

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report
for 3rd Quarter Ended 31 December 2019**SUMMARY OF KEY FINANCIAL INFORMATION FOR THE FINANCIAL PERIOD
ENDED 31 DECEMBER 2019**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------------------------------|---|---|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| 1. Revenue | 72,502 | 66,976 | 209,616 | 195,175 |
| 2. Profit before tax | 40,975 | 35,475 | 111,055 | 97,841 |
| 3. Profit for the financial period | 30,980 | 25,155 | 82,257 | 71,806 |
| 4. Profit attributable to ordinary equity holders of the Parent | 30,980 | 25,155 | 82,257 | 71,806 |
| 5. Basic earnings per ordinary share (sen) | 8.88 | 7.37 | 23.75 | 21.08 |
| 6. Proposed/Declared dividend per share (sen) | - | - | 5.00 | 4.00 |
| | | AS AT END OF CURRENT QUARTER | AS AT PRECEDING FINANCIAL YEAR END | |
| 7. Net assets per share attributable to ordinary equity holders of the Parent (RM) | | 1.84 | | 1.71 |
| | | INDIVIDUAL QUARTER | CUMULATIVE QUARTER | |
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| 8. Gross interest income | 2,902 | 2,232 | 8,713 | 6,017 |
| 9. Gross interest expense | 24 | 14 | 49 | 43 |

**RCE Capital Berhad**

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| | INDIVIDUAL QUARTER 3 MONTHS ENDED | | CUMULATIVE QUARTER 9 MONTHS ENDED | |
|--|--------------------------------------|----------------------|--------------------------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Interest income | 65,247 | 60,036 | 189,966 | 174,061 |
| Other revenue | 7,255 | 6,940 | 19,650 | 21,114 |
| Revenue | 72,502 | 66,976 | 209,616 | 195,175 |
| Other income | 5,153 | 4,102 | 15,167 | 11,627 |
| Interest expense applicable to revenue | (20,320) | (20,033) | (60,911) | (57,950) |
| Directors' remuneration and staff costs | (5,391) | (5,545) | (18,529) | (16,389) |
| Allowances for impairment loss on receivables, net | (4,698) | (3,877) | (14,875) | (17,539) |
| Depreciation of plant and equipment and right-of-use ("ROU") assets | (523) | (678) | (1,378) | (2,156) |
| Other expenses | (5,724) | (5,456) | (17,986) | (14,884) |
| Finance costs | (24) | (14) | (49) | (43) |
| Profit before tax | 40,975 | 35,475 | 111,055 | 97,841 |
| Taxation | (9,995) | (10,320) | (28,798) | (26,035) |
| Total comprehensive income for the financial period | 30,980 | 25,155 | 82,257 | 71,806 |
| Other comprehensive income that may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translations | (1) | - | (2) | - |
| Other comprehensive income for the financial period, net of tax | (1) | - | (2) | - |
| Total comprehensive income for the financial period | 30,979 | 25,155 | 82,255 | 71,806 |
| Attributable to: | | | | |
| Owners of the Parent | 30,980 | 25,155 | 82,257 | 71,806 |
| Earnings per ordinary share (sen): | | | | |
| Basic | 8.88 | 7.37 | 23.75 | 21.08 |
| Diluted | 8.84 | 7.35 | 23.66 | 21.03 |

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.

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| | AS AT 31.12.2019 RM'000 | AS AT 31.03.2019 RM'000 |
|--|-------------------------------|-------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Plant and equipment | 5,614 | 4,543 |
| ROU assets | 5,307 | - |
| Goodwill on consolidation | 47,333 | 47,333 |
| Loans and receivables | 1,511,873 | 1,447,009 |
| Deferred tax assets | 42,930 | 41,977 |
| Total Non-Current Assets | 1,613,057 | 1,540,862 |
| Current Assets | | |
| Loans and receivables | 165,645 | 151,698 |
| Trade receivables | 2,965 | 3,669 |
| Other receivables, deposits and prepaid expenses | 36,949 | 37,536 |
| Deposits with licensed financial institutions | 399,986 | 275,808 |
| Cash and bank balances | 35,693 | 216,570 |
| Total Current Assets | 641,238 | 685,281 |
| TOTAL ASSETS | 2,254,295 | 2,226,143 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Parent | | |
| Share capital | 167,882 | 154,454 |
| Treasury shares | (22,602) | (19,945) |
| Reserves | 498,711 | 449,007 |
| Total Equity | 643,991 | 583,516 |
| Non-Current Liabilities | | |
| Payables | 780 | 718 |
| Hire-purchase payables | 451 | 714 |
| Borrowings | 1,145,252 | 1,029,203 |
| Deferred tax liabilities | 253 | 164 |
| Lease liabilities | 4,608 | - |
| Total Non-Current Liabilities | 1,151,344 | 1,030,799 |
| Current Liabilities | | |
| Payables and accrued expenses | 27,130 | 26,257 |
| Hire-purchase payables | 358 | 372 |
| Lease liabilities | 732 | - |
| Borrowings | 424,987 | 575,657 |
| Tax liabilities | 5,753 | 9,542 |
| Total Current Liabilities | 458,960 | 611,828 |
| Total Liabilities | 1,610,304 | 1,642,627 |
| TOTAL EQUITY AND LIABILITIES | 2,254,295 | 2,226,143 |
| NET ASSETS PER SHARE (RM) | 1.84 | 1.71 |

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.

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Interim Financial Report
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| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Capital Redemption Reserve RM'000 | Reserves Employees' Share Scheme RM'000 | Exchange Translation Reserve RM'000 | Retained Earnings RM'000 | Total Reserves RM'000 | Total RM'000 |
|--|----------------------------|------------------------------|----------------------------|--|---|--|--------------------------------|-----------------------------|-----------------|
| As at 1 April 2018 | 44,676 | (13,353) | 72,592 | 30,903 | 3,476 | - | 380,979 | 487,950 | 519,273 |
| Effects of adopting MFRS 9 | - | - | - | - | - | - | (6,146) | (6,146) | (6,146) |
| Restated as at 1 April 2018 | 44,676 | (13,353) | 72,592 | 30,903 | 3,476 | - | 374,833 | 481,804 | 513,127 |
| Total comprehensive income | - | - | - | - | - | - | 71,806 | 71,806 | 71,806 |
| Transactions with owners | | | | | | | | | |
| Dividends | - | - | - | - | - | - | (27,306) | (27,306) | (27,306) |
| Share options granted under Employees' Share Scheme ("ESS") | - | - | - | - | 2,470 | - | - | 2,470 | 2,470 |
| Issuance of shares pursuant to ESS exercised | 4,829 | - | - | - | (1,094) | - | 1,094 | - | 4,829 |
| Cancellation of share options | - | - | - | - | (258) | - | 258 | - | - |
| Shares repurchased | - | (5,103) | - | - | - | - | - | - | (5,103) |
| Total transactions with owners | 4,829 | (5,103) | - | - | 1,118 | - | (25,954) | (24,836) | (25,110) |
| As at 31 December 2018 | 49,505 | (18,456) | 72,592 | 30,903 | 4,594 | - | 420,685 | 528,774 | 559,823 |
| As at 1 April 2019 | 154,454 | (19,945) | - | - | 4,060 | 1 | 444,946 | 449,007 | 583,516 |
| Total comprehensive income | - | - | - | - | - | (2) | 82,257 | 82,255 | 82,255 |
| Transaction with owners | | | | | | | | | |
| Dividends | - | - | - | - | - | - | (34,877) | (34,877) | (34,877) |
| Share options granted under ESS | - | - | - | - | 2,326 | - | - | 2,326 | 2,326 |
| Issuance of shares pursuant to ESS exercised | 13,428 | - | - | - | (2,935) | - | 2,935 | - | 13,428 |
| Cancellation of share options | - | - | - | - | (628) | - | 628 | - | - |
| Shares repurchased | - | (2,657) | - | - | - | - | - | - | (2,657) |
| Total transaction with owners | 13,428 | (2,657) | - | - | (1,237) | - | (31,314) | (32,551) | (21,780) |
| As at 31 December 2019 | 167,882 | (22,602) | - | - | 2,823 | (1) | 495,889 | 498,711 | 643,991 |

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.

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**Interim Financial Report
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| | CUMULATIVE QUARTER 31.12.2019 RM'000 | CUMULATIVE QUARTER 31.12.2018 RM'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 111,055 | 97,841 |
| Adjustments for: | | |
| Allowances for impairment loss on receivables, net | 14,875 | 17,539 |
| Share options granted | 2,326 | 2,470 |
| Depreciation of plant and equipment and ROU assets | 1,378 | 2,156 |
| Finance costs | 49 | 43 |
| Interest income from deposits with licensed financial institutions | (8,713) | (6,017) |
| Net gain on disposal of plant and equipment | (1) | (92) |
| Operating profit before working capital changes | <u>120,969</u> | <u>113,940</u> |
| (Increase)/Decrease in working capital: | | |
| Loans and receivables | (93,700) | (92,971) |
| Trade receivables | 718 | (77) |
| Other receivables, deposits and prepaid expenses | (551) | (1,618) |
| Decrease in working capital: | | |
| Payables and accrued expenses | 12,405 | 3,789 |
| Cash generated from operations | <u>39,841</u> | <u>23,063</u> |
| Taxes paid | (33,600) | (22,885) |
| Taxes refunded | 1,689 | 35 |
| Net cash generated from operating activities | <u>7,930</u> | <u>213</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income from deposits with licensed financial institutions | 8,713 | 6,017 |
| Net proceeds from disposal of plant and equipment | 1 | 92 |
| Additions to plant and equipment | (2,477) | (640) |
| Net cash generated from investing activities | <u>6,237</u> | <u>5,469</u> |

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| | CUMULATIVE QUARTER 31.12.2019 RM'000 | CUMULATIVE QUARTER 31.12.2018 RM'000 |
|--|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown of revolving credits | 531,000 | 286,800 |
| Issuance of Sukuk Murabahah ("Sukuk") | 220,000 | - |
| Drawdown of term loans | 40,000 | 120,000 |
| Proceeds from issuance of shares | 13,428 | 4,829 |
| Drawdown of other borrowings | - | 2,870 |
| Repayment of revolving credits | (631,500) | (205,800) |
| Repayment of term loans | (105,895) | (81,310) |
| Redemption of Sukuk | (100,000) | - |
| (Placements)/Withdrawal of deposits, cash and bank balances, net: | | |
| - assigned in favour of the trustees | (70,060) | (106,299) |
| - pledged to licensed financial institutions | 10,057 | 960 |
| Dividends paid | (34,877) | (27,306) |
| Shares repurchased | (2,657) | (5,103) |
| Repayment of hire-purchase payables | (277) | (258) |
| Finance costs paid | (49) | (43) |
| Repayment of lease liability | (39) | - |
| Repayment of other borrowings | - | (2,286) |
| Net cash used in financing activities | <u>(130,869)</u> | <u>(12,946)</u> |
| Net change in cash and cash equivalents | (116,702) | (7,264) |
| Cash and cash equivalents at beginning of financial period | 159,751 | 14,204 |
| Cash and cash equivalents at end of financial period | <u>43,049</u> | <u>6,940</u> |
| CASH AND CASH EQUIVALENTS AS AT END OF FINANCIAL PERIOD COMPRISE THE FOLLOWING: | | |
| Deposits with licensed financial institutions | 399,986 | 260,773 |
| Cash and bank balances | 35,693 | 34,518 |
| | <u>435,679</u> | <u>295,291</u> |
| Less: Deposits, cash and bank balances | | |
| - assigned in favour of the trustees | (354,610) | (250,691) |
| - pledged to licensed financial institutions | (38,020) | (37,660) |
| | <u>43,049</u> | <u>6,940</u> |

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial report.



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NOTES TO THE INTERIM FINANCIAL REPORT

1 BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It also complies with IAS 34 (Interim Financial Reporting) issued by the International Accounting Standards Board and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2019.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 March 2019, except for the adoption of the following standards, amendments to published standards and interpretation to existing standards which are effective for the financial period commencing 1 April 2019:

| | |
|----------------------|--|
| MFRS 16 | Leases |
| IC interpretation 23 | Uncertainty over Income Tax Treatments |

Amendments to:

| | |
|--------|---|
| MFRS 9 | Financial Instruments - Prepayments Features with Negative Compensation |
|--------|---|

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



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2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The adoption of the above standards, amendments and interpretation does not give rise to any material financial effects to the Group other than as disclosed below:

(a) MFRS 16, Leases (“MFRS 16”)

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT**2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) MFRS 16 (Cont'd)**

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

| | As at 1 April 2019 RM'000 | Recognition under MFRS 16 RM'000 | Restated as at 1 April 2019 RM'000 |
|--|---------------------------------|---|---|
| The Group: | | | |
| Statement of financial position | | | |
| Current Assets | | | |
| ROU asset | - | 75 | 75 |
| Non-Current Liabilities | | | |
| Lease liability | - | (61) | (61) |
| Current Liabilities | | | |
| Lease liability | - | (14) | (14) |

3 AUDITORS' REPORT ON PRECEDING ANNUAL AUDITED FINANCIAL

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

4 SEASONAL OR CYCLICAL FACTORS

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



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5 UNUSUAL ITEMS

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

6 CHANGES IN ESTIMATES

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

7 DEBT AND EQUITY SECURITIES

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

- (a) Issuance of Sukuk by Zamarad Assets Berhad ("ZAB"), an indirect and not a legal subsidiary of the Company, as follows:

| | CURRENT QUARTER RM'000 | CUMULATIVE QUARTER RM'000 |
|-------------------|---------------------------------------|--|
| Issuance of Sukuk | 120,000 | 220,000 |

Out of the issuance of RM236.0 million Sukuk, RM16.0 million was subscribed internally by a subsidiary of the Company.

- (b) Redemption of Sukuk by Al Dzahab Assets Berhad ("ADA"), an indirect and not a legal subsidiary of the Company, as follows:

| | CURRENT QUARTER RM'000 | CUMULATIVE QUARTER RM'000 |
|-----------------------------------|---------------------------------------|--|
| Redemption of Sukuk upon maturity | - | 100,000 |



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7 DEBT AND EQUITY SECURITIES (CONT'D)

(c) ESS and issuance of shares pursuant to ESS exercised:

- (i) the Company granted 8,947,000 options to its eligible employees of the Group at an option price of RM1.45 per share in accordance with the Bylaws of the ESS; and
- (ii) the total number of issued shares of the Company was increased from 360,555,536 to 369,895,736 by way of the issuance of 9,340,200 new ordinary shares pursuant to share options exercised.

(d) Treasury shares

During the financial period ended 31 December 2019, the Company repurchased 1,638,500 of its issued ordinary shares from the open market. The total consideration paid, including transaction costs, of RM2,656,995 was financed by internally generated funds and the shares repurchased were held as treasury shares. The Company has the right to cancel, resell and/or distribute the treasury shares as dividends and/or transfer the treasury shares for the purpose of an ESS or as purchase consideration at a later date.

None of the treasury shares repurchased have been sold, cancelled or transferred during the financial period.

As at 31 December 2019, the number of ordinary shares in issue after deducting the treasury shares is 349,610,011 shares.



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8 DIVIDENDS

31.12.2019 31.12.2018
RM'000 RM'000

Recognised during the financial period:

- Final dividend for 2018:

4.00 sen per ordinary share under single-tier system, paid on 4 October 2018 to shareholders whose names appeared in the record of depositors on 18 September 2018

- 13,659

- Interim dividend for 2019:

4.00 sen per ordinary share under single-tier system, paid on 13 December 2018 to shareholders whose names appeared in the record of depositors on 29 November 2018

- 13,647

- Final dividend for 2019:

5.00 sen per ordinary share under single-tier system, paid on 11 September 2019 to shareholders whose names appeared in the record of depositors on 30 August 2019

17,440 -

- Interim dividend for 2020:

5.00 sen per ordinary share under single-tier system, paid on 5 December 2019 to shareholders whose names appeared in the record of depositors on 26 November 2019

17,437 -

34,877 27,306



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9 SEGMENT INFORMATION

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

(i) Consumer financing

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

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

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

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



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10 PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at the profit before tax:

| | INDIVIDUAL QUARTER 31.12.2019 RM'000 | CUMULATIVE QUARTER 31.12.2019 RM'000 |
|--|---|---|
| Allowances for impairment loss on receivables, net | 4,698 | 14,875 |
| Interest income including interest income from deposits with licensed financial institutions | (68,149) | (198,679) |
| Gain on foreign exchange, net: | | |
| - Realised | (1) | (3) |
| - Unrealised | - | - |

There were no exceptional items, amortisation, inventories written down and written off, allowance for impairment loss on investment properties, gain or loss on disposal of quoted or unquoted investments or properties and gain or loss on derivatives for the current quarter and financial period.

11 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

As at the date of this announcement, there were no material events subsequent to the end of the interim period that affect the results of the Group.

12 CHANGES IN THE COMPOSITION OF THE GROUP

On 26 June 2019, the Company announced that RCE Advance Sdn Bhd, a dormant indirect subsidiary of the Company has been dissolved. The dissolution has no material financial effect to the Group.



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13 REVIEW OF PERFORMANCE

| | INDIVIDUAL QUARTER | | | | CUMULATIVE QUARTER | | | |
|--|--------------------|------------|----------|------|--------------------|------------|----------|------|
| | 31.12.2019 | 31.12.2018 | Variance | | 31.12.2019 | 31.12.2018 | Variance | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 72,502 | 66,976 | 5,526 | 8.3 | 209,616 | 195,175 | 14,441 | 7.4 |
| Profit before tax | 40,975 | 35,475 | 5,500 | 15.5 | 111,055 | 97,841 | 13,214 | 13.5 |
| Profit for the financial period | 30,980 | 25,155 | 5,825 | 23.2 | 82,257 | 71,806 | 10,451 | 14.6 |
| Profit attributable to ordinary equity holders of the Parent | 30,980 | 25,155 | 5,825 | 23.2 | 82,257 | 71,806 | 10,451 | 14.6 |

The Group's revenue rose by RM5.5 million from RM67.0 million in the corresponding quarter to RM72.5 million in the current quarter, primarily led by stable increase in interest income backed by RM1.81 billion quality loan base and higher early settlement income arising from increased refinancing activities by customers.

Meanwhile, the Group's pre-tax profit also increased by RM5.5 million from RM35.5 million in the corresponding quarter to RM41.0 million in the current quarter. This signifies the Group's consistent efforts in sustaining its revenue base as well as keeping the operating costs at a manageable level.

Accordingly, the Group registered a solid increase of 23.2% in its post-tax profit from RM25.2 million in the corresponding quarter to RM31.0 million in the current quarter.

For the 9 months financial period ended 31 December 2019, the Group registered a higher revenue of RM209.6 million, representing an increase of 7.4% from corresponding financial period of RM195.2 million. This was mainly led by higher interest income contributed by steady underlying loan base and early settlement income, partly offset with lower fee income.

Following the consistent increase in revenue and manageable operating costs, the Group continued to sustain a double-digit growth of 13.5% in its pre-tax profit, from RM97.8 million in the corresponding period to RM111.1 million in the current financial period.

As a result, the Group's post-tax profit grew by 14.6% to RM82.3 million in the current financial period as compared to RM71.8 million in the corresponding financial period.

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| | INDIVIDUAL QUARTER | | | % |
|--|--------------------|------------|----------|------|
| | 31.12.2019 | 30.09.2019 | Variance | |
| | RM'000 | RM'000 | RM'000 | |
| Revenue | 72,502 | 70,176 | 2,326 | 3.3 |
| Profit before tax | 40,975 | 36,795 | 4,180 | 11.4 |
| Profit for the financial period | 30,980 | 27,158 | 3,822 | 14.1 |
| Profit attributable to ordinary equity holders of the Parent | 30,980 | 27,158 | 3,822 | 14.1 |

The Group posted a higher revenue of RM72.5 million in the current quarter, representing an improvement of RM2.3 million or 3.3% as compared to RM70.2 million in the preceding quarter. This was mainly due to higher early settlement income arising from increased refinancing activities by customers and interest income generated from RM1.81 billion quality loan base.

Notwithstanding the above, the Group registered a higher pre-tax profit of RM41.0 million in the current quarter, an increase of 11.4% as compared to preceding quarter of RM36.8 million. This was largely due to RM2.0 million higher net interest income, lower allowance for impairment loss on receivables and operating expenses by RM1.0 million and RM0.9 million respectively.

Arising thereof, the Group posted an increased post-tax profit of RM31.0 million as compared to RM27.2 million in the preceding quarter. The increase in post-tax profit by RM3.8 million or 14.1% marked the Group's second consecutive quarter of reporting double-digit growth in its post-tax profit.



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15 CURRENT YEAR PROSPECTS

Quality of loans and receivables portfolio remain a priority alongside market-driven pricing to ensure we remain competitive in an increasingly challenging landscape. Whilst we continue our marketing initiatives together with our business partners, we are gradually building our brand through both online and offline channels for greater awareness and customer loyalty to further improve our future prospects.

Meanwhile, Bank Negara Malaysia has on 22 January 2020 announced a reduction in the Overnight Policy Rate by 25 basis points from 3.00% to 2.75%. This augurs well for the Group in its efforts to continue sourcing for cheaper funding to sustain its business growth.

Accordingly, we remain on track to end the financial year ending 31 March 2020 with another profitable year as we maintain a cautious outlook in the consumer financing industry.

16 PROFIT FORECAST

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



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17 TAXATION

| | INDIVIDUAL QUARTER 31.12.2019 RM'000 | CUMULATIVE QUARTER 31.12.2019 RM'000 |
|--------------------------------|---|---|
| Taxation: | | |
| Current period | 10,344 | 28,424 |
| Under provision in prior years | 1,160 | 1,238 |
| | <hr/> | <hr/> |
| | 11,504 | 29,662 |
| Deferred taxation: | | |
| Current period | 215 | 860 |
| Over provision in prior years | (1,724) | (1,724) |
| | <hr/> | <hr/> |
| | (1,509) | (864) |
| | <hr/> | <hr/> |
| | 9,995 | 28,798 |

The effective tax rate of the Group in the current quarter and financial period is higher than the statutory tax rate due to non-deductibility of certain expenses for taxation purposes.

18 STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced or pending completion as at the date of this report.

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| | 31.12.2019 |
|-----------------------------------|-------------------------|
| | RM'000 |
| Loans and receivables, gross | 1,807,435 |
| Less: Allowance for impairment | <u>(129,917)</u> |
| Loans and receivables, net | 1,677,518 |
| Amount receivable within one year | <u>(165,645)</u> |
| Non-current portion | <u><u>1,511,873</u></u> |

During the financial period, there was no transaction with related parties in relation to the Group's loans and receivables.

Movement in allowance for impairment:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------------|---------------------|----------------------|-----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 April 2019 | 48,273 | 6,364 | 75,753 | 130,390 |
| Changes in the ECL: | | | | |
| - Transfer to Stage 1 | 477 | (1,357) | (3,281) | (4,161) |
| - Transfer to Stage 2 | (393) | 2,309 | (2,520) | (604) |
| - Transfer to Stage 3 | (924) | (1,170) | 28,900 | 26,806 |
| Net adjustment of allowance for impairment | <u>(840)</u> | <u>(218)</u> | <u>23,099</u> | <u>22,041</u> |
| New financial assets originated or purchased | 6,515 | - | - | 6,515 |
| Financial assets derecognised | (1,112) | (130) | (2,193) | (3,435) |
| Changes in risk parameters | (5,438) | (1,084) | (3,710) | (10,232) |
| Written off | - | - | (15,362) | (15,362) |
| Balance as at 31 December 2019 | <u><u>47,398</u></u> | <u><u>4,932</u></u> | <u><u>77,587</u></u> | <u><u>129,917</u></u> |



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20 GROUP BORROWINGS AND DEBT SECURITIES

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

| | ← As at 31.12.2019 → | | |
|--------------------------|-------------------------|------------------------|-----------------|
| | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
| At amortised cost | | | |
| Secured: | | | |
| - Sukuk | 140,722 | 997,183 | 1,137,905 |
| - Term loans | 105,154 | 148,069 | 253,223 |
| - Revolving credits | 179,111 | - | 179,111 |
| | 424,987 | 1,145,252 | 1,570,239 |
| | | | |
| | ← As at 31.12.2018 → | | |
| | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
| At amortised cost | | | |
| Secured: | | | |
| - Sukuk | 110,256 | 665,461 | 775,717 |
| - Term loans | 125,372 | 215,319 | 340,691 |
| - Revolving credits | 310,218 | - | 310,218 |
| | 545,846 | 880,780 | 1,426,626 |
| | | | |
| Unsecured: | | | |
| - Bankers' acceptances | 583 | - | 583 |
| | 546,429 | 880,780 | 1,427,209 |

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20 GROUP BORROWINGS AND DEBT SECURITIES (CONT'D)

The weighted average interest rate of the Group borrowing categories as at 31 December 2019 ranges from 4.7% to 5.8% (31.12.2018: 5.2% to 6.3%) per annum.

The Group borrowings consist of:

| | 31.12.2019 | 31.12.2018 |
|---------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Fixed rate | 1,137,905 | 794,611 |
| Floating rate | 432,334 | 632,598 |
| | <u>1,570,239</u> | <u>1,427,209</u> |

The Group's borrowings increased from RM1.43 billion a year ago to RM1.57 billion, representing an increase of RM143.0 million. The increase was primarily due to issuance of three tranches of Sukuk amounting to RM460.0 million by ZAB via its RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation Programme ("Sukuk Programme"), partially offset with RM218.6 million net repayments in other borrowings and RM100.0 million redemptions of Sukuk in relation to ADA's RM900.0 million Sukuk Programme upon maturity.

21 CAPITAL COMMITMENTS

| | 31.12.2019 |
|---|-------------------|
| | RM'000 |
| Capital expenditure approved and contracted for | <u>1,836</u> |



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22 CHANGES IN CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2019, contingent liabilities stood at RM1.8 million mainly due to the increase in letter of credit by RM1.2 million.

Other than disclosed above, there were no other changes in contingent liabilities or assets since the last financial year ended 31 March 2019.

23 DERIVATIVES AND FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

(a) There were no derivatives as at 31 December 2019.

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

24 CHANGES IN MATERIAL LITIGATION

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



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25 EARNINGS PER SHARE ("EPS")

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------------|-----------------------|-------------|-----------------------|--------------|
| | | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| (a) Basic EPS: | | | | | |
| Profit for the period attributable to ordinary equity holders of the Parent | (RM'000) | 30,980 | 25,155 | 82,257 | 71,806 |
| Weighted average number of ordinary shares in issue | (unit'000) | 348,917 | 341,348 | 346,396 | 340,603 |
| Basic EPS | (sen) | <u>8.88</u> | <u>7.37</u> | <u>23.75</u> | <u>21.08</u> |

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

The computation of the weighted average number of ordinary shares in issue is net of treasury shares.

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| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------------|-----------------------|------------|-----------------------|------------|
| | | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| (b) Diluted EPS: | | | | | |
| Profit for the period attributable to ordinary equity holders of the Parent | (RM'000) | 30,980 | 25,155 | 82,257 | 71,806 |
| Weighted average number of ordinary shares in issue | (unit'000) | 348,917 | 341,348 | 346,396 | 340,603 |
| Effects of dilution of ESS | (unit'000) | 1,344 | 1,029 | 1,311 | 900 |
| Adjusted weighted average number of ordinary shares in issue | (unit'000) | 350,261 | 342,377 | 347,707 | 341,503 |
| Diluted EPS | (sen) | 8.84 | 7.35 | 23.66 | 21.03 |

Diluted EPS are calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares adjusted for dilutive effects of ESS.



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26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of financial assets and liabilities of the Group for the financial period approximate their fair values except for the following:

| | 31.12.2019 | |
|------------------------------|---------------------------------------|------------------------------|
| | Carrying amount RM'000 | Fair value RM'000 |
| Financial assets | | |
| Loans and receivables | <u>1,677,518</u> | <u>1,700,234</u> |
| Financial liabilities | | |
| Borrowings - Sukuk | <u>1,137,905</u> | <u>1,203,092</u> |

BY ORDER OF THE BOARD
JOHNSON YAP CHOON SENG
Company Secretary
18 February 2020