term Notes Programmes respectively

100% I **RCE Trading Sdn Bhd**

- Investment of securities

100% I **RCE Sales Sdn Bhd**

- Provision of general financing services

100% I **Mezzanine Enterprise Sdn Bhd**

- Provision of financial administrative services

100% I **EXP Payment Sdn Bhd**

- Processing and administration of payroll collection

100% I **RCE Factoring Sdn Bhd**

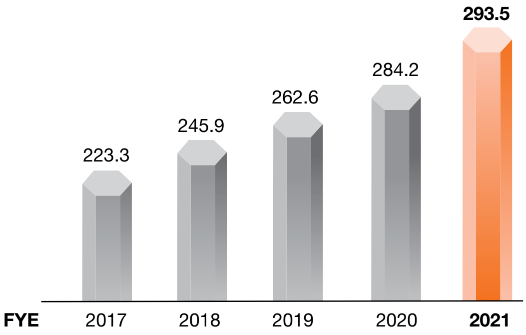
- Confirming and factoring, provision of shariah-compliant financing services, industrial hire-purchase specialising in trade-related activities and general trading

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

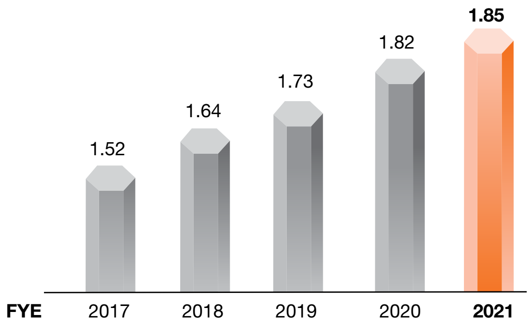
Group Financial Highlights

Financial Years Ended 31 March		2017	2018	2019	2020	2021
Profitability						
Revenue	(RM'000)	223,331	245,906	262,570	284,197	293,459
Profit before tax and allowances for impairment loss on receivables	(RM'000)	128,622	146,968	154,814	171,990	182,815
Profit before tax	(RM'000)	101,490	117,373	131,089	148,900	167,223
Net profit attributable to owners of the Company	(RM'000)	78,949	88,681	95,533	110,581	124,633
Key Consolidated Statements of Financial Position Data						
Total assets	(RM'000)	1,702,109	1,858,790	2,226,143	2,431,032	2,490,706
Financing receivables, net	(RM'000)	1,411,561	1,524,707	1,598,706	1,689,915	1,721,180
Financing liabilities (net of deposits, cash and bank balances)	(RM'000)	1,054,230	1,101,274	1,112,482	1,094,200	1,072,718
Net assets ("NA") attributable to ordinary shareholders	(RM'000)	441,361	519,273	583,516	673,363	774,031
Key Financial Indicators						
NA per ordinary share	(RM)	1.31	1.52	1.71	1.92	2.15
Return on average equity	(%)	17.59	18.46	17.42	17.60	17.22
Earnings per share:						
Basic	(sen)	23.92	26.03	28.02	31.83	35.03
Diluted	(sen)	23.82	25.98	27.95	31.71	34.99
Gearing ratio	(times)	2.39	2.12	1.91	1.62	1.39
Net dividend per share	(sen)	3.00	7.00	9.00	11.00	13.00
Dividend payout ratio	(%)	13	27	33	35	38
Return on average total assets	(%)	4.85	4.98	4.68	4.75	5.06
Number of ordinary shares outstanding (net of treasury shares)	(unit)	336,740	342,022	341,908	350,333	360,050
Share price as at financial year end	(RM)	1.78	1.23	1.63	1.49	2.60

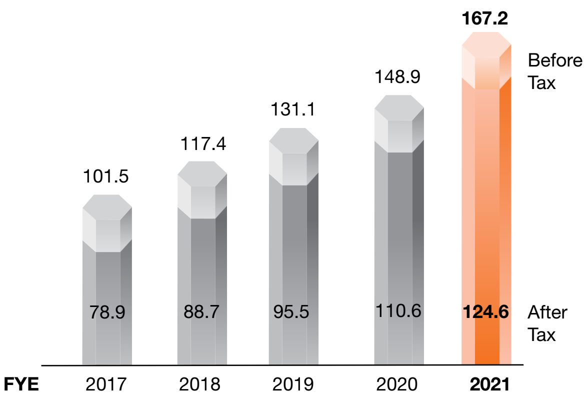
Revenue (RM'mil)



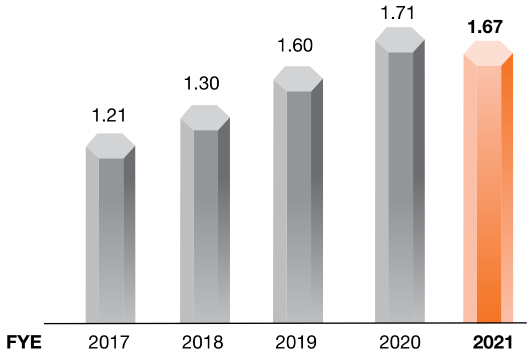
Financing Receivables (RM'bil)



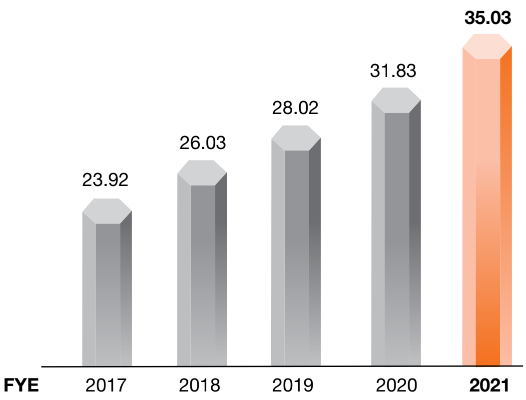
Profits (RM'mil)



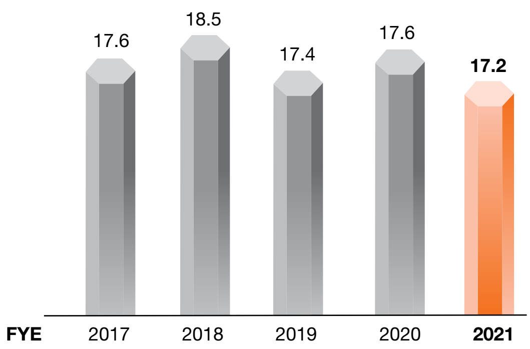
Financing Liabilities (RM'bil)



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 46, 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.

TAN SRI MAZLAN BIN MANSOR
Independent Director

Tan Sri Mazlan bin Mansor, a Malaysian, male, aged 61, was appointed to the Board on 1 October 2020.

He holds a LLB (Hons) from University of Wales, Aberystwyth and obtained a Certificate in Legal Practice (CLP).

He had served in the Royal Malaysia Police for almost 41 years until his retirement as the Deputy Inspector-General of the Royal Malaysia Police in August 2020, having joined as a Senior Police Officer in 1979.

Throughout his policing career, Tan Sri Mazlan had held various senior positions within the Royal Malaysia Police, including Director of Commercial Crime Investigation Department, Chief Police Officer of Selangor, Commissioner of Police Sarawak, Chief Police Officer of Melaka and he has vast experience in investigation work. He has received numerous state and federal awards for his invaluable contribution towards the public service, particularly in the area of public security.

Tan Sri Mazlan also sits on the Board of Amcorp Properties Berhad and AmREIT Managers Sdn Bhd, the Manager of AmFirst Real Estate Investment Trust.

DATUK MOHAMED AZMI BIN MAHMOOD
Independent Director

Datuk Mohamed Azmi bin Mahmood, a Malaysian, male, aged 67, 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.

TAN BUN POO
Independent Director

Mr. Tan Bun Poo, a Malaysian, male, aged 71, 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 and UEM Edgenta Berhad.

MAHADZIR BIN AZIZAN
Independent Director

Encik Mahadzir bin Azizan, a Malaysian, male, aged 72, 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 40 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, Securities Industry Dispute Resolution Center and Chairman of AmanahRaya-Kenedix REIT Manager Sdn Bhd, the Manager of AmanahRaya Real Estate Investment Trust.

THEIN KIM MON
Independent Director

Mr. Thein Kim Mon, a Malaysian, male, aged 66, 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.

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 60, 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.

SHALINA AZMAN
Non-Independent Non-Executive Director

Puan Shalina Azman, a Malaysian, female, aged 54, 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 56, 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 25 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 54, was appointed Chief Executive Officer 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**
Tan Sri Mazlan bin Mansor	Member			
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 51, 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 30 years of experience in financial reporting, corporate finance, company secretarial, audit, information technology and other management discipline.

OON HOOI KHEE
Chief Business Officer

Ms. Oon Hooi Khee, a Malaysian, female, aged 50, 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 you the Annual Report of RCE Capital Berhad and its subsidiaries ("the Group") for the financial year ended ("FYE") 31 March 2021.

ECONOMIC REVIEW

The year 2020 was an unprecedented one with the COVID-19 pandemic ("pandemic") turning the world into a global health crisis. In response to this, governments around the world imposed various levels of lockdowns to contain the spread of the virus which have severely impacted economies and businesses as activities across many sectors were forced to a near standstill. Various restrictive containment measures have led to weaker global demand and interrupted cross-border supply chains. Amidst these challenges, large fiscal and monetary stimulus measures were implemented across the globe to alleviate the impact induced by the pandemic.

On the home front, Malaysia is not spared from a significant economic downturn in 2020 as we are a trade-dependent nation. Widespread measures to curb the pandemic have dampened international demand and disrupted production, resulting in a sharp contraction in trading activities. Micro, small and medium-sized enterprises ("MSME") were the hardest hit. They did not have adequate liquidity buffers to remain afloat until the economy could be reopened. Hence, a series of stimulus packages such as Bantuan Prihatin Nasional and wage subsidy programme were introduced by our Government, to protect businesses and livelihoods from this economic fallout. As a result, Malaysia's gross domestic product ("GDP") growth registered a 5.6% contraction in 2020 (2019: 4.3% growth).

In addition to these direct fiscal measures, the Government mandated a blanket 6-month financing moratorium for both businesses and consumers across the entire banking industry to smoothen cash flow constraints and support recovery for MSME. Being part of the community, the Group also offered 6-month targeted moratorium to genuinely affected customers. Notwithstanding that, our underlying asset quality remains healthy as customers are civil servants with job security in this challenging operating environment.

To further stimulate our economy, Bank Negara Malaysia ("BNM") slashed the Overnight Policy Rate ("OPR") to its lowest ever at 1.75%, ensuring sufficient liquidity and stable market environment. Towards the end of 2020, the Government also announced Malaysia's largest-ever budget allocation of RM322.54 billion for Budget 2021 to help revive our economy. Having said that, the Group remains mindful to ensure organisational resilience throughout the recovery process.

PERFORMANCE REVIEW

Despite operating in the worst economic climate since the last global financial crisis in 2007 to 2008, the Group performed well and was able to register an increase in revenue. Revenue of the Group was RM293.5 million for FYE 31 March 2021, representing a growth of 3.3% as compared to a year ago. This was largely contributed by higher early settlement income arising from refinancing activities by customers and backed by a marginal financing base growth of 1.4% to RM1.85 billion.

Our management always strives to manage costs in relation to both financing and operational requirements. Between 5 May 2020 and 7 July 2020, BNM dropped the OPR by a total of 75 basis points to 1.75%. In tandem with this, the Group managed to reduce its weighted average financing cost to 2.6% to 5.5% (FYE 2020: 4.2% to 5.7%). Management's continuous optimisation of operational costs allowed the Group to achieve further improvement in cost to income ratio at 21.1%, down from 22.2% a year ago.

On the other hand, lower allowances for impairment charge of RM15.6 million was recognised (FYE 2020: RM23.1 million), taking into account a better forecast Real GDP, a forward looking variable used for the expected credit loss calculation. It was also a result of sound credit underwriting as the Group has been ensuring the underlying asset quality is able to fit in our credit risk management and underwriting criteria.

Correspondingly, the Group posted a higher profit after tax of RM124.6 million for the financial year under review, a 12.7% increase as compared to a year ago. The overall improvement in financial performance resulted in a higher earnings per share of 35.0 sen and a return on average equity of 17.2%.

CORPORATE DEVELOPMENT

In May 2020, the Group completed the conversion of its major business partners' financing from conventional to shariah. This milestone was ten years in the making when a financing relationship was first forged with them. It is also a significant milestone as we can now declare that we operate in an end-to-end shariah-compliant financing ecosystem.

Following this, the Group embarked on its journey to meet the qualitative and quantitative requirements set by Shariah Advisory Council ("SAC") of Securities Commission Malaysia. To ensure a proper follow through on those requirements, the Group also appointed a reputable shariah consultant to advise and review our conversion processes. Hence, the Group is hopeful to be included as a shariah-compliant counter in November 2021 upon passing the review by SAC.

Meanwhile, three more sukuk tranches amounting to RM350.0 million were issued by Zamarad Assets Berhad, a special purpose bankruptcy remote vehicle for RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation Programme, in September 2020, November 2020 and July 2021 respectively. The issuance amount of these tranches ranged from RM107.0 million to RM127.0 million. Following its sixth tranche, the remaining programme limit for future issuances stands at RM1.14 billion.

INVESTOR RELATIONS

The Group remains committed to upholding the highest standards of disclosure and corporate governance practices. Our Investor Relations team ("IR team") ensures timely announcements of business activities and corporate developments on the Group's website at www.rce.com.my.

The IR team engages in regular communication with stakeholders, investors and analysts to provide constructive feedback for management consideration in decision-making and strategy planning. Communicating information and developments to external investors is important when the external environment is uncertain. Throughout the financial year and various stages of the Movement Control Order, the IR team conducted quarterly briefings to analysts and fund managers via video communications and other online tools.

Analysts from Maybank Investment Bank Berhad, KAF Equities Sdn Bhd and RHB Investment Bank Berhad have been covering the Group since September 2016, January 2018 and January 2020 respectively.

The Group also held its first virtual Annual General Meeting on 22 September 2020.

SUSTAINABILITY DEVELOPMENT

Sustainability is integral to our business growth and it was proven to be crucial in FYE 2021 amidst the disruptive pandemic. Having embarked on our sustainability journey for the fourth year, we have made incremental improvements in identifying risks and opportunities in the areas of economic, environmental, social and governance.

Following that, we have carried out our second materiality assessment with participants selected from stakeholder groups. Identified elements were then factored into our Sustainability Reporting of material sustainability matters, with adherence to Bursa Malaysia Securities Berhad Main Market Listing Requirements.

In view of macroeconomic uncertainties, we have continued to document risks and impact associated with the abovementioned areas in our Sustainability Matters Register to ensure all the matters remain relevant.

On 22 June 2020, RCE Capital Berhad was included as one of the constituents of FTSE4Good Bursa Malaysia Index. This inclusion was a testament to our commitment towards conservation of the environment, corporate social responsibility and good governance.

For further details about our sustainability efforts, please refer to Sustainability Statement that can be found in this Annual Report.

DIVIDEND

For many years, we have had a policy of rewarding our shareholders with consistent dividend payments. Since FYE 2019, prudent financial management has guided our policy of paying dividends of between 20.0% and 40.0% of the Group's profit after tax. Our financial management takes into account balancing cash flow needs and business obligations.

The Group paid the first interim dividend of 6.0 sen per share on 7 December 2020, amounting to RM21.5 million. Following this payout, the second interim dividend of 7.0 sen paid on 29 July 2021, amounting to RM25.5 million. The total dividend amount paid of RM47.0 million equates to a total payout ratio of 37.7%, which is within the dividend range.

LOOKING AHEAD

We are hopeful that the pandemic will ease in 2021/2022, largely due to global vaccination efforts. However, the economic impact of the pandemic will likely extend over a longer time frame. Despite a long economic shadow cast by the pandemic, the International Monetary Fund projects that global GDP will grow by 6.0% in 2021 after much of the world reopens. The USD1.90 trillion domestic stimulus package in the United States, growth in China and the gradual return of international air travel and tourism will further support this recovery.

Domestically, BNM estimates that Malaysia's economy will grow between 3.0% and 4.0% in 2021. Despite the resurgence of COVID-19 cases and the Full Movement Control Order ("FMCO") from 1 June 2021 to 28 June 2021, Malaysian economy is expected to rebound in late 2021. It will be driven by various phases of the National Recovery Plan ("NRP") following the FMCO. These include less stringent containment measures subsequent to phased vaccine rollout, improved cross-border trade activities and continued accommodative policies. The NRP will support employment and income recovery, thus boosting consumer sentiment and ensuring a progressive normalisation in economic activities.

Nevertheless, the Group strives to be a responsible financier. Our focus will consistently be on quality financial growth to deliver sustainable returns to our shareholders. Additionally, the Group will continuously focus on improving operations, expanding distribution channels and tightening risk management framework to enhance customer experience as well as value creation.

The timely and effective use of technology can help streamline businesses, therefore, digital and transformational innovations that can help us achieve increased operational efficiencies remain central in our annual capital expenditure. The Group recognises that as we embrace the 'new normal', the digital economy will inevitably play a bigger role.

ACKNOWLEDGMENT

I would like to take this opportunity to welcome Tan Sri Mazlan bin Mansor to the Board of Directors of the Company. The Company appointed Tan Sri Mazlan as an Independent Director on 1 October 2020. Tan Sri Mazlan has served in the Royal Malaysia Police for almost 41 years until his retirement as the Deputy Inspector-General of the Royal Malaysia Police in August 2020. His addition will complement the existing Board and I look forward to his contributions to the Group.

On behalf of the Board, I extend my deepest gratitude to all our shareholders, customers, business partners and other stakeholders for their continued support throughout the year. I would also like to thank my fellow Board members, the management team and our employees for their relentless commitment and efforts in creating value for the Group amid these challenging times.

Furthermore, I would like to take this opportunity to convey our appreciation to the regulators for the guidance as well as support extended to us.

Finally, I would like to express our utmost appreciation to the healthcare, law enforcement and essential services/ front liners for their tireless and selfless work in the fight against the pandemic.

Shahman Azman
Chairman

Management Discussion and Analysis

OUR BUSINESS

RCE Capital Berhad ("RCE") is an investment holding company, listed on the Main Market of Bursa Malaysia Securities Berhad since 23 August 2006, and a subsidiary of Amcorp Group Berhad. RCE's subsidiaries core business is in the provision of financial services focused on providing shariah-compliant financing with the aim of generating sustainable returns to its stakeholders.

Key contributors to the Group are RCE Marketing Sdn Bhd ("RCEM") and its subsidiaries ("RCEM Group") and EXP Payment Sdn Bhd ("EXP"). These entities collectively serve as total solutions provider to our business partners, which in turn also provide shariah-compliant financing to their end customers who are primarily civil servants. Repayments from these customers are through monthly direct salary deductions.

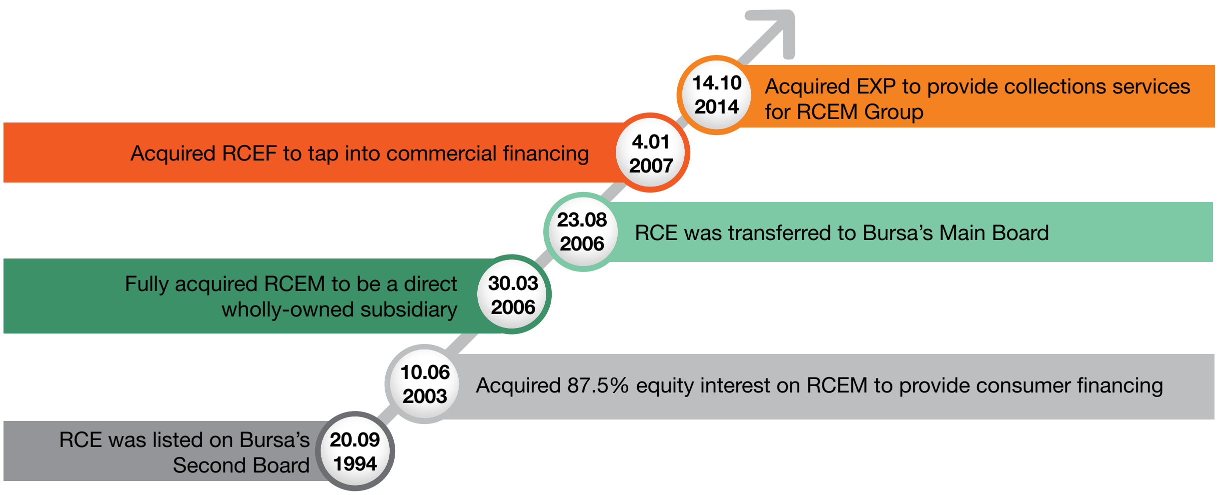
The Group acquired RCE Factoring Sdn Bhd ("RCEF") and EXP back in 2007 and 2014 respectively to complement the core business. RCEF offers both conventional and shariah-compliant financing to its designated customer segment, in addition to commercial financing to small and medium-sized enterprises via factoring and confirming arrangements.

Meanwhile, EXP provides salary deduction collection management services for Government departments. The deduction is done under the purview of the Accountant General's Department of Malaysia as an alternative to deduction services provided by Biro Perkhidmatan Angkasa.

OUR STRATEGY

As a responsible financial service provider, the Group is committed to adopting industry-wide best practices, maintaining ethical sales channels and developing fair risk-based pricing products. We, as an organisation, strive to provide exceptional customer service and quick turnaround time. Our belief is that catering to our customers' needs by deploying suitable technologies and process innovations are meaningful ways to create long term growth in our consumer financing business.

RCE aims to become a fully shariah-compliant financier and have embarked on this journey by refinancing all the conventional facilities to shariah-compliant facilities extended to our two main business partners. By so doing, we are now operating in a complete end-to-end shariah-compliant ecosystem. Considering the market environment that we operate in, this is the proper strategy for the Group's business sustainability.



SUMMARY OF GROUP FINANCIAL PERFORMANCE

For the financial year ended ("FYE") 2021, the Group recorded a higher revenue of RM293.5 million from RM284.2 million in FYE 2020, a 3.3% year-on-year growth. This was mainly led by higher early settlement income arising from higher refinancing activities by customers, backed by marginal financing base growth of 1.4% from RM1.82 billion in FYE 31 March 2020 to RM1.85 billion. Revenue growth remained healthy despite the COVID-19 pandemic ("pandemic") driven disruptions as a result of our effort in implementing ongoing sales and marketing initiatives to boost disbursements.

Meanwhile, profit expense of the Group decreased from RM81.7 million to RM80.4 million in FYE 2021. This was mainly due to repayment and full settlement of existing term financing as well as reduction in overnight policy rates announced by Bank Negara Malaysia ("BNM") in May and July 2020, offset partially with higher profit expense from additional two sukuk issuances during the financial year. We monitor profit expense to ensure that our cost of fund ("COF") remains at a level that eases product development by continuously sourcing for cheaper funding. To-date, additional sukuk issuances have brought down the Group's COF by approximately 25 basis points.

To support business expansion, the Group also continuously source for shariah-compliant financing. This is in line with the Group's direction to be a shariah-compliant financial service provider and broaden the choices of financiers, further to providing room for securitisation or pledging of its financing receivables for other and/or future banking facilities.

Revenue
RM'million

2021: 293.5

2020: 284.2

Financing Receivables
RM'billion

2021: 1.85

2020: 1.82

Financing Growth
%

2021: 1.4

2020: 5.3

Profit Expense Applicable to Revenue
RM'million

2021: 80.4

2020: 81.7

Non-core income of the Group is mainly contributed by profit income generated from deposits placed with licensed financial institutions and bad debts recoveries. As at 31 March 2021, non-core income was RM19.0 million, a 1.2% growth from RM18.8 million in FYE 2020.

Non-Core Income
RM'million

2021: 19.0

2020: 18.8

Our operating expenses remained constant at RM49.3 million in FYE 2021. This was a direct result of active cost management where overall reduction was achieved despite recording higher directors' remuneration and staff costs as well as depreciation of plant and equipment and right-of-use assets. Correspondingly, the Group managed to improve its cost to income ratio to 21.1% in FYE 2021 from 22.2% in FYE 2020.

Operating Expenses
RM'million

2021: 49.3

2020: 49.3

Cost to Income Ratio
%

2021: 21.1

2020: 22.2

The Group also recognised lower allowances for impairment charge of RM15.6 million as compared to a year ago of RM23.1 million. This is after taking into account an improved forecasted Real Gross Domestic Product which is a forward looking variable used for calculation of expected credit loss. The forward looking variable is based on the financial reporting requirements in MFRS 9. We are required to apply the latest economic scenarios and reflect an unbiased probability-weighted range of possible future outcome to ensure prudent asset quality assessment. Lower impairment allowances were also contributed by our sound credit risk management and underwriting criteria, which is objectively guided by the Group's credit scoring model that has been in effect since May 2013.

The Group's gross impaired financing ("GIF") has improved to 6.7% in FYE 2021 from 7.1% in FYE 2020. GIF improved as our end customers are civil servants with good job security. Financing loss coverage stood at 168.4%, lower than FYE 2020 of 173.0% but sufficiently strong as our collection from customer is via direct salary deduction which mitigates the risk of non-repayment.

Gross Impaired Financing
%

2021: 6.7

2020: 7.1

Financing Loss Coverage
%

2021: 168.4

2020: 173.0

Following the above, the Group recorded a higher of profit before tax of RM167.2 million, representing a 12.3% increase from RM148.9 million in FYE 2020. Overall, the Group delivered a solid growth of 12.7% in its profit after tax to RM124.6 million from RM110.6 million a year ago.

Profit Before Tax
RM'million

2021: 167.2

2020: 148.9

Profit After Tax
RM'million

2021: 124.6

2020: 110.6

The Group recorded a return on average equity of 17.2% and a higher earnings per share of 35.0 sen for the current financial year.

Return on Average Equity %	Earnings Per Share Sen
2021: 17.2	2021: 35.0
2020: 17.6	2020: 31.8

BUSINESS OPERATIONS REVIEW

During the financial year under review, the main priority was to ensure that operational disruptions were kept to a minimum while balancing the health, safety and well-being of our employees during the pandemic. As part of and in addition to compliance with Government measures, the Group established standard operating procedures ("SOPs") to serve as requirements for employees to adhere to strictly. Essential training like regulatory updates and requirements were gradually shifted online. Daily online self-care tips were also shared with employees during these unprecedented times.

All employees working from home are digitally enabled with a desktop or laptop that allows them to log on to the company's Virtual Private Network. However, there were some challenges such as internet coverage at employees' residence and document delivery to various stakeholders arising from the movement restrictions. Additionally, some employees were required to be physically present in the office for essential operational and regulatory tasks that had set timelines.

Our customers were encouraged to email or courier application documents as an alternative to physical submission through service counters. Whilst online communication channels remained available for customers to reach us, in early March 2021, chatbots or virtual chat assistance were launched in our business partners' websites and Facebook pages. It marked another step forward in facilitating better interaction and user experience with customers. In view of safety concerns, physical marketing initiatives were postponed in favour of building a stronger online presence.

Amidst challenging market conditions, we launched promotional campaigns and incentives to boost demand for our financial products. As part of our overall shariah-compliant branding push, the Group also introduced a new marketing logo to develop a distinct and recognisable brand presence for our target market.

RCE Membantu anda dengan MUDAH dan CEPAT

Our credit risk strategy remains anchored around a balance between credit quality, profitability and sustainable growth. It is formulated by keeping in mind the Group's overall credit risk appetite and exposure. We also carry out periodic reviews on our credit policies and frameworks to ensure that they stay up to date.

LIQUIDITY RISK MANAGEMENT

The Group maintains sufficient liquidity through active Asset Liability Management which aims to match assets and liabilities. To allow for better management and decision making, rolling cash flow projections are prepared throughout the financial year. Furthermore, we constantly look at ways to maintain optimal mix of fixed and floating rated financing liabilities to manage the profit rate risk.

As at 31 March 2021, the Group's financing liabilities consisting of sukuk, term financing/loans and revolving credits stood at RM1.67 billion, which equates to a stable gearing ratio of less than 2 times.

To-date, RCE has issued six tranches of the RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation Programme via Zamarad Assets Berhad ("ZAB") totalling RM859.0 million, out of which RM79.0 million is subscribed internally by the Group's subsidiary, RCE Trading Sdn Bhd. We activated the Revolving Option ("RO") feature for the sixth tranche with an issuance size of RM124.0 million in July 2021. This RO feature allows ZAB to purchase additional receivables from a subsidiary, RCEM by utilising its excess funds from the sinking funds. The proceeds received by RCEM will be subsequently used to generate new disbursements, thereby providing ongoing funding for the Group and minimising negative carry.

Financing Liabilities
RM'billion

2021: 1.67

2020: 1.71

Total cash and cash equivalents of the Group stood at RM597.9 million as at 31 March 2021. Out of this amount, a total of RM571.0 million was in relation to deposits with licensed financial institutions, mainly derived from collections remitted into sinking funds for future payments of sukuk principal and profit expense. These deposits are managed by independent trustees of the respective Sukuk programmes and are placed in financial institutions with proven track records as well as competitive deposit rates.

As at 31 March 2021, the Group had RM72.8 million (FYE 2020: RM300.1 million) and RM577.6 million (FYE 2020: RM594.6 million) financing liabilities and deposits respectively with AmBank Group. Whilst we have common ultimate shareholders, all transactions relating to those financing liabilities and deposits were based on full competitive terms.

CAPITAL MANAGEMENT/INVESTMENTS

The Group practices effective capital management for the sustainability of its core business. In FYE 2021, we focused on maintaining a strong capital base as a continuation of our capital management strategy, compliance with regulatory requirements and expectations of various stakeholders.

Recognising that remote workforce and work from home environments carry a new set of risks on the cybersecurity front, the Group prioritised a swift firewall upgrade as a preventive measure against cyberattacks and security breaches. The Group engages external cyber security professionals for penetration testing periodically to mitigate such risks.

During the various phases of movement control order, the readiness of our Business Continuity infrastructure allowed our employees to seamlessly adopt to working remotely. Meetings and discussions were conducted using video communication tools.

The digitalisation of the business have helped in smoothening out the deliveries to all stakeholders.

In FYE 2021, we allocated approximately RM2.9 million for investments in digital transformation, specifically on IT office infrastructure which has been completed and went live this financial year. Several other digitalisation initiatives are expected to be completed in FYE 2022. They will improve our online customer experience by enabling faster turnaround time through real-time customer verification and reduced manual financing applications.

Going forward, continuous investments in technology upgrades and process automation with a view to enhance customer experience is important for success. Ongoing enhancements will help the business to remain resilient during periods of disruption while maintaining a high degree of security over all corporate resources.

OUR PEOPLE

The Group has always viewed our people as the most valuable asset. Efforts have been made in cultivating and retaining the talent pool as they become more vital. In FYE 2021, we concentrated on strengthening our employees' competencies through investing in talent management and leadership development programmes. Our belief is that in an uncertain and turbulent environment, it is crucial for the workforce to have an agile mindset and to be equipped with the right skills and tools to thrive. As a matter of best practice, all our people are updated promptly on all relevant policies and SOPs.

For further details about our people, please refer to our Sustainability Statement on employment management and development that can be found in this Annual Report.

OUTLOOK FOR 2021/FYE 2022

The global Gross Domestic Product ("GDP") is set to return to positive growth in 2021 as countries adjust to the new normal and economic activities gradually increase back to previous levels. This is due to strict and prompt government interventions around the world with lockdowns and physical distancing SOPs slowing COVID-19 transmission in many countries. Notwithstanding the resurgence of cases in parts of the world, the global vaccination programme currently underway will drive the recovery of economic activities by improving consumer sentiment. Despite the pandemic's long economic shadow, International Monetary Fund projects that global GDP will grow by 6.0% in 2021.

On the domestic front, BNM estimated that the Malaysian economy will grow between 3.0% and 4.0% in 2021. The growth will be supported by less restrictive containment measures following the National Recovery Plan, COVID-19 vaccine rollout and continued policy assistance for household and businesses, thus improving consumer demand besides gradually normalising our economic activities.

In the meantime, we will continue with ongoing sales and marketing initiatives to boost disbursements to capitalise on financing demand during these turbulent times. We are currently better prepared to face uncertainties arising from the pandemic as we continue to engage in active costs management and close monitoring of collections.

The Group is mindful about our environment, social and governance ("ESG") commitments for sustainability of our business. We continue to calibrate our strategies and operations with ESG-related principles in mind. During this period, employees' health, safety and well-being are prioritised. A significant portion of our workforce is being enabled and empowered to work from home while the Group practises strict adherence to SOPs in relation to the pandemic.

By default, the Group will deploy technology to remain competitive and relevant. As the world shifts to a new normal, we are always on the lookout for innovations that can improve our operations and financial products, where value is increasingly delivered through the digital economy.

Sustainability Statement

Sustainable solutions are strategic priorities for RCE Capital Berhad ("RCE") and its subsidiaries ("the Group") to stay relevant and create sustainable value for stakeholders. The Board of Directors ("the Board") is pleased to present the Group's Sustainability Statement ("Statement"), summarising our efforts for the financial year ended 31 March 2021 ("FYE 2021").

SCOPE OF REPORTING

This Statement is issued in adherence to Bursa Malaysia Securities Berhad's ("Bursa") Main Market Listing Requirements and Sustainability Reporting Guide. It comprises the economic, environmental and social impacts of our main operating entities, namely RCE Marketing Sdn Bhd Group of Companies, Mezzanine Enterprise Sdn Bhd, EXP Payment Sdn Bhd and RCE Factoring Sdn Bhd. We have disclosed information on various performance indicators over the past three years.

OUR APPROACH TO SUSTAINABILITY

The Group is committed to improving its economic, environmental and social impacts to build a sustainable future for the communities within which we operate, accompanied by a set of defined corporate governance structure. Each year, targets and goals are created in consultation with our stakeholders. Achieving these targets and working towards our goals are fundamental to the success of the Group's sustainable growth.

On 1 July 2021, we became a Corporate Friend of Climate Governance Malaysia, the Malaysian chapter of World Economic Forum's Climate Governance Initiative. This complements our initiatives in managing our resources, enviromental impact and adaptation to climate change, bolstering our sustainability reporting as well as strengthening value creation.

Meanwhile, sustainability related key performance indicators are included in the annual appraisal exercise across the Group, including senior management as part of remuneration measurement. This demonstrates our commitment and tone from the top to ensure sustainable practices.

Board of Directors

- Oversees and governs the Group's sustainability agenda and strategies

Sustainability Management Committee

- Oversees sustainability efforts and advises the Board on sustainability-related matters

Sustainability Working Committee

- Identifies, assesses and manages related risks and opportunities
- Implements and monitors sustainability initiatives

SUSTAINABILITY GOVERNANCE STRUCTURE

Our Board oversees the sustainability agenda and strategies on economic, environmental, social as well as reinforcement of good corporate governance. It is supported by the Sustainability Management Committee ("SMART"), which is led by our Chairman, Encik Shahman Azman.

A Sustainability Working Committee is in place to identify, assess and manage sustainability risks and opportunities, in addition to implementing and monitoring related initiatives.

Our commitment towards conservation of sustainable future and good governance has garnered us notable corporate recognition. The FTSE4Good Bursa Malaysia Index added RCE as a constituent on 22 June 2020, a testament that we have met FTSE Russell's globally recognised standards.

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.

STAKEHOLDER ENGAGEMENT

Engaging and communicating with stakeholders enable us to meet their needs and develop sustainable growth. In FYE 2021, we engaged with nine key stakeholder groups through the methods shown below:

Business Partners

- Code of Conduct
- Formal and informal meetings
- Trainings/briefings
- Corporate website and Facebook

Frequency of Engagement:
Ongoing

Investors and Analysts

- Annual General Meeting [1]
- Corporate presentations [2]
- Investors relations briefings and roadshows [2]
- Financial statements [1]
- Corporate website [3]

Frequency of Engagement:
1. Annually 2. Quarterly 3. Ongoing

Financiers

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

Frequency of Engagement:
Ongoing

Sales Team

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

Frequency of Engagement:
Ongoing

Employees

- On-boarding programmes
- Code of Conduct
- Policies and procedures
- Performance appraisals
- Training and development programmes
- Staff wellness

Frequency of Engagement:
Ongoing

Government and Regulators

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

Frequency of Engagement:
Ongoing

Customers

- Customer service online enquiries-through website/email/facebook
- Customer service hotline
- Over-the-counter customer service

Frequency of Engagement:
Ongoing

Suppliers

- Code of Conduct
- Communication and transactions
- Meetings
- Conduct of due diligence

Frequency of Engagement:
Ongoing

Community

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

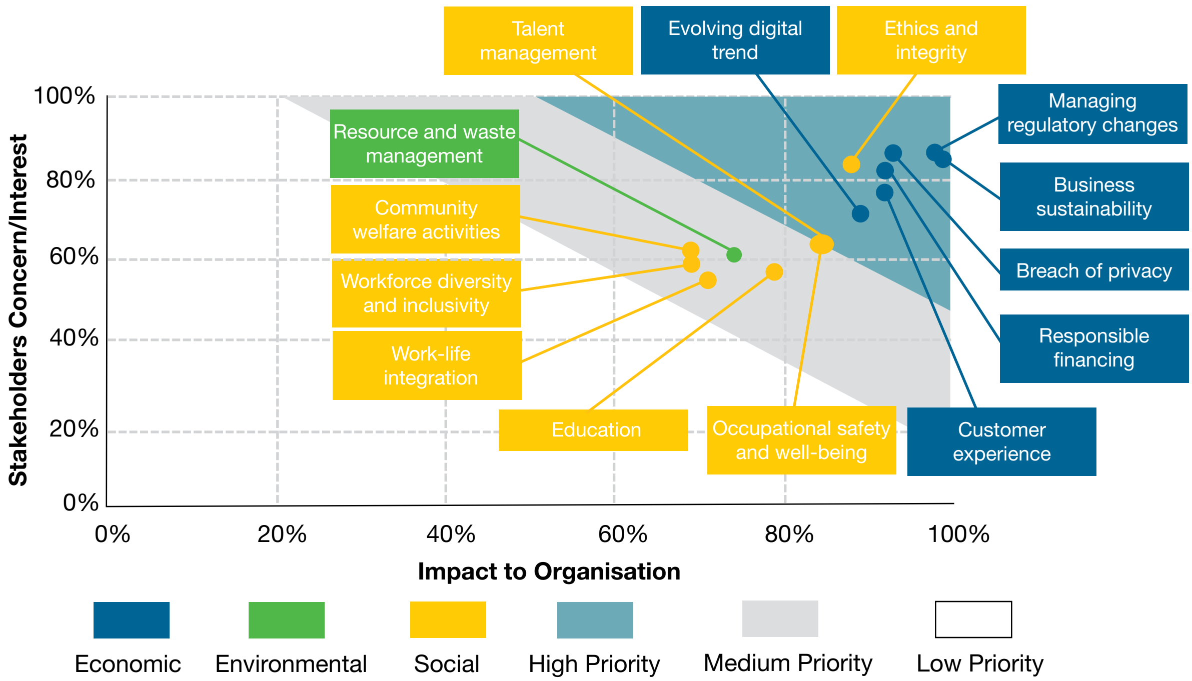
Frequency of Engagement:
Annually

MATERIALITY MATRIX

Materiality matrix reflects the significance of matters towards our business growth and stakeholders' interest. It is established based on the results of a materiality assessment and important to ensure RCE's business remains on track to create sustainable value for all our stakeholders. A focus group with representatives from both internal and external stakeholders were invited in previous financial years to review the Group's material sustainability issues as well as identify new economic, environmental and social factors that may impact to the business.

We carry out our materiality assessment biannually, where information is collected via survey from selected participants. Conducting thorough analysis assists the Group in ascertaining key risks and opportunities of material sustainability matters and deciding where to focus our internal resources. We compiled and plotted the survey response on our materiality matrix with reference to Bursa's Sustainability Reporting Guide and Toolkits.

Our prioritised material sustainability matters are shown in the matrix 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

MATERIAL SUSTAINABILITY MATTERS

A. ECONOMIC

i. Corporate Strategy

As a non-bank financial institution, our core business is in the provision of shariah-compliant financial services. To ensure a proper shariah governance framework is in place, we engage reputable consultants to provide advice on our daily business operations, conduct training and deliberate on shariah-related matters with relevant stakeholders.

Business Sustainability

Embedding sustainability solutions in our daily operations help minimise disruptions to business activities. Aligned with the essence of shariah-compliant financing, the Group's approach is premised on its duties as a responsible financial services provider and its accountability to stakeholders. Our responsibilities for integrating and managing business sustainability practices are also laid out in the Group's Policies and Standard Operating Procedures ("SOPs"). During the financial year under review, the Group conducted the following initiatives to stay competitive in the provision of personal financing:

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

An organisation's image and values fundamentally rely on its brand. Branding helps to set us apart from competitors, while promoting the uniqueness of our products and services. At RCE, we constantly launch new products and marketing campaigns apart from promoting brand presence with BPs and Sales Team as our major brand development exercises.

On 12 August 2020, we launched new product themes in a joint effort between RCE and our BPs namely As-Salam, Ad-Dean, Al-Firoz and Al-Eijaz. These new product themes have been included in our brochures and sales kit. The initiative aims to cater for various customer needs and instil top-of-mind awareness in our target market.

To enhance our online presence, we advertise and conduct campaigns on BPs' websites and Facebook pages from time to time to reach out to existing and new customers. We also introduced a new marketing logo as well as website banners during the financial year under review.

Membantu anda dengan
MUDAH dan CEPAT

Besides that, we continue to enhance on-ground presence by visiting government offices and distributing brochures, following strict adherence to relevant COVID-19 SOPs such as physical distancing.

In addition, we practise periodic updates on our corporate LinkedIn account, which was only created early this year and we standardised email signatures with corporate details to strengthen the Group's brand presence on a global scale. This enables us to build professional networks, increase credibility, attract new businesses and create opportunities for quality sales leads.

A. ECONOMIC (CONT'D)

i. Corporate Strategy (Cont'd)

2. Stable funding with prudent asset-liability management

As a financial service provider, funding stability is essential to ensure no disruption to business. With this in mind, the Group tapped into various sources of funding, taking into account its asset-liability requirement.

Our RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation Programme that was established in March 2019 via Zamarad Assets Berhad provides long-term funding to the Group due to its long programme tenure. Furthermore, it allows us to mitigate the risk arising from mismatch of assets and liabilities, which matches the tenure of cash flow generated from the Group's underlying assets.

Tranche	Issuance Date	Subscription		
		External	Internal*	Amount
		RM'mil	RM'mil	RM'mil
1	27 March 2019	240.0	25.0	265.0
2	26 July 2019	100.0	8.0	108.0
3	19 November 2019	120.0	8.0	128.0
4	7 September 2020	120.0	7.0	127.0
5	25 November 2020	100.0	7.0	107.0
6	8 July 2021	100.0	24.0	124.0
Utilised Amount		780.0	79.0	859.0
Unutilised Amount				1,141.0

To date, the Group has issued sixth tranches.

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

During the financial year, we redeemed RM10.0 million from the second tranche of RM108.0 million and RM15.0 million from the third tranche of RM128.0 million as per schedule on 27 July 2020 and 19 November 2020 respectively.

Additionally, we redeemed a total of RM70.0 million from our Al Dzahab Assets Berhad's RM900.0 million Sukuk Murabahah Asset-Backed Securitisation Programme upon maturity.

The above demonstrates the Group's commitment to honouring its obligations on time.

A. ECONOMIC (CONT'D)

i. Corporate Strategy (Cont'd)

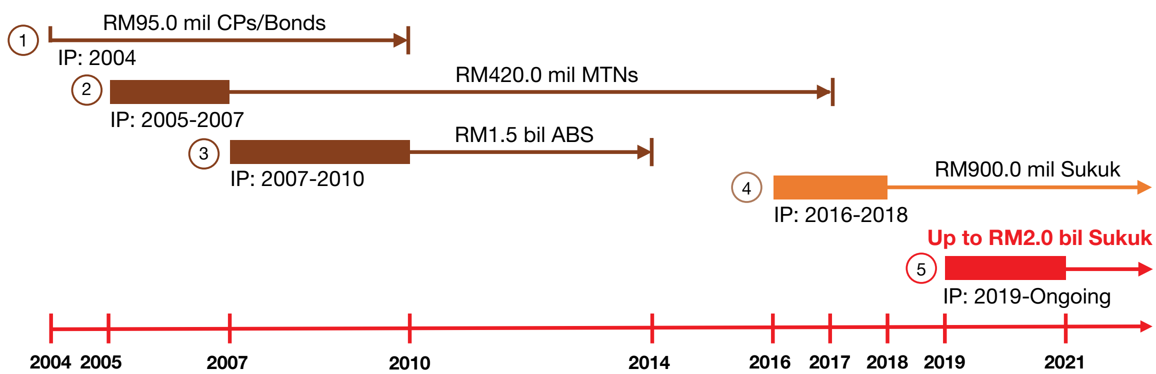
2. Stable funding with prudent asset-liability management (Cont'd)

Meanwhile, the Group has set and maintained a track record of either early or full redeemed all its previous private debt securities programmes:

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	**6th Issuance** July 2021
6.31% - 8.56%	7.81%	6.47%	5.51%	4.29%

Note: The above rates represent all-in cost.



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

We also leveraged on other banking facilities, including sourcing for unsecured and cheaper financing. We continue optimising our financing costs so as to deliver affordable financing to customers.

As at 31 March 2021, the Group maintained its financing liabilities at RM1.67 billion, a slight drop as compared to previous financial year of RM1.71 billion.

3. Robust collections management infrastructure for a smooth revenue stream

Cash flow is the heartbeat of our business. Maintaining a healthy cash flow at all times grants us flexibility and capacity to grow. With a robust collection mechanism, the Group is able to meet its financial, operational and liquidity requirements.

To reduce the risk of financial loss, we screen potential customers via our credit scoring model and evaluate their repayment capabilities. This is complemented with the establishment of internal control measures such as documenting the purpose of financing to ensure all transactions are closely monitored.

A. ECONOMIC (CONT'D)

i. Corporate Strategy (Cont'd)

3. Robust collections management infrastructure for a smooth revenue stream (Cont'd)

Two collection management service providers have been engaged to conduct salary deductions, namely:

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

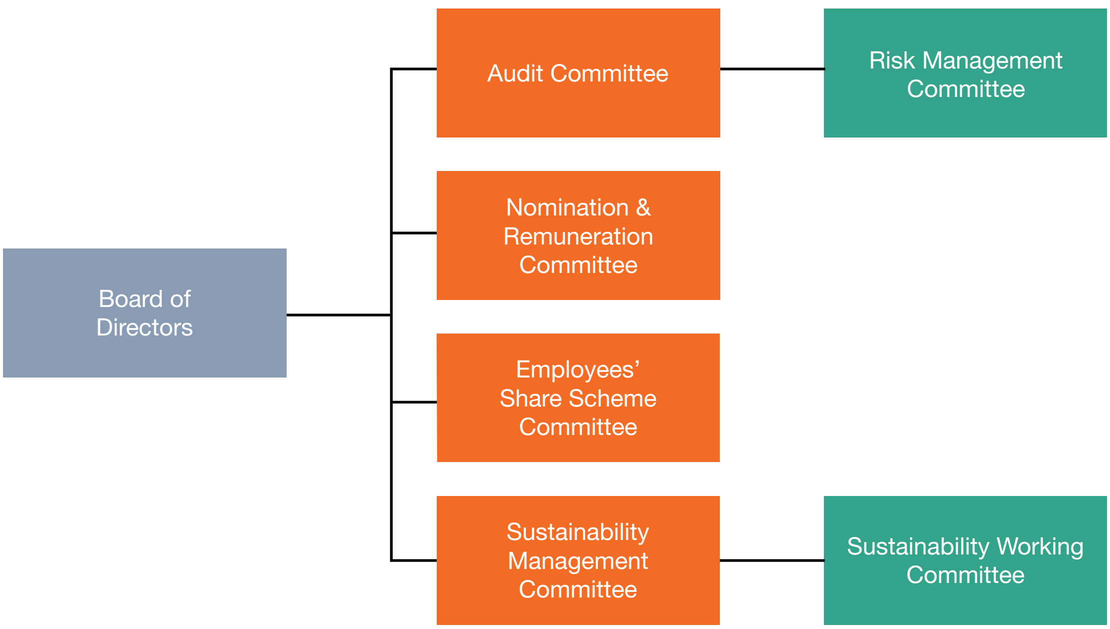
Maximum allowable deductions authorised by customers' employers and regulators are closely monitored. This is to ensure no interference in the booking and activation of monthly salary deductions. We monitor monthly repayments subsequent to booking and activation of the SDS based on stipulated timelines following stringent procedures.

The collection system automatically detects disruptions in SDS, which allows for identification and classification of accounts in arrears or non-performing accounts. Subsequently, our Recovery Team initiates recovery efforts for customers who have failed to meet their obligations. Our actions include contacting customers, their employers, issuing reminders and assigning the non-performing accounts to collection agencies. We take legal action against defaulters as a last resort.

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

To assist the Board in carrying out its responsibilities and functions, the Board has delegated its responsibilities and functions to the various Board Committees as shown in the chart below. These Committees adhere to their self-defined terms of reference in promoting sustainability and financial soundness of the Group as approved by the Board.

The Board is kept apprised of the matters and issues discussed within the Board Committees. Any decision reached by the Board Committees will be documented and furnished, together with recommendations, to the Board. The responsibility for final decision on all matters and issues, however, lies with the Board.



A. ECONOMIC (CONT'D)

i. Corporate Strategy (Cont'd)

4. Internal risk assessment to review the effectiveness of established controls (Cont'd)

The Audit Committee ("AC") oversees matters concerning internal risk assessments and controls. It is responsible for assessing the effectiveness of the Group's operations, continuous compliance with regulations and proper internal procedures.

The Risk Management Committee ("RMC") is guided by the Committee of Sponsoring Organisation Enterprise Risk Management Framework, which is integrated with strategy and performance in managing risks throughout the Group. It is responsible for ensuring implementation of corrective action plans by management within stipulated timelines to address any weaknesses identified. The RMC primarily monitors and manages risk exposure while reporting to AC.

On a regular basis, the Compliance, Operations and Methods Team conducts compliance and process improvement reviews. Policies and SOPs are developed, enhanced and reviewed periodically to ensure relevance and effectiveness of controls. Departmental Heads carry out control self-assessments biannually to determine if the existing risk profiles as well as controls remain relevant and effective.

5. Business continuity management ("BCM") to build resilience against unfavourable events

Ensuring smooth operations without compromising on customer experience is vital for the Group's sustainable growth. Our BCM enabled us to continue our services amidst disruptions caused by the COVID-19 pandemic ("pandemic").

Our components of BCM were tested, activated and placed in-use throughout the various Movement Control Order ("MCO") phases to mitigate disruptions and prepare the employees for working from home. We continue to improvise, ensuring remedial actions were taken to close gaps and resolve unexpected issues. BCM's components include:

- Risk evaluation and business impact analysis on affected department(s);
- Business continuity plan ("BCP") for conducting operations during disruptions inclusive of work from home arrangements;
- Policies and SOPs defining scope and reach of BCM;
- BCM Incident and Recovery Management Team initiated BCM processes before, during and after the crisis;
- Key designated personnel in each department responsible for implementing BCM procedures;
- Business continuity site and backup infrastructure for conducting operations in the event where physical premises is compromised;
- Adoption of recommencement of operations post MCO to provide operational guide;
- Activation of Alternate Processing Centre; and
- Testing of BCP, including regular penetration tests to identify security vulnerabilities.

During the various MCO phases, we equipped our Recovery, Credit and Customer Service Teams with softphone facilities that allow them to perform, receive and record calls even while working from home. Electronic signatures, virtual meeting rooms, internet leased lines and virtual private network access were gradually introduced to facilitate efficient operations. Further, a Virtual Desktop Infrastructure was set up as a backup to ensure back-end operations could resume without disruptions.

A. ECONOMIC (CONT'D)

i. Corporate Strategy (Cont'd)

5. BCM to build resilience against unfavourable events (Cont'd)

66th Annual General Meeting

To adapt to the new normal, virtual offices were put in place for employees to continue working remotely following scheduled rotation. This is to minimise headcount in office and enforce physical distancing to safeguard our employees' health and safety.

Virtual Board Meeting

A. ECONOMIC (CONT'D)

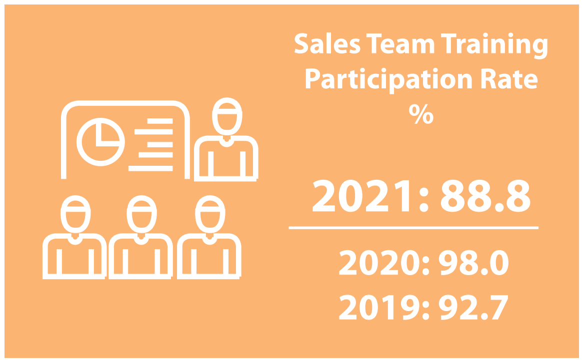
i. Corporate Strategy (Cont'd)

Responsible Financing

As a progressive financial services provider, we are committed to responsible financing and fair treatment for customers. Efficient risk management and effective communication with customers will reduce the Group's exposure to legal and reputational risks.

We adopt a proactive approach in appropriate risk-taking and responsible actions to ensure sustainability and long-term growth. To ease customers' financial burden, we also instituted a moratorium for eligible customers in FYE 2021 to minimise the pandemic's impact on our customers.

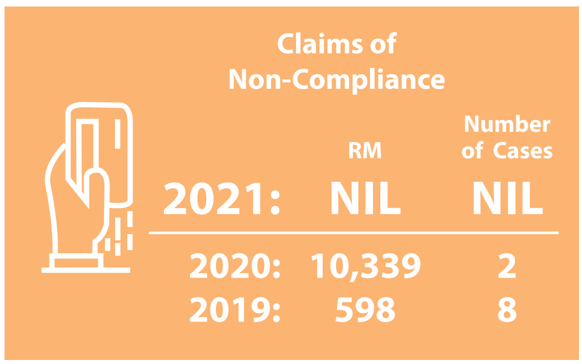
We believe our customers should be treated equally and fairly. This means adhering to practices such as offering products tailored to their needs and ensuring complaints are resolved promptly. Our aim is to provide clarity, transparency and careful handling of customer data in all dealings. Thus, we practise openness in daily customer transactions by ensuring the details of products and processing of customer data are clearly explained. Customer verification process is recorded for reference as well as for service improvement. We also share articles on responsible financing through our BPs' websites to educate customers besides mitigating business risks.



To uphold ethical business practices across all levels, we provide training to our Sales Team to ensure they conduct business practices professionally. Due to the various MCO phases, the training sessions were conducted online through a digital active-learning platform.

ii. Managing Regulatory Changes

The Group recognises that any actual or potential regulatory non-compliances may affect our reputation. As such, we continue to be committed to high standards of governance by ensuring our Policies and SOPs are updated periodically. To increase awareness among employees, RCE instils a culture of vigilance within the Group to ensure that all employees comply with relevant guidelines, regulations and industry practices to safeguard the Group's interest. Despite the pandemic, online workshops and training were held to create adequate awareness, albeit on a shorter duration.



For FYE 2021, we are pleased to report there was no claim or incident of non-compliance reported.

A. ECONOMIC (CONT'D)

iii. Evolving Digital Trend

Challenges brought about by the pandemic have accelerated digital transformation in most organisations. The Group's agility enables it to adapt to rapidly evolving technology whereby physical locations and boundaries are no longer barriers to effective communication, collaboration and productivity.

The Group is cognisant of the need to shift customer onboarding online as part of its initiatives to drive the business forward. In FYE 2021 alone, RCE has invested approximately RM1.4 million to improve the Group's digital propositions.

We are planning to launch several digitalisation initiatives in FYE 2022. With the implementation of these initiatives, we will be able to provide more convenience to our customers, reducing operational costs and processes.

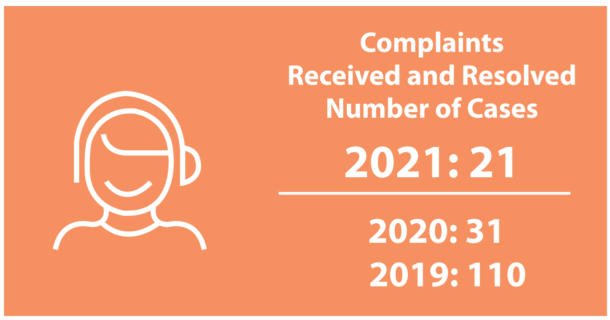
iv. Customer Experience

In today's fast-paced environment, trust is key to nurturing brand loyalty and lasting relationships with customers. To this end, the Group continues to focus on meeting customer expectations and enhancing customer experience via innovative technology.

Our motto of "*Customer For Life*" remains as top priority. As such, we continue to deliver digital offerings and enhance customer experience through various platforms such as BPs' websites, Facebook pages, smartphones and emails. This affirms our commitment to continually improve our services in tandem with meeting customers' evolving needs through technological advancements.

To deliver quality customer service, we are committed to attending to customer enquiries within three working days. During the pandemic, customer enquiries were attended to through electronic platforms. However, face-to-face channels were made available for customers who preferred to communicate with Customer Service Officers, with physical distancing strictly maintained. Similarly, our Service Centre in Sarawak is structured to better serve customers to retain customer loyalty.

We managed customers' expectations during all MCO phases by publishing notices on BPs' websites and on Facebook pages, including automated notifications on interactive voice response system. Customers were able to engage with our customer service officers via email, Facebook messages and phone calls. With better customer engagement, we received fewer complaints and resolved 21 complaints as compared to 31 in the previous financial year, which was a 32.3% improvement.



Adding to our customer service tools is a chatbot which was launched recently in early March 2021. The virtual chat assistance is now able to instantly feedback to customers on some general enquiries. We will continue leveraging on innovative solutions to drive customer feedback and brand loyalty.

A. ECONOMIC (CONT'D)

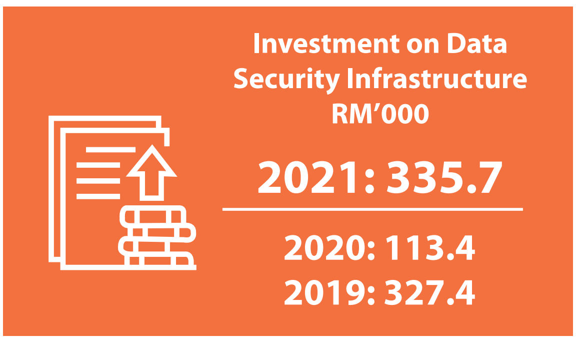
v. Breach of Privacy

Data security and privacy are among our key concerns, especially since digitalisation and information technology systems have gained increasing importance in operations. Effective data security is critical in today's business climate. We manage and protect personal information of all stakeholders in accordance with the Personal Data Protection Act ("PDPA") 2010.

We value customers' trust and are devoted to safeguarding their privacy by ensuring security throughout the collection, storage and handling of their personal data and information. The Group has zero-tolerance to any breach of privacy. Essential preventive measures adopted include:

- Disclosure of Privacy Notice online at www.rce.com.my;
- Compulsory briefings on PDPA requirements for all new recruits during the employee onboarding programme;
- An IT Policy handbook to provide guidance on good security practices in password management and handling of information or equipment;
- Enforcing Information Security Policy to limit user access, maintain privacy and confidential information on a need-to-know basis, data retention and disposal management;
- An information security incident response procedure to manage any security incidents;
- A Backup Policy that outlines the procedures required for any backup media to be completely reformatted and destroyed before disposal; and
- Execution of third-party service provider agreements on non-disclosure before we provide any non-publicly available information, including customers' personal data.

To mitigate risk of breach, we focus on strengthening cybersecurity by constantly reviewing, enhancing and investing in applications, software and equipment. Cybersecurity experts are engaged annually to conduct penetration tests on our systems. To date, the Group's investment in data security infrastructure is as follows:



B. ENVIRONMENTAL

i. Resource and Waste Management

Environmental conservation is vital for a sustainable future as natural resources are finite. RCE is aware of its role to support environmental preservation and protection for our future generations.

We are committed to operating responsibly to safeguard the environment, minimise natural resource usage. We practise reducing, reusing and recycling as much as possible. We strive to fully understand our impact to the environment and opt for eco-friendly services or solutions.

B. ENVIRONMENTAL (CONT'D)

i. Resource and Waste Management (Cont'd)

The Group constantly improves its daily operations through efficient management of resources such as paper, electricity, e-waste and water. Our conservation efforts enable us to minimise our carbon footprint and mitigate climate change. We contribute to environmental conservation by:

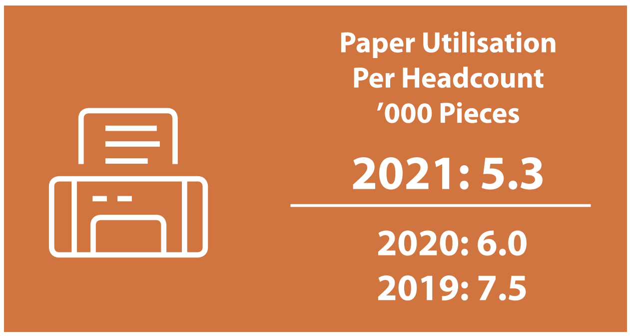
- Implementing recycling systems for supplies, equipment and furniture to minimise wastage;
- Eliminating unnecessary paper usage and maximising electronic communication;
- Reducing or eliminating single-use items and non-biodegradable plastics; and
- Educating employees on environmentally responsible behaviour within and outside the workplace.

To instil environmental awareness, the Group encourages its employees to actively contribute to our green organisational culture through the Green Warriorz Committee that was established by a group of enthusiastic employees. This committee's role is to create awareness, promote green initiatives and encourage the adoption of environmentally friendly lifestyles among employees. Educational materials are disseminated regularly via emails on reducing resource consumption, waste and tips on energy conservation. These include unplugging unused electronics and minimising "paper footprint" by advocating paperless practices through various methods. This committee also conducts green-awareness activities such as encouraging employees to use their own containers for take-away food.

Beyond that, indicators are put in place to align organisational objectives with the following green initiatives:

Paper Reduction

- We are pleased to report that there has been a reduction of paper wastage since we adopted the lock-print and one claim per month policy in FYE 2019. With the motto "Think Before You Print", we encourage employees to use recycled paper and double-sided printing for monthly claims, reports and worksheets. Filtration of recycled papers is also practised to avoid leakage of private and confidential information such as customers' personal data and information. Colour printing is discouraged unless necessary while an awareness slogan, "GO GREEN. Go paperless", is included in every email to remind employees of the initiatives. The resulting achievement was a 11.7% reduction in paper utilisation per headcount in FYE 2021, partly also because of the work from home arrangement.



  We also advocate the paperless initiative among our stakeholders by encouraging shareholders to view Annual Reports online to reduce our carbon footprint.

Reusable face masks and facial recognition temperature panels

- As part of our safety measures due to the pandemic, employees are provided with reusable anti-microbial fabric masks periodically as alternatives to disposable face masks.

- Furthermore, we installed facial recognition temperature panels for twice daily temperature checks to reduce battery consumption arising from the usage of thermometers.

B. ENVIRONMENTAL (CONT'D)

i. Resource and Waste Management (Cont'd)

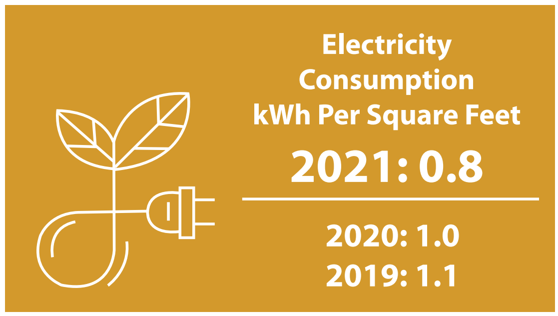
E-waste management

- We initiated an e-waste collection since FYE 2020. In this financial year, we continue to promote proper disposal of used or unwanted electronic devices. We recognise that improper disposal of used electronic devices is harmful to health and nature. To promote awareness on the importance of recycling e-waste, employees are encouraged to dispose of their used batteries or unwanted electronic gadgets in collection boxes placed in our office. In FYE 2021, we collected 46.9kg of e-waste:

Employees at the recycling centre

Energy management

- During the financial year under review, we recorded a 20.0% decrease in electricity consumption per square feet. The reduction stemmed from installation of energy-saving lights, fewer physical meetings and training sessions as well as reduced computer usage due to fewer headcount in the office.



C. SOCIAL

i. Ethics and Integrity

The Group is committed to upholding the highest standards of ethics and integrity across its entire business. All our business activities are conducted ethically, honestly and with the highest possible standards of transparency, openness and accountability. Sound corporate governance will ensure long-term value creation and sustainable business growth.

The tone from the Board is also communicated to all employees via various channels, including the Group's Code of Conduct ("COC"). The COC addresses ethical and responsible business conduct, which covered the following areas:

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

C. SOCIAL (CONT'D)

i. Ethics and Integrity (Cont'd)

Further, our COC clearly outlines behavioural standards and policies in dealing with any form of gift or hospitality and prohibits improper payments or charitable and political donations. A communication channel is in place to report on non-compliance, perceived violation or concern as reflected in the COC. Before engaging any third-party service providers, a risk assessment will be carried out prior to their onboarding. This includes due diligence and credit checking.

Our Employee Handbook, Policies and SOPs provide guidance on ethical decision-making. Employees can always access the Employee Handbook on RCE's intranet and are obligated to sign a letter of undertaking to pledge their compliance at all times, including but not limited to Bursa's Main Market Listing Requirements, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Malaysia Anti-Corruption Commission Act 2009 and PDPA.

The Group also took extended precautions by notifying third-party service providers such as vendors, suppliers, consultants and solicitors of our COC. Periodic communications of our Policies and SOPs relating to ethical conduct are also carried out through training and information memorandum to all employees as well as Sales Team.

To prevent misconduct, RCE applies the following disciplinary actions against parties responsible for any violation. Our disciplinary actions include but not limited to:

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

The Board reviewed and approved the updated Whistleblowing Policy on 29 May 2020. RCE refined the policy to provide a channel for the employees and members of the public to report any suspected wrongdoing. This includes misconduct such as fraud, corruption, bribery or blackmail, criminal offences, malpractices which fail to comply with legal or regulatory obligation, miscarriage of justice, endangerment of an individual's health and safety as well as any unethical or inappropriate behaviour. The whistleblowing mechanism is administered by the Corporate Audit Department and overseen by the Audit Committee. A whistleblowing avenue is available on the corporate website.

ii. Employment Management and Development

Our people are our greatest asset. We are aware that if we take care of our employees, they will take care of the organisation. Thus, our employee management and development are anchored on four key aspects that are encompassing and holistic. They are:

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

Talent Management

Effective talent management is vital for the Group to retain its talent and reduce attrition rate. The Group regards high-quality talent as a critical catalyst that drives business growth. We have a talent management framework in place that incorporates our corporate goals and objectives. The framework guides us to recruit, develop, and retain talent.

We hire local talents in support of nation building. The hiring of non-local employees is not essential due to the nature of the Group's business, which primarily provides financial services to Malaysian civil servants.

C. SOCIAL (CONT'D)

ii. Employment Management and Development (Cont'd)

Talent Management (Cont'd)

In FYE 2021, we continued to align our remuneration structure with the Minimum Wages Order enforced in 2020. All confirmed employees are entitled to fixed allowances, which complement their basic salaries. Employees' pay scale is structured based on their experience, education level and performance.

To support our employees in achieving their personal and professional aspirations, we motivate them to consistently "sharpen their saw" and strive for their optimal potential. We ensure our employees are well-equipped with the right skills and development tools by providing various learning opportunities, recognition programmes and competitive rewards. This is in line with the Group's culture that promotes meritocracy and equal opportunities for employees to learn and thrive.

Recruitment

- We capture potential talent via advertisements, recruitment agencies, our corporate website, LinkedIn and/or employee referrals.
- Our recruitment and selection processes are conducted in a fair and non-discriminatory manner.

Development

- We conduct onboarding sessions for all newly recruited employees, allowing them to familiarise themselves with the Group and integrate with the way we operate.
- We provide on-the-job training to all employees, helping them obtain hands-on knowledge.
- We groom employees through leadership development programmes which includes one-on-one coaching to strengthen individual skills and ability to lead, resolve problems and overcome challenges.
- We nurture a lifelong learning culture and encourage employees to upskill or learn new skills to keep up with latest market trends.
- We promote a knowledge-sharing culture that encourages employees to share their training materials and knowledge with all colleagues.

To prioritise safety, investment in employee training was reduced by 76.2% during FYE 2021 as physical training was temporarily halted to avoid mass contact and potential COVID-19 infection.

Average training hours per employee decreased by 80.0% due to fewer training sessions conducted while we gradually shifted towards online sessions for our employees.

As we embraced the new normal, our commitment is to increase the average training hours per employee in the next financial year.

Average Training Hours Per Employee

2021: 8

2020: 40
2019: 55

Investment in Employee Training RM'000

2021: 90.6

2020: 380.2
2019: 332.0

C. SOCIAL (CONT'D)

ii. Employment Management and Development (Cont'd)

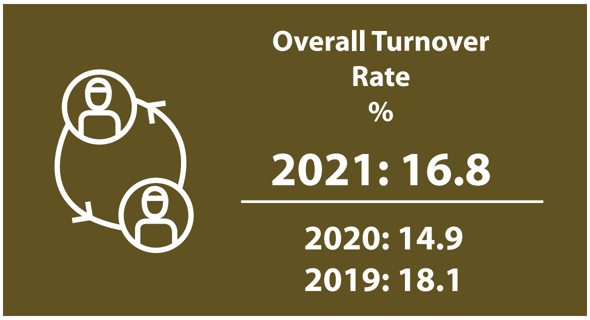
Talent Management (Cont'd)

Retention

We believe that a competitive remuneration package that is commensurate with experience and market norms remains a key to talent retention. Therefore, we constantly review our basic remuneration scheme to incentivise performing employees, including setting measurement against sustainability related key performance indicators. We reward our employees and lighten their financial burdens, enabling them to focus on achieving their career in RCE and life goals.

We strive to be a preferred employer by offering competitive remuneration and benefit packages such as Employees' Share Scheme, Loan Interest Subsidy, Fixed Allowances, Children's Education Achievement Incentive, Medical Benefits and Long Service Awards.

Overall employee turnover rate for the past three years is as follows:



Workforce Diversity and Inclusivity

To remain relevant and competitive in the market, we believe in having a workforce with diverse backgrounds. We offer equal employment opportunities regardless of race, gender, religion, age and disability. Diversity in the workplace will promote creativity, tolerance and improve our performance. Therefore, we aim to recruit and retain top talents from all walks of life by upholding equal opportunity and mutual respect in the workplace. At RCE, we adopt the principle of "equal pay for equal work" for both men and women, guided by compliance with Employment Act 1955.

Other initiatives taken include hiring and maintaining the employment of two employees with special needs i.e. deaf and deaf-mute. They have been with RCE for 13 and 14 years respectively.

The Group remains vigilant to ensure all employees are adequately compensated in accordance with local labour laws and regulations. Excessive working hours are discouraged as focus remains on efficiency and productivity. Above all, we recognise the potential in every employee and support them in realising their ambitions.

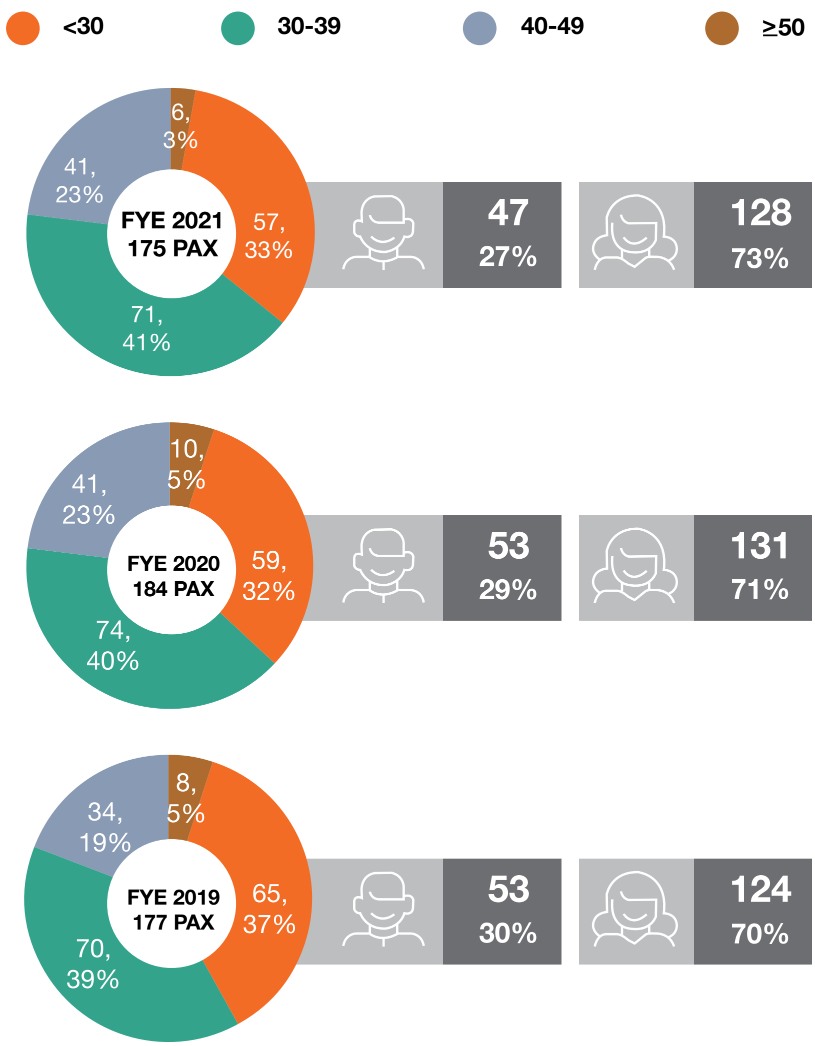
C. *SOCIAL (CONT'D)*

ii. Employment Management and Development (Cont'd)

Workforce Diversity and Inclusivity (Cont'd)

As at 31 March 2021, RCE's workforce comprised 175 Malaysian employees with a manageable composition of age and gender as shown below:

Age and Gender Distribution



C. SOCIAL (CONT'D)

ii. Employment Management and Development (Cont'd)

Work-life Integration

Work-life integration is essential for our employees to achieve a rewarding and enriching career. During the pandemic, we recognised the challenges our employees faced from having to work from home and adapting to new norms. As such, we focused on the physical and mental well-being of our people in FYE 2021. Besides encouraging employees to share their problems, we continue to engage them to promote relationship building and instil a sense of belonging. Due to movement restrictions, some of our employee engagement activities during FYE 2021 were conducted online.

Activities implemented during the reporting year included:

- Daily dissemination of information on COVID-19 facts and preventive measures;
- Participation in the event with objective to break the Malaysia Book of Records for the most number of people doing virtual planks, "Malaysia First Virtual Plank Event" organised by an external organisation;
- Online survey on Cervical Cancer Awareness, whereby the Human Papillomavirus ("HPV") is the third most common cause of cancer among women; and
- Administration of first dose of the Gardasil 9 HPV Vaccination. Second and third doses will be administered in FYE 2022.

Participation Rate %

2021: 40.0

2020: 90.6
2019: 80.6

Participants in the Malaysia First Virtual Plank Event

Employees receiving HPV vaccination

C. SOCIAL (CONT'D)

ii. Employment Management and Development (Cont'd)

Occupational Safety and Well-being

Employees' workplace health and safety have always been our primary concern.

We ensure that employees adhere to Occupational Safety and Health Policy guidelines and protocols to protect them from health and safety hazards in the work environment. The Safety Health and Emergency Response Team consistently equips itself with first aid knowledge and skills by attending regular training.

To extend emergency response capabilities, each office floor is equipped with an automated external defibrillator, foldable stretcher and wheelchair. These undergo regular checks to make sure they are in good condition and safe for use.

We adopted new SOPs, namely Recommencement of Operations Post-MCO, to ensure employees return to work safely. Adherence to the SOPs means physical distancing is strictly practised by minimising the number of headcounts in the office and encouraging employees to work from home. In FYE 2021, there was no occupational incident reported in the Group.

Automated external defibrillator


Foldable stretcher


Wheelchair

In response to the pandemic, we implemented the following measures:

- Hand sanitisers are provided at main areas and multiple work stations;
- Automatic hand sanitisers with stands are placed at the main entrance;
- Regular disinfection of all areas within office premises;
- Twice-daily disinfection of highly populated areas such as the main entrance, all doorknobs or handles, meeting rooms, reception area and pantry;
- Face recognition temperature panels;
- Each employee is given reusable anti-microbial fabric masks;
- Scanning of *MySejahtera* app at reception;
- Fortnightly rotation for working from office and home arrangements;
- Physical distancing within office premises; and
- Periodic email reminders to employees on safety precautions.

C. SOCIAL (CONT'D)

ii. Employment Management and Development (Cont'd)

Occupational Safety and Well-being (Cont'd)

Hand sanitiser at work station

Automatic hand sanitiser with stand

Face recognition temperature panel

RCE has a strong stance against any form of sexual harassment. Our Sexual Harassment Policy aims to protect men and women in our company from unwanted sexual advances and provide channels to report incidents. Employees are to inform Human Resources Administration of any unwelcome conduct of sexual nature. There was none reported in FYE 2021.

iii. Community Investment

As a responsible corporate citizen, the Group remains dedicated to engaging with the local communities in which it operates to give back to the communities. We contribute via various charitable causes, particularly in education, health and supporting victims of domestic violence.

Education

Our contribution to education is through an ongoing collaboration with Yayasan Azman Hashim ("YAH"), a non-profit charitable foundation established by the Chairman of our ultimate holding company, Tan Sri Azman Hashim. YAH is established primarily to focus on sustainability in education, welfare and alleviating human suffering. Throughout the years, YAH contributed to many nation-building initiatives, including but not limited to the building of sports arenas, mosques, halls, sports complexes and centres. Working hand-in-hand with YAH, the Group empowers deserving youths to pursue full-time Association of Chartered Certified Accountants qualifications by awarding study grants and sponsorship for higher education. The students are also offered employment opportunities upon completing their studies.

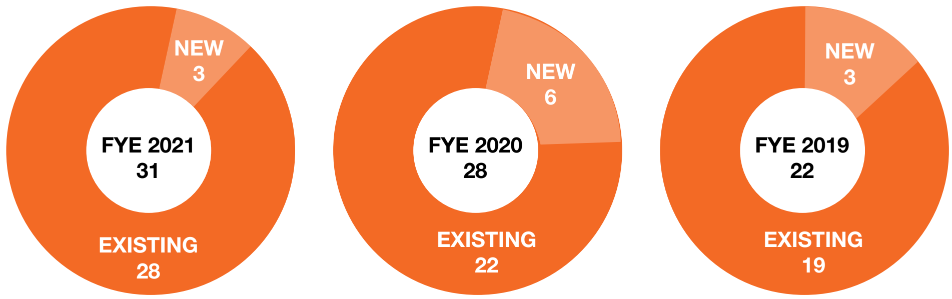
To-date, a sum of RM438,000 has been offered to the students to support them in obtaining quality education. Presently, there are 31 recipients of the study grants, including three new qualified students during this financial year.

C. *SOCIAL (CONT'D)*

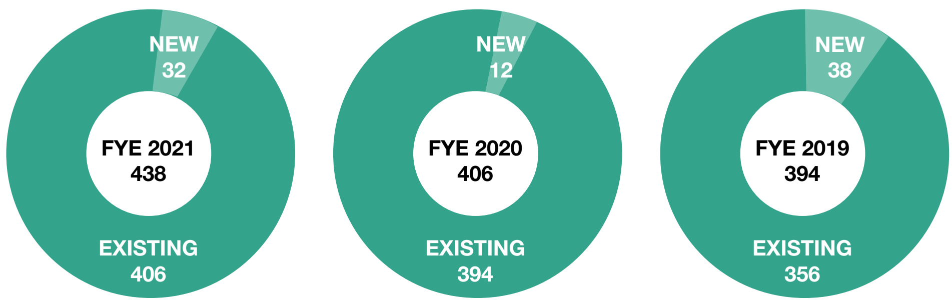
iii. Community Investment (Cont'd)

Education (Cont'd)

Accumulated Number of Study Grants Awarded Per Year



Accumulated Study Grants Awarded RM'000



Community Welfare Activities

The Group is enthusiastic about creating stronger bonds with society by giving back in cash and in kind. As the pandemic persists, health and safety are among the key elements in the pursuit of life goals and success. With this in mind, we have revised and reprioritised our corporate social responsibility activities for the greater good.

We continued contributing to Women's Aid Organisation ("WAO"), a non-governmental organisation that supports affected women and advocates children's rights in view of the rise of domestic violence during lockdowns. WAO is an organisation with first phase certification under the Core Humanitarian Standard on Quality and Accountability credential in September 2019. RCE has been supporting WAO since August 2019 and in FYE 2021, we donated RM31,500 to fund WAO's pro bono counselling and therapy sessions.

Our partnership with the National Kidney Foundation continues while we temporarily postponed our annual health screening events in the interest of public safety during the pandemic. We look forward to organising such events in the near future as healthcare awareness remains important.

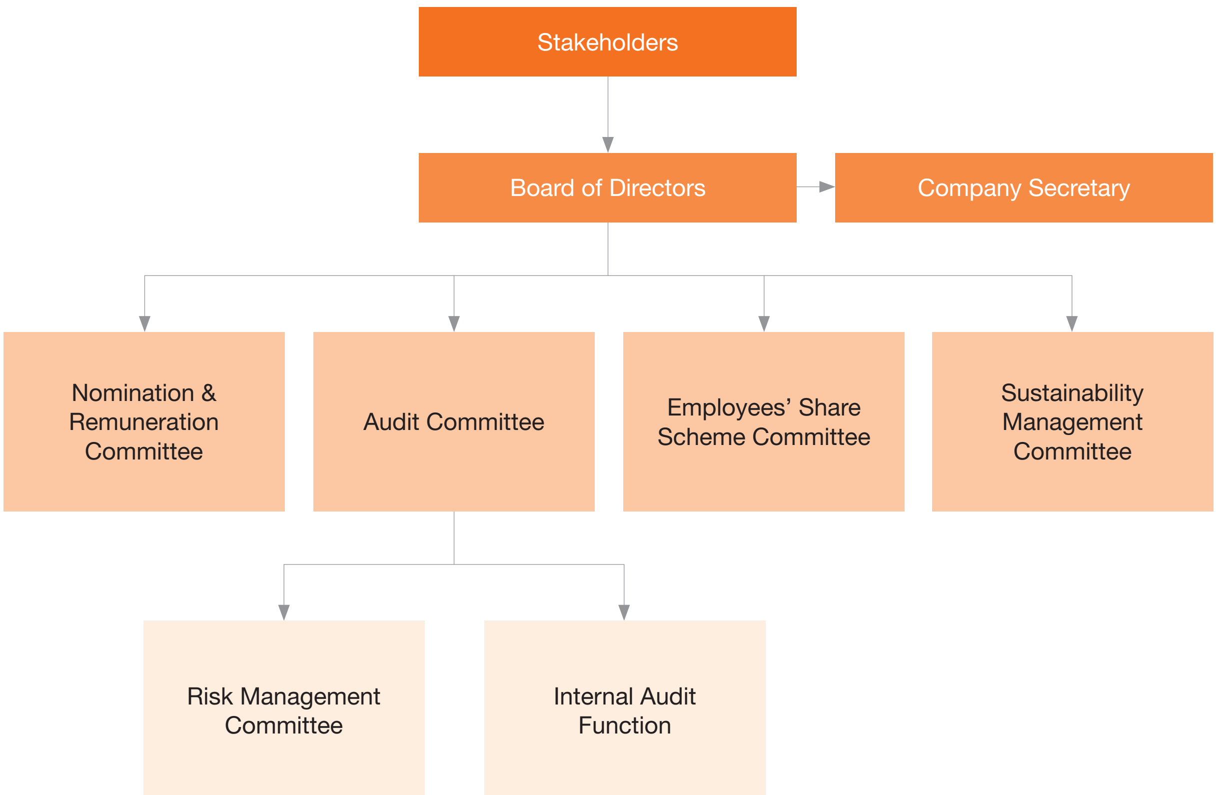
Corporate Governance Overview Statement

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 believes that good corporate governance practices enable the Group to operate more efficiently and facilitate better oversight of the business, management and operations of the Group. The emergence of the COVID-19 pandemic since early 2020 has had and will continue to have a profound effect on how organisations adapt in their operations, which further emphasises the importance of good governance. It also presents a challenge to the Board to ensure that RCE's corporate governance structure remains resilient and is able to adapt to the demands of the rapidly changing operating environment. In this regard, 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 2021. The overview takes guidance from the three (3) key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 ("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:



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 are aware of their responsibilities to shareholders and stakeholders for creating and delivering sustainable value and long-term success through the Board's 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 acknowledges the importance of a clear division of responsibility between the Chairman of the Board and the Chief Executive Officer ("CEO") to ensure optimal balance, resulting in increased accountability and enhanced decision-making. The positions of the Chairman and the CEO are therefore held by different individuals with clear and distinct roles, which are formally documented in the Board Charter. The Board Charter, which is available on the Company's website at www.rce.com.my also sets out, amongst others, the role, functions, composition, operation and processes of the Board and the responsibilities of the individual Directors, Independent Directors and Company Secretary. The Board Charter is reviewed as and when required in order to be aligned with the practices recommended in the Code, the Listing Requirements, relevant laws and regulations as well as current practices.

The Chairman leads the Board by setting the tone at the top, and managing the Board effectiveness by focusing on strategy, governance and compliance. 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.

The Board delegates responsibility of the day-to-day operations of the Group to the CEO, who is assisted by the senior management team in ensuring that the Group operates within a framework of prudent and effective controls in accordance with the direction of the Board. The CEO 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. Nevertheless, the Board also recognises that Directors may hold external directorships and other outside business interests, and the Board acknowledges that the Company will benefit significantly from its Directors' varied boardroom exposure.

In fostering time commitment from the Directors, they 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 new appointment to enable them to devote sufficient time to carry out their duties to the Company and to ensure that the additional appointment will not have any impact to their commitment and their roles in 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 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 interim dividends, solvency position of the Company for interim dividends and share buyback, sustainability, established good corporate governance practices, review of the Board Charter and terms of reference of the Audit Committee, 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.

In line with the Group's standard operating procedures in response to the COVID-19 pandemic, meetings of the Board and Board Committees during the financial year have been conducted remotely via video conferencing. 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
Tan Sri Mazlan bin Mansor *(Appointed on 1 October 2020)*	2/2*
Datuk Mohamed Azmi bin Mahmood	4/4
Tan Bun Poo	4/4
Mahadzir bin Azizan	4/4
Thein Kim Mon	4/4
Soo Kim Wai	4/4
Shalina Azman	4/4
Lum Sing Fai	4/4

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

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 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 play a significant role in reviewing matters within their own defined terms of reference approved by the Board, and in keeping the Board efficient. They 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")'s primary role is to assist the Board in reviewing the appropriateness of its structure, size and composition, and evaluating the performance and effectiveness of the Board, its Committees, the individual Directors and CEO. It also supports the Board in assessing all elements of the remuneration for Directors and CEO.

  The N&R Committee comprises exclusively 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 contribution and performance of each individual Director, CEO, and the effectiveness of the Board and the Board Committees;
- reviewed and assessed the independence of the Independent Directors;
- reviewed the Directors who were due for retirement at the Company's 66th Annual General Meeting ("AGM") to determine whether or not to recommend their re-election;
- reviewed and recommended the remuneration package of 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 2020;
- reviewed and recommended the appointment of Tan Sri Mazlan bin Mansor as Independent Non-Executive Director and member of the Audit Committee of the Company; and
- reviewed and recommended the establishment of a new Employees' Share Scheme Committee for the purpose of administering the new Employees' Share Scheme implemented during the financial year.

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 Company implemented an ESS in 2015 which was subsequently terminated and replaced by a new ESS during the financial year. With the implementation of the new ESS, a new ESS Committee was established to assist the Board in administering the ESS in accordance with the By-Laws governing and constituting the ESS as approved by the shareholders on 22 September 2020. The authorities and duties conferred upon the ESS Committees include, amongst others, to determine the eligible employees and the criteria to be applied in determining the grant of share options to the eligible employees and their actual entitlement, prior to recommending 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 2020.

The Board is 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. Each Director has unrestricted access to the advice and services of the Company Secretaries to ensure effective functioning of the Board and Board Committees, and adherence to Board policies and procedures at all times.

The Board acknowledges its role in establishing a corporate culture with uncompromising ethical conduct. In line with this principle, the Board has adopted a Directors' Code of Conduct and Ethics which sets out the fundamental guiding principles and standards of behaviour that are expected of the Directors in carrying their duties and discharging their responsibilities. The Board also takes cognisance of the requirements under the Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries issued by the Securities Commission Malaysia.

Additionally, the Group in its effort to enhance corporate governance has also put in place a Whistleblowing 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 Whistleblowing Policy of the Company was reviewed during the financial year and the detailed whistleblowing mechanism prescribed in the Whistleblowing Policy had been mapped into a process flowchart.

The Directors' Code of Conduct and Ethics, Anti-Bribery and Corruption Policy and the Whistleblowing Policy together with the details of the whistleblowing 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 stewardship duties and responsibilities. Directors are encouraged to attend various external professional programmes which they individually considered as relevant and useful to further enhance their business acumen and professionalism.

Despite the restrictions imposed by the Movement Control Order ("MCO") including prohibitions on movement and gathering during most of the periods under the financial year, all Directors remained committed to ensuring continuous participation in training and development programmes. Additionally, the Company had also organised in-house trainings conducted by external consultants for the Directors and employees of the Group via online webinar.

The Company Secretary keeps Directors informed of relevant external training 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	MACC Act Section 17A - Corporate Liability
	Listed Entity Director Programme by Singapore Institute of Directors: Module 1: Listed Entity Director Essentials
	Listed Entity Director Programme by Singapore Institute of Directors: Module 2: Board Dynamics
	Listed Entity Director Programme by Singapore Institute of Directors: Module 3: Board Performance
	Listed Entity Director Programme by Singapore Institute of Directors: Module 4: Stakeholder Engagement
	Listed Entity Director Programme by Singapore Institute of Directors: Module 7: Nominating Committee Essentials
	Personal Data Protection Act 2010
	Listed Entity Director Programme by Singapore Institute of Directors: Module 8: Remuneration Committee Essentials
	Singapore Institute of Directors - Post COVID-19 Strategy: A Stronger and Resilient Tomorrow
	Singapore Institute of Directors - Corporate Governance in an Era of Extreme Risk
	Singapore Institute of Directors - Data Breach Management
	Budget 2021 Highlights & Proposed Tax Changes
Tan Sri Mazlan bin Mansor	Mandatory Accreditation Programme for Directors of Public Listed Companies
	Capital Market Director Program (CMDP) Module 2B: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management)
	Capital Market Director Program (CMDP) Module 3: Risk Oversight and Compliance - Action Plan for Board of Directors
	Capital Market Director Program (CMDP) Module 4: Emerging and Current Regulatory Issues in the Capital Market
Datuk Mohamed Azmi bin Mahmood	The Quandary of Central Bank Digital Currencies
	Sustainability Focus of Budget 2021
	How the Private Sector can play an active role in Public-Private Partnerships
	ESG in the new normal: A corporation's lens
	LSBA Speaker Showcase
	Women in Finance 2021
	7th International Conference on Trends of Sustainability 2021

Director	Course Attended
Tan Bun Poo	Personal Data Protection Act 2010
	Restructuring and Corporate Rescue - Flattening the Insolvency Curve
	Valuation in Practice for Transactions and Reporting: Part 1 - Valuation Fundamentals
	MACC Act Section 17A - Corporate Liability - Anti Bribery/Corruption
	Anti-Money Laundering
	Identifying and Reporting Climate Related Financial Risk
	Audit Committee Conference
Mahadzir bin Azizan	Corporate Governance Monitor 2020
Thein Kim Mon	Personal Data Protection Act 2010
	ICAEW Web-based Presentation: Audit and Risk Committee Effectiveness in Financial Services
	ICAEW Web-based Presentation: Impact of COVID-19 on Accounting and Corporate Reporting for Financial Services
	Budget 2021 Highlights & Proposed Tax Changes
Soo Kim Wai	COVID-19 and Current Economic Reality: Implications for Financial Stability
	Listed Entity Director Programme by Singapore Institute of Directors: Module 1: Listed Entity Director Essentials
	Listed Entity Director Programme by Singapore Institute of Directors: Module 2: Board Dynamics
	Listed Entity Director Programme by Singapore Institute of Directors: Module 3: Board Performance
	Listed Entity Director Programme by Singapore Institute of Directors: Module 4: Stakeholder Engagement
	Listed Entity Director Programme by Singapore Institute of Directors: Module 5: Audit Committee Essentials
	Personal Data Protection Act 2010
	BNM-FIDE Forum Annual Dialogue with the Governor of BNM
	Anti-Money Laundering
	Islamic Finance for Board of Directors
	The Next Inflection Point
	Highlights from Budget 2021
	Cyber Security Awareness
	Malaysia Budget 2021
	Budget 2021 Highlights & Proposed Tax Changes

Director	Course Attended
Shalina Azman	Cybersecurity & Work-From-Home Security Challenges Amidst COVID-19 Pandemic
	ESG Trends & Regulatory Developments
	Post COVID-19 - The Acceleration of ESG Investing and Sustainability Practices in Business
	Managing Political Risks
	Budget 2021 Highlights & Proposed Tax Changes
	Effective Fund-Raising and Valuations, for the New Normal and Post-COVID-19
	International Women's Day 2021 Conference
	Economic Outlook 2021: Investing at the Right Time and Sector
Lum Sing Fai	Cyber Security Awareness
	Personal Data Protection Act 2010
	Anti-Money Laundering
	2020 Top Exec Cybersecurity Briefing
	Budget 2021 Highlights & Proposed Tax Changes
	Shariah Governance Policy Document (SGPD) Programme
	Malaysia-Japan Collaboration on Digital Creative Content Sector
	Market Outlook

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

The Board is committed to ensuring that its composition continues to comprise Directors who bring an optimal mix of skills, experience, expertise and diversity to add value to the Board processes and decision-making. In October 2020, Tan Sri Mazlan bin Mansor, who has extensive experience and depth of knowledge which he had gained from his more than 40-year stint in the police force, especially during his term as Director of the Commercial Crime Investigation Department of Royal Malaysia Police (PDRM), was appointed as Independent Non-Executive Director of the Company. The Board welcomed the appointment of Tan Sri Mazlan bin Mansor to complement the Board's skill set by bringing fresh perspectives and expertise to the Board, particularly, in providing insights on how to mitigate the risk of fraud or criminal breach of trust, and in ensuring adherence to law and orders.

The Board comprises entirely Non-Executive Directors, of whom five (5) out of nine (9) are Independent Directors. The significant presence of Independent Directors reflects the Board's commitment to maintain high representation of Independent Directors on the Board to ensure that the interests of minority shareholders are taken into account by the Board. The structure of the Board also ensures that no single Director is dominant in the decision-making process. With its diversity of qualifications, expertise and skills, the Board is of the view that the current composition and size are adequate for the effective discharge of its functions and responsibilities. The Board composition is also 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 to facilitate Board refreshment. None of the Independent Directors had exceeded the twelve (12) years tenure.

Tenure of Independent Directors as at 31 March 2021				
Tenure	< 3 years	3-6 years	above 6-9 years	above 9-12 years
Number of Independent Directors	2	1	2	0

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, legal, law enforcement and public services. Together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to the Group.

The Board through its N&R Committee reviews annually, the effectiveness of the Board and Board Committees, contribution and performance of the individual Directors and CEO as well as the independence of the Independent Directors. 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 and that each of the Directors and the CEO continued to discharge their respective duties and responsibilities effectively. 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 possess the required competence to manage the Group's affairs and created value to the organisation and its shareholders. As the feedback of the Board evaluation was generally satisfactory, no apparent shortcoming had been identified.

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 and his/her ability to discharge such responsibilities/functions as expected from an Independent Director. The N&R Committee is responsible to ensure that the procedures for appointing new Directors are transparent.

The appointment of Tan Sri Mazlan bin Mansor followed the above process. The N&R Committee, having reviewed the skillset, expertise and experience possessed by Tan Sri Mazlan bin Mansor, recommended his appointment to the Board. Tan Sri Mazlan bin Mansor received an induction which is tailored to his requirements to assist him in understanding the Group's governance structure, business strategy and operations.

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. Non-Executive Directors are not entitled to participate in any employees share scheme implemented by the Company. 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 May 2021, the Board approved the recommendation by the N&R Committee in respect of the proposed increase in the Non-Executive Directors' fees payable for the financial year ended 31 March 2021, following a benchmarking on the non-executive directors' fees against other regional and local comparable peers. The proposed increase is also to reflect their responsibilities and risks level exposed to them as Non-Executive Directors of the Company given the growing importance of their role in providing an effective check and balance. The Directors' fees will be put forth to the shareholders for approval at the 67th 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 2021 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 six (6) Non-Executive Directors, five (5) of whom are Independent Directors which is in compliance with the Listing Requirements of Bursa Securities.

The Chairman of the Audit Committee, Mr. Thein Kim Mon, who is an Independent Director, 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 has 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 on pages 65 to 70 of this Annual Report.

II. Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility for the Group's 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. The need of effective risk management is even more pronounced with the COVID-19 pandemic driving home the imperatives of robust risk management frameworks.

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 and effectiveness 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 62 to 64 of this Annual Report.

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

I. Communication with Stakeholders

The Board recognises the importance of maintaining a purposeful relationship with stakeholders. In this regard, 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. Throughout the financial year and various phases of MCO, the Company and its investor relations team also conducted briefings to analysts and fund managers via video communications and other online tools to provide the investors, analysts and fund managers 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.

In view of the COVID-19 pandemic and the various phases of MCO implemented by the Government of Malaysia which set limitation on travel and mass events, the 66th AGM held on 22 September 2020 was conducted fully virtual and live-streamed from the broadcast venue by leveraging technology in accordance with the Constitution of the Company. Shareholders were advised to take advantage of the Remote Participation and Voting ("RPV") facilities which were available on Securities Services e-Portal at https://sshsb.net.my/ without the need of being physically present at the AGM as a precautionary measure to curb the spread of the COVID-19.

Notice of and Administrative Guide for the 66th AGM, the Form of Proxy and the Annual Report were issued and/or uploaded onto the Company's website 28 days before the 66th AGM date. This allowed shareholders sufficient time to review the Company's financial and operational performance and to make necessary arrangements to participate in the virtual 66th AGM either in person or by proxies. Shareholders were provided with clear and easy-to-follow instructions on how to register and participate in the virtual AGM. They were also invited to send questions before the meeting in relation to the agenda items for the 66th AGM, or via the real time submission of typed texts through a text box before the start or during the live streaming of the meeting.

Shareholders, corporate representatives and proxies participated in the virtual 66th AGM through live streaming and online remote voting via the RPV facilities. The proceedings of the 66th AGM at the broadcast venue including the CEO's presentation of the Group's activities and financial performance, challenges brought on by the COVID-19 pandemic and faced by the Group during MCO, and the Group's prospects and strategies, the presentation from the representative of AmInvestment Bank Berhad, the Company's adviser on the proposed establishment of the new ESS, questions from Minority Shareholders Watch Group (MSWG) and shareholders which were raised prior to and during the meeting as well as the Company's responses to the same, were shared with the shareholders/proxies during the virtual AGM, before putting resolutions to vote.

To ensure effective participation of and engagement with shareholders at the virtual 66th AGM of the Company, all members of the Board participated in the meeting to respond to the questions raised by the shareholders and proxies, where two (2) Directors were present at the broadcast venue while the other six (6) Directors joined remotely via video conferencing so as to limit the number of individuals at the broadcast venue in accordance with the Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia. Despite the absence of face-to-face engagement, the Board believes that the RPV facilities have provided an accessible platform for the Board to engage with the shareholders/proxies as close to a physical AGM as possible, by ensuring that shareholders were able to exercise their rights to participate, speak (in the form of real time submission of typed texts) and vote at this fully virtual AGM.

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.

As the corporate governance landscape continues to evolve and with the introduction of new best practices and further guidance under the updated Code issued by Securities Commission Malaysia in April 2021, the Board will continue to operationalise and enhance the Company's existing corporate governance framework, policies and practices and instil a risk and governance awareness culture and mindset throughout the Group in the best interest of all stakeholders.

This Statement is made in accordance with the resolution of the Board of Directors dated 25 May 2021.

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 was terminated during the financial year and replaced with a new ESS on 20 October 2020.

(I) The details of the ESS which was implemented on 31 December 2015 and thereafter terminated on 20 October 2020 were as follows:

(a) The total number of options granted, exercised, cancelled and outstanding since its commencement up to termination were set out below:

Description	Number of Options	
	Grand Total	Directors and Chief Executive
Granted	43,229,000	2,200,000
Exercised	39,145,650	2,200,000
Cancelled	4,083,350	–
Outstanding	–	–

(b) Percentages of options applicable to Directors and senior management during the financial year and since its commencement up to termination were set out below:

Directors and Senior Management	Percentage	
	During the financial year	Since commencement up to termination
Aggregate maximum allocation	–	20.90%
Actual options granted	–	20.90%

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

2. ESS (CONT'D)

(II) The details of the new ESS implemented on 20 October 2020 are as follows:

(a) The total number of options granted, exercised, cancelled and outstanding under the new ESS since its commencement up to the financial year ended 31 March 2021 are set out below:

Description	Number of Options	
	Grand Total	Directors and Chief Executive
Granted	9,192,000	500,000
Exercised	2,557,100	–
Cancelled	163,000	–
Outstanding	6,471,900	500,000

(b) Percentages of options applicable to Directors and senior management under the new ESS during the financial year and since its commencement up to the financial year ended 31 March 2021 are set out below:

Directors and Senior Management	Percentage	
	During the financial year	Since commencement up to 31 March 2021
Aggregate maximum allocation	25.09%	25.09%
Actual options granted	25.09%	25.09%

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

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 2021 are as follow:

Fees	Company RM	Group RM
Audit Fees	87,000	283,400
Non-Audit Fees	23,000	211,000
Total	**110,000**	**494,400**

3. AUDIT AND NON-AUDIT FEES (CONT'D)

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

- Reporting Accountants and Tax Advisory services on Revolving Option for Zamarad Assets Berhad's RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation Programme ("ZAB Programme");
- Tax related matters; and
- Review of the Statement on Risk Management and Internal Control.

Deloitte PLT and Deloitte Tax Services Sdn Bhd were appointed as Reporting Accountants and Tax Advisory respectively as they were engaged for such roles during the establishment of ZAB Programme in the financial year ended 31 March 2019. Both are familiar with Zamarad Assets Berhad ("ZAB") existing Asset-Backed Securitisation Programme's structure, transactions and documentations. Hence, minimise the risk of poor execution and delay in deliveries.

4. UTILISATION OF PROCEEDS

In March 2019, a ZAB Programme was established via ZAB backed by receivables originated by RCE Marketing Sdn Bhd, a wholly-owned subsidiary of the Company.

During the financial year, ZAB issued its fourth and fifth tranche of sukuk with proceeds totalling RM220.0 million. Details of the utilisation as at 31 March 2021 are as follow:

Description	RM'000
Proceeds	220,000
Utilisation:	
(a) purchase consideration of the acquired islamic financing agreements	(212,680)
(b) minimum profit balance required for finance service reserve account	(3,695)
(c) issuance related expenses	(1,850)
(d) deposit into revenue account	(1,775)
Total	**–**

5. RECURRENT RELATED PARTY TRANSACTIONS

The information on recurrent related party transactions for the financial year is set out in Note 23 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 ongoing 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 ongoing 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 processes 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 entails:

- 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.

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) Information technology risks;
(c) Financial risks including liquidity risks; and
(d) Compliance risks including Malaysian Anti-Corruption Commission (Amendment) Act 2018 focusing on TRUST principle.

The mitigating controls employed by the Group include:

(a) Frequent portfolio review, enhancement of control over approval limits, enhancement of recovery processes;
(b) Identification of areas for deploying information technology to improve workflow and monitor project implementation, engagement of third party experts for independent assessment;
(c) Active cashflow and debt management including improving funding; and
(d) Regular compliance review, training of employees, implementation of enhanced policies and procedures.

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 Meeting. 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.

(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 whistleblowing 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 2021. 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 25 May 2021.

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 Sri Mazlan bin Mansor	Member	Independent Director
Datuk Mohamed Azmi bin Mahmood	Member	Independent Director
Tan Bun Poo	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 2021, Tan Sri Mazlan bin Mansor was appointed as member of the Audit Committee on 1 October 2020.

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 term 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 2021 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 2021, 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	4/4
Tan Sri Mazlan bin Mansor *(Appointed on 1 October 2020)*	2/2^
Datuk Mohamed Azmi bin Mahmood	4/4
Tan Bun Poo	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.

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. In addition, Management representatives of the audit subjects were also invited to the meetings, where required, to provide explanations to the Audit Committee on specific topics or issues arising from the relevant reports.

As for the statutory audit, representatives of the external auditors were invited to the meetings, when necessary, to present and discuss their Audit Planning Memorandum and other relevant matters. The external auditors also attended the meetings where the annual audited financial statements were reviewed and discussed.

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 join the 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 the financial reporting standards and clarity of disclosures. Areas of discussion included, amongst others, the overall performance of the Group, including the impact of COVID-19 pandemic on the operations 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 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, audit focus areas of the Group and the effects of COVID-19 pandemic on 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.

- **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 audit focus of internal audit assignments that forms the core areas where the internal auditors carry out their review. The Audit Committee provided feedback on audit focus to the internal auditors for enhancement of audit review.

c. Reviewed the status of information technology ("IT") audit performed 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.

d. 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.

e. 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 had effectively resolved the issues raised.

f. 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.

g. 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 16 June 2020. 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.

h. 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 9 February 2021 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.

i. Reviewed the objectivity and independence of Internal Audit Function. On 9 February 2021, the internal auditors confirmed to the Audit Committee of their independence and declared that they did not engage in the activities that would impair their independence and are prohibited from auditing functions where they held functional responsibilities in the past twelve (12) months or those it is currently responsible for.

j. Reviewed the annual report by Internal Audit Function on the outcome of Quality Assurance and Improvement Program (QAIP) for the period from 1 January 2020 to 31 December 2020 in accordance with the International Professional Practices Framework ("IPPF"). The review covers internal assessment performed by the Internal Audit Function to evaluate conformance to IPPF and the review of competency and experience of the personnel in Internal Audit.

k. Reviewed the proposed actions/disclosures recommended by the Internal Audit Function after benchmarking the current practice against the 7 criteria under focus in the publication entitled "Effectiveness of Internal Audit Function: Thematic Review Findings and Key Takeaways".

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

m. 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 auditors' responsibilities, audit strategy, audit materiality, scope of work, methodology and timetable, significant risks and areas of focus, changes to accounting standards, regulatory requirements and the extent of compliance, COVID-19 impact, 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 10 November 2020. 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 developments.

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. Established the policy on provision of non-audit services by external auditors and recommended the same to the Board for approval and adoption.

f. Held two (2) discussions with the external auditors without the presence of Management on 16 June 2020 and 10 November 2020 respectively, to discuss issues requiring attention/significant matters arising from the audit.

g. 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 25 May 2021 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 and approved the revisions to the Risk Management Policy and the terms of reference of Risk Management Committee.

- **Others**

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

  b. Reviewed the revisions to the terms of reference of the Audit Committee and recommended the same to the Board for approval.

  c. Reviewed the whistleblowing process flowchart and recommended the same to the Board for approval and adoption.

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 2021 was RM263,700.

The Internal Audit Function reports directly to the Audit Committee and assists the Audit Committee in the discharge of its duties and functions. The independent Internal Audit Function's role is to provide objective assurance and consulting activity designed to add value to and improve the Group's operations.

The Internal Audit Function presents its risk based 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 risk based 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: regulatory compliance, income recognition, financing rehabilitation and impairment. The Internal Audit Function manages the whistleblowing 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, options allocation under the ESS 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 deficiencies 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.

Internal Audit Function reported the results of its Quality Assurance and Improvement Program to the Audit Committee pursuant to the standards contained in the International Professional Practices Frameworks as promulgated by the Institute of Internal Auditors. Conformance to standards were internally assessed, audit personnel competency and experience were reviewed, opportunity for improvements were identified and action plan for improvement were formulated for execution.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 25 May 2021.

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 2021.

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 16 to the financial statements.

FINANCIAL RESULTS

The audited results of the Group and of the Company for the financial year ended 31 March 2021 are as follows:

	The Group RM	The Company RM
Profit for the financial year	124,632,589	23,603,153

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:	
2021:	
First interim single-tier dividend of 6.00 sen per ordinary share, declared on 10 November 2020 and paid on 7 December 2020	21,449,574
2020:	
Second interim single-tier dividend of 6.00 sen per ordinary share, declared on 16 June 2020 and paid on 27 July 2020	21,335,329

The Board of Directors ("Board") has declared a second interim ("2nd interim") single-tier dividend of 7.00 sen per ordinary share in respect of financial year ended 31 March 2021, to be paid on 29 July 2021. The dividend payable is estimated at RM25,271,891 based on the latest number of ordinary shares in issued, net of treasury shares.

The entitlement date for the dividend payment is 16 July 2021.

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 2021 in respect of ordinary transfers; and

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

This 2nd interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2022.

Total dividend declared in respect of the financial year ended 31 March 2021 is 13.00 sen, equating to 37.5% 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 2021.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Note 27 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 372,938,136 to 382,655,236 by way of the issuance of 9,717,100 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.

TREASURY SHARES

During the financial year, there were no repurchases of own equity securities from the open market. The shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

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 2021, the number of ordinary shares in issue after deducting the treasury shares is 360,050,011 shares. Further details are disclosed in Note 26 to the financial statements.

ESS

The ESS approved by the shareholders at the Extraordinary General Meeting held on 2 September 2015 was 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 was subsequently terminated on 20 October 2020 and replaced with a new ESS.

The new ESS approved by the shareholders at the Annual General Meeting held on 22 September 2020 is governed by the bylaws and implemented on 20 October 2020. The new ESS is 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 new ESS comprises shares and/or options to subscribe for shares 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 35 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 implemented and terminated on 31 December 2015 and 20 October 2020 Options over ordinary shares				
Grant date	**Expiry date**	**Exercise price per share RM**	**Balance as at 1.04.2020**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2021**
4.07.2018	20.10.2020	1.37	1,943,600	–	(1,789,600)	(154,000)	–
29.05.2019	20.10.2020	1.45	5,546,400	–	(5,370,400)	(176,000)	–
			7,490,000	–	(7,160,000)	(330,000)	–
			ESS implemented on 20 October 2020 Options over ordinary shares				
14.12.2020	13.12.2022	2.17	–	9,192,000	(2,557,100)	(163,000)	6,471,900
			–	9,192,000	(2,557,100)	(163,000)	6,471,900

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

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
Thein Kim Mon
Soo Kim Wai
Shalina Azman*
Lum Sing Fai
Tan Sri Mazlan Bin Mansor (Appointed on 1 October 2020)

* 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^
Kew Thean Yew^
Hooi Toong Wan (Ceased as director on 8 April 2021)

^ 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 1.04.2020	**Alloted/ Acquired**	**Disposed**	**Balance as at 31.03.2021**
Shares in the Company:				
Direct interest:				
Shahman Azman	300,000	–	–	300,000
Shalina Azman	450,000	–	–	450,000
Lum Sing Fai	499	–	–	499
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Shahman Azman	886,700	–	–	886,700
Lum Sing Fai	833	–	–	833

	Number of Class B Redeemable Convertible Preference Shares			
	Balance as at 1.04.2020	**Alloted/ Acquired**	**Converted/ Redeemed**	**Balance as at 31.03.2021**
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Lum Sing Fai	100	–	–	100

	ESS options over ordinary shares			
	Balance as at 1.04.2020	**Granted**	**Exercised**	**Balance as at 31.03.2021**
Options in a related company, Amcorp Properties Berhad				
Shahman Azman	3,072,000	–	–	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 23 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 35 to the financial statements.

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

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group and the Company maintain directors and officers' liability insurance for the purpose of Section 289 of the Companies Act 2016 in Malaysia, 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 RM27,720.

There was no indemnity given to or insurance effected for the auditors of the Company in accordance with Section 289 of the Companies Act 2016 in Malaysia.

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
25 May 2021

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 2021, 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 85 to 163.

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 2021 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' *International Code of Ethics for Professional Accountants (including International Independence Standards) ("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	***How the Scope of our Audit Responded to the Key Audit Matter***
Allowances for impairment loss on receivables	
MFRS 9 *Financial Instruments* requires the Group to account for receivables 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 18 contains the disclosure of financing receivables and the disclosure of credit risk is made in Note 33 to the financial statements.	We performed the following procedures to address the key audit matters: • Evaluated the design and implementation of the key controls over impairment of receivables. • Involved financial risk specialist to evaluate the appropriateness of forward looking macroeconomic factors and probability-weighted scenario used in the Group's ECL model. • 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 financing receivables to evaluate if credit staging is appropriately classified in accordance to the Group's definition of significant increase in credit risk. • Involved data analytics 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.

We have not identified any key matter pertaining to the financial statements of the Company for the financial year ended 31 March 2021.

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 financial statements of the Group and of the Company that 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 and International Standards on Auditing 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 and International Standards on Auditing, 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;

- 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, actions taken to eliminate threats or safeguard applied.

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.

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 16 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 - 03153/08/2022 J
Chartered Accountant

25 May 2021

Statements of Comprehensive Income

For The Financial Year Ended 31 March 2021

	Note	The Group 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
Profit income	5	273,028,738	256,781,701	–	–
Other revenue	5	20,430,690	27,415,535	25,130,358	25,368,383
Revenue	5	293,459,428	284,197,236	25,130,358	25,368,383
Other income		19,043,800	18,813,207	98,819	190,171
Profit expense applicable to revenue	6	(80,398,478)	(81,703,521)	–	–
Directors' remuneration	7	(940,540)	(715,040)	(683,500)	(458,000)
Staff costs	8	(25,317,702)	(23,459,273)	(165,000)	(130,000)
Allowances for impairment loss on receivables, net	9	(15,592,404)	(23,090,419)	–	–
Depreciation of plant and equipment and right-of-use ("ROU") assets	14 - 15	(3,152,476)	(2,122,884)	–	–
Other expenses		(19,587,698)	(22,886,684)	(826,906)	(476,168)
Finance costs	10	(291,267)	(132,901)	–	–
Profit before tax	9	167,222,663	148,899,721	23,553,771	24,494,386
Income tax (expense)/credit	11	(42,590,074)	(38,318,847)	49,382	68,232
Profit for the financial year		124,632,589	110,580,874	23,603,153	24,562,618
Other comprehensive loss that may be reclassified subsequently to profit or loss:					
Foreign currency translations		(1,553)	(345)	–	–
Other comprehensive loss for the financial year, net of tax		(1,553)	(345)	–	–
Total comprehensive income for the financial year		124,631,036	110,580,529	23,603,153	24,562,618
Attributable to:					
Owners of the Company		124,632,589	110,580,874		
Earnings per ordinary share (sen):					
Basic	12	35.03	31.83		
Diluted	12	34.99	31.71		

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

Statements of Financial Position

As At 31 March 2021

	Note	The Group 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
ASSETS					
Non-Current Assets					
Plant and equipment	14	7,316,017	7,298,118	–	–
ROU assets	15	4,793,041	5,826,763	–	–
Investment in subsidiary companies	16	–	–	354,485,812	354,485,815
Goodwill on consolidation	17	47,332,991	47,332,991	–	–
Financing receivables	18	1,535,156,873	1,520,055,301	–	–
Other investments	19	2	2	2	2
Deferred tax assets	20	43,181,286	45,400,632	153,000	103,200
Total Non-Current Assets		1,637,780,210	1,625,913,807	354,638,814	354,589,017
Current Assets					
Financing receivables	18	186,022,876	169,859,501	–	–
Trade receivables	21	54,207,204	3,011,296	–	–
Other receivables, deposits and prepaid expenses	22	14,795,073	12,049,064	97,221	54,639
Amounts due from subsidiary companies	23	–	–	10,374,162	9,792,219
Deposits with licensed financial institutions	24	570,983,079	360,739,009	–	–
Cash and bank balances	24	26,917,855	259,458,948	1,364	787,996
Total Current Assets		852,926,087	805,117,818	10,472,747	10,634,854
Total Assets		2,490,706,297	2,431,031,625	365,111,561	365,223,871

	Note	The Group 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	25	188,025,513	172,237,774	188,025,513	172,237,774
Treasury shares	26	(25,910,249)	(25,910,249)	(25,910,249)	(25,910,249)
Reserves	27	611,915,368	527,035,875	202,215,417	218,363,807
Total Equity		774,030,632	673,363,400	364,330,681	364,691,332
Non-Current Liabilities					
Payables and accrued expenses	28	1,695,481	780,224	–	–
Hire-purchase payables	29	307,362	365,922	–	–
Financing liabilities	30	1,143,782,051	1,082,930,715	–	–
Lease liabilities	31	3,627,551	4,415,581	–	–
Deferred tax liabilities	20	1,221,076	1,476,386	–	–
Total Non-Current Liabilities		1,150,633,521	1,089,968,828	–	–
Current Liabilities					
Payables and accrued expenses	28	29,291,548	30,204,800	780,880	532,539
Hire-purchase payables	29	341,048	348,373	–	–
Financing liabilities	30	526,837,420	631,466,863	–	–
Lease liabilities	31	792,808	748,544	–	–
Tax liabilities		8,779,320	4,930,817	–	–
Total Current Liabilities		566,042,144	667,699,397	780,880	532,539
Total Liabilities		1,716,675,665	1,757,668,225	780,880	532,539
Total Equity and Liabilities		2,490,706,297	2,431,031,625	365,111,561	365,223,871

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

Statements of Changes in Equity

For The Financial Year Ended 31 March 2021

The Group	Note	Share Capital RM	Treasury Shares RM	Non-Distributable Reserves: Employees' Share Scheme ("ESS") RM	Non-Distributable Reserves: Exchange Translation 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	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	13	–	–	–	–	(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	25	17,783,375	–	(3,747,071)	–	3,747,071	–	17,783,375
Cancellation of share options		–	–	(632,770)	–	632,770	–	–
Shares repurchased	26	–	(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
Balance as at 1 April 2020		172,237,774	(25,910,249)	2,005,708	424	525,029,743	527,035,875	673,363,400
Total comprehensive (loss)/ income		–	–	–	(1,553)	124,632,589	124,631,036	124,631,036
Transactions with owners								
Dividends	13	–	–	–	–	(42,784,903)	(42,784,903)	(42,784,903)
Share options granted under ESS		–	–	3,033,360	–	–	3,033,360	3,033,360
Issuance of shares pursuant to ESS exercised	25	15,787,739	–	(2,759,131)	–	2,759,131	–	15,787,739
Cancellation of share options		–	–	(144,210)	–	144,210	–	–
Total transactions with owners		15,787,739	–	130,019	–	(39,881,562)	(39,751,543)	(23,963,804)
Balance as at 31 March 2021		188,025,513	(25,910,249)	2,135,727	(1,129)	609,780,770	611,915,368	774,030,632

The Company	Note	Share Capital RM	Treasury Shares RM	Non-Distributable Reserve ESS 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	13	–	–	–	(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	25	17,783,375	–	(3,747,071)	3,747,071	–	17,783,375
Cancellation of share options		–	–	(632,770)	632,770	–	–
Shares repurchased	26	–	(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
Balance as at 1 April 2020		172,237,774	(25,910,249)	2,005,708	216,358,099	218,363,807	364,691,332
Total comprehensive income		–	–	–	23,603,153	23,603,153	23,603,153
Transactions with owners							
Dividends	13	–	–	–	(42,784,903)	(42,784,903)	(42,784,903)
Share options granted under ESS		–	–	3,033,360	–	3,033,360	3,033,360
Issuance of shares pursuant to ESS exercised	25	15,787,739	–	(2,759,131)	2,759,131	–	15,787,739
Cancellation of share options		–	–	(144,210)	144,210	–	–
Total transactions with owners		15,787,739	–	130,019	(39,881,562)	(39,751,543)	(23,963,804)
Balance as at 31 March 2021		188,025,513	(25,910,249)	2,135,727	200,079,690	202,215,417	364,330,681

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

Statements of Cash Flows

For The Financial Year Ended 31 March 2021

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	167,222,663	148,899,721	23,553,771	24,494,386
Adjustments for:				
Allowances for impairment loss on receivables, net	15,592,404	23,090,419	–	–
Depreciation of plant and equipment and ROU assets	3,152,476	2,122,884	–	–
Share options granted under ESS	3,033,360	2,326,220	165,000	130,000
Finance costs	291,267	132,901	–	–
Plant and equipment written off	7,371	51,041	–	–
Waiver of debt due by a subsidiary company	–	–	291,324	–
Allowance for impairment loss on investment in a subsidiary company	–	–	3	–
Profit income from deposits with licensed financial institutions	(12,049,725)	(12,025,623)	–	–
Gain on disposal of plant and equipment	(53,999)	–	–	–
Lease payment incentive	(17,235)	–	–	–
Dividend income	–	–	(25,000,000)	(25,000,000)
Interest income on amounts due from subsidiary companies	–	–	(77,895)	(182,620)
Operating Profit/(Loss) Before Working Capital Changes	177,178,582	164,597,563	(1,067,797)	(558,234)
(Increase)/Decrease in working capital:				
Financing receivables	(46,868,539)	(114,336,827)	–	–
Trade receivables	(51,184,720)	695,771	–	–
Other receivables, deposits and prepaid expenses	(1,144,805)	25,102,168	(26,443)	(2,847)
Amounts due from subsidiary companies	–	–	2,072,988	(418,223)
Increase/(Decrease) in working capital:				
Payables and accrued expenses	2,296,285	5,323,186	248,341	(29,652)
Cash Generated From/(Used In) Operations	80,276,803	81,381,861	1,227,089	(1,008,956)
Taxes paid	(36,840,392)	(45,180,765)	(16,557)	(117,475)
Taxes refunded	45	1,828,611	–	139,296
Net Cash Generated From/(Used In) Operating Activities	43,436,456	38,029,707	1,210,532	(987,135)

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Profit income from deposits with licensed financial institutions received	12,049,725	12,025,623	–	–
Proceeds from disposal of plant and equipment	54,000	–	–	–
Additions to plant and equipment	(1,808,384)	(3,468,013)	–	–
Deposit payment for asset under hire-purchase	(40,551)	–	–	–
Dividend received	–	–	25,000,000	25,000,000
Subscription of ordinary shares in a subsidiary company	–	–	–	(200,000)
Net Cash Generated From Investing Activities	10,254,790	8,557,610	25,000,000	24,800,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of revolving credits	736,000,000	853,000,000	–	–
Issuance of Sukuk Murabahah (“Sukuk”)	220,000,000	220,000,000	–	–
Drawdown of term financing/loans	120,000,000	40,000,000	–	–
Proceeds from issuance of shares	15,787,739	17,783,375	15,787,739	17,783,375
Drawdown of other financing liabilities	3,030,279	2,989,958	–	–
Repayment of revolving credits	(911,500,000)	(710,000,000)	–	–
(Placements)/Withdrawal of deposits, cash and bank balances, net:				
Assigned in favour of the trustees	(183,696,259)	(69,624,709)	–	–
Pledged to licensed financial institutions	23,548,651	(5,279,773)	–	–
Repayment of term financing/loans	(117,262,606)	(127,981,460)	–	–
Redemption of Sukuk	(95,000,000)	(170,000,000)	–	–
Dividends paid	(42,784,903)	(34,876,881)	(42,784,903)	(34,876,881)
Repayment of other financing liabilities	(3,030,279)	(2,989,958)	–	–
Repayment of lease liabilities	(731,347)	(221,582)	–	–
Finance costs paid	(291,267)	(132,901)	–	–
Repayment of hire-purchase payables	(205,885)	(372,106)	–	–
Shares repurchased	–	(5,965,980)	–	(5,965,980)
Net Cash (Used In)/Generated From Financing Activities	(236,135,877)	6,327,983	(26,997,164)	(23,059,486)

Statements of Cash Flows

For The Financial Year Ended 31 March 2021

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
NET CHANGE IN CASH AND CASH EQUIVALENTS	(182,444,631)	52,915,300	(786,632)	753,379
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	212,666,610	159,751,310	787,996	34,617
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 24)	30,221,979	212,666,610	1,364	787,996

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("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 16. There have been no significant changes in the nature of these principal activities during the financial year other than as disclosed in Note 16.

The financial statements of the Group and of the Company have been authorised by the Board for issuance on 25 May 2021.

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.

The implementation of various Movement Control Order phases arising from COVID-19 pandemic has disrupted the economic activities throughout Malaysia. Notwithstanding that, the basis of preparation of financial statements have taken into consideration the effects arising from COVID-19 pandemic.

2.1 Changes in Accounting Policies

As at the date of issuance of the financial statements, certain new and revised MFRSs and amendments which are relevant to the operations of the Group and of the Company are as follows:

Revised Conceptual Framework for Financial Reporting	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material

In addition, the Group has early adopted Amendments to MFRS 16 - *Leases - COVID-19 - Related Rent Concessions* in the current financial year which is effective for the financial period commencing 1 April 2021.

The adoption of the above amendments does not have any material effect to the Group and to the Company.

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

2.2 Standards and Amendments Issued But Not Yet Effective

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

Amendments to:	
MFRSs	Annual Improvements to MFRSs 2018-2020 Cycle[3]
MFRS 3	Reference to the Conceptual Framework[3]
MFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
	COVID-19 – Related Rent Concessions beyond 30 June 2021[2]
MFRS 101	Classification of Liabilities as Current or Non-current[4]
	Disclosure of Accounting Policies[4]
MFRS 108	Definition of Accounting Estimates[4]
MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use[3]
MFRS 137	Onerous Contracts – Costs of Fulfilling a Contract[3]
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date deferred to a date to be announced by MASB

The Group and the Company will adopt the above standards and amendments 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (Cont'd)

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured 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 3.7 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (Cont'd)

When the Group ceases to have control, any retained interest in the subsidiary company is remeasured 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.

3.3 Revenue Recognition

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

Revenue of the Company consists of dividend income from subsidiary companies, strategic management fee and profit/interest 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) Strategic management fees

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue Recognition (Cont'd)

Revenue from other sources are recognised as follows:

(a) Profit/interest income

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

(b) Overdue profit/interest income

Overdue profit/interest income is recognised upon collection.

(c) Dividend income

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

(d) Profit/interest income from deposits with licensed financial institutions

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

3.4 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 period 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.

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 3.9(b) on Impairment of Other Non-Financial Assets).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Plant and Equipment and Depreciation (Cont'd)

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 3.5(a)(i) on ROU assets).

3.5 Leases and Hire-Purchase

(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	59 - 76 months
Motor vehicles	60 months

The ROU assets are subject to impairment (see Note 3.9(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases and Hire-Purchase (Cont'd)

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

(ii) Lease liabilities (Cont'd)

In calculating the present value of the lease payments, the Group uses its incremental financing liabilities 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 profit/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.

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(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.

3.6 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 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 CGUs 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.

3.8 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 intial 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 profit/interest method. Gains and/or losses are recognised in profit or loss upon derecognition, reclassification or impairment, and through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial Assets (Cont'd)

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

(i) Amortised cost (Cont'd)

Profit/interest income calculated using the effective profit/interest 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.

(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 profit/interest 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 designates 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial Assets (Cont'd)

(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.

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.

3.9 Impairment of Assets

(a) Financial assets

Expected credit loss ("ECL") 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

(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 profit/interest income is calculated by applying the effective profit/interest rate ("EPR/EIR") to the amortised cost (net of provision) rather than the gross carrying amount.

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 profit of the financial asset is past due a certain period of time.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

For financial assets measured at amortised cost other than financing receivables, 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 33(b).

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 33(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.

3.10 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)

3.11 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 financing liabilities.

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

Financing liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit/interest method. Financing liabilities 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.

3.12 Financing Liabilities Costs

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

3.13 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial Guarantee Contracts (Cont'd)

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.

3.14 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 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.

3.16 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee Benefits (Cont'd)

(c) Share-based compensation (Cont'd)

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.

3.17 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.

(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;

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Foreign Currencies (Cont'd)

(c) Foreign operation (Cont'd)

(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.

3.18 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.

3.19 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.

3.20 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.

4.2 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 receivables 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 impact arising from COVID-19 pandemic occurred since the end of the previous 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 forward looking economic scenarios and their probability weightings to derive at the economic inputs and the effect on EAD, PD, and LGD.

(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 financing liabilities

The fair value of financing liabilities is estimated by discounting future contractual cash flows at the current market 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit income:				
Consumer financing	258,832,627	153,901,891	–	–
Interest income:				
Consumer financing	13,911,167	102,368,438	–	–
Factoring and confirming	284,944	481,010	–	–
Deposits with licensed financial institutions	–	30,362	–	–
	14,196,111	102,879,810	–	–
	273,028,738	256,781,701	–	–
Other revenue:				
Shariah fee income from:				
Consumer financing	10,862,449	17,786,351	–	–
Processing and administration of payroll collection	8,432,346	–	–	–
Wakalah fee	1,038,400	1,588,560	–	–
	20,333,195	19,374,911	–	–
Factoring and confirming	66,526	99,063	–	–
Processing and administration of payroll collection	30,969	7,941,561	–	–
Dividend income from subsidiary companies	–	–	25,000,000	25,000,000
Strategic management fee to a subsidiary company	–	–	130,358	368,383
	20,430,690	27,415,535	25,130,358	25,368,383
	293,459,428	284,197,236	25,130,358	25,368,383

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Shariah fee income from:				
Consumer financing	10,862,449	17,786,351	–	–
Processing and administration of payroll collection	8,432,346	–	–	–
Wakalah fee	1,038,400	1,588,560	–	–
	20,333,195	19,374,911	–	–
Factoring and confirming	66,526	99,063	–	–
Processing and administration of payroll collection	30,969	7,941,561	–	–
Strategic management fee to a subsidiary company	–	–	130,358	368,383
	20,430,690	27,415,535	130,358	368,383

During the financial year, wakalah fee has been reclassified from other income to revenue including its comparative to conform with current year's presentation.

6. PROFIT EXPENSE APPLICABLE TO REVENUE

	The Group	
	2021 RM	2020 RM
Profit expense on:		
Sukuk	58,805,821	56,784,672
Term financing	10,861,525	11,375,844
Revolving credits	4,084,246	1,963,986
	73,751,592	70,124,502
Interest expense on:		
Revolving credits	4,566,996	6,363,586
Term loans	2,064,783	5,198,675
Bankers' acceptances	15,104	16,748
Bank overdrafts	3	10
	6,646,886	11,579,019
	80,398,478	81,703,521

7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Directors of the Company:				
- Fees	637,500	420,000	637,500	420,000
- Other emoluments	262,000	254,000	46,000	38,000
- Defined contributions	41,040	41,040	–	–
	940,540	715,040	683,500	458,000
Benefits-in-kind	248,318	239,115	–	–
Total directors'remuneration	1,188,858	954,155	683,500	458,000

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 in Malaysia. 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries	17,696,873	16,320,613	–	–
Share options granted under ESS	3,033,360	2,326,220	165,000	130,000
Defined contributions	2,385,190	2,218,235	–	–
Social security contributions	141,100	144,694	–	–
Others	2,061,179	2,449,511	–	–
	25,317,702	23,459,273	165,000	130,000

9. PROFIT BEFORE TAX

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

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit income from deposits with licensed financial institutions	(12,049,725)	(12,025,623)	–	–
Bad debt recoveries	(6,232,051)	(5,802,430)	–	–
Interest income on amount due from a subsidiary company	–	–	(77,895)	(182,620)
Allowances for impairment loss on receivables, net	15,592,404	23,090,419	–	–
Facility fees	4,295,182	4,029,211	–	–
Collection fees	3,442,601	3,432,892	–	–
Legal and professional fees	1,798,749	2,281,532	189,979	110,884
Management fee payable to a related company	1,420,100	1,291,000	–	–
Auditors' remuneration:				
Statutory audit	294,400	298,872	87,000	75,000
Non-statutory audit	105,000	10,000	10,000	10,000
Internal audit fee payable to a related company	263,700	243,650	72,700	41,000
Rental of:				
Disaster recovery centre	93,720	85,200	–	–
Warehouse	79,370	78,088	–	–
Expenses relating to:				
Leases of low value assets	80,270	72,600	–	–
Short-term leases	4,900	537,531	–	–
Plant and equipment written off	7,371	51,041	–	–

10. FINANCE COSTS

	The Group	
	2021 RM	2020 RM
Interest expense on:		
Lease liabilities	274,831	91,295
Hire-purchase payables	16,436	41,606
	291,267	132,901

11. INCOME TAX EXPENSE/(CREDIT)

	The Group 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
Income tax payable:				
Current year	40,975,464	39,191,548	–	34,923
(Over)/Under provision in prior years	(349,426)	1,237,845	418	45
	40,626,038	40,429,393	418	34,968
Deferred tax (Note 20):				
Current year	1,924,295	(386,963)	(52,200)	(16,800)
Under/(Over) provision in prior years	39,741	(1,723,583)	2,400	(86,400)
	1,964,036	(2,110,546)	(49,800)	(103,200)
Income tax expense/(credit)	42,590,074	38,318,847	(49,382)	(68,232)

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 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
Profit before tax	167,222,663	148,899,721	23,553,771	24,494,386
Tax at applicable statutory tax rate of 24% (2020: 24%)	40,133,439	35,735,933	5,652,905	5,878,653
Effect of different tax rates in foreign jurisdiction	(18,470)	7,416	–	–
Tax effects of:				
Expenses not deductible for tax purposes	2,852,434	3,165,640	236,199	141,211
Income not subject to tax	(131,556)	(108,106)	(6,001,600)	(6,001,741)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	63,912	3,702	60,296	–
Tax at effective tax rate	42,899,759	38,804,585	(52,200)	18,123
(Over)/Under provision in prior years	(349,426)	1,237,845	418	45
Under/(Over) provision of deferred tax in prior years	39,741	(1,723,583)	2,400	(86,400)
Income tax expense/(credit)	42,590,074	38,318,847	(49,382)	(68,232)

The Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated taxable profits for the year of assessment 2021. The computation of deferred tax as at 31 March 2021 uses the same statutory tax rate. Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12. EARNINGS PER ORDINARY SHARE ("EPS")

(a) Basic EPS

	The Group 2021 RM	The Group 2020 RM
Profit for the financial year attributable to ordinary equity holders of the Company	124,632,589	110,580,874
Weighted average number of ordinary shares in issue:		
Balance net of treasury shares as at beginning of financial year	350,332,911	341,908,311
Effects of:		
Issuance of shares pursuant to ESS exercised	5,434,745	6,925,366
Shares repurchased	–	(1,372,375)
Balance as at end of financial year	355,767,656	347,461,302
Basic EPS (sen)	35.03	31.83

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 2021 RM	The Group 2020 RM
Profit for the financial year attributable to ordinary equity holders of the Company	124,632,589	110,580,874
Weighted average number of ordinary shares in issue	355,767,656	347,461,302
Effects of dilution of ESS	420,242	1,278,395
Adjusted weighted average number of ordinary shares in issue	356,187,898	348,739,697
Diluted EPS (sen)	34.99	31.71

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.

13. DIVIDENDS

	The Company 2021 RM	The Company 2020 RM
Recognised during the financial year:		
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
Second interim dividend for 2020:		
6.00 sen per ordinary share under single-tier system, paid on 27 July 2020	21,335,329	–
First interim dividend for 2021:		
6.00 sen per ordinary share under single-tier system, paid on 7 December 2020	21,449,574	–
	42,784,903	34,876,881

The Board of Directors ("Board") has declared a second interim ("2nd interim") single-tier dividend of 7.00 sen per ordinary share in respect of financial year ended 31 March 2021, to be paid on 29 July 2021. The dividend payable is estimated at RM25,271,891 based on the latest number of ordinary shares in issued, net of treasury shares.

The entitlement date for the dividend payment is 16 July 2021.

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 2021 in respect of ordinary transfers; and

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

This 2nd interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2022.

Total dividend declared in respect of the financial year ended 31 March 2021 is 13.00 sen, equating to 37.5% 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 2021.

14. 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 2019	1,409,875	18,072,089	2,001,865	1,174,409	645,396	23,303,634
Effects of adopting MFRS 16 (Note 15)	–	–	(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 April 2020	1,816,702	19,639,543	–	1,821,986	3,023,877	26,302,108
Additions	162,863	612,548	–	211,090	972,157	1,958,658
Write off	(1,800)	(419,969)	–	(11,468)	–	(433,237)
Disposals	–	–	(131,084)	–	–	(131,084)
Reclassification	157,120	624,956	–	412,156	(1,194,232)	–
Reclassification from ROU assets upon expiration of lease contracts (Note 15)	–	–	262,167	–	–	262,167
Balance as at 31 March 2021	2,134,885	20,457,078	131,083	2,433,764	2,801,802	27,958,612
Accumulated depreciation						
Balance as at 1 April 2019	1,161,686	15,783,604	864,998	950,180	–	18,760,468
Effects of adopting MFRS 16 (Note 15)	–	–	(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 April 2020	1,300,140	16,843,774	–	860,076	–	19,003,990
Charge for the financial year	185,834	1,425,506	–	322,049	–	1,933,389
Write off	(1,799)	(419,830)	–	(4,237)	–	(425,866)
Disposals	–	–	(131,083)	–	–	(131,083)
Reclassification from ROU assets upon expiration of lease contracts (Note 15)	–	–	262,165	–	–	262,165
Balance as at 31 March 2021	1,484,175	17,849,450	131,082	1,177,888	–	20,642,595
Carrying amount						
Balance as at 31 March 2020	516,562	2,795,769	–	961,910	3,023,877	7,298,118
Balance as at 31 March 2021	650,710	2,607,628	1	1,255,876	2,801,802	7,316,017

14. PLANT AND EQUIPMENT (CONT'D)

During the financial year, the Group acquired plant and equipment at an aggregate cost of RM1,958,658 (2020: RM5,369,933) as follows:

	The Group 2021 RM	2020 RM
Acquired via:		
Cash payments	1,808,384	3,468,013
Payables	150,274	1,901,920
	1,958,658	5,369,933

15. ROU ASSETS

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

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 2020/1 April 2020	5,385,707	2,001,865	7,387,572
Additions	4,816	180,551	185,367
Reclassification to plant and equipment upon expiration of lease contracts (Note 14)	–	(262,167)	(262,167)
Balance as at 31 March 2021	5,390,523	1,920,249	7,310,772
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 2020/1 April 2020	(294,341)	(1,266,468)	(1,560,809)
Charge for the financial year	(853,792)	(365,295)	(1,219,087)
Reclassification to plant and equipment upon expiration of lease contracts (Note 14)	–	262,165	262,165
Balance as at 31 March 2021	(1,148,133)	(1,369,598)	(2,517,731)
Carrying amount			
Balance as at 31 March 2020	5,091,366	735,397	5,826,763
Balance as at 31 March 2021	4,242,390	550,651	4,793,041

15. ROU ASSETS (CONT'D)

The following are the amounts recognised in profit or loss:

	The Group	
	2021 RM	2020 RM
Depreciation of ROU assets	1,219,087	695,811
Interest expense on lease liabilities	274,831	91,295
Expense relating to:		
Leases of low value assets	80,270	72,600
Short-term leases	4,900	537,531
	1,579,088	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 31.

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2021 RM	2020 RM
Unquoted shares, at cost	354,525,815	374,278,002
Subscription of ordinary shares in a subsidiary company	–	200,000
	354,525,815	374,478,002
Less: Allowance for impairment	(40,003)	(19,992,187)
	354,485,812	354,485,815

Movement in allowance for impairment:

	The Company	
	2021 RM	2020 RM
Balance as at 1 April	19,992,187	20,206,830
Addition	3	–
Written off	(19,952,187)	(214,643)
Balance as at 31 March	40,003	19,992,187

16. 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 2021 %	2020 %	Principal Activities
Direct subsidiary companies				
RCE Marketing Sdn. Bhd.	Malaysia	100	100	Provision of shariah-compliant and conventional financing services
Mezzanine Enterprise Sdn. Bhd.	Malaysia	100	100	Provision of financial administrative services
RCE Factoring Sdn. Bhd.	Malaysia	100	100	Confirming and factoring, provision of shariah-compliant financing services, 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	De-registered from the Companies Commission of Malaysia
RCE Credit Pte. Ltd.	Singapore	100	100	Dormant
Indirect subsidiary companies				
RCE Equity Sdn. Bhd.π	Malaysia	100	100	Provision of financial administrative services
RCE Sales Sdn. Bhd.π	Malaysia	100	100	Provision of general financing services
RCE Trading Sdn. Bhd.π	Malaysia	100	100	Investment of securities

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

	Place of Business/ Country of Incorporation	Effective Ownership Interest and Voting Interest 2021 %	2020 %	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 receivables 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 receivables 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

\# Audited by another firm of auditors

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

On 16 March 2021, RCE Synergy Sdn. Bhd., a dormant direct subsidiary company of the Company has been struck off and de-registered from the Companies Commission of Malaysia.

In the previous financial year:

(a) the Company 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 was struck off and de-registered from the Companies Commission of Malaysia on 27 May 2019; and

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

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

17. GOODWILL ON CONSOLIDATION

	The Group 2021 RM	The Group 2020 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 Group as an individual 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.

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

	The Group 2021 RM	The Group 2020 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 disbursements, which is based on the CGU's past performance and management's expectation on the growth in financing demand and the availability of funds. The pre-tax discount rate applied to the cash flow projections is 7.76% (2020: 6.19%) per annum. No growth rate is assumed in extrapolating the cash flows beyond the five-year period.

17. GOODWILL ON CONSOLIDATION (CONT'D)

Key assumptions used in value-in-use calculations (Cont'd)

(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 financing collection, which is based on management's expectation on the growth in financing demand. The pre-tax discount rate applied to the cash flow projections is 6.59% (2020: 5.94%) 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.

18. FINANCING RECEIVABLES

	← Receivables	→	The Group
	Financing RM	**Loans RM**	**Total RM**
2021			
At amortised cost, gross	1,812,832,495	32,482,541	1,845,315,036
Less: Allowances for impairment	(116,514,229)	(7,621,058)	(124,135,287)
	1,696,318,266	24,861,483	1,721,179,749
Amount receivable within one year	(177,002,913)	(9,019,963)	(186,022,876)
Non-current portion	1,519,315,353	15,841,520	1,535,156,873
2020			
At amortised cost, gross	996,827,912	823,299,415	1,820,127,327
Less: Allowances for impairment	(58,878,606)	(71,333,919)	(130,212,525)
	937,949,306	751,965,496	1,689,914,802
Amount receivable within one year	(92,590,304)	(77,269,197)	(169,859,501)
Non-current portion	845,359,002	674,696,299	1,520,055,301

18. FINANCING RECEIVABLES (CONT'D)

The non-current portion of the financing receivables is as follows:

	Receivables		The Group
	Financing RM	Loans RM	Total RM
2021			
Amount receivables:			
Within 1 to 2 years	215,265,698	5,553,566	220,819,264
Within 2 to 5 years	666,261,769	7,256,232	673,518,001
After 5 years	637,787,886	3,031,722	640,819,608
	1,519,315,353	15,841,520	1,535,156,873
2020			
Amount receivables:			
Within 1 to 2 years	116,029,395	81,016,770	197,046,165
Within 2 to 5 years	396,574,510	266,248,863	662,823,373
After 5 years	332,755,097	327,430,666	660,185,763
	845,359,002	674,696,299	1,520,055,301

During the financial year, financing receivables which arose from the provision of shariah-compliant financing are governed under Commodity Murabahah Facility Agreement, Assignment Agreement, First Party Agreement and the Power of Attorney (collectively referred to as "Shariah-compliant Security Agreements") between the corporations and the Group.

Loans and receivables which arose from the provision of the conventional financing in the previous financial years 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 financing receivables are disclosed in Note 33.

Included in financing receivables are:

	The Group	
	2021 RM	2020 RM
Assigned in favour of the trustees	1,003,733,888	996,827,912
Pledged to licensed financial institutions	459,959,630	670,668,250
	1,463,693,518	1,667,496,162

18. FINANCING RECEIVABLES (CONT'D)

Movement in allowances for impairment:

	Stage 1 RM	Stage 2 RM	Stage 3 RM	Total RM
Balance as at 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/ 1 April 2020	49,545,770	5,397,493	75,269,262	130,212,525
Changes in the ECL:				
Transfer to Stage 1	555,655	(1,266,801)	(5,248,871)	(5,960,017)
Transfer to Stage 2	(619,745)	3,041,133	(2,357,538)	63,850
Transfer to Stage 3	(1,295,245)	(1,938,573)	37,208,891	33,975,073
Net adjustment of allowances for impairment	(1,359,335)	(164,241)	29,602,482	28,078,906
New financial assets originated or purchased	9,177,370	–	–	9,177,370
Financial assets derecognised	(2,768,365)	(275,051)	(4,517,185)	(7,560,601)
Changes in risk parameters	(8,193,109)	(928,213)	(4,970,761)	(14,092,083)
Written off	–	–	(21,680,830)	(21,680,830)
Balance as at 31 March 2021	46,402,331	4,029,988	73,702,968	124,135,287

The information on the credit quality analysis and write off of financing receivables are disclosed in Note 33(b).

The Group applied the latest economic scenarios to reflect an unbiased probability-weighted range of possible future outcome and factor in forecasted Real Gross Domestic Product, a forward looking element used for the ECL calculation. Accordingly, the ECL during the financial year has been adjusted to reflect the impact of latest economic conditions.

19. OTHER INVESTMENTS

	The Group and The Company	
	2021 RM	2020 RM
Investments, at FVTPL		
Association memberships	2	2

20. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Balance as at 1 April	43,924,246	41,813,700	103,200	–
Recognised in profit or loss (Note 11)	(1,964,036)	2,110,546	49,800	103,200
Balance as at 31 March	41,960,210	43,924,246	153,000	103,200

Presented after appropriate offsetting as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax assets	43,181,286	45,400,632	153,000	103,200
Deferred tax liabilities	(1,221,076)	(1,476,386)	–	–
	41,960,210	43,924,246	153,000	103,200

20. 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:

	Financing receivables RM	Payables RM	Other temporary differences RM	Total RM
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
Balance as at 1 April 2020	41,738,767	877,710	2,784,155	45,400,632
Recognised in profit or loss	(3,023,455)	413,086	391,023	(2,219,346)
Balance as at 31 March 2021	38,715,312	1,290,796	3,175,178	43,181,286

Deferred tax liabilities of the Group:

	Plant and equipment RM	Other temporary differences RM	Total RM
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)
Balance as at 1 April 2020	(237,431)	(1,238,955)	(1,476,386)
Recognised in profit or loss	47,098	208,212	255,310
Balance as at 31 March 2021	(190,333)	(1,030,743)	(1,221,076)

20. 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
Balance as at 1 April 2020	103,200
Recognised in profit or loss	49,800
Balance as at 31 March 2021	153,000

(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		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Unused tax losses	2,503,872	2,237,570	251,233	–
Unabsorbed capital allowances	4,531,676	4,531,676	–	–
	7,035,548	6,769,246	251,233	–

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.

The unused tax losses are available for offset against future taxable profits of the Group which will expire in the following financial years:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
2026	2,203,600	2,203,600	–	–
2027	18,184	18,184	–	–
2028	15,786	15,786	–	–
2029	266,302	–	251,233	–
	2,503,872	2,237,570	251,233	–

21. TRADE RECEIVABLES

	The Group	
	2021 RM	2020 RM
Financing receivables	52,648,514	–
Confirming receivables	2,475,431	2,828,072
Factoring receivables	895,170	2,006,323
	56,019,115	4,834,395
Less: Allowances for impairment	(1,811,911)	(1,823,099)
Trade receivables, net	54,207,204	3,011,296

During the financial year, the Group has granted a shariah-compliant financing amounting to RM50.0 million to a customer with tenure of 12 months from the date of disbursement.

The salient terms of the shariah-compliant financing are as follows:

(a) A charge over the number of ordinary shares pledged by customer; and

(b) Minimum margin of security at 1.10 times prior to disbursement and throughout the tenure.

The term financing bears profit rate at 11.00% per annum with full repayment of principal and profit at the end of the tenure.

For factoring and confirming receivables, the credit period granted by the Group ranges from 90 to 150 (2020: 90 to 150) days.

As at reporting date, there is significant concentration of credit risk arising from the amount due from one (1) (2020: nil) major customer amounting to 97.12% (2020: nil) 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	Total RM
Balance as at 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 2020/1 April 2020	59,298	1,763,801	1,823,099
Charge for the financial year	30,930	–	30,930
Changes in risk parameters	(30,775)	(11,343)	(42,118)
Balance as at 31 March 2021	59,453	1,752,458	1,811,911

The information on the credit quality analysis and write off of trade receivables are disclosed in Note 33(b).

22. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Other receivables	12,508,213	10,240,131	10,933	359
Prepaid expenses	1,665,598	1,303,973	11,352	11,288
Refundable deposits	476,480	422,990	15,805	–
Tax recoverable	144,782	81,970	59,131	42,992
	14,795,073	12,049,064	97,221	54,639

Included in other receivables of the Group are collections in transit from various corporations and cooperatives of RM8,625,744 (2020: RM8,317,056).

Included in refundable deposits of the Group are RMnil (2020: RM2,000) paid in relation to the rental of office premises to related parties.

23. RELATED PARTY TRANSACTIONS

The outstanding balances arising from related party transactions as at the reporting date are as below:

	The Company	
	2021 RM	2020 RM
Amounts due from subsidiary companies	10,374,162	9,792,219

The amounts due from subsidiary companies arose mainly from advances given, are unsecured, bear interest rates ranging from 0.25% to 1.30% (2020: 1.60% to 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.

23. 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 (M) Berhad ("AMB") AmBank Islamic Berhad ("AIB") AmGeneral Insurance Berhad ("AGIB") MTrustee Berhad ("MTB")	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") Melawangi Sdn. Bhd. ("MSB")	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	
	2021 RM	2020 RM
Direct subsidiary companies:		
Interest income on amount due from RCEM	(77,895)	(182,620)
Strategic management fees receivable from RCEM	(130,358)	(368,383)

23. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures (Cont'd)

	The Group 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
Other related parties:				
Profit/interest income receivable from deposits placed with:				
AIB	(10,352,732)	(10,939,920)	–	–
AFMB	(736,997)	(442,556)	–	–
Profit/interest expense payable to:				
AMB	3,403,422	7,147,240	–	–
AIB	2,141,806	1,903,120	–	–
Fees payable to CVSB:				
Management fee	1,420,100	1,291,000	–	–
Internal audit fees	263,700	243,650	72,700	41,000
Insurance premium and brokerage fee payable to:				
AIBM	635,459	481,146	–	–
AGIB	30,596	28,207	–	–
Placement fee payable to AIBB	544,133	530,133	–	–
Rental payable to:				
CVSB	97,320	88,800	–	–
ALIB	–	198,714	–	–
Professional fee payable to AIBB	85,564	–	85,564	–
Agency fee payable to AIBB	78,820	45,000	–	–
Annual and Security Trustee fee payable to MTB	35,000	35,000	–	–
Contribution on holiday home payable to MSB	21,855	21,218	–	–
Marketing expenses incurred arising from purchase of travel package from HTSB	–	142,400	–	–
Purchase of travel package from HTSB	–	13,255	–	6,255

23. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Compensation of key management personnel

	The Group 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
Short-term employees' benefits	6,136,148	5,869,712	683,500	458,000
Defined contribution plan	754,043	741,798	–	–
Share options granted under ESS	595,980	452,400	165,000	130,000
	7,486,171	7,063,910	848,500	588,000

24. CASH AND CASH EQUIVALENTS

	The Group 2021 RM	The Group 2020 RM	The Company 2021 RM	The Company 2020 RM
Deposits with licensed financial institutions				
- Licensed islamic financial institutions	543,577,515	344,971,668	–	–
- Other licensed financial institutions	27,405,564	15,767,341	–	–
	570,983,079	360,739,009	–	–
Cash and bank balances				
- Licensed islamic financial institutions	22,591,184	229,993,448	–	–
- Other licensed financial institutions	4,326,671	29,465,500	1,364	787,996
	26,917,855	259,458,948	1,364	787,996
	597,900,934	620,197,957	1,364	787,996
Less: Deposits, cash and bank balances Assigned in favour of the trustees	(537,871,105)	(354,174,846)	–	–
Pledged to:				
- Licensed islamic financial institutions	(26,324,420)	(26,470,709)	–	–
- Other licensed financial institutions	(3,483,430)	(26,885,792)	–	–
	(29,807,850)	(53,356,501)	–	–
	(567,678,955)	(407,531,347)	–	–
	30,221,979	212,666,610	1,364	787,996

24. CASH AND CASH EQUIVALENTS (CONT'D)

Deposits with licensed financial institutions of the Group have a weighted average remaining maturity period of 89 (2020: 94) days. The information on weighted average effective profit rate ("WAEPR") is disclosed in Note 33.

The outstanding balances arising from related party transaction as at the reporting date are as below:

	The Group	
	2021 RM	2020 RM
Deposits and bank balances placed with:		
AIB	549,094,602	562,598,757
AFMB	27,405,564	10,267,341
AMB	1,087,521	21,729,963
	577,587,687	594,596,061

25. SHARE CAPITAL

	The Group and The Company			
	2021 No. of shares	2020 No. of shares	2021 RM	2020 RM
Ordinary shares				
Balance as at 1 April	372,938,136	360,555,536	172,237,774	154,454,399
Issuance of shares pursuant to ESS exercised	9,717,100	12,382,600	15,787,739	17,783,375
Balance as at 31 March	382,655,236	372,938,136	188,025,513	172,237,774

During the financial year, the total number of issued shares of the Company was increased from 372,938,136 to 382,655,236 by way of the issuance of 9,717,100 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 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 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.

26. TREASURY SHARES

The shareholders of the Company, by a resolution passed at an annual general meeting held on 22 September 2020, has granted an approval to the Company to buy back its own shares of up to ten percent (10%) of its total number of issued shares of the Company.

There were no repurchase of own equity securities during the financial year.

In the previous financial year, the Company repurchased 3,958,000 of its issued ordinary shares from the open market. The total consideration paid of RM5,965,980 (including transaction costs) was financed by internally generated fund as follows:

	Number of shares Unit	Total consideration RM	Purchase price per share Highest RM	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 shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

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 2021, the number of ordinary shares in issue after deducting the treasury shares is 360,050,011 shares.

27. RESERVES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-distributable:				
ESS reserve	2,135,727	2,005,708	2,135,727	2,005,708
Exchange translation reserve	(1,129)	424	-	-
	2,134,598	2,006,132	2,135,727	2,005,708
Distributable:				
Retained earnings	609,780,770	525,029,743	200,079,690	216,358,099
	611,915,368	527,035,875	202,215,417	218,363,807

(a) Non-distributable:

(i) ESS reserve:

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 35.

(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.

(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.

28. PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current				
Payables	15,107,698	12,918,716	–	49,902
Accrued expenses	12,628,850	15,730,703	780,880	482,637
Deposits	1,555,000	1,555,381	–	–
	29,291,548	30,204,800	780,880	532,539
Non-current				
Payables	780,224	780,224	–	–
Accrued expenses	915,257	–	–	–
	1,695,481	780,224	–	–
	30,987,029	30,985,024	780,880	532,539

Included in payables of the Group are:

(i) marketing expenses amounting to RM4,598,093 (2020: RM2,876,899) payable to third parties;

(ii) collections received from customers amounting to RM3,250,646 (2020: RM2,048,462) on behalf of various corporations and cooperatives by subsidiary companies; and

(iii) refundable collections amounting to RM1,107,505 (2020: RM2,103,764).

29. HIRE-PURCHASE PAYABLES

	The Group 2021 RM	The Group 2020 RM
Total outstanding	684,119	751,250
Less: Future finance charges	(35,709)	(36,955)
Principal outstanding	648,410	714,295
Less: Amounts due within one year	(341,048)	(348,373)
Non-current portion	307,362	365,922

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

	The Group 2021 RM	The Group 2020 RM
Financial years ending 31 March:		
2022	–	260,185
2023	185,965	97,572
2024	69,103	8,165
2025	29,437	–
2026	22,857	–
	307,362	365,922

The interest rates implicit in these hire-purchase arrangements of the Group range from 4.13% to 4.83% (2020: 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 2021 RM	The Group 2020 RM
Balance as at 1 April	714,295	1,086,401
Cash flows	(205,885)	(372,106)
Non-cash changes	140,000	–
Balance as at 31 March	648,410	714,295

30. FINANCING LIABILITIES

	Note	The Group 2021 RM	The Group 2020 RM
At amortised cost			
Secured			
Current			
- Conventional			
Term loans	(a)	5,962,704	56,028,479
Revolving credits	(b)	114,308,159	203,748,220
		120,270,863	259,776,699
- Shariah			
Sukuk	(c),(d)	199,056,263	101,385,904
Term financing	(a)	73,955,130	50,850,887
Revolving credits	(b)	133,555,164	219,453,373
		406,566,557	371,690,164
		526,837,420	631,466,863
Non-current			
- Conventional			
Term loans	(a)	13,389,743	19,339,657
- Shariah			
Sukuk	(c),(d)	988,352,044	957,705,117
Term financing	(a)	142,040,264	105,885,941
		1,130,392,308	1,063,591,058
		1,143,782,051	1,082,930,715
		1,670,619,471	1,714,397,578
Disclosed in the statements of financial position as:			
Current		526,837,420	631,466,863
Non-current		1,143,782,051	1,082,930,715
		1,670,619,471	1,714,397,578

30. FINANCING LIABILITIES (CONT'D)

The maturity profile of the financing liabilities is as follows:

	The Group	
	2021 RM	2020 RM
On demand or within one year	526,837,420	631,466,863
More than 1 year and less than 2 years	208,152,264	217,037,553
More than 2 years and less than 5 years	665,577,677	560,833,068
More than 5 years	270,052,110	305,060,094
	1,670,619,471	1,714,397,578

A reconciliation of financing liabilities to cash flows arising from financing activities are as follows:

	2020 RM	Cash flows RM	Non-cash changes RM	2021 RM
Sukuk	1,059,091,021	125,000,000	3,317,286	1,187,408,307
Revolving credits	423,201,593	(175,500,000)	161,730	247,863,323
Term financing/loans	232,104,964	2,737,394	505,483	235,347,841
Total	1,714,397,578	(47,762,606)	3,984,499	1,670,619,471

	2019 RM	Cash flows RM	Non-cash changes RM	2020 RM
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
Term financing/loans	319,963,958	(87,981,460)	122,466	232,104,964
Total	1,604,860,264	105,018,540	4,518,774	1,714,397,578

Included in non-cash changes are accrued profit expense and transaction costs.

30. FINANCING LIABILITIES (CONT'D)

The outstanding balances arising from related party transactions as at the reporting date are as below:

	The Group	
	2021 RM	2020 RM
Financing liabilities with:		
AMB	37,245,305	149,844,080
AIB	35,506,478	150,252,959
	72,751,783	300,097,039

(a) Term financing 1 and 2 (Secured)

During the financial year ended 31 March 2016, a term financing of RM300.0 million was granted to RCEM. Subsequently, an existing revolving credit facility was converted into a term financing of RM200.0 million in financial year ended 31 March 2018.

Term financing 1 and 2 are for working capital purposes and 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 4.84% (2020: 5.98%) 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.

Term loans 3 and 4 (Secured)

During the financial years ended 31 March 2018 and 31 March 2020, a term loan facility of RM150.0 million and RM30.0 million respectively were granted to RCEM.

These term loans bear interest rate ranging from 3.99% to 4.55% (2020: 4.63% to 5.50%) per annum for a tenure of three (3) to five (5) years from the date of the first disbursement of the term loan.

As at the reporting date, RM150.0 million term loan has been fully repaid.

30. FINANCING LIABILITIES (CONT'D)

(a) Term loans 3 and 4 (Secured) (Cont'd)

The term loans 3 and 4 are for working capital purposes and 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 credits 1 and 2 (Secured)

During the financial years ended 31 March 2009 and 31 March 2014, RCEM was granted a revolving credit facility of RM30.0 million and RM100.0 million respectively.

Subsequently, these revolving credit facilities' limit were revised to RM50.0 million and RM60.0 million respectively.

Both facilities are for working capital purposes and 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 financing 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.

Both facilities bear interest rate at 3.31% (2020: 4.03% to 4.05%) per annum.

Revolving credits 3 and 4 (Secured)

During the financial years ended 31 March 2013 and 31 March 2016, a revolving credit facility of RM100.0 million and RM100.0 million respectively was granted to RCEM.

Subsequently, one of the revolving credit facilities' limit was revised to RM50.0 million in financial year ended 31 March 2014.

30. FINANCING LIABILITIES (CONT'D)

(b) Revolving credits 3 and 4 (Secured) (Cont'd)

Both facilities are for working capital purposes and 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.

The above facilities bear profit rate at 3.33% (2020: 4.23%) per annum.

Revolving credits 5 and 6 (Secured)

During the financial year ended 31 March 2019, two revolving credit facilities of RM100.0 million each were granted to RCEM.

Both facilities are for working capital purposes and 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 above facilities bear profit rate ranging from 3.32% to 3.58% (2020: 4.12% to 4.48%) per annum.

Revolving credits 7 (Secured)

In the previous financial year, a revolving bridging facility of RM30.0 million was granted to RCEM for origination of financing agreements.

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 3.95% (2020: 4.70%) per annum.

30. FINANCING LIABILITIES (CONT'D)

(b) Revolving credits 8 (Unsecured)

All revolving credit facilities of RCEF amounting to RM5.5 million (2020: RM5.5 million) are secured against a corporate guarantee by the Company. There is no outstanding revolving credit as at 31 March 2021 and 31 March 2020 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 receivables 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 fully issued its RM900.0 million Sukuk Programme since its establishment in June 2016.

During the financial year, ADA has redeemed RM70.0 million (2020: RM135.0 million) of Class A Series 1 Sukuk from its Tranches 4 to 5 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.

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 are 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 bear fixed profit rates ranging from 4.70% to 5.70% (2020: 4.70% to 5.70%) per annum, payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates;

(iv) The Class B Sukuk bears fixed profit rates ranging from 6.00% to 7.00% (2020: 6.00% to 7.00%) per annum and step up by 4.0% per annum from the expected maturity in year 7.5 until the legal maturity in year 8.5. The profit is payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates; and

(v) The Class C Sukuk bears fixed profit rates ranging from 18.00% to 35.00% (2020: 18.00% to 35.00%) per annum and payable in full or in part upon the full redemption of Class A and Class B. The Class C Sukuk is internally subscribed by a subsidiary company, RCE Trading Sdn. Bhd..

30. FINANCING LIABILITIES (CONT'D)

(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 receivables were funded by the proceeds from the issuance of Sukuk by ZAB.

During the financial year, ZAB has further issued two (2) (2020: two (2)) tranches of Sukuk amounting to RM234.0 million (2020: RM236.0 million), out of which RM14.0 million (2020: RM16.0 million), were subscribed by a subsidiary company, RCE Trading Sdn. Bhd..

In addition, ZAB has redeemed RM25.0 million (2020: RM35.0 million) of its Class A Tranche 2 and 3 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 fifth tranches were issued at par and have maturity tenures ranging from one (1) to eight point five (8.5) years;

(iii) Each series of the Sukuk under Class A bear fixed profit rates ranging from 3.00% to 5.00% (2020: 3.90% to 5.00%) per annum, payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates;

(iv) The Class B Sukuk bears fixed profit rates ranging from 3.95% to 5.50% (2020: 3.95% to 5.50%) per annum and step up by 4.0% per annum from the expected maturity in year 7.5 until the legal maturity in year 8.5. The profit is payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates; and

(v) The Class C Sukuk bears fixed profit rates ranging from 33.00% to 57.00% (2020: 33.00% to 57.00%) per annum and payable in full or in part upon the full redemption of Class A and Class B. The Class C Sukuk is internally subscribed by a subsidiary company, RCE Trading Sdn. Bhd..

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.

30. FINANCING LIABILITIES (CONT'D)

(e) Other financing liabilities (Unsecured)

(i) Bank overdraft 1

The bank overdraft facilities of RCEF amounting to RM0.7 million (2020: RM0.7 million) are secured against an irrevocable corporate guarantee by the Company. There is no outstanding bank overdraft as at 31 March 2021 and 31 March 2020 respectively.

(ii) Others

All bankers' acceptances, trust receipts and bills payable amounting to RM10.0 million (2020: RM10.0 million) are secured against an irrevocable corporate guarantee by the Company.

The bankers' acceptances facilities bear interest rate at 4.87% (2020: 4.87%) per annum.

31. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the financial year are as follow:

	The Group	
	2021 RM	2020 RM
Balance as at 1 April	5,164,125	–
Effects of adopting MFRS 16	–	74,548
Restated as at 1 April	5,164,125	74,548
Cash flows	(731,347)	(221,582)
Non-cash changes	(12,419)	5,311,159
Balance as at 31 March	4,420,359	5,164,125
Disclosed in the statements of financial position as:		
Non-current	3,627,551	4,415,581
Current	792,808	748,544
Total lease liabilities	4,420,359	5,164,125

The weighted average discount rate applied ranges from 4.77% to 5.88% (2020: 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.

31. LEASE LIABILITIES (CONT'D)

The maturity profile of the lease liabilities are as follows:

	The Group	
	2021	**2020**
	RM	**RM**
On demand or within one year	792,808	748,544
More than 1 year and less than 2 years	1,729,403	792,346
More than 2 years and less than 5 years	1,898,148	2,647,219
More than 5 years	–	976,016
	4,420,359	5,164,125

The Group has applied the practical expedient to rent concessions that meet the conditions pursuant to paragraph 46B, MFRS 16 and RM17,235 was recognised in the profit or loss.

32. COMMITMENTS

Capital commitments

	The Group	
	2021	**2020**
	RM	**RM**
Capital expenditure in respect of plant and equipment not provided for:		
Approved and contracted for	1,920,098	717,878

33. 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 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.

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Profit rate risk

Fair value profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

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

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

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

(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) Shariah-compliant and conventional 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 financing receivables.

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) Shariah-compliant financing services, factoring and confirming:

The Group manages the credit risk for its shariah-compliant services by exercising adequate credit evaluation. Exposure to credit risk is mitigated through an ongoing monitoring procedure and secured against ordinary shares, lands and building pledged by customers.

In addition, 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 21.

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

The credit risk for financing receivables, 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 financing receivables which reflect their credit risk and how the allowances for impairment is determined for each of those categories.

A summary of the assumptions underpinning the Group's ECL model is as follows:

(i) Financing receivables

Category	Group's definition of category
Stage 1	Financing receivables that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date.
Stage 2	All financing receivables 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 profit and/or principal repayments are from 0 to 90 days past due from the credit period granted.
Credit impaired	Profit 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 financing receivables and adjusts for forward looking macroeconomic data.

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

The Group provides for credit losses as follows:

(i) Financing 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 profit income
2021					
Stage 1	0 to 30	12 months expected losses.	1,166,788,109	1,141,709,399	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.	601,414,088	580,090,467	
			1,768,202,197	1,721,799,866	
Stage 2	31 to 90	Lifetime expected losses.	3,455,834	2,322,238	Gross carrying amount
	91 to 180^		12,126,957	9,230,565	
			15,582,791	11,552,803	
Stage 3	More than 90	Lifetime expected losses.	33,943,744	–	Amortised cost carrying amount (net of credit allowance)
	More than 180^		39,759,224	–	
			73,702,968	–	

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

(i) Financing receivables (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 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	–	

* Excluded fees for the provision of services to be recognised over a period of time of RM12,172,920 (2020: RM19,523,609).

^ In relation to a portfolio of financing receivables, which is subject to distinguishable administration technical delay due to logistic consideration.

33. 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 profit income
2021					
Lifetime ECL	0 to 90	Lifetime ECL	54,266,657	54,207,204	Gross carrying amount
Credit impaired	More than 90	Credit impaired	1,752,458	–	Amortised cost carrying amount (net of credit allowance)
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)

There are no significant changes to estimation technique or assumption made during the financial year, other than as disclosed in Note 18.

Write off

Write off exercise on fully impaired accounts is carried out periodically. The Group categorised 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 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 financing and trade receivables that were written off during the financial year and are still subject to enforcement activities are RM21,680,830 (2020: RM23,726,825).

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (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	
	2021 RM	2020 RM	2021 RM	2020 RM
Irrevocable loan commitments issued on behalf of customers	616,824	1,179,647	–	–
Financial guarantees to licensed financial institutions for financing liabilities facilities granted to subsidiary companies	–	–	1,037,200,000	1,037,200,000
	616,824	1,179,647	1,037,200,000	1,037,200,000

As at the reporting date, the fair value of the financial guarantees are RMnil (2020: 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 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) Shariah-compliant financing services, factoring and confirming - ordinary shares, land and buildings.

33. 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 %
2021			
Financing receivables	789,025,274	669,873,362	84.90
Trade receivables	54,207,204	65,856,000	121.49
	843,232,478	735,729,362	87.25
2020			
Financing receivables	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

(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 30(c) and 30(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 RM597,900,934 (2020: RM620,197,957) as disclosed in Note 24 to meet estimated commitments arising from its financial liabilities.

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Profit rate and liquidity risk tables

Analysis of financial instruments based on remaining contractual maturity

The following table sets out the WAEPR, 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 profit rate risk:

The Group	Note	WAEPR %	Total RM	Maturity Profile Within 1 year RM	2-5 years RM	After 5 years RM
2021						
Fixed rate						
Financing receivables	18	12.90	1,721,179,749	186,022,876	894,337,265	640,819,608
Trade receivables	21	9.52	54,207,204	54,207,204	–	–
Payables	28	–	15,887,922	15,107,698	780,224	–
Hire-purchase payables	29	2.41	648,410	341,048	307,362	–
Sukuk	30	5.24	1,187,408,307	199,056,263	724,208,384	264,143,660
Lease liabilities	31	5.83	4,420,359	792,808	3,627,551	–
Floating rate						
Deposits with licensed financial institutions	24	2.11	570,983,079	570,983,079	–	–
Revolving credits	30	2.57	247,863,323	247,863,323	–	–
Term financing/loans	30	5.54	235,347,841	79,917,834	149,521,557	5,908,450
2020						
Fixed rate						
Financing receivables	18	13.25	1,689,914,802	169,859,501	859,869,538	660,185,763
Trade receivables	21	11.39	3,011,296	3,011,296	–	–
Payables	28	–	13,698,940	12,918,716	780,224	–
Hire-purchase payables	29	4.52	714,295	348,373	365,922	–
Sukuk	30	5.39	1,059,091,021	101,385,904	653,921,348	303,783,769
Lease liabilities	31	5.86	5,164,125	748,544	3,439,565	976,016
Floating rate						
Deposits with licensed financial institutions	24	3.27	360,739,009	360,739,009	–	–
Revolving credits	30	4.22	423,201,593	423,201,593	–	–
Term financing/loans	30	5.73	232,104,964	106,879,366	123,949,273	1,276,325

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Profit rate and liquidity risk tables (Cont'd)

At the end of the reporting period, there are no default events have arisen that may cause the financial guarantee to be called. In the event of default and such financing/loans are not repaid by the subsidiary companies, the Company would be required to meet its obligations on demand in accordance with the terms of such contracts.

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:

		Maturity Profile		
The Group	**Total RM**	**Within 1 year RM**	**2-5 years RM**	**After 5 years RM**
2021				
Fixed rate				
Sukuk	1,601,236,059	245,851,685	878,030,482	477,353,892
Hire-purchase payables	684,119	362,506	321,613	–
Lease liabilities	5,085,767	1,023,523	4,062,244	–
Floating rate				
Revolving credits	248,906,833	248,906,833	–	–
Term financing/loans	257,413,324	89,401,258	162,077,151	5,934,915
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 financing/loans	252,359,698	117,527,967	133,533,364	1,298,367

Sensitivity analysis for profit rate risk

As at the reporting date, if 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 RM1,836,883 (2020: RM2,493,380) arising mainly as a result of a lower/higher profit expense on floating rate financing liabilities.

33. 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 financing receivables, 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 financing liabilities 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:

		2021		2020	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset					
Financing receivables	18	1,721,179,749	1,740,538,341	1,689,914,802	1,715,180,443
Financial liabilities					
Financing liabilities					
- Sukuk	30	1,187,408,307	1,255,279,045	1,059,091,021	1,123,856,282

33. 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) Financing receivables

The fair values of financing receivables with remaining maturity of less than one year are estimated to approximate their carrying amounts. For financing receivables with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing rates of financing receivables of similar credit profile.

The fair values of impaired financing receivables 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 profit 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).

33. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021				
Financial asset				
Financing receivables	–	–	1,740,538,341	1,740,538,341
Financial liabilities				
Financing liabilities				
- Sukuk	–	1,255,279,045	–	1,255,279,045
2020				
Financial asset				
Financing receivables	–	–	1,715,180,443	1,715,180,443
Financial liabilities				
Financing liabilities				
- Sukuk	–	1,123,856,282	–	1,123,856,282

34. 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 financing liabilities divided by total equity. Net financing liabilities are calculated as total financing liabilities less deposits, cash and bank balances. Total equity is calculated as share capital plus reserves as shown in the statements of financial position.

As at the reporting date, the gearing ratio is as follows:

	The Group		The Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Total financing liabilities	1,670,619,471	1,714,397,578	–	–
Less: Deposits, cash and bank balances	(597,900,934)	(620,197,957)	(1,364)	(787,996)
Net financing liabilities	1,072,718,537	1,094,199,621	(1,364)	(787,996)
Total equity	774,030,632	673,363,400	364,330,681	364,691,332
Gearing ratio (times)	1.39	1.62	–	–

35. ESS

The ESS approved by the shareholders at the Extraordinary General Meeting held on 2 September 2015 was 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 was subsequently terminated on 20 October 2020 and replaced with a new ESS.

The new ESS approved by the shareholders at the Annual General Meeting held on 22 September 2020 is governed by the bylaws and implemented on 20 October 2020. The new ESS is 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 new ESS comprises shares and/or options to subscribe for shares 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 new 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.

35. ESS (CONT'D)

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

			ESS implemented and terminated on 31 December 2015 and 20 October 2020 Options over ordinary shares				
Grant date	**Expiry date**	**Exercise price per share RM**	**Balance as at 1.04.2020**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2021**
4.07.2018	20.10.2020	1.37	1,943,600	–	(1,789,600)	(154,000)	–
29.05.2019	20.10.2020	1.45	5,546,400	–	(5,370,400)	(176,000)	–
			7,490,000	–	(7,160,000)	(330,000)	–
Weighted average exercise price		(RM)	1.43	–	1.43	1.41	–
Weighted average share price		(RM)			1.90		
Weighted average of remaining contractual life		(days)					–

			ESS implemented on 20 October 2020 Options over ordinary shares				
Grant date	**Expiry date**	**Exercise price per share RM**	**Balance as at 1.04.2020**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2021**
14.12.2020	13.12.2022	2.17	–	9,192,000	(2,557,100)	(163,000)	6,471,900
			–	9,192,000	(2,557,100)	(163,000)	6,471,900
Weighted average exercise price		(RM)	–	2.17	2.17	2.17	2.17
Weighted average share price		(RM)			2.68		
Weighted average of remaining contractual life		(days)					622

35. ESS (CONT'D)

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

			ESS implemented and terminated on 31 December 2015 and 20 October 2020 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
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

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:

		ESS implemented on 20 October 2020 14.12.2020	**ESS implemented and terminated on 31 December 2015 and 20 October 2020 29.05.2019**
Fair value of share options at grant dates	(RM)	0.330	0.260
Grant date share price	(RM)	2.408	1.650
Exercise price	(RM)	2.170	1.450
Expected volatility	(%)	20.68	28.89
Expected life	(days)	729	490
Risk free rate	(%)	1.965	3.456
Expected dividend yield	(%)	5.398	6.061

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.

Statement By Directors

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 85 to 163 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 2021 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
25 May 2021

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 85 to 163 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 25th day of May 2021.

YAP CHOON SENG
MIA 20766

Before me

PESURUHJAYA SUMPAH
W607
GURDEEP SINGH
A/L JAG SINGH
01/01/2019-31/12/2021
MALAYSIA

COMMISSIONER FOR OATHS

5B, JALAN RAKYAT
(JALAN TRAVERS)
BRICKFIELDS
50470 KUALA LUMPUR

Analysis of Shareholdings

as at 30 July 2021

Issued Shares : 386,740,636 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	867	8.95	28,735	0.01
100 to 1,000	2,073	21.39	1,329,447	0.37
1,001 to 10,000	5,019	51.78	20,428,413	5.61
10,001 to 100,000	1,555	16.04	42,832,478	11.76
100,001 to less than 5% of issued shares	176	1.82	144,645,355	39.72
5% and above of issued shares	2	0.02	154,870,983	42.53
Total	**9,692**	**100.00**	**364,135,411**	**100.00**

THIRTY LARGEST REGISTERED SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	CEMPAKA EMPAYAR SDN BHD	107,870,983	29.62
2.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD (AGB CBC2)	47,000,000	12.91
3.	ROCKWILLS TRUSTEE BERHAD - RCE TRUST	16,948,000	4.65
4.	BBL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	15,225,000	4.18
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	12,866,700	3.53
6.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT RHB BANK BERHAD FOR CEMPAKA EMPAYAR SDN BHD	12,100,001	3.32
7.	WOO KHAI YOON	8,400,000	2.31
8.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	4,400,000	1.21
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD	4,146,200	1.14
10.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (8109706)	3,617,800	0.99

THIRTY LARGEST REGISTERED SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
11.	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR LOH KAM CHUIN	2,700,000	0.74
12.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	2,522,900	0.69
13.	CIMB COMMERCE TRUSTEE BERHAD - PUBLIC FOCUS SELECT FUND	2,451,500	0.67
14.	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR YAP CHOON SENG	2,167,000	0.59
15.	B-OK SDN BHD	1,735,000	0.48
16.	LIEW SZE FOOK	1,315,000	0.36
17.	OON HOOI KHEE	1,250,000	0.34
18.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM (8036608)	1,226,100	0.34
19.	AMANAHRAYA TRUSTEES BERHAD - PUBLIC EMERGING OPPORTUNITIES FUND	1,191,500	0.33
20.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	1,178,300	0.32
21.	CARTABAN NOMINEES (TEMPATAN) SDN BHD - RHB TRUSTEES BERHAD FOR KAF VISION FUND	1,150,000	0.32
22.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - KAF TACTICAL FUND	1,100,000	0.30
23.	HONG WENG HWA	1,089,187	0.30
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SU TIING UH	1,044,000	0.29
25.	HIEW CHANG CHUN	1,000,000	0.28
26.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	1,000,000	0.28
27.	YAP PHAIK KWAI	1,000,000	0.28
28.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - KAF CORE INCOME FUND	972,800	0.27
29.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SKYTURE CAPITAL SDN BHD (KL C/PIV)	850,000	0.23
30.	KHOO BOON CHONG	800,000	0.22
	Total	**260,317,971**	**71.49**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Cempaka Empayar Sdn Bhd	195,062,684	53.57	–	–
Amcorp Group Berhad	–	–	195,062,684[(1)]	53.57
Clear Goal Sdn Bhd	–	–	195,062,684[(1)]	53.57
Tan Sri Azman Hashim	750,000	0.21	212,010,684[(2)]	58.22

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	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %	No. of Options Held
Shahman Azman	300,000	0.08	–	–	–
Tan Sri Mazlan bin Mansor	–	–	–	–	–
Datuk Mohamed Azmi bin Mahmood	–	–	–	–	–
Tan Bun Poo	–	–	–	–	–
Mahadzir bin Azizan	–	–	–	–	–
Thein Kim Mon	–	–	–	–	–
Soo Kim Wai	–	–	–	–	–
Shalina Azman	450,000	0.12	–	–	–
Lum Sing Fai	499	*	–	–	–
Loh Kam Chuin *(Chief Executive Officer)*	2,700,000	0.74	–	–	–

Note:
* *Negligible*

The analysis of shareholdings is based on the Record of Depositors as at 30 July 2021, net of 22,605,225 treasury shares.

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	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %	No. of Options Held
Shahman Azman	886,700	0.07	–	–	3,072,000
Lum Sing Fai	933	*	–	–	–
Loh Kam Chuin *(Chief Executive Officer)*	933	*	–	–	–

Note:
* *Negligible*

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixty-Seventh Annual General Meeting of RCE Capital Berhad will be held as a fully virtual meeting conducted entirely through live streaming and remote voting using the remote participation and voting facilities hosted on the Securities Services e-Portal at https://sshsb.net.my/ provided by SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia on Thursday, 23 September 2021 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 2021 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees of RM637,500 for the financial year ended 31 March 2021. **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 24 September 2021 until the next Annual General Meeting of the Company. **Resolution 2**

4. To re-elect Tan Sri Mazlan bin Mansor who retires pursuant to Clause 103 of the Company's Constitution. **Resolution 3**

5. To re-elect the following Directors who retire pursuant to Clause 118 of the Company's Constitution:

   (i) Encik Shahman Azman **Resolution 4**
   (ii) Puan Shalina Azman **Resolution 5**
   (iii) Mr. Tan Bun Poo **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**

   "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." **Resolution 8**

8. **Proposed 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 the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.2 of the Circular to Shareholders dated 25 August 2021, 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 9**

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 Renewal of Share Buy-Back Authority**

"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: **Resolution 10**

(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."

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

By Order of the Board

JOHNSON YAP CHOON SENG (MIA 20766) (SSM PC No. 202008000685)
SEOW FEI SAN (MAICSA 7009732) (SSM PC No. 201908002299)
Secretaries

Petaling Jaya
25 August 2021

Notes:

1. The Sixty-Seventh Annual General Meeting will be held as a fully virtual meeting conducted entirely through live streaming and remote voting using the remote participation and voting facilities hosted on the Securities Services e-Portal at https://sshsb.net.my/.

   Should you wish to personally participate at the Meeting remotely, please register electronically via the Securities Services e-Portal at https://sshsb.net.my/ by the registration cut-off time. Please refer to the Administrative Guide for the Sixty-Seventh Annual General Meeting for further details.

   The Administrative Guide for the Sixty-Seventh Annual General Meeting is available for download at www.rce.com.my.

2. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 15 September 2021 shall be eligible to participate and vote at the Sixty-Seventh Annual General Meeting.

3. 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/her stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. There shall be no restriction as to the qualification of the proxy.

4. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

5. 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 the ordinary shares of the Company standing to the credit of the said account.

6. A member who is an exempt authorised nominee is entitled to appoint multiple proxies for each omnibus account it holds.

7. The instrument appointing a proxy ("Form of Proxy") shall be in writing under the hand of the appointer or his/her 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.

8. The Form of 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 set 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 24 September 2021 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-Sixth AGM of the Company held on 22 September 2020.

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) **Resolution 9 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

The Ordinary Resolution proposed under Agenda 8, if passed, will 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.

(v) **Resolution 10 - Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution proposed under Agenda 9, 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.

Further information on the Proposed Shareholdes' Mandate and Proposed Renewal of Share Buy-Back Authority are set out in the Circular/Statement to Shareholders dated 25 August 2021 which is available on the Company's website at www.rce.com.my.

PERSONAL DATA PRIVACY:

By registering for the remote participation and electronic voting meeting and/or submitting an instrument appointing a proxy(ies) and/or representative(s) to participate and vote at the Sixty-Seventh AGM and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Sixty-Seventh AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists and other documents relating to the Sixty-Seventh AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing requirements, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

RCE

RCE CAPITAL BERHAD

Registration No. 195301000151 (2444-M)

FORM OF PROXY

I/We ______________________________ NRIC No./Passport No./Company No./Registration 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-Seventh Annual General Meeting of the Company to be held as a fully virtual meeting conducted entirely through live streaming and remote voting using the remote participation and voting facilities hosted on the Securities Services e-Portal at https://sshsb.net.my/ provided by SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia on Thursday, 23 September 2021 at 10.30 a.m. or 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 Tan Sri Mazlan bin Mansor as Director.		
4.	To re-elect Encik Shahman Azman as Director.		
5.	To re-elect Puan Shalina Azman as Director.		
6.	To re-elect Mr. Tan Bun Poo 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 Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10.	Proposed Renewal of Share Buy-Back Authority.		

Please indicate with an "X" in the spaces provided above as to how you wish your votes 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 ____________________, 2021.

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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STAMP

RCE CAPITAL BERHAD
c/o SS E Solutions Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
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Damansara Heights
50490 Kuala Lumpur
Malaysia

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