RCE

RCE CAPITAL BERHAD

195301000151 (2444-M)

ANNUAL REPORT 2023

member of

AMCORP

What's Inside

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

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

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Kelana Square
17 Jalan SS 7/26
47301 Petaling Jaya
Selangor
Malaysia

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+603-7806 2116
Fax : +603-7806 1387
+603-7806 1261
Email : eadvisory@epsilonas.com

BUSINESS ADDRESS

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Menara Teo Chew
1 Jalan Lumut
50400 Kuala Lumpur
Malaysia

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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
Email : is.enquiry@my.tricorglobal.com

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
(Listed on 20 September 1994)

Stock name : RCECAP
Stock code : 9296

CORPORATE STRUCTURE

RCE CAPITAL BERHAD

- 100% **RCE Marketing Sdn Bhd**
  Provision of shariah-compliant and conventional financing services
  - 100% **Zamarad Assets Berhad (“ZAB”)**
  - 100% **Al Dzahab Assets Berhad (“ADA”)**

    ZAB and ADA are included as indirect and not legal subsidiary companies of RCE Capital Berhad as a result of compliance with applicable accounting standards. These are special purpose vehicles owned by TMF Trustees Malaysia Berhad as share trustee for the issuance of RM2.00 billion Asset-Backed Securitisation Islamic Medium Term Notes and RM900.0 million Sukuk Murabahah Asset-Backed Securitisation Programmes respectively.
  - 100% **RCE Trading Sdn Bhd**
    Investment of securities
  - 100% **RCE Sales Sdn Bhd**
    Provision of shariah-compliant and conventional financing services
- 100% **Mezzanine Enterprise Sdn Bhd**
  Provision of financial administrative services
- 100% **EXP Payment Sdn Bhd**
  Processing and administration of payroll collection
- 100% **RCE Factoring Sdn Bhd**
  Confirming and factoring, 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				
		2019	2020	2021	2022	2023
Profitability						
Revenue	(RM'000)	262,570	284,197	293,459	299,457	**323,632**
Profit before tax and allowances for impairment loss on receivables	(RM'000)	154,814	171,990	182,815	188,776	**212,630**
Profit before tax	(RM'000)	131,089	148,900	167,223	177,232	**183,942**
Net profit attributable to owners of the Company	(RM'000)	95,533	110,581	124,633	133,169	**138,784**
Key Consolidated Statements of Financial Position Data						
Total assets	(RM'000)	2,226,143	2,431,032	2,490,706	2,725,278	**2,946,831**
Financing receivables, net	(RM'000)	1,598,706	1,689,915	1,721,180	1,764,072	**1,899,412**
Financing liabilities (net of deposits, cash and bank balances)	(RM'000)	1,112,482	1,094,200	1,072,718	1,003,465	**1,211,877**
Net assets ("NA") attributable to ordinary shareholders	(RM'000)	583,516	673,363	774,031	872,068	**805,659**
Key Financial Indicators						
NA per ordinary share	(RM)	1.71	1.92	2.15	1.19^	**1.10**
Return on average equity	(%)	17.42	17.60	17.22	16.18^	**16.54**
Earnings per share:						
Basic	(sen)	28.02	31.83	35.03	18.25^	**18.95**
Diluted	(sen)	27.95	31.71	34.99	18.19^	**18.85**
Net gearing ratio	(times)	1.91	1.62	1.39	1.15^	**1.50**
Net dividend per share	(sen)	9.00	11.00	13.00	11.00*	**30.00~**
Dividend payout ratio	(%)	33	35	38	41	**158**
Return on average total assets	(%)	4.68	4.75	5.06	5.11	**4.89**
Number of ordinary shares outstanding (net of treasury shares)	(unit)	341,908	350,333	360,050	731,771^	**732,851**
Share price as at financial year end	(RM)	1.63	1.49	2.60	1.85	**1.82**

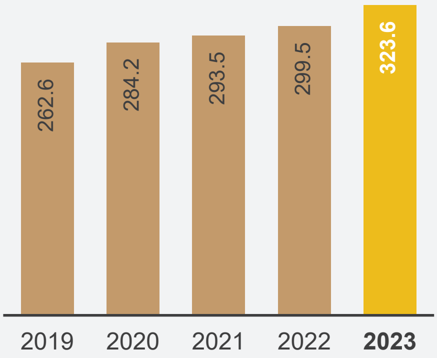
^ *Accounted for the effects of enlarged share capital upon issuance and distribution of bonus and treasury shares.*

* *Derived from first interim dividend of 7.00 sen per ordinary share and second interim dividend of 4.00 sen per ordinary share prior to and after enlarged share capital upon issuance and distribution of bonus and treasury shares respectively.*

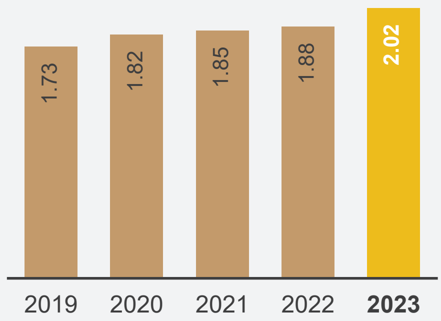
~ *Included special interim dividend of 18.00 sen per ordinary share.*

GROUP FINANCIAL HIGHLIGHTS

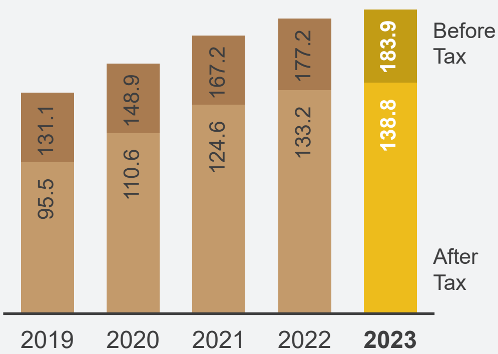
Revenue
(RM'million)



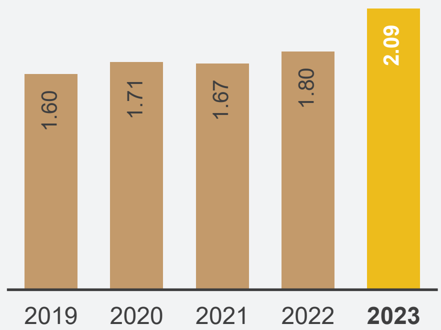
Financing Receivables
(RM'billion)



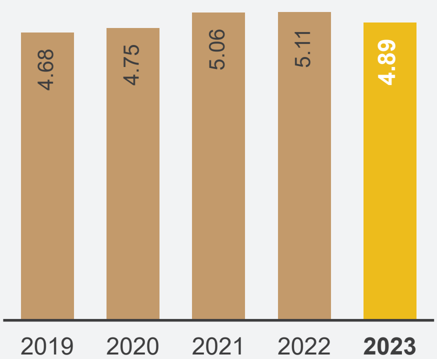
Profits
(RM'million)



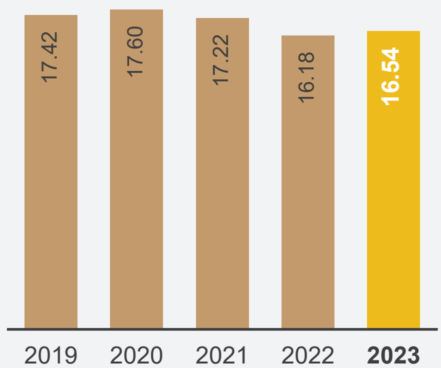
Financing Liabilities
(RM'billion)



Return On Average Total Assets
(%)



Return On Average Equity
(%)



PROFILE OF DIRECTORS

SHAHMAN AZMAN
Non-Independent
Non-Executive Chairman

Encik Shahman Azman, a Malaysian, male, aged 48, 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 62, 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 is the Chairman of the Board of Trustees of Yayasan Islam Darul Ehsan and a Board Member of the Securities Commission Malaysia. He is also a member of the Selangor Islamic Religious Council.

PROFILE OF DIRECTORS

DATUK MOHAMED AZMI BIN MAHMOOD
Independent Director

Datuk Mohamed Azmi bin Mahmood, a Malaysian, male, aged 69, was appointed to the Board on 15 March 2017.

He is 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 and Yayasan Min Qalby.

MAHADZIR BIN AZIZAN
Independent Director

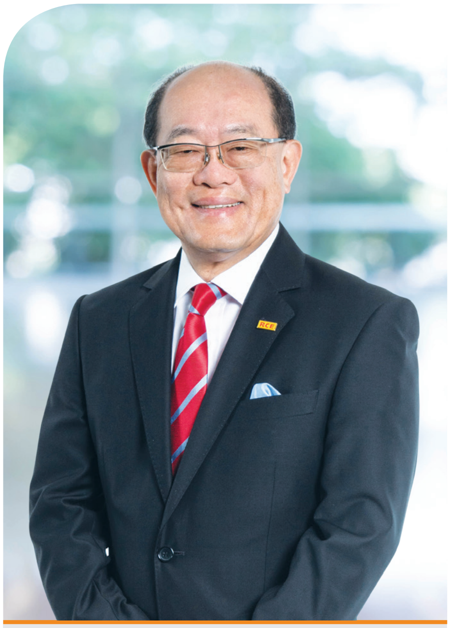
Encik Mahadzir bin Azizan, a Malaysian, male, aged 74, was appointed to the Board on 31 October 2014.

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 and Securities Industry Dispute Resolution Center.

PROFILE OF DIRECTORS



THEIN KIM MON
Independent Director

Mr. Thein Kim Mon, a Malaysian, male, aged 68, was appointed to the Board on 30 September 2019.

Mr. Thein is a Fellow of the Institute of Chartered Accountants, England and Wales (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 62, 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 and AmBank (M) Berhad. He also serves as Chairman of AmREIT Managers Sdn Bhd, the Manager of AmFirst Real Estate Investment Trust, and Amcorp Global Limited, a company listed on the Mainboard of Singapore Stock Exchange.

PROFILE OF DIRECTORS

SHALINA AZMAN
Non-Independent
Non-Executive Director

Puan Shalina Azman, a Malaysian, female, aged 56, 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, she serves as Chairman of Amcorp Properties Berhad. Puan Shalina also sits on the Board of Rockwills International Berhad and Amcorp Global Limited, a company listed on the Mainboard of Singapore Stock Exchange.

LUM SING FAI
Non-Independent
Non-Executive Director

Mr. Lum Sing Fai, a Malaysian, male, aged 58, 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 27 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 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 56, 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**
Tan Sri Mazlan bin Mansor	Member			
Datuk Mohamed Azmi bin Mahmood	Member	**Chairman**		
Mahadzir bin Azizan	Member	Member		
Thein Kim Mon	**Chairman**			
Soo Kim Wai	Member		**Chairman**	
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 53, 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 (FCCA) 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 more than 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 51, 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 ("the Board"), I am pleased to present you the Annual Report of RCE Capital Berhad and its subsidiaries ("the Group" or "RCE") for the financial year ended 31 March 2023 ("FYE 2023").

ECONOMIC OVERVIEW

In 2022 and early 2023, the global economy faced multiple threats such as escalating geopolitical tensions, persistently high inflation, stalling growth and roiling financial markets. Supply chain disruptions, an issue resulting from the COVID-19 pandemic of the last two years were further heightened by the Russia-Ukraine war. These contributed to rising prices in food, commodities and energy.

Juxtaposed against this challenging environment, RCE has continuously harnessed our key resources towards enhancing operational efficiency and achieving cost optimisation, whilst ensuring compliance with regulatory requirements. Our long held establishment as the leading financier catering for the civil servant market has steered the Group through these uncertainties. The Group is also able to retain a steady growth momentum leveraging on its ability to build on strengths, capabilities expansion and agility.

The Malaysian economy has been scathed by these global developments. Malaysia's economic growth in 2022 was reported at 8.7%, higher than initial estimates of 6.5% to 7.0% before expected slowdown from 4.0% to 5.0% in 2023 as provided in Economic and Monetary Review 2022 report by Bank Negara Malaysia ("BNM"). The slower growth expected for 2023 is against the backdrop of softening world economic growth and trade activities due to the threats faced globally, putting Malaysia's growth at pre-COVID-19 pandemic levels of 4.7% and 4.3% in 2018 and 2019 respectively.

On the Malaysian political scene, outcome of the 15th General Election's snap polls in November 2022 resulted in a hung parliament, paving way for the establishment of an unprecedented Unity Government. As the Unity Government helms the national administration, it subsequently re-tabled a revised Budget 2023 on 24 February 2023 with the aim to drive economic growth, national development and strengthening social protection with the theme of "*Membangun Malaysia MADANI*". The progressive stability in the political atmosphere is crucial to attract and retain investors in Malaysia's investment ecosystem, signified by a higher net inflow of RM19.3 billion in foreign direct investment for fourth quarter of 2022 as compared to RM12.3 billion in the previous quarter.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Furthermore, the economic activity in Malaysia has witnessed a sharp recovery to pre-pandemic levels. A strong digital ecosystem, fiscal and monetary policy together with various government schemes helped small and medium enterprises and the worst affected categories of population to survive while reviving demand to bring the economy back on track. As the country entered the endemic phase, we have witnessed a sign of recovery in private consumption as it has risen by 7.4% year-on-year ("YoY") by the fourth quarter of 2022.

Attempts by the United States' central bank and the Federal Reserve with aggressive monetary tightening to keep their country's inflation below 2.0% had consequences for the Malaysian economy. Domestically, Malaysia's central bank, BNM, applied a series of rate hikes to keep inflation in check. Several Overnight Policy Rate ("OPR") increases had been applied up to a total of 125 basis points from 1.75% in March 2022 to pre-pandemic level of 3.00% in July 2023. Economists expect BNM to maintain the OPR rate at 3.00% in 2023, driven by the moderated inflation rate.

Moving into 2023, the pace of economic expansion will nonetheless be moderate as credit conditions tightened and pent-up demand fades. Malaysia's attractiveness as a hub for foreign direct investment would certainly be vital in an increasingly competitive world.

We remain vigilant to the slower growth in private consumption, compounded by the effects of high inflation and interest rates on cost of living as well as real disposable income. Additionally, moderation in public consumption growth is anticipated as supplies and services spending are expected to contract primarily due to subsidy rationalisation.

PERFORMANCE REVIEW

The Group achieved a resilient performance with higher earnings propelled by the increased revenue from various sales campaigns and early settlement income. The Group registered revenue of RM323.6 million with 8.1% YoY growth from RM299.5 million a year ago. Another significant contribution to higher earnings was seen coming from profit income from deposits placed with licensed financial institutions in line with the rise in deposit rates.

Against this backdrop, the Group's profit expense moved up to RM90.1 million from RM80.2 million in the last financial year amid the OPR hikes led by rising interest rate environment. The impact of the hikes was actively managed with the bulk of our funding being fixed rate basis, besides new financing with competitive rates sourced.

Numerous cost optimisation measures were undertaken with the resultant lower cost to income ratio at 18.6% from 21.1% in FYE 2022.

RCE's end-customers are mainly from the Malaysian civil servant community. As at 31 March 2023, the Group's financing base stood at RM2.02 billion, which rose by 7.5% as compared to RM1.88 billion a year ago. Higher early retirements and resignations from the education and healthcare sectors led to higher non-performing financing recorded by the Group. This gave rise to a higher allowance for impairment loss on receivables of RM28.7 million up from RM11.5 million a year ago.

Despite this, financing loss coverage ratio remains at a prudent level of 157.8% with the allowance for impairment loss on receivables accounting for 6.0% of total financing. We are optimistic the collections through monthly salary deductions scheme will remain robust, which mitigates the risk of non-repayment.

As we resolve to sustain our earnings growth momentum, the Group achieved a higher profit after tax of RM138.8 million in FYE 2023, representing an increase of 4.2% from RM133.2 million a year ago. This increase was reflected in the current financial year's earnings per share of 19.0 sen and a return on average equity of 16.5%.

With improving economic outlook, we remain focused in mitigating pressures of the fluid economic environment, supported by process simplification and digitalisation across all platforms to place the Group in a better position to serve our customers.

CORPORATE DEVELOPMENT

RCE maintained its status as a shariah-compliant security by Shariah Advisory Council ("SAC") of Securities Commission Malaysia for the second consecutive year. The inclusion as a shariah-compliant security is pertinent in providing comfort and confidence to our stakeholders, especially customers in an end-to-end shariah-compliant financing ecosystem.

On corporate recognition, we have won our first The Edge Billion Ringgit Club Award 2022 for highest returns to shareholders over three years in the financial services sector in the market capitalisation of below RM10.0 billion category. This was premised on a three year compounded annual growth rate or CAGR of 38.9% on shareholders returns derived from adjusted share price that more than doubled from 69.0 sen on 29 March 2019 to RM1.85 on 31 March 2022. We are grateful for this industry acknowledgment.

CHAIRMAN'S LETTER TO SHAREHOLDERS

The Edge Billion Ringgit Club Awards 2022

In November 2022, another sukuk tranche was successfully issued amounting to RM219.0 million through RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation Programme by Zamarad Assets Berhad ("ZAB"), a special purpose bankruptcy remote vehicle. Similar to the previous sixth and seventh issuances, this tranche comes with a Revolving Option feature, which allows ZAB to purchase additional receivables from the Originator, RCE Marketing Sdn Bhd ("RCEM") by utilising the excess funds from its sinking fund. The proceeds to be received by RCEM will be subsequently used to generate new disbursement, thereby providing funding alternatives while minimising negative carry for the Group.

INVESTOR RELATIONS

Proactive activities of investor relations ("IR") have been a fundamental component of RCE's communication and engagement strategy. As the Group's business and market evolved, we find ourselves engaging with diverse stakeholders. Our IR Team utilises all key communication platforms in ensuring timely and sufficient disclosure of business activities announcement and corporate developments.

Periodic communications with diverse stakeholders are also conducted to collate constructive feedback for the Group's overall improvement. The IR Team has been entrusted with the role of relaying consistent and accurate messaging with stakeholders such as existing shareholders, corporate analysts and investing houses. RCE's performance are covered by analysts from Maybank Investment Bank Berhad, KAF Equities Sdn Bhd and RHB Investment Bank Berhad since September 2016, January 2018 and January 2020 respectively.

SUSTAINABILITY DEVELOPMENT

The issue of environmental sustainability has never been higher up the boardroom agenda for businesses in Malaysia and around the world. The implications of the Government's commitment on Nationally Determined Contributions after the 26th United Nations Climate Change Conference to reduce economy-wide carbon intensity by 45.0% against Gross Domestic Product ("GDP") in 2030 unconditionally are impacting companies in every sector. The Group's ongoing Environmental, Social and Governance ("ESG") initiatives have proven to be in a positive trajectory, aligning ourselves towards environmental sustainability.

As such, we continue to be in FTSE4Good Bursa Malaysia Index List and Shariah Indices Constituencies for four and two consecutive years respectively. Additionally, as we proceed to enhance our ESG compliance, there are plans in store on taking more environmental measures in coming years particularly in reducing waste, increasing energy efficiency, reducing carbon emissions, incorporating renewable energy, sustainable waste management and inculcating ESG considerations into all our strategies, businesses and operations. Other initiatives also include accelerating our digital transformation, placing greater focus in mental well-being programmes for our employees and continuous activities with the community.

CHAIRMAN'S LETTER TO SHAREHOLDERS

We constantly strive to ensure strong corporate culture, which emphasises on integrating corporate social responsibility values with business objectives. We work with communities in navigating the unprecedented challenges primarily focused on healthcare, education and livelihood for people.

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

DIVIDEND

RCE has been consistent in paying dividends to our shareholders as evidenced in the payout of between 20.0% to 40.0% of the Group's profit after tax since FYE 2019. We are very much thankful to our shareholders for their continuous support and trust in the Group's business over the years. The Board has always taken the shareholders' interests, business needs as well as financial position of the Group into consideration in arriving at key decisions. Vital factors such as cash flow requirements for operating and investing activities would certainly affect the outcome of dividend payments.

On 21 November 2022, the Board had declared the first and special interim dividends of 5.0 sen and 18.0 sen (all in 23.0 sen) per ordinary share respectively. Following which, a total of RM168.5 million comprising RM36.6 million and RM131.9 million respectively were paid to shareholders on 30 December 2022.

On 23 May 2023, the Board further declared a second interim dividend of 7.0 sen for FYE 2023, totalling RM51.3 million.

Total dividend paid for FYE 2023 equates to a payout ratio of 158.4%.

Moving forward, to encapsulate our aim in providing shareholders with higher returns, the Group will be guided to declare dividend between the range of 60.0% to 80.0% of profit after tax.

OUTLOOK

While the global economic backdrop remains challenging, there are reasons to be optimistic. First, despite the slowdown, International Monetary Fund's projection of world GDP growth in 2022 is still tracking the pre-pandemic average. Second, fiscal support in developed economies remains above the pre-pandemic trend, even if somewhat diluted, versus past years. Third, mega-trends around sustainability, green investments, digitalisation and disintermediation remain well-entrenched to support growth besides productivity enhancement in the medium term. OPR may undergo a few more rounds of adjustments in preparation for the possible hikes in inflation. It is essential for the Group to keep competition at bay as we periodically assess our products and services to stay relevant and alert in facing the competition from other lending institutions. The Group is seen as a niche market player in consumer financing and will proactively deliver sustainable returns to our shareholders.

In the age of increasing digitalisation, the Group continues to promote technology enhancements to simplify the way we operate to be resilient. Similarly, the Group will take into consideration the alignment of strategies towards new emerging growth in financial services and ESG propositions for higher value creation.

The future belongs to businesses with a strong purpose, those with a vision to create positive impact for people and community. Critical steps are taken to align our business with the social and commercial needs of tomorrow so as to keep us relevant, enabling us to make a true difference for generations to come.

ACKNOWLEDGMENTS

The various strategic initiatives will ensure that the Group continues to provide the best financing solutions to our customers and help in creating an agile future-fit organisation.

On behalf of the Board, I would like to thank the regulators for their guidance and support. My deep appreciation also goes out to the numerous business partners we have worked with for their diligence and commitment to the highest standards. We are, moreover, indebted to our financiers and shareholders who have provided us with the financial muscle to grow our operations.

Finally, I would like to express my appreciation to my colleagues and the Board of RCE for the commitment to the Group and wise counsel in steering the organisation to stay on an even keel. Likewise, we are blessed to have a competent management team, and a strong corporate governance structure in place charting the way forward for the Group. This would not have been possible without a dedicated top leadership and resilient team who have equally championed the transformation.

I truly believe in scaling for greater heights, RCE would continue to be determined and well placed to deliver high quality as well as sustainable growth to all stakeholders in our ecosystem.

Shahman Azman
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

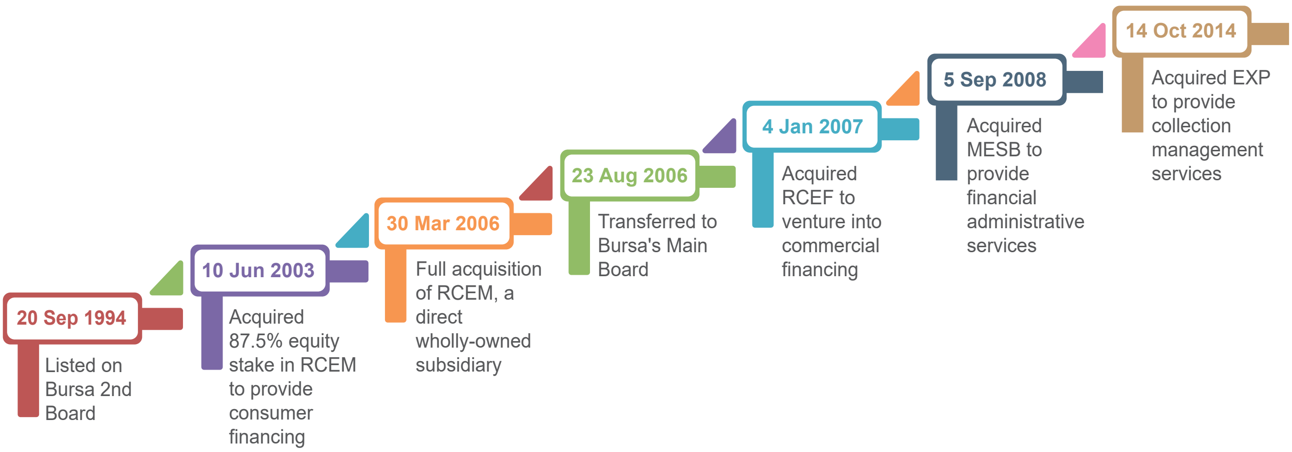
OUR BUSINESS

RCE Capital Berhad ("RCE" or "the Group"), is an investment holding company incorporated on 18 December 1953 and a subsidiary of Amcorp Group Berhad. RCE was listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa") on 20 September 1994 and transferred to the Main Market of Bursa on 23 August 2006. RCE Group's core business is the delivery of shariah-compliant financing solutions to civil servants in Malaysia with the objective of providing sustainable return to stakeholders.

RCE Marketing Sdn Bhd ("RCEM") and its subsidiaries ("RCEM Group''), together with Mezzanine Enterprise Sdn Bhd ("MESB") and EXP Payment Sdn Bhd ("EXP") are the main revenue contributors to the Group's business, offering total financing solutions to the end customers who are primarily civil servants. The customers' repayments are made through a direct monthly salary deductions scheme via two collection agencies namely Biro Perkhidmatan Angkasa ("BPA") and EXP. Within this niche market, the Group continues to raise its bar to ensure responsible financing in an end-to-end shariah-compliant financing ecosystem for our customers.

In 2014, the Group acquired EXP to provide an alternative to BPA's salary deduction services. EXP's services aims to make customers' repayment timely via a systematic deduction channel under the scope of the Accountant General's Department of Malaysia and other selected government as well as semi-government agencies.

Apart from the above, RCE has ventured into commercial factoring and confirming arrangements to small and medium-sized business enterprises through RCE Factoring Sdn Bhd ("RCEF") since 2007. RCEF offers both shariah-compliant and conventional financing to selected customer segment.



OUR STRATEGY

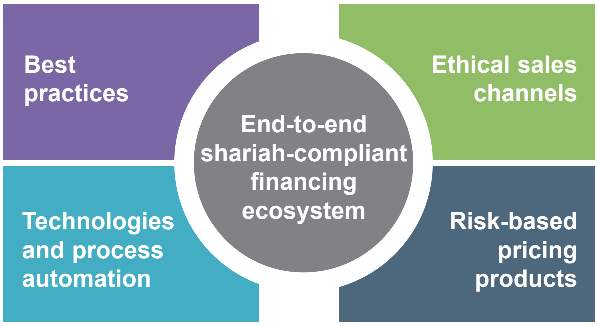
RCE provides sustainable returns as a financial service provider for the civil servants' market. This is made possible with the belief that to excel speed-to-market and constant focus in addressing customers' needs are essential in this business.

Membantu anda dengan MUDAH dan CEPAT

MANAGEMENT DISCUSSION AND ANALYSIS

As a responsible financial service provider, the Group is committed to providing quality products and services guided by best practices, ethical sales channels, risk-based pricing products and alignment to fast development of technologies and process automation in an end-to-end shariah-compliant financing ecosystem.

Leveraging on these initiatives, the Group's direction and approaches are driven by the motto "*Customer for Life*" for the sustainability of our business model. This has paved the way for sustainable growth and earnings in recent financial years.

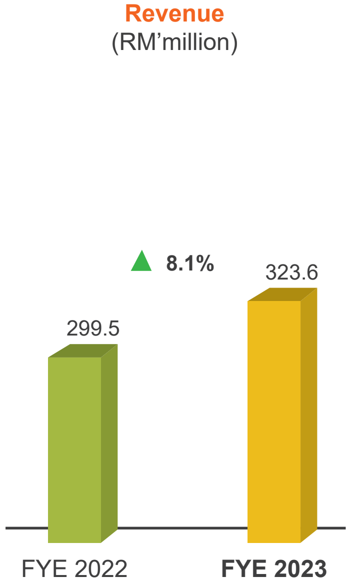


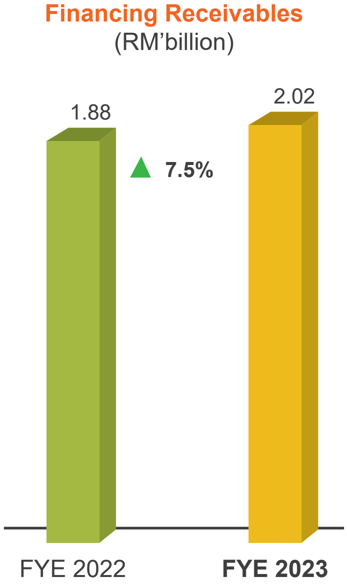
SUMMARY OF GROUP FINANCIAL PERFORMANCE

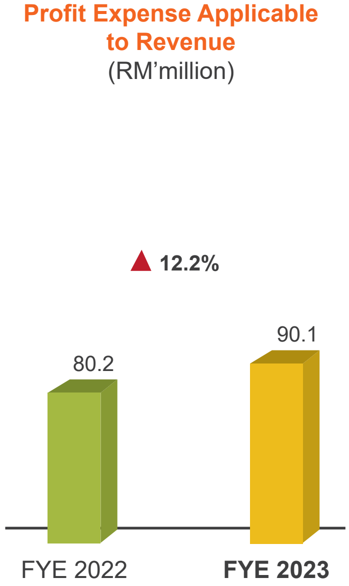
As the impact of COVID-19 subside, the Group is better prepared and managed to deliver a more resilient performance in financial year ended 31 March 2023 ("FYE 2023"). This is a testament to our financial discipline and flexibility in the face of evolving yet uncertain market conditions.

The Group generated a higher revenue of RM323.6 million in FYE 2023 as compared to RM299.5 million in FYE 2022 with a 8.1% year-on-year growth. This was primarily contributed by various sales campaigns launched and higher early settlement income from increased customers' refinancing activities. Following which, the Group's financing receivables rose by 7.5% to RM2.02 billion from RM1.88 billion a year ago.

In line with the higher Overnight Policy Rate ("OPR"), up by 100 basis points since March 2022, the Group's profit expense applicable to revenue increased to RM90.1 million from RM80.2 million in FYE 2022. Numerous initiatives were in place to manage the unfavourable impact of the rate hikes. Accordingly, the Group's cost of fund moved up marginally after taking into account the liquidity for business needs and repayment of financing liabilities with higher profit rates during the financial year.





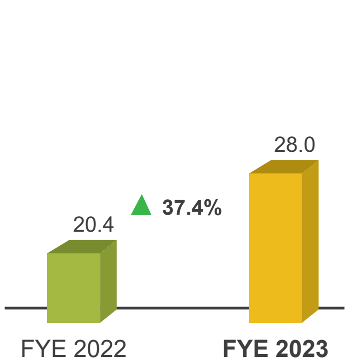


MANAGEMENT DISCUSSION AND ANALYSIS

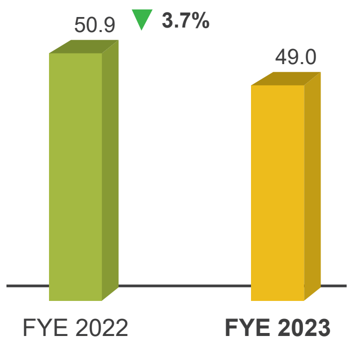
Other income of the Group increased to RM28.0 million in FYE 2023 as compared to RM20.4 million in FYE 2022, mostly contributed by higher income from deposits placed with licensed financial institutions consistent with the rise in deposit rates and increased outstanding principal balance placed with licensed financial institutions.

Operating expenses dropped by 3.7% to RM49.0 million mainly due to higher net facility fee expense incurred for the Group's financing facilities in the previous financial year. Given the lower operating expenses, the Group's cost to income ratio further improved to 18.6% in FYE 2023 from 21.1% in FYE 2022.

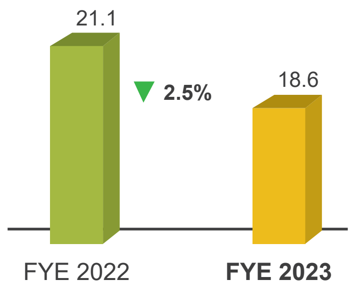
Other Income
(RM'million)



Operating Expenses
(RM'million)

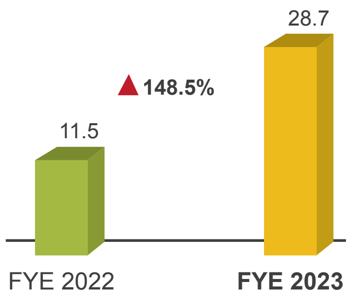


Cost to Income Ratio
(%)

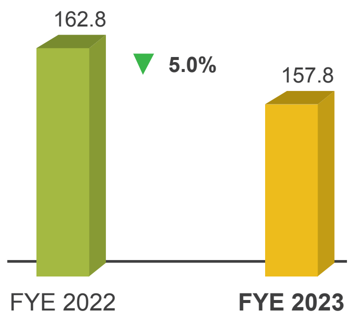


The Group recorded a higher allowances for impairment loss on receivables of RM28.7 million. This was mainly due to the surge in non-performing financing arising from the shifts in employment status in particular, higher early retirements and resignations among civil servants in the education and healthcare sectors respectively. Notwithstanding that, the financing loss coverage remained at a prudent level of 157.8%.

Allowances for Impairment Loss
(RM'million)



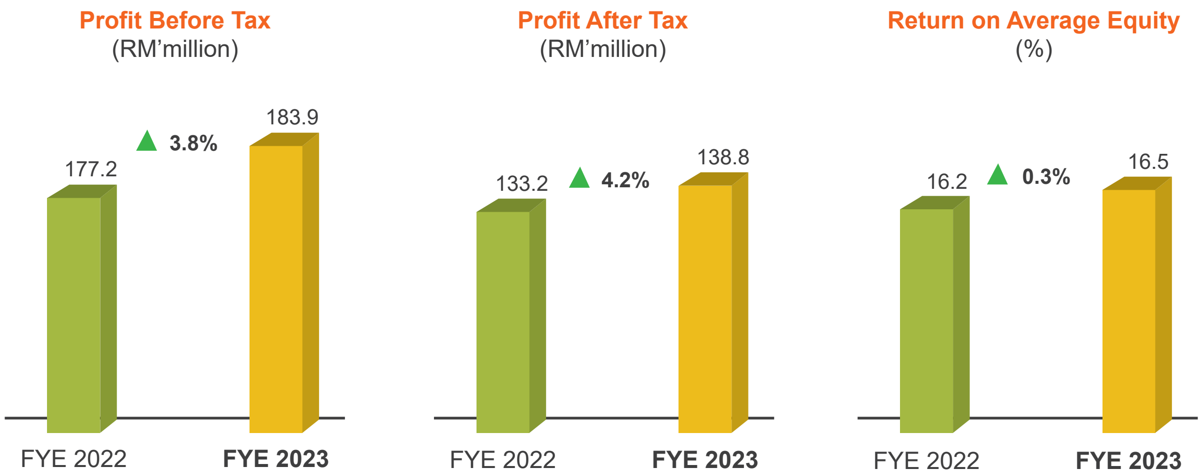
Financing Loss Coverage
(%)



The gross impaired financing ratio is kept at a stable level of 6.0% in FYE 2023 (FYE 2022: 6.1%) supported by prudent credit underwriting policies notwithstanding our end customers are civil servants with good job security and collections through direct salary deduction scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the Group's unyielding stance to sustain its financial performance, the Group registered a higher profit before tax of RM183.9 million, representing an increase of 3.8% from RM177.2 million in FYE 2022.



As a whole, the Group delivered a commendable result with a 4.2% increase in its profit after tax to RM138.8 million for FYE 2023 from RM133.2 million a year ago. This translated into a steady return on average equity of 16.5% for the financial year.

BUSINESS OPERATIONS REVIEW

While demand for RCE's products and services offering have improved, we remain steadfast in ensuring that our product and service innovation capabilities deliver solutions that meet the personal economic objectives of our customers.

RCE's competitive strength lies within its ability to understand the need of customers at different stages of their lives. As a responsible financial service provider, we ensure that our products cater to the demand and yet, at the same time minimise the contribution to the financial burden of customers. As such, the Group has taken steps to keep the targeted repayment moratorium options available for customers in distress to alleviate their genuine woes. It is also critical for us to share relevant information and educational materials with customers to educate them in managing their finances.

As we grow the business further, the Group is resolute in expanding its customer base by delivering value through consistent quality products and services. In this instance, each business unit will prioritise on improving delivery of services without compromising quality.

The Group's credit risk strategy is the key priority in striking a balance between credit quality, earnings and sustainable growth. Periodical reviews on credit policies and underwriting criteria are carried out to provide checks and balances so the overall credit risk exposure remains manageable.

Within the Group, we ensure that the stability of various funding sources are retained to rule out any disruption to the business. In view of the fluid economic situation, close monitoring of the OPR and profit rates have been on top of our priority list. Should there be circumstances which require re-pricing of products in response to the rate fluctuations, the ultimate decision will take into account key factors such as the competitive landscape and the Group's appetite. At the end of the day, it is vital for customers to be provided with enough time to adapt to the rising interest rate environment despite the increased demand resulting from escalated cost of living.

From investment perspective, being on Securities Commision Malaysia shariah-compliant securities has validated RCE's status as a key player for wider recognition in the Islamic financial ecosystem. As investors' appetite have switched to ethical investing, we believe that shariah investing together with Environmental, Social and Governance ("ESG") integration provides investors with an opportunity to not only pursue shariah-compliant investments but to help ensure continuous investment returns.

MANAGEMENT DISCUSSION AND ANALYSIS

DIGITALISATION – THE WAY FORWARD

We recognise that digitalisation transformation is essential as social media, content streaming companies and emerging technologies, namely 5G and Artificial Intelligence are spurring the digital platform and gaining traction for their usability.

Over the last few financial years, we have invested in building digital and technology capabilities, talent as well as transformational changes across the business. Today, customers can reach us via a variety of channels, which include enquiry via websites, social media, automated respond software and call to Customer Service specialists.

The traditional approach through hassle-free and professional services for the less tech-savvy customers have not been totally replaced. Our Sales Teams are at the front line in advising customers on the most competitive products matching their needs and credit profile.

The combination of technology and personalisation of business platforms have indeed been fruitful and we will explore more areas to match customers' expectation.

LIQUIDITY RISK MANAGEMENT

FYE 2023 was a year of heightened macroeconomic uncertainty and volatility. Beside the OPR, the Group keeps a close tab on market outlook, investors' appetite, cost of funds and cash flow projections.

During the financial year, we have successfully obtained new secured and unsecured facilities totalling RM500.0 million and RM50.0 million respectively. These facilities provide flexibilities in allowing the Group to maintain an optimal mix of fixed and floating rate financing liabilities.

Our RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation ("ABS") Programme that was established in March 2019 via Zamarad Assets Berhad ("ZAB") comes with long term funding support and better asset-liability management as these mitigate the mismatch in cash flow timing.

In July 2021, the Group activated the Revolving Option ("RO") feature, which allows ZAB to purchase additional receivables from the Originator, RCEM by utilising the excess funds from the sinking fund. The proceeds received by RCEM will be subsequently used to generate new disbursement, thereby providing ongoing funding and minimising negative carry for the Group. To date, eight tranches with a total of RM1.33 billion have been issued, out of which three tranches are with RO feature. The latest eighth tranche was issued on 25 November 2022 amounting to RM219.0 million.

Besides ZAB's RM2.00 billion Sukuk Murabahah ABS Programme, the Group has another RM900.0 million Sukuk Murabahah ABS Programme established in March 2016 via another special purpose bankruptcy remote vehicle, namely Al Dzahab Assets Berhad ("ADA"). It has fully utilised its programme limit previously with five tranches issued by March 2018. The outstanding financing obligation continues to be monitored closely and serviced through collections received from the underlying securitised receivables.

In FYE 2023, we have redeemed a total of RM100.0 million each from ZAB and ADA Sukuk Murabahah ABS Programmes upon maturity of their respective tranches. The timely redemption demonstrates the Group's commitment in honouring its obligations.

It is worth noting that the senior sukuk of ZAB and ADA Sukuk Programmes are rated AAA and AA2 by RAM Ratings Berhad. The upgrading and reaffirmation of ratings over these financial years reflect the Group's strength in ensuring the quality of its underlying securitised receivables remain sound.

MANAGEMENT DISCUSSION AND ANALYSIS

ZAB's RM2.00 billion Sukuk Murabahah ABS Programme Rating Review:

Class	Tranche	From (Since Issuance)	To (Latest Review)	Status
A	1 to 7	AAA (Stable)	• *AAA (Stable)*	• Reaffirmed
	8	AAA (Stable)	• *AAA (Stable)*	• Newly issued on 25.11.2022
B	1	AA2 (Stable)	• *AA2* (Positive) • *AAA (Stable)*	• Revised on 28.02.2020 • Upgraded on 26.02.2021 and reaffirmed since 26.04.2022
	2	AA2 (Stable)	• *AAA (Stable)*	• Upgraded on 24.09.2021 and reaffirmed since 25.08.2022
	3	AA2 (Stable)	• *AA1* (Positive) • *AAA (Stable)*	• Upgraded on 24.09.2021 • Upgraded on 25.08.2022
	4	AA2 (Stable)	• *AAA (Stable)*	• Upgraded on 26.04.2022 and reaffirmed on 25.04.2023
	5	AA2 (Stable)	• *AA2 (Positive)* • *AAA (Stable)*	• Reaffirmed on 26.04.2022 • Upgraded on 25.08.2022
	6	AA2 (Stable)	• *AA2 (Stable)*	• Reaffirmed since 26.04.2022
	7	AA2 (Stable)	• *AA2 (Stable)*	• Reaffirmed on 25.04.2023
	8	AA2 (Stable)	• *AA2 (Stable)*	• Newly issued on 25.11.2022

ADA's Sukuk Murabahah ABS Programme Rating Review:

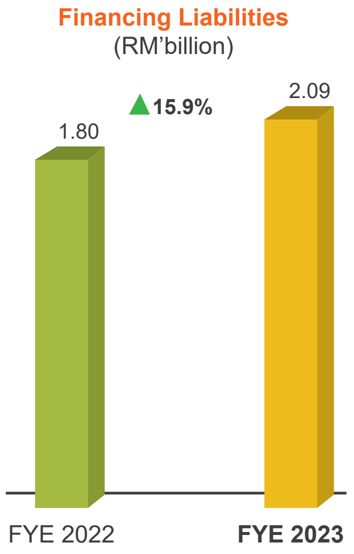
Class	Tranche	From (Since Issuance)	To (Latest Review)	Status
A	1 to 5	AAA (Stable)	• *AAA (Stable)*	• Reaffirmed
B	1	AA3 (Stable)	• AA1 (Positive) • *AAA (Stable)*	• Revised on 7.08.2017 • Upgraded on 22.10.2018 and reaffirmed since 15.10.2019
	2	AA3 (Stable)	• AA2 (Positive) • *AAA (Stable)*	• Upgraded on 7.08.2017 • Upgraded on 22.10.2018 and reaffirmed since 15.10.2019
	3	AA3 (Stable)	• AA3 (Positive) • *AAA (Stable)*	• Revised on 15.12.2017 • Upgraded on 22.10.2018 and reaffirmed since 2.05.2019
	4	AA3 (Stable)	• *AAA (Stable)*	• Upgraded on 22.10.2018 and reaffirmed since 2.05.2019
	5	AA3 (Stable)	• AA1 (Positive) • *AAA (Stable)*	• Upgraded on 22.10.2018 • Upgraded on 15.10.2019 and reaffirmed since 28.02.2020

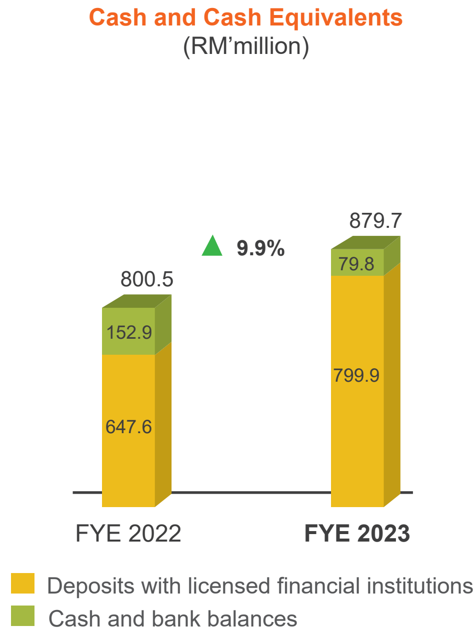
MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2023, the Group's financing liabilities stood at RM2.09 billion, equating to a net gearing ratio of less than 2 times.

The Group's cash and cash equivalents consist of deposits with licensed financial institutions and cash and bank balances totalling RM879.7 million as at 31 March 2023. Out of these, a total of RM811.9 million (FYE 2022: RM652.1 million) were mainly held in trust and managed by independent trustees of the Group's respective Sukuk Murabahah ABS Programmes which is ring fenced for future payments of sukuk principal and profit expense.

The Group is intentional in keeping minimal cash and bank balances sufficient to meet its financial obligations and operational needs.





CAPITAL MANAGEMENT/INVESTMENTS

As we amplify the scale of our digitalisation approach, new technologies are adapted to embrace new possibilities. A solid base capital management strategy is put in place to identify crucial risks across the various regulatory requirements and map out corresponding action plans. The Group has allocated RM2.1 million for digitalisation enhancements and completed several information technology initiatives in FYE 2023, which are essential for its future growth.

Meanwhile, experts are engaged to provide assurance on safeguarding and identifying security vulnerabilities. These efforts are vital so that we are at the forefront of technology for meeting customers' needs while extending them the trust and scale enjoyed by a robust financing ecosystem.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR PEOPLE

Recognising that people are the driving force behind RCE's transformation, significant focus is placed on training and development as well as lifelong learning culture to develop, manage and retain talent pool. This echoes the Group's belief that people are valuable assets that can impact positively to the business.

In FYE 2023, the Group remains invested in talent development such as leadership and coaching programmes to pave the way for continuous innovation, diversity and agility for our people.

To ensure the overall well-being of our people remains intact, mental health awareness is given special attention and focus. Many activities were carried out, including but not limited to mental health awareness talks, one-to-one counselling support, therapeutic flower arrangement classes and batik painting.

ACCELERATING ESG AGENDA

RCE has scaled up the integration of ESG into its overall business strategy and agenda. In this regard, the purpose is to sustain the business performance and build a distinctive workplace with diversity, equity and inclusion.

The environment issues continue to be central in protecting mother nature. We pledge to drive greater climate change action amongst our people and those in the value chain. On the business front, we uphold similar stance in financing offerings that will not cause significant adverse impact to the environment.

The outcome is evidenced by the Group remaining in the ESG constituency across assessment platform in FTSE4Good Bursa Malaysia Index List and Shariah Indices Constituencies for four and two consecutive years respectively.

It is our aspiration to keep on refining the approach to adopt climate change actions within the Group.

OUTLOOK AND PROSPECTS

The aggressive tightening by the United States Federal Reserve, alongside geopolitical tensions, persistently high inflation, stalling growth and roiling financial markets have indeed impacted the global economic growth. The International Monetary Fund has projected 2023 global economic growth to be at 2.8%, lower than 3.4% for 2022. The collapse of banks in the United States and Europe in March 2023 has sent shockwaves and markets shaking around the world. In light of the uncertain economic outlook, the Federal Reserve continues to be cautious in its upcoming monetary policy stance, including close monitoring of credit conditions and corresponding implications.

On the local front, we remain watchful of all external economic factors as it is vital for us to plan and strategise in order to be responsive, mitigate any adverse risks to the business and seize opportunities.

We will continue to cement our digital financing capabilities, advancing the sustainability agenda to future proof our business and be seen as one that is trusted, purpose-driven and innovation-led.

SUSTAINABILITY STATEMENT

OVERVIEW

The Board of Directors ("the Board") of RCE Capital Berhad ("RCE") is pleased to present the Sustainability Statement ("Statement") of RCE and its subsidiaries ("the Group"), summarising our efforts in managing Economic, Environmental, Social and Governance ("EESG") matters for the financial year ended 31 March 2023 ("FYE 2023").

Sustainability is integral to the Group's business and financial performance growth. Throughout the journey, we examine the priorities and refine the measurements to enhance our performance, guided by EESG principles by constantly looking for new ways to grow through smart actions, doing right by our people and the community, including being a good steward of the environment.

Since being included as a constituent of the FTSE4Good Bursa Malaysia ("F4GBM") Index on 22 June 2020, a notable corporate recognition, we continue to ensure good corporate governance and adherence to Environmental, Social and Governance ("ESG") principles, maintaining the position since 2020.

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.

RCE is also included in Bursa Malaysia Securities Berhad ("Bursa") list of shariah-compliant securities and shariah-compliant FTSE4Good Bursa Malaysia Shariah Index since 26 November 2021 and 20 December 2021 respectively.

SCOPE OF REPORTING AND BOUNDARY

This Statement is issued in accordance with Bursa's Main Market Listing Requirements and Sustainability Reporting Guide. It encompasses ESG considerations of our primary operating entities namely RCE Marketing Sdn Bhd Group of Companies, Mezzanine Enterprise Sdn Bhd, EXP Payment Sdn Bhd and RCE Factoring Sdn Bhd. Disclosures have been scoped as per the consolidated entity for financial reporting and statements.

Other reporting framework applied or referenced, either partially or in full are as follows:

- F4GBM;
- Global Reporting Initiative Standards ("GRI");
- United Nations Sustainability Development Goals ("UN SDGs"); and
- Task Force on Climate-Related Financial Disclosures ("TCFD").

REPORTING PERIOD

This Statement has been approved by the Board, covering the reporting period from 1 April 2022 to 31 March 2023. The disclosures were analysed and formulated for improvement using data collected based on a three year timeframe.

SUSTAINABILITY STATEMENT

REPORT QUALITY AND DATA ASSURANCE

In determining the content of this Statement, the requirements of various reporting frameworks above were taken into consideration such as GRI's emphasis on accuracy, balance, clarity, comparability, reliability and timeliness. Additionally, principles of stakeholders' inclusivity, sustainable context, materiality as well as completeness were considered too.

All data and information have been sourced and verified internally across the Group. Financial data drawn from FYE 2023 audited financial statements have been assured by the Group's statutory auditors, Deloitte PLT.

OUR APPROACH TO SUSTAINABILITY

The Board and Senior Management recognise that sustainability is key to business and financial performance growth. To this effect, we are committed to improving our economic, environmental and social impacts for sustainable future and the communities we serve. This commitment is supported by our existing sustainability framework, which is progressively refined.

As a fair and reliable financial service provider, the offering of financing in a sustainable way is essential for our stakeholders' value creation strategy, guided by a set of predetermined targets that connect between ESG and financial performance.

Since November 2021, ESG initiatives have been included in RCE's official website at https://www.rce.com.my/esg.php, echoing the integration of sustainability focus into the Group's shariah-compliant financing fundamental principles, business models, processes and activities.

MESSAGE FROM THE SUSTAINABILITY MANAGEMENT COMMITTEE CHAIRPERSON

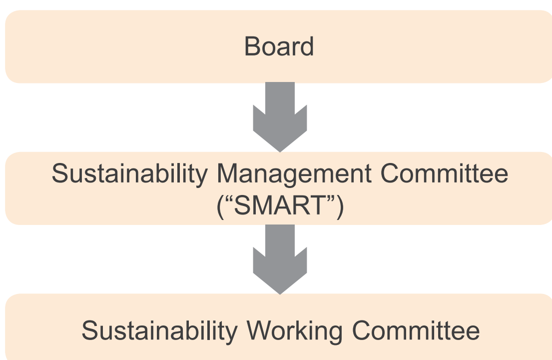
Sustainability is vital to our business and we strive to enhance our ESG performance.

Leveraging on the experience learned throughout the various Movement Control Order phases during Covid-19 pandemic, we became more prepared and resilient in our approach. Solid solutions were progressively incorporated into long term strategies and business plans for meaningful sustainability practices and reporting.

A structured governance framework is established to provide oversight with check and balance mechanism for the Group's sustainability framework. The roles and responsibilities are defined to ensure effectiveness in deliberation of sustainability issues and decision making process.

SUSTAINABILITY GOVERNANCE STRUCTURE

The governance structure is as follow:



SUSTAINABILITY STATEMENT

Board

The Board is responsible for including but not limited to:

- o Governance of sustainability in the Group;
- o Oversight on the strategies, business plans, major plans of actions and risk management; and
- o Overseeing the sustainability agenda and strategies for long term value creation to stakeholders with the support of the Management on EESG considerations underpinning sustainability as reflected in the Board Charter, available on RCE's official website.

SMART

SMART is led by the Chairman of the Board, Encik Shahman Azman and comprises a director, Chief Executive Officer, Group Chief Financial Officer and Chief Business Officer. There have been no significant changes to the governance structure since its inception.

SMART is responsible for including but not limited to:

- o Overseeing the sustainability efforts;
- o Advising and recommending to the Board the business strategies on sustainability related matters; and
- o Monitoring implementation of the sustainability related policies approved by the Board.

Sustainability Working Committee

A working committee, made up of Senior Management and Heads of Department support SMART in the execution of sustainability matters. They are responsible for including but not limited to:

- o Identifying, assessing and managing sustainability risks and opportunities;
- o Implementing and monitoring progress of sustainability initiatives; and
- o Developing strategies or plan to mitigate impact of risks.

The Board and Senior Management have a high degree of ownership and accountability for achieving the Group's ESG goals. To ensure success, performance evaluation of Senior Management is linked to the Group's core values, sustainability strategies, priorities and targets. In addition, sustainability related key performance indicators are incorporated into the annual appraisal exercise across the Group as part of remuneration measurement.

The internal risk assessment to review the effectiveness of established controls are delegated by the Board to various Board Committees. These Committees carry out their functions as stipulated in their respective terms of reference.

The crux of the Group's sustainable value creation includes:

- o Making sure that all related business activities are consistent with core values, taking into account sustainability and industry best practices;
- o Complying with applicable laws and regulations and anti-corruption requirements;
- o Adhering to global environmental standards;
- o Understanding the needs of existing and potential customers and ensuring they are treated fairly;
- o Building a workplace that is safe and conducive for talent development, management and retention; and
- o Contributing back to the society to make it a better place for all.

Board of Directors

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

SMART

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

Sustainability Working Committee

- Identifies, assesses and manages sustainability risks and opportunities strategies
- Implements and monitors sustainability initiatives with support from Green Warriorz and Wellness Teams

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

Stakeholder engagement remains an essential aspect of the Group's approach to sustainability. Regular and timely engagement allows the Group to ascertain the needs, concerns and aspirations of stakeholder groups for incorporation into assessment of material topics. It also ensures the Group remain inclusive in its approach and able to feel the pulse of the operating environment.

Our stakeholder engagement approach is as follow:

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

Frequency of Engagement:
Continuous

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

Frequency of Engagement:
[1]Annually [2]Quarterly [3]Continuous

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

Frequency of Engagement:
Continuous

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

Frequency of Engagement:
Continuous

Employees
- Onboarding programmes
- Code of Conduct
- Policies and procedures
- Performance appraisals
- Training and development programmes
- Employee wellness

Frequency of Engagement:
Continuous

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

Frequency of Engagement:
As and when required

Customers
- Customer service online enquiries - through website/email/Facebook/chatbot
- Customer service hotline
- Over-the-counter customer service

Frequency of Engagement:
Continuous

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

Frequency of Engagement:
Continuous

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

Frequency of Engagement:
Periodically

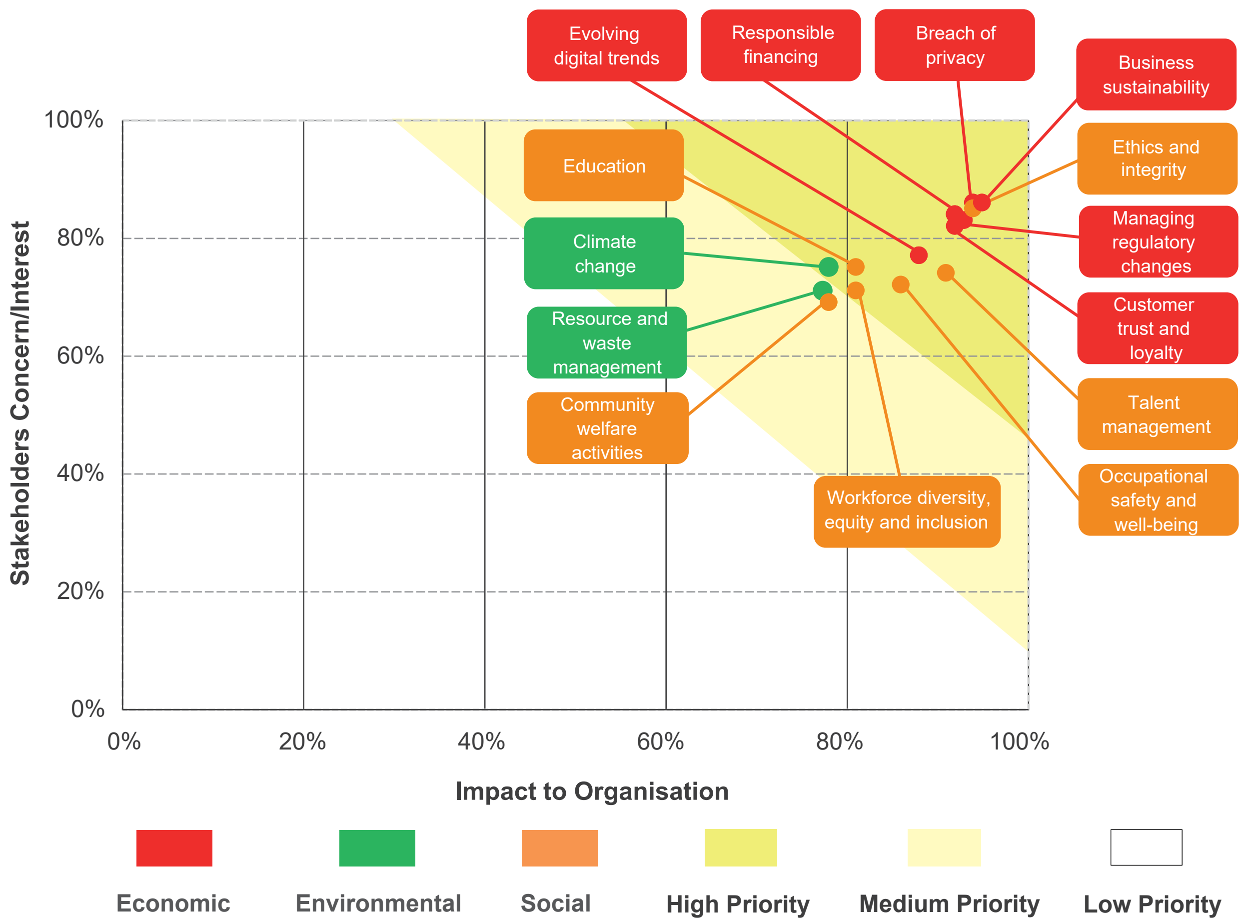
SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT (CONT'D)

To widen our connections and participation in industry benchmarking, RCE became a member of the Institute of Corporate Directors Malaysia on 2 January 2023.

MATERIALITY MATRIX

Materiality is about identifying factors that are relevant and substantial to the overall performance, viability of a business and impact on the stakeholders. In this regards, a methodical materiality assessment is employed in ensuring right prioritisation of material sustainability matters for the Group. This is conducted every two years with the latest outcome of the materiality assessment presented as below:



The material sustainability matters are the same as previous financial years, except for the merging of work-life integration as part of talent management and addition of climate change in the materiality matrix in the current financial year. These changes are essential to ensure the effective use of available resources so that sustainability matters, which are relevant and have significant impact are aligned with the goals of the Group.

We have also aligned our material sustainable matters with GRI and adopted the relevant UN SDGs as mentioned in the later part of this Statement.

SUSTAINABILITY STATEMENT

MATERIALITY MATRIX (CONT'D)

The updated material sustainability matters, categorised into Economic, Environmental and Social is presented as below:

MATERIAL SUSTAINABILITY MATTERS

A. Economic

- Corporate strategy
  - Business sustainability
  - Responsible financing
- Managing regulatory changes
- Evolving digital trends
- Customer trust and loyalty
- Breach of privacy

B. Environmental

- Climate change
- Resource and waste management

C. Social

- Ethics and integrity
- Talent management and development
  - Talent management
  - Workforce diversity, equity and inclusion
  - Occupational safety and well-being
- Community investment
  - Education
  - Community welfare activities

A. ECONOMIC

Corporate Strategy

As a non-bank financial institution ("FI"), the Group operates in a shariah-compliant financing ecosystem. To ensure our business stays in a comprehensive Shariah governance framework, we have been appointing independent shariah consultants to carry out end-to-end review of our business processes, advising on daily operations and conducting training and participating in engagements with relevant stakeholders.

Internally, awareness articles are distributed periodically with the aim to equip our employees with the required shariah related knowledge to ease their day-to-day operations.

Training Session by Shariah Consultants (Number)

2023 : 4

2022 : 4

Shariah Awareness Articles (Number)

2023 : 12

2022 : 12

SUSTAINABILITY STATEMENT

A. ECONOMIC (CONT'D)

Corporate Strategy (Cont'd)

Business Sustainability

Consistent with the fundamental principles of shariah-compliant financing, we believe it is vital to integrate sustainability solutions into our business plans. Predetermined targets are set, tracked, measured and improved upon.

We are guided by:

- o best practices;
- o ethical sales channel;
- o risk-based pricing products;
- o alignment to the development of technologies; and
- o process automation

to complement our journey towards building customer trust and loyalty thereby enhancing the Group's reputational integrity as a responsible shariah-compliant financier.

To increase customer reach and sustain our competitive position, the following initiatives were undertaken in the current financial year:

1. **Developing brand presence and collaborations with Business Partners ("BPs")**

   Developing brand presence begins with being recognisable. We tell our story of being a responsible shariah-compliant financier through various channels involving both offline and online marketing or advertising campaigns.

   Proactive initiatives were implemented to uphold our brand presence by working closely with BPs. During the financial year, the Group and BPs collaborated with several agencies, namely National Kidney Foundation ("NKF") and Breast Cancer Association of Malaysia in organising in-person roadshows throughout Klang Valley to create a direct platform to interact with existing as well as potential customers.

RCE and BPs together with NKF organised "Hari Kesihatan Tabung Haji 2023"

SUSTAINABILITY STATEMENT

A. ECONOMIC (CONT'D)

Corporate Strategy (Cont'd)

Business Sustainability (Cont'd)

1. Developing brand presence and collaborations with BPs (Cont'd)

As for online initiatives, regular campaigns were rolled out in BPs' websites and Facebook pages to connect with existing and new customers. The use of Search Engine Optimisation through Facebook and Google have increased our online visibility. Other sustainable branding strategies adopted include but not limited to electronic direct mail and referral programmes.

2. Stable funding with prudent asset-liability management

Funding stability is critical for a financier in order to avoid any operational disruptions. The Group actively manages its operating cash flows and has sought funding from a variety of sources, keeping in view of its financial obligations.

Our RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation ("ABS") Programme, established in March 2019 through Zamarad Assets Berhad ("ZAB") provides the Group with a long term funding. It enables us to minimise the risks associated with asset and liability mismatches by matching the period of cash flow generated from the Group's underlying assets. To date, eight tranches have been issued totalling RM1.33 billion. The latest eight tranche has an issuance size of RM219.0 million on 25 November 2022.

ZAB's RM2.00 billion Sukuk Murabahah ABS Programme comes with a Revolving Option ("RO") feature, being the first in Malaysia involving securitisation of Islamic receivables. As the RO feature was activated from tranche six onwards in July 2021, it allows ZAB to purchase additional receivables from the Originator, RCE Marketing Sdn Bhd ("RCEM") by utilising excess funds from the sinking funds. The proceeds obtained by RCEM will be used to generate new disbursement, thereby providing ongoing financing and minimising negative carry for the Group.

On 10 December 2021, ZAB was awarded with "Most Innovative Islamic Finance Deal Of The Year and Best Islamic Finance Deal Of The Year" by Alpha Southeast Asia 15th Annual Best Deal & Solution Awards 2021.

		Subscription		
		External	Internal*	Amount
Tranche	Issuance Date	RM'million	RM'million	RM'million
1	27.03.2019	240.0	25.0	265.0
2	26.07.2019	100.0	8.0	108.0
3	19.11.2019	120.0	8.0	128.0
4	7.09.2020	120.0	7.0	127.0
5	25.11.2020	100.0	7.0	107.0
6	8.07.2021	100.0	24.0	124.0
7	28.03.2022	210.0	45.0	255.0
8	25.11.2022	175.0	44.0	219.0
Utilised Amount		1,165.0	168.0	1,333.0
Unutilised Amount				667.0

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

SUSTAINABILITY STATEMENT

A. ECONOMIC (CONT'D)

Corporate Strategy (Cont'd)

Business Sustainability (Cont'd)

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

Other than ZAB's RM2.00 billion Sukuk Murabahah ABS Programme, the Group has another RM900.0 million Sukuk Murabahah ABS Programme established in March 2016 via another special purpose vehicle, namely Al Dzahab Assets Berhad ("ADA"). By March 2018, the programme limit was fully utilised with a total of five tranches issued. The outstanding financing obligation continues to be serviced and monitored closely through collections received from the underlying securitised receivables.

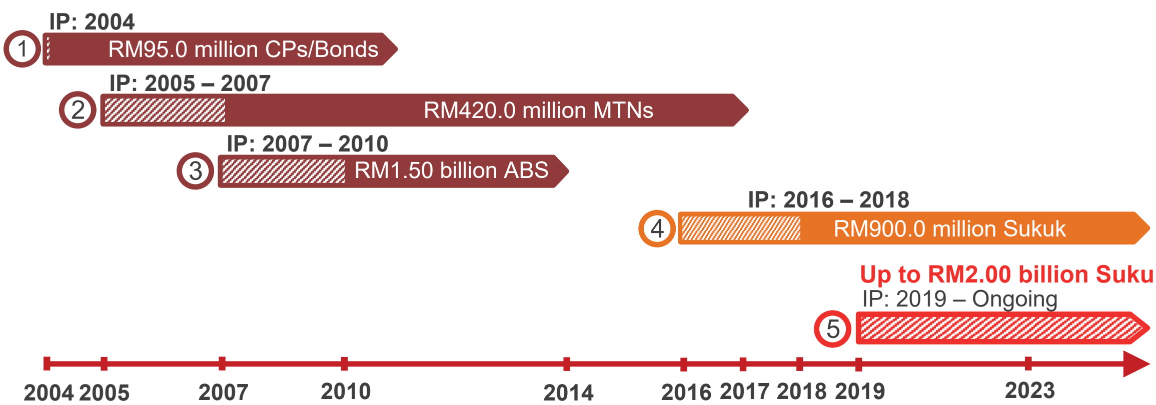
Both ZAB and ADA's Sukuk Murabahah ABS Programmes are rated by RAM Ratings Berhad. The upgrading and reaffirmation of ratings over these financial years reflect the Group's strength in providing assurance to the quality of its underlying securitised receivables remain sound.

Meanwhile, the Group has established and maintained a track record of redeeming all of its prior and existing debt securities programmes early or in full as follow:

DEBT MARKET FUNDING

1. RCE Premier	RM95.0 million CPs/Bonds	MARC: A	October 2004	Fully Redeemed October 2010	6.3% - 8.6%
2. RCE Advance	RM420.0 million MTNs	MARC: A+	December 2005	Fully Redeemed March 2017	7.8%
3. Tresor Assets	RM1.50 billion ABS	RAM: AAA	November 2007	Early Redeemed September 2014	6.5%
4. Al Dzahab Assets	RM900.0 million ABS Sukuk	RAM: AAA	March 2016	Fully Issued March 2018	5.5%
5. Zamarad Assets	Up to RM2.00 billion ABS Sukuk	RAM: AAA & AA2	March 2019	8th Issuance November 2022	4.5%

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*

SUSTAINABILITY STATEMENT

A. ECONOMIC (CONT'D)

Corporate Strategy (Cont'd)

Business Sustainability (Cont'd)

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

A significant amount of banking facilities are maintained with various licensed FIs to ensure adequate liquidity to sustain our operations. During the financial year, we have successfully obtained new secured and unsecured facilities totalling RM500.0 million and RM50.0 million respectively. These facilities provide flexibility in allowing the Group to maintain optimal mix of fixed and floating rate financing liabilities at the same time broadening the choice of our existing financiers. As at 31 March 2023, we have active business relationships with more than ten FIs.

Overall, the Group's financing liabilities stood at RM2.09 billion as compared to RM1.80 billion a year ago. The increase was mainly due to RM308.7 million and RM175.0 million net drawdown of banking facilities and Sukuk issuance respectively, offset with RM200.0 million sukuk redemptions upon maturity.

3. Robust collection management infrastructure for a smooth revenue stream

A business depends on a steady cash inflow stream. Generation of adequate cash flow is a testament of the liquidity strength of a business and provides buffer in response to future financial challenges. For the Group, a robust collection management infrastructure is necessary for ensuring a smooth revenue stream and minimising the risk of bad debts.

In the current financial year, we maintained sufficient cash flows to support our operations through timely settlement and repayments of obligations owing to measures implemented. One of the effective collection strategies employed revolves around a vigorous credit checking and customers onboarding process. To mitigate the risk of bad debts, we screen prospective customers using a credit scoring model to evaluate their repayment capabilities. This is supplemented by other control measures such as collection of relevant credit information, customer interview and documentation of the purpose of financing to ensure all transactions can be carefully monitored.

Two collection management service providers are engaged namely:

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

These service providers execute monthly salary collections, ensuring the maximum deductions permitted by employers and regulators are not breached. Monthly collections are monitored via automated systems, which follow the booking and activation of the salary deduction in accordance with stipulated timeline and stringent procedures.

When the systems detect an account is in arrear or defaulted in payment, Collection and Recovery Teams will be prompted to act. Customers and their employers will be contacted immediately with reminders sent out for non-payment. Thereafter, non-performing accounts will be transferred to collection agencies and as a last resort, legal action will be taken against defaulters.

The maintenance of accurate customers' information as well as consistent communication are key to efficient debt collection. Furthermore, these are important in providing good customer experience thus creating satisfaction in our service.

SUSTAINABILITY STATEMENT

A. *ECONOMIC (CONT'D)*

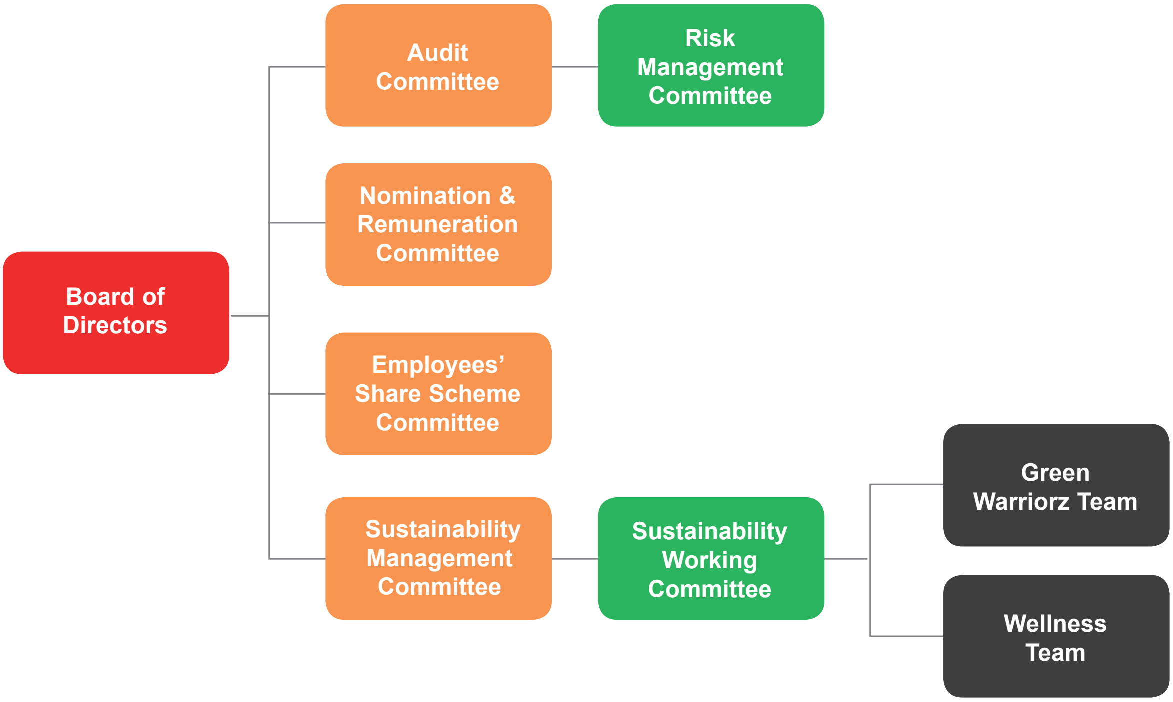
Corporate Strategy (Cont'd)

Business Sustainability (Cont'd)

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

Internal risk assessment is a process that evaluates the effectiveness of established controls and identify areas where additional measures may be needed. The Board is assisted by various Board Committees, who perform the responsibilities delegated to maintain effective internal risk management. These Committees comply with their respective terms of reference, reflecting the importance of good corporate governance oversight.

The chart below depicts the Board's Committees Structure:



The Board is updated on the key matters and issues discussed within the Board Committees. Any key decisions reached by the Board Committees will be documented and presented to the Board, along with recommendations, if any. The Board is responsible for the Group's risk management, internal control system as well as reviewing its adequacy and effectiveness on an ongoing basis.

The Audit Committee ("AC") is a Board Committee comprising RCE's board members, who assist the Board in monitoring the integrity of financial statements, risk management and internal controls, effectiveness of external and internal audit processes, and to review conflict of interest and related party transactions, if any.

The Risk Management Committee ("RMC"), comprising selected members of the Board and Senior Management, monitors the risks faced by the Group and reports to AC.

RMC is guided by Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management Framework. The RMC primarily monitors and manages risk exposure while reporting to the AC. It is responsible for ensuring that management executes the corrective action plans within the stipulated timelines to remedy detected weaknesses.

A. ECONOMIC (CONT'D)

Corporate Strategy (Cont'd)

Business Sustainability (Cont'd)

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

Both the Sustainability Management and Working Committees employ a sustainability framework based on Bursa's Sustainability Reporting Guide. We have implemented a two-pronged approach to risk management:

- Identification, evaluation, and mitigation of key risks, particularly sustainability risks as part of our decision-making process; and
- Day-to-day operational risk management.

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

- Credit;
- Technology and cyber;
- Fraud;
- Regulatory and compliance; and
- Corruption.

The Compliance, Operations and Methods ("COM") Team conducts periodical compliance and process improvement reviews, including refinement of policies and procedures. These are to ensure controls are relevant and effective. Furthermore, control self-assessments are reviewed by Heads of Department on a half yearly basis to identify if the existing risk profile and controls are still relevant, effective and practicable.

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

BCM refers to the process of identifying potential risks to the operations, developing strategies and plans to ensure critical business functions can continue in the event of a disruption or crisis such as the circumstances faced during the height of COVID-19 pandemic. Continuous assessment of the adequacy and effectiveness of the BCM is vital to ensure it remains intact. The goal is to minimise the impact of a disruption or crisis while able to deliver the products and services for business viability.

We are now able to improve on our modus operandi with various flexible work policies and make faster pivots for seamless operations following experiences gathered during COVID-19 pandemic. Our BCM components include but not limited to:

- Risk evaluation and business impact analysis on affected department(s);
- Business continuity plan ("BCP") for conducting operations during disruptions including work from home arrangements;
- Refinement of policies and procedures redefining scope and reach of BCM;
- Initiation of BCM processes before, during and after crisis by BCM Incident and Recovery Management Team;
- Implementation of BCM procedures by key designated employees in each department;
- Establishment of business continuity site and/or backup infrastructure to carry out operations in the event physical premises are compromised;
- Adoption of recommencement of operations post movement control orders operational guide;
- Establishment of alternate remote connection for business location; and
- Testing of BCP, including regular penetration tests to identify security vulnerabilities.

SUSTAINABILITY STATEMENT

A. ECONOMIC (CONT'D)

Corporate Strategy (Cont'd)

Responsible Financing

As a forward-looking shariah-compliant financial services provider, we aligned our products and services offering towards responsible financing and fair treatment for customers. These are done by steering the fairness culture in understanding the customers' needs.

Our goal is to preserve clarity and transparency in all operational aspects. We practice integrity in daily customer interactions by being explicit about product information, how customers' data are processed and extended to careful management of data, covering the usage and mode of storage. The customer verification process is documented for future reference and service improvement. Consent is sought before proceeding with transactions with the customers and complaints are resolved as swiftly as possible to mitigate any legal and reputational risks.

Our Sales Team is trained to conduct ethical business practices in a professional manner to reinforce adherence at all levels.

At the same time, educational articles are published to increase awareness and knowledge gearing towards improved financial literacy of customers. An informed customer can effectively manage his or her financial goals with better financing decisions. The educational articles are available at RCE's and BPs' official websites as well as marketing partners at https://www.as-sidq.com and https://ringgitplus.com.

Sales Team Training Participation Rate (%)

2023 : 100.0

2022 : 100.0
2021 : 88.8

Educational Articles in Social Media (Number of post)

2023 : 19.0

2022 : 7.0
2021 : 1.0

Managing Regulatory Changes

Managing regulatory changes can be a challenging task. The Group views this matter with high importance as any actual or potential regulatory non-compliance could jeopardise our credibility as a premier provider of financial services. As such, we stay informed by regularly monitoring industry developments, attending relevant conferences/workshops and engaging with regulatory authorities or stakeholders. Our employees are trained to be aware of regulatory changes and the culture of vigilance is instilled to ensure their adherence to safeguard the Group's interests.

Claims of Non-compliance

2023 : RM587, 3 cases

2022 : RM177, 1 case
2021 : RMNil, Nil case

In FYE 2023, the Group recorded three incidents of one-off resolved non-compliance relating to late payment of withholding tax and employees related contribution due to administrative delay. The Group has taken appropriate corrective actions to prevent recurrence.

SUSTAINABILITY STATEMENT

A. ECONOMIC (CONT'D)

Evolving Digital Trends

Digital transformation in the financial services industry is driving the change in how business operates, including interaction with customers. The Group recognise that leveraging on technologies provides a more personalised customer experience, deliver increased operational efficiency and expand market reach.

In encouraging remote and digital applications, the Group has launched ePanta$ since October 2021, offering financing to our customers just one click away. This financing application channel is user-friendly with interface that provide straight forward step-by-step guides to customers. Security wise, it comes with electronic Know-Your-Customer and digital signature features to mitigate breaches and unauthorised access.

During the financial year, the Group allocated RM2.1 million for digitalisation catering to amongst others, enhancements in customer onboarding applications, digital signatures and virtual disaster recovery to ensure availability of core systems in full capacity in the event of disruption or crisis.

Engagement of external consultants for periodic penetration testing to mitigate cybersecurity risks and ascertain assurance level demonstrate our efforts for comprehensive safeguards. The Group has outsourced its Information Technology ("IT") audit for two consecutive financial years in FYE 2021 and 2022. The Group envisaged that moving forward, the outsourcing of IT audit to external consultants is to meet the fast changing environment and growing cybersecurity threats.

This goes well with the ongoing investments in technology upgrades and process automation, which are instrumental for the Group's future growth and sustainability while maintaining business buoyancy, particularly in disruptive and uncertain times.

Customer Trust and Loyalty

In today's fast-paced environment, trust is key to nurturing brand loyalty and lasting relationships with customers. Our motto of "*Customer for Life*" remains a top priority.

To this end, the Group focuses on meeting if not exceeding customer expectations with prompt inquiry replies, providing the customer multiple ways to reach out through convenient digital communication as well as in-person channels.

A dedicated Customer Service Department handles customer queries, requests and complaints through:

- Digital communication platforms and social media including Facebook pages and LinkedIn;
- Customer virtual chat assistance tool; and
- In-person appointments for customers who prefer to speak with our Customer Service Specialists via customer hotline or walk-ins.

Among the customer enquiries that are attended to include:

- New financing application status;
- Settlement statement requests;
- Outstanding balance enquiries;
- Update of customer's personal data; and/or
- Complaints.

SUSTAINABILITY STATEMENT

A. ECONOMIC (CONT'D)

Customer Trust and Loyalty (Cont'd)

We strive to serve customers in a courteous, efficient and effective manner in compliance with the Group's policies and procedures as well as regulatory requirements. A full-scale investigation will be undertaken if required for all operational issues or complaints with appropriate timely resolution ensured.

With better customer engagement and technology assisted tool, we observed continuous drop in the number of complaints over the years. A total of six complaints were received with remaining one resolved post FYE 2023 after considering the relevant details. Our Customer Service Specialist is dedicated to ensure any customer complaint is resolved in a timely manner.

Complaints Received & Resolved (Number of Cases)

2023 : 6 (6 resolved)

2022 : 7 (7 resolved)

2021 : 21 (21 resolved)

We will continue leveraging on innovative solutions to enhance customer experience and brand loyalty.

Breach of Privacy

The intensity in digitalisation transformation initiatives comes with the increase in potential data and intellectual property leakages other than exposure to cyber threats.

We place great importance on our internal control framework to protect the privacy and security of data and intellectual properties. A zero tolerance stance is maintained for any breaches of privacy. We monitor and protect all stakeholders' personal information in compliance with Personal Data Protection Act 2010 ("PDPA") throughout the collection, handling and storage stages.

To mitigate the risk of potential data and intellectual property leakages, the following preventative measures were implemented:

- 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;
- A Backup Policy that outlines the procedures required for any backup media to be completely reformatted and destroyed before disposal;
- An information security incident response procedure to manage any security incidents;
- Disclosure of Privacy Notice online at www.rce.com.my;
- Compulsory briefings on PDPA requirements for all new hires during the employee onboarding programme;
- Execution of third-party service provider agreements on non-disclosure before we provide any non-publicly available information, including customers' personal data;
- Employees are required to sign a yearly undertaking letter, pledging their compliance to all applicable laws and regulations; and
- Refined Employee Handbook and Employment Letter with non-competition clause to deter the attempts in revealing proprietary information of the Group during or after employment.

We continue to enhance our cybersecurity safeguards by constantly reviewing policies and procedures and investing in upgrading applications, software and equipment. During the financial year, the following enhancement initiatives were completed:

- Switching to cloud storage software for higher user access security level;
- Multi-factor authentication; and
- Virtual Private Network token to prevent unauthorised access to our network.

SUSTAINABILITY STATEMENT

A. *ECONOMIC (CONT'D)*

Breach of Privacy (Cont'd)

In FYE 2023, the Group's overall investment in data security infrastructure amounted to RM465,600.

For areas requiring validation, collaborations with established security partner who are accredited with multiple international certifications will be pursued. Each year, we hire cybersecurity professionals to conduct penetration testing on systems in use.

There is no incident of data leaks, theft or losses of customer data reported during the financial year, including no complaints received from outside parties or regulatory bodies.

Investment on Data Security Infrastructure (RM'000)

2023 : 465.6

2022 : 449.5
2021 : 357.7

B. *ENVIRONMENTAL*

Climate Change

The Group's commitment to addressing climate change is in alignment with the increasing responsibility to manage sustainability related risks and uphold the creation of medium to long term value for stakeholders. This area is a growing challenge, primarily due to the rise in business activities that contribute to the disastrous effects of climate change, extending to social challenges such as floods, heatwaves, displacement and relocation of people, water, food and energy security and other risks.

RCE recognises the global significance of climate change and the collective responsibility of corporations to address the 2-degree scenario as outlined at the 26th United Nation Climate Change Conference in 2021. Domestically, the Group is committed to strengthening its disclosure on climate related financial risks following TCFD framework in response to announcement by Bursa on Enhanced Sustainability Reporting Framework in September 2022.

In March 2023, the Group engaged a Sustainability Expert Team to conduct an ESG sharing session for the Board and Management, focusing on TCFD-aligned disclosure topics to prepare stakeholders with sustainability data integration knowledge.

Since FYE 2022, the Group has monitored its energy consumption and carbon emissions performance, aiming at identifying opportunities for energy savings and the adoption of Renewable Energy ("RE") sources.

As a provider of financial services, we encourage existing and potential customers to take more proactive steps towards mitigating the impacts of climate change despite our business model does not require extensive energy consumption or emissions. This endeavour has the potential to influence our customers, the community that we serve and other stakeholders to appreciate the importance of energy efficiency and the adoption of RE sources. The Group has a Climate Change Commitment Statement, which can be accessed at RCE's official website.

Our stance in addressing climate change is in accordance with the following:

- UN SDG 13: Climate Action;
- Bank Negara Malaysia: Climate Change and Principle-based Taxonomy;
- Global Compact Malaysia (MyClimate Action Guide); and
- Malaysian Government's National Policy on Climate Change.

SUSTAINABILITY STATEMENT

B. ENVIRONMENTAL (CONT'D)

Climate Change (Cont'd)

Membership in Associations

RCE has been recognised as a Corporate Friend of Climate Governance Malaysia, the Malaysian chapter of the World Economic Forum's Climate Governance Initiative since July 2021. This recognition is consistent with the Group's ongoing efforts to manage resources, reduce ecological footprint and adapt to climate change. Additionally, it serves as a catalyst for enhancing sustainability reporting and value generation.

CLIMATE GOVERNANCE MALAYSIA

Board Oversight of Climate Change

The Board and SMART, oversee the Group's sustainability agenda with support from Sustainability Working Committee. They monitor the implementation of sustainability strategies, initiatives, policies and practices to limit climate change as well as conduct periodical review on sustainability performance.

The Board acknowledges the increasing importance of climate change issues to stakeholders and regulators. Therefore, it adopts appropriate strategies that are aligned with the Group's long term directions.

Further details of the oversight are reported in Sustainability Governance Structure.

Climate Change Risks and Opportunities

The Group's climate-related risk management process encompasses the following steps:

- Identification of climate-related risks such as reputational, transitional and physical risks and assessing their potential impact on the Group;
- Development of climate change strategies to adapt against these risks;
- Implementation of strategic measures across the Group to mitigate climate-related risks; and
- Monitoring the effectiveness of risk management/control through review of material sustainability matters and conducting materiality assessments.

The Group has identified the following risks associated with climate change:

Risks	Identified (Potential) Impacts
Reputational Risks	The fast-changing regulatory environment and growing investor pressure on organisations may catch out many organisations who are unable to keep pace with the changes. This may lead to RCE being excluded from ESG based market indices such as the FTSE4Good Index. Such exclusions would affect investor perception and confidence towards the Group, especially institutional investors.
Transitional Risks	The transition to RE for example may require significant capital expenditure and there remains implementation risks, which could lead to failure to deploy or reduced Return on Investment or efficiency. A comprehensive strategic plan is required to drive transition and RCE presently may not have the internal expertise to undertake such planning.
Physical Risks	Extreme weather events such as fire, flood, drought and rising temperature could cause significant disruptions to business operations while also incurring repair and rectification costs. Costs for compensating employees for injuries or monetary loss, as well as rising insurance premiums may erode earnings.

SUSTAINABILITY STATEMENT

B. ENVIRONMENTAL (CONT'D)

Climate Change Risks and Opportunities (Cont'd)

With the above, we are in a position to make informed decisions on the most effective approach to build resilience and adaptation to climate change. Assessment on suitability of models to estimate the potential costs of climate change on operations is in progress, taking into consideration the increasing capital and operational expenditures aspect, as well as potential impact on revenue and earnings.

Recognising that these risks are subject to change over time, an assessment will be conducted whenever there is a significant shift in the Group's business model and/or operations.

Climate Change and Related Strategies

The Board and Senior Management have the vision to develop the business in a manner gearing towards a low carbon future, enabling the Group to effectively manage climate-related risks and opportunities.

A set of key performance indicators ("KPIs") related to greenhouse gas ("GHG") emissions is set and focused on tracking emissions from fuel (Scope 1), electricity (Scope 2) and the total Scopes 1 and 2 emissions per employee.

Strategic measures that have been implemented or are planned for implementation include:

- Fostering a sustainability related organisational culture and mindset within the Group;
- Development of sustainability related expertise and professionals within the Group to drive the realisation of the sustainability agenda;
- Establishment of KPIs and targets to measure progress over time across the Group, including Senior Management;
- Undertaking a comprehensive assessment of the business value chain from start to end towards identifying sustainability risks and opportunities. This includes assessing relationships and interactions with BPs, customers and other stakeholders;
- Collaborating with external consultants such as Sustainability Guidance and Advisory firms to upskill employees and develop necessary internal knowledge and competencies;
- Measuring and monitoring Scopes 1 (fuel) and 2 (electricity) consumption and emissions; and
- Tapping on 3R approach of Reduce, Reuse and Recycle for a sustainable future as natural resources are finite.

We continue to enhance and optimise the approach in climate change action throughout the Group and among our stakeholders. To ensure accountability and incentivise performance improvement, the remunerations are linked to the achievement of established KPIs, including the Board and Senior Management.

GHG Emissions Reduction Measures

To comprehensively tackle the challenges of climate change, we have implemented a series of measures to curtail workplace emissions in addition to our existing strategies. These measures include specific action plans designed to promote emissions reduction such as:

- Switching off all office lights and equipment during breaks and before leaving office;
- Avoiding unnecessary printing;
- Hybrid training and/or meetings remain in practice, where virtual form does not require IT infrastructure setup that utilises higher electricity consumption; and
- Intensive usage of laptops that are more energy efficient as compared to desktop computers.

We will continue to demonstrate leadership in reducing overall carbon footprint.

SUSTAINABILITY STATEMENT

B. ENVIRONMENTAL (CONT'D)

Energy Management

As our business model does not require extensive energy consumption or emissions, we can play a strategic role in fostering awareness and empowering action among employees, customers and other stakeholders.

Hence, the Group readily supports UN SDG 7 Affordable and Clean Energy that aims to access the affordable, reliable, sustainable and modern energy for all, consistent with Malaysian Government's National Energy Policy direction in achieving Low Carbon Nation Aspiration by 2024.

We measure emissions from Scopes 1 and 2 from direct and indirect energy consumption respectively.

Scope 1 is fully from the fuel consumptions from the corporate transportation, whereby petrol was the primary energy source consumed for business operations. In the current financial year, the increase in fuel consumption is in line with the easing of health restrictions, resumption of businesses and people gradually return to normal life post COVID-19 pandemic.

Scope 2 is derived from electricity consumption by our office located in Kuala Lumpur and Sarawak Service Centre. The electricity supply is sourced from both hydroelectric and thermal power plants via a network system operated by an established firm. Electricity consumption at both locations is primarily for office lighting, cooling, and equipment operations.

An increase in electricity consumption is observed as compared to previous financial year mainly due to the resumption of business, with Kuala Lumpur ("KL") office and Sarawak Service Centre accounting for 93% and 7% respectively of the total consumption.

Fuel Consumption (Litres) [Scope 1]

2023 : 9,852.6

2022 : 8,096.1
2021 : 8,352.9

Electricity Consumption (kWh) [Scope 2]

2023 : 272,306.0

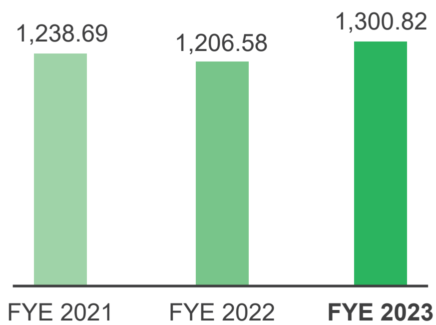
2022 : 261,944.0
2021 : 268,643.0

The total energy consumption from fuel is calculated using the energy conversion factors for petroleum products based on the Malaysia Energy Statistics Handbook (2020).

Meanwhile, the energy consumption from electricity is calculated using the standard unit of energy in the International System of Units (SI), where 1 kWh is equal to 0.0036 GJ.

The total energy consumption increased as it was made up of higher energy used from transportation fuel and electricity in the current financial year.

Total Energy Consumption (GJ)



SUSTAINABILITY STATEMENT

B. *ENVIRONMENTAL (CONT'D)*

Emissions Data

We place emphasis through targeted efforts in reducing energy consumption, waste and transportation emissions.

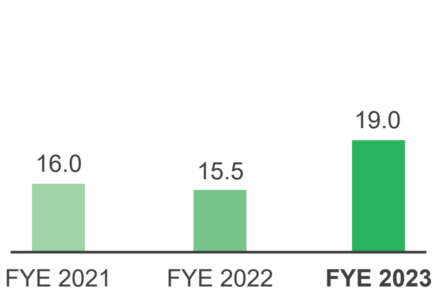
Presently, the Group measures emissions based on two key parameters:

- o Scope 1 emissions, which are derived from direct energy consumption (fuel consumed by corporate vehicles); and
- o Scope 2 emissions, which reflect indirect energy consumption (electricity consumption at the KL office and Sarawak Service Centre).

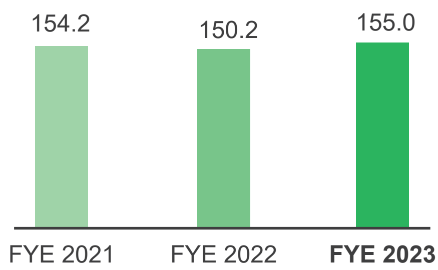
The Group calculates its Scopes 1 and 2 emissions using the GHG Protocol Corporate Accounting and Reporting Standard ("GHG Protocol"). The Global Warming Potentials emission factors for all greenhouse gases are consistent with the Intergovernmental Panel on Climate Change Sixth Assessment Report, 2023 (AR6) based on a 100-year timeframe.

The calculation methodology is aligned with 2006 IPCC Guidelines for National Greenhouse Gas Inventories and Malaysian Green Technology and Climate Change Corporation, the lead agency of the government in green technology.

Emissions in CO_2eq tonnes from Fuel [Scope 1]



Emissions in CO_2eq tonnes from Electricity [Scope 2]

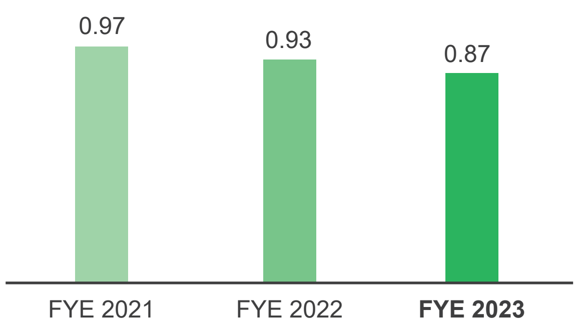


The reported Scopes 1 and 2 emissions adhere to GHG Protocol, which employ the operational control approach. The emissions for the Scopes 1 and 2 increased in line with the increase in fuel and electricity consumptions for the current financial year.

Moving ahead, the Group plans to disclose its Scope 3 emissions, with the first report slated for FYE 2024 in accordance with the requirements of Bursa's Enhanced Sustainability Reporting Framework.

As per the data, the total Scopes 1 and 2 emissions per employee have declined as illustrated below:

Total Scopes 1 and 2 Emissions in CO_2eq tonnes per Employee



SUSTAINABILITY STATEMENT

B. ENVIRONMENTAL (CONT'D)

Emissions Data (Cont'd)

The result has improved in FYE 2023 against previous financial years, demonstrating the existing awareness, initiatives and technologies capabilities such as retro-fitting LED lighting is effective and efficient for carbon emissions reduction measures.

Our energy and carbon emissions performance will be continuously monitored as part of ongoing efforts to mitigate the impact of climate change.

Water Management

We understand the significance of water as a limited and essential resource that requires careful management, especially in areas with water scarcity. We uphold best practices in the efficient use of water resources and support UN SDG 6 for Clean Water and Sanitation and UN SDG 11 for Sustainable Cities and Communities to ensure water resilience in its operations.

Nevertheless, our business operations are situated in areas with low water stress levels as determined through the use of coordinates and World Resource Institute's Aqueduct Water Tool as shown below. This tool is used to identify regions that are at risk of water scarcity.

Business Operations	Coordinates	Water-stress level
KL Office	3.17029, 101.6973	Low (<10%)
Sarawak Service Centre	1.554294, 110.3355844	Low (<10%)

To monitor and report on water consumption, we will begin data collection and reporting from FYE 2024 onwards.

Resource and Waste Management

Effective resource and waste management is crucial to environmental responsibility as it helps to minimise the amount of waste sent to landfills.

The Group adopts the "Reduce, Reuse, and Recycle" or 3R approach, which safeguards the health and safety of stakeholders and communities surrounding our business operating locations, while reducing the cost of waste disposal. Moreover, the support on UN SDG 12 Responsible Consumption and Production as well as the Malaysian Government's National Solid Waste Management Policy are in tandem with the adoption of our 3R approach.

It is worth noting that we do not produce hazardous or radioactive waste due to the nature of our business. Hence, our priority is on solid waste management.

For an effective resource and waste management, we constantly check on daily operations including usage of paper, electricity, corporate vehicle fuel consumption and e-waste collection. These conservation efforts aim at mitigating the effects of climate change by reducing carbon footprint.

We rolled out a variety of environmental conservation initiatives such as:

- Implementing recycling systems for supplies, equipment and furniture to minimise wastage;
- Ongoing e-waste collection to promote proper disposal of used and/or unwanted electronic devices;
- Offering pre-loved office furniture or corporate vehicle to employees for bidding at the minimum costs;
- Eliminating unnecessary paper usage and maximising electronic communication;
- Reducing if not eliminating single-use items and non-biodegradable plastics by encouraging the use of reusable tiffins/insulated lunch boxes, bags and cutleries for takeout meals;
- Donating pre-loved clothes and shoes to reduce waste;
- Educating employees on environmentally responsible behaviour, within and outside the workplace; and
- Offering fully depreciated reusable laptops (12 units) and desktops (3 units) to employees.

SUSTAINABILITY STATEMENT

B. ENVIRONMENTAL (CONT'D)

Resource and Waste Management (Cont'd)

The Green Warrioz Team is responsible for collecting and monitoring waste related data. They engage periodically with recycling centres to redirect reusable items to those in need or sell them to raise funds for welfare homes and community projects. The items collected consists of solid waste such as old or damaged electrical products, pre-loved clothes and shoes.

In FYE 2023, there were no confirmed incidents, non-monetary sanctions nor cases that were brought to our attention for non-compliance with environmental laws and regulations.

Employee Volunteerism – Green Warriorz Team

We actively encourages our employees to cultivate a green organisational culture and contribute to environmental sustainability through the Green Warriorz Team. The team's objectives are to enhance environmental consciousness, promote eco-friendly practices and encourage employees to adopt sustainable lifestyles.

To achieve these objectives, emails and environmental awareness newsletters are disseminated on a weekly basis to educate and remind employees on reducing resource consumption, waste and energy conservation methods. On top of that, the initiatives are published at RCE's official website and LinkedIn page to create a wider impact.

Paper Reduction

We are pleased to report a continuous downward trend in our paper waste following the implementation of the lock-print and one claim per month policies. The phrases in our emails, "Think Before You Print" and "GO GREEN. Go paperless" are effective in encouraging the use of recycled papers and double-sided printing for reports or worksheets.

Concurrently, colour printing is discouraged unless necessary while recycled papers are filtered to prevent the leakage of private and confidential information such as customers' personal data and information. As part of the paperless initiative, shareholders and the stakeholders are encouraged to access Annual Reports online, to help minimise the carbon footprint associated with the distribution process.

In FYE 2023, these efforts resulted in the same level of paper consumption per headcount despite higher utilisation, indicating improved efficiency in our usage with a higher paper utilisation base.

Paper Utilisation Per Headcount ('000 Pieces)

2023 : 3.7

2022 : 3.7
2021 : 5.3

Paper Utilisation Per kg ('000)

2023 : 56.2

2022 : 49.2
2021 : 70.8

Paper utilisation per kg has increased by 14.2% mainly due to the higher sales volume experienced by the Group in the current financial year. The continued best practices in reducing paper utilisation include sending paperless welcome kits to new hires via email, discouraging the hardcopy printing of training materials via publication in the intranet and replacement of hardcopy with electronic forms.

SUSTAINABILITY STATEMENT

B. ENVIRONMENTAL (CONT'D)

E-Waste Management

The proper disposal of e-waste is an important part of the environmental conservation efforts. We encourage employees to recycle electronic gadgets and batteries by using designated containers located on office floors. Collected e-waste is then transported to recycling facility periodically, which serve as the principal treatment point for domestic e-waste, safety, pollution control and environmentally sound recycling. We recognise the negative effects of incorrect e-waste disposal on human health and the environment. With that, we have collected 221.5kg of e-waste in FYE 2023.

E-waste Collection (kg)

2023 : 221.5
2022 : 98.6
2021 : 46.9

The remarkable increase in e-waste collection is attributed to the exceptional efforts in advocating proper disposal and recycling of e-waste. This significant achievement reflects our success in raising awareness and promoting responsible e-waste management practices.

Pre-loved Clothes and Shoes Donation

This is a new initiative introduced since last financial year to promote sustainable practices and assist those in need. Employees are educated on environmental impact of textile waste and motivated to recycle instead of disposing. This practice has led to an increased awareness of how individual actions can affect the environment, encouraging eco-friendly choices.

As a result, the Group is pleased to report the collection and donation of 575.2kg of pre-loved clothes and shoes in FYE 2023, including 6.7kg from Sales Team respectively.

Pre-loved Clothes and Shoes (kg)

2023 : 575.2
2022 : 223.8

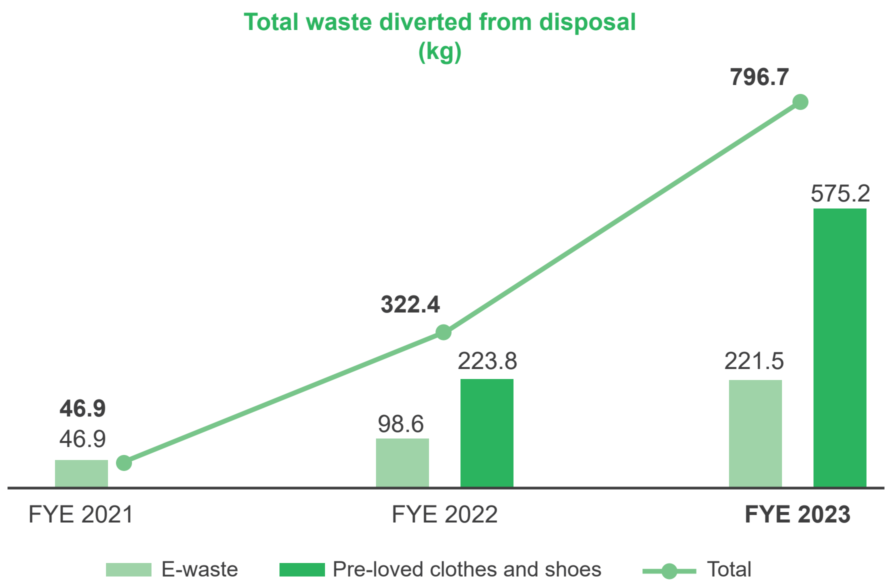

Community Recycle for Charity picked up e-waste and pre-loved clothes and shoes at RCE's office

SUSTAINABILITY STATEMENT

B. *ENVIRONMENTAL (CONT'D)*

Pre-loved Clothes and Shoes Donation (Cont'd)

With the waste management mentioned above, the total waste diverted from disposal is as shown below:



C. *SOCIAL*

Ethics and Integrity

Sound corporate governance will enable long term value creation and business success. All of our business operations are performed with highest level of transparency and accountability.

The Board communicate its principles to all employees through the Group's Code of Conduct ("COC"). A COC is a set of guidelines that outline the expected behaviour within an organisation. These codes have been created to promote and maintain a safe, respectful and inclusive environment, with specific focus on ethical and responsible corporate conduct, addressing the following areas:

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

Our ABC policy is benchmarked against TRUST principles, which is reviewed every three years in accordance with Bursa's requirements. Currently, an external consultant is conducting an effectiveness review of the ABC policy, demonstrating our pledge in preserving the ethical and integrity standards. The observations and remedial actions arising from the review, if any, are expected to be finalised after the third quarter of 2023.

Our COM is established to assist Management in ensuring compliance with applicable laws and regulations as well as making sure that the risk management policies are intact. COM prepares an annual plan covering the updates of existing policies and procedures, follow up on any unresolved observations, if any and regulatory compliance review. The progress of the annual plan is reported by COM on a quarterly basis to RMC.

SUSTAINABILITY STATEMENT

C. *SOCIAL (CONT'D)*

Ethics and Integrity (Cont'd)

All employees receive an annual refresher training involving ABC policy and anti-money laundering and anti-terrorism financing. It is mandatory for employees to attend these training sessions, reflecting our effort in fostering an environment free of unethical or unlawful behaviour. Employees are encouraged to voice their concerns without fear of punishment (please refer to Whistleblowing section for more information).

In FYE 2023, no employee was reprimanded or dismissed as a result of bribery or corruption violations. Similarly, there were no cost of fines, penalties or settlements in relation to bribery or corruption violations.

Whistleblowing

Whistleblowing is a tool for uncovering and preventing illegal or unethical behaviour where it will hold an organisation accountable for its actions. However, it can be a complex and challenging process, requiring careful consideration of the risks and benefits involved. In contrast, it significantly reduces the susceptibility to fraud, enabling earlier detection which in turn saves cost.

We regularly refine our Whistleblowing Policy to provide a channel for the employees and members of the public to report any suspected wrongdoing. This encompasses:

- misconduct such as fraud, corruption, bribery or extortion;
- criminal offences;
- malpractice that violates legal or regulatory requirements;
- miscarriage of justice;
- endangerment of an individual's health or safety; and
- other unethical or inappropriate behaviour.

A non-retaliation policy has been adopted, which states that no employee will face adverse action for complaining, reporting, participating in or assisting in the investigation of a suspected violation of our COC, policies, applicable laws and regulations. All complaints are treated with strict confidentiality. Allegations of retaliation will be investigated, and if appropriate, disciplinary action, including termination, shall be implemented. However, this will not apply if the allegation made or information provided is found to be intentionally false or not made or provided in good faith.

The whistleblowing mechanism is administered by the Internal Audit Function and overseen by the AC. Whistleblowing platforms are available via our hotlines and corporate website https://www.rce.com.my/whistle_blowing.php. In FYE 2023, the record shows that no employees were reprimanded or dismissed and no vendor/supplier contracts were terminated as a result of bribery or corruption violations.

Employee Handbook

Our Employee Handbook, policies and procedures provide guidance on making ethical decisions based on the principles of ethics and integrity. Employees can access the Employee Handbook via intranet and required to sign a letter of undertaking to pledge their compliance with all applicable laws and regulations, 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;
- PDPA; and
- COC in maintaining confidentiality, risk management and internal controls compliance.

During the financial year, we have updated our Employee Handbook to incorporate changes as required in accordance with Malaysian Employment (Amendments) Act 2022, which came into force on 1 January 2023. The changes covered amongst others the longer maternity and paternity leave duration, maximum working hours for employees and flexible working arrangement.

SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Ethics and Integrity (Cont'd)

Extension of COC to the Supply Chain

The Group's supply chain is locally sourced for effective management and interaction of our needs. A risk assessment will be conducted prior to employing any third-party service providers. This includes due diligence and credit assessments on the third-party service providers' company directors, financial strengths and track records.

As the Group upholds the value of good corporate governance, we expect our supply chain to comply with standard requirements in relation to corruption and bribery. We took extended precautions by communicating and notifying our ABC and COC respectively to the Sales Team, vendors, suppliers, consultants, bankers and solicitors. We apply the following disciplinary actions against parties responsible for any violation, which include but are not limited to:

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

No third-party service provider contract was terminated in relation to bribery or corruption violations in FYE 2023.

Charitable and Political Contributions

We implement corporate social responsibility ("CSR") programmes that have been planned in conjunction with social aspect of sustainability.

Our charitable contributions include patronage for education with the provision of study grants and other community welfare activities, governed by the Group's COC. Political donations are strictly prohibited, unless it is approved by the Board and no breaches of law. In FYE 2023, there were no political contributions made by the Group.

Commitment to Uphold Labour and Human Rights

We ensure our business operations comply with Malaysian Employment Act 1955 and all other relevant labour laws of Malaysia. The human rights principles upheld and guided by applicable laws and regulations are:

- Providing equal employment opportunities regardless of race, gender, religion, age, disability, sexual orientation or nationality;
- Fair and non-discriminatory recruitment and selection process;
- Adopting the principle of "equal pay for equal work" for both men and women;
- No excessive working hours or overtime;
- Safeguarding employees' rights and any form of mistreatment towards employees;
- Acknowledging that sexual harassment is unacceptable in all forms and that it is classed as a human rights violation;
- Zero tolerance to forced labour;
- Freedom and respect the association by employees for collective bargaining; and
- No child labour.

We constantly keep our employees updated on the various initiatives via internal email and intranet.

Talent Management and Development

We appreciate that employees are our greatest assets. Thus, we promote a culture of lifelong learning to motivate, nurture and develop our employees with a variety of leadership, coaching and training programmes for our employees.

The Group is guided by three holistic principles for talent management and development as follow:

- Talent management;
- Workforce diversity, equity and inclusion; and
- Occupational safety and well-being.

SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Talent Management and Development (Cont'd)

Talent Management

Outstanding talent is the cornerstone of the Group's business growth. To achieve this, we have established a talent management framework that incorporates a set of corporate goals and objectives with strategic approach for recruiting, developing and retaining in-demand talent.

We view the recruitment of local talent as contribution to nation building. Our approach is to hire, train and retain competent Malaysian talent, thus producing high-paying, knowledge-based jobs that support improved income per capita for Malaysians and other socio-economic benefits.

We remain vigilant in ensuring that all employees are fairly compensated in compliance with Malaysian Employment Act 1955 and all other relevant labour laws of Malaysia. Since the new Minimum Wage Order 2022, which came into effect in May 2022, all confirmed employees have been paid wages that comply with or exceed the minimum wages stipulated under the act. Certain employees are entitled to fixed allowances in addition to their base salary benchmarked against industry standards. A wide range of statutory and other benefits are provided such as inpatient or outpatient coverage, dental, cash relief for marriage, newborn or demise of family members.

Our employees are further rewarded based on merit in accordance with job experience, related qualifications and performance.

The Group's labour standards non-compliance is dealt with by carrying out an investigation on the underlying matter, proper documentation, consulting subject matter expert, if required and continuous monitoring of the labour standard landscape. Corrective actions or measures will be communicated to Departmental Heads, if necessary for improvements. During the financial year, there were no instances of labour standards non-compliance.

To ensure we operate responsibly, we provide a variety of skill upgrading and training programmes so that our employees are kept up to date with the latest industry trends, opportunities to develop their career with new skills and knowledge. This is consistent with our philosophy of equitable opportunities for employees to learn and thrive.

Employee Recruitment

- We attract potential candidates through advertising online on job search websites, RCE's official website at https://www.rce.com.my/careers.php, recruitment agencies, LindkedIn and employee referrals.
- Recruitment and selection processes are conducted in a fair and non-discriminatory manner, providing equal employment opportunities regardless of race, gender, religion, age, disability, sexual orientation or nationality.
- We provide employment to Malaysians across all backgrounds, including those in vulnerable groups, specifically women, citizens without tertiary education or in low income segment.

Employee Development

- All newly recruited employees undergo a mandatory onboarding session, which provides them a comprehensive understanding of the Group, its policies and procedures and corporate work style, aiding them to adapt into the organisation with ease.
- On-the-job training is provided to all employees, helping them obtain hands-on knowledge.
- We nurture our employees through a variety of training programmes focusing on leadership development, legal regulatory compliance and soft skills. Additionally, employees receive mentoring/coaching to assist them developing their individual skills and ability to lead, resolve issues and overcome adversity. Our mission is to support employees in realising their full potential in a conducive working environment.
- We promote a culture of lifelong learning and encourage employees to enhance their skills or acquire new ones in order to stay current with market trends.
- Training materials such as technical, non-technical and regulatory training resources are disseminated via intranet for knowledge sharing among employees.

C. SOCIAL (CONT'D)

Talent Management and Development (Cont'd)

Employee Development (Cont'd)

In FYE 2023, we invested RM256,100 (FYE 2022: RM353,400) on employee training with an increase in total hours to 6,787.3 (FYE 2022: 4,237.5). This was owing to the constant engagements with our training providers for improved and cost effective programmes to form a high performance culture workforce.

The increase in total hours invested translated into a higher average training hours per employee to 32 (FYE 2022: 24) hours or approximating average of 4 (FYE 2022: 3) days per employee.

Investment in Employee Training (RM'000)

2023 : 256.1

2022 : 353.4

2021 : 90.6

Average Training Hours Per Employee

2023 : 32 (average of 4 days)

2022 : 24 (average of 3 days)

2021 : 8 (average of 1 day)

Trainings attended during FYE 2023:

No.	Types	Title
1.	Leadership Development Programme	• Coach Leader Development Programme: Coaching for High Performance • Stepping Up to Challenge • KPI (Performance Management System) Mindset Change Workshop • Fundamental Coaching Skills Workshop
2.	Regulatory/Technical Skills and Knowledge	• MIRA Webinar: Everything Investor Relations Managers Need To Know About ESG Reporting • PERKESO Social Protection Services • Malaysian Anti-Corruption Committee Training • Management of Shariah Non-Compliance Events Relating to Islamic Products • Shariah Governance • Overview of Bursa Malaysia's Enhanced Sustainability Reporting Framework with Climate Change Reporting • ESG Sharing by PricewaterhouseCoopers • National Budget 2023 Reviews and Updates • PKF Webinar: Preparing In House Minimum Transfer Pricing Documentation Using IRB's Template • Microsoft Excel Intermediate Level • Winning Collection Skills • Program Financial Literacy • CompTia Security + • Malaysia TP8 Year End Seminar 2022 • MFRS/IFRS Technical Update 2022
3.	Soft Skills/Special Interest Topics	• Distressed Customer Engagement • Influencing and Negotiation Skills • Projecting a Professional and Confident Corporate Image

SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Talent Management and Development (Cont'd)

Employee Development (Cont'd)

Coach Leader Development Programme

Stepping Up to Challenge

ESG Sharing by PricewaterhouseCoopers

Microsoft Excel Intermediate Level

Employee Retention

The Group views employee retention holistically with a competitive remuneration structure in place. Other aspects of retention include training, career development opportunities, rewards and incentives for good performance.

Aside from salaries, we offer other employee benefits based on performance, experience and job scope. Benefit packages include Employees' Share Scheme, financing profit/interest subsidy, fixed allowances, children's education achievement incentive, medical benefits, long service award, maternity and paternity leave.

Excessive working hours or overtime are discouraged except for the occasional peak periods as our corporate culture revolves around efficiency and productivity. Employees are encouraged to share their views on fostering a better work-life experience. Above all, we aim to recognise each employee's potential and assist them in achieving their aspirations.

Overall employee turnover rate in FYE 2023 was 16.0%. This slight improvement was the result of efforts in place to retain in-demand talent from ongoing employees poaching and career plan switch by employees caused by the lingering effects of COVID-19 pandemic.

SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Talent Management and Development (Cont'd)

Employee Retention (Cont'd)

Overall Turnover Rate (%)	
2023	16.0
2022	17.5
2021	18.6

Total Number of Turnover	
2023	31
2022	31
2021	33

There were no termination of employees in FYE 2023.

The Group acknowledges the importance and inadvertent blending of both personal and professional responsibilities rather than drawing lines between "personal time" and "work time". Employees choose when to tackle their responsibilities at the time that work best for them. This concept has emerged to the fore during COVID-19 pandemic.

Notwithstanding the above, we remain focus on employees' physical and mental well-being considering the effects of having to work from home and adjusting to new norms. Various employee engagement activities were conducted throughout the financial year:

- o Batik painting on canvas tote bag
- o Introduction to coffee brewing
- o Planting demo and gardening workshop in collaboration with Free Tree Society
- o KL Car Free morning
- o New year dinner
- o Table tennis tournament
- o Flower arrangement workshop
- o Bowling tournament
- o Movie outing

Planting demo and gardening workshop

KL Car Free morning

Bowling tournament

SUSTAINABILITY STATEMENT

C. *SOCIAL (CONT'D)*

Talent Management and Development (Cont'd)

Promotion of Employee Well-being

It is important to safeguard the well-being of employees to sustain a productive workforce. The Group acknowledges that one of the key steps to employee retention is providing a working environment that encourages healthy social interaction and good mental health.

Several mental health related trainings and counselling supports organised by Wellness Team are as below:

No.	Training/Counselling Programme	Number of Employees Participated
1.	Mental Health Screening	148
2.	Recognising and Lifting Depression	133
3.	Recognising and Overcoming Anxiety	145
4.	Recognising and Managing Stress	152
5.	Managing Depressive Mood Anxiety and Stress with Self-care and Reflection Techniques	23
6.	Instilling Growth Mindset to Build a Meaningful Worklife	152
7.	Improving interpersonal communication	170
8.	One-to-one counselling support	15

Correspondingly, activities geared towards wellness were organised such as:

- o I Walk [With] You 3000 to encourage employees to keep walking with momentum;
- o Healthy and Fruity Wednesday for healthier eating;
- o Corporate Wear Day and various corporate items to promote a better sense of belonging; and
- o Flu vaccination programme as a precaution measure for good health.

Workforce Diversity, Equity and Inclusion

We recognise the value of workforce diversity in offering a range of perspectives and experiences that facilitate informed decision-making. Therefore, we firmly maintain diversity and promote equal career advancement regardless of an individual's race, religion, gender, age, sexual orientation, disability status or nationality. We aim to eliminate discrimination and strives to create a workplace environment based on professionalism and meritocracy.

SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Talent Management and Development (Cont'd)

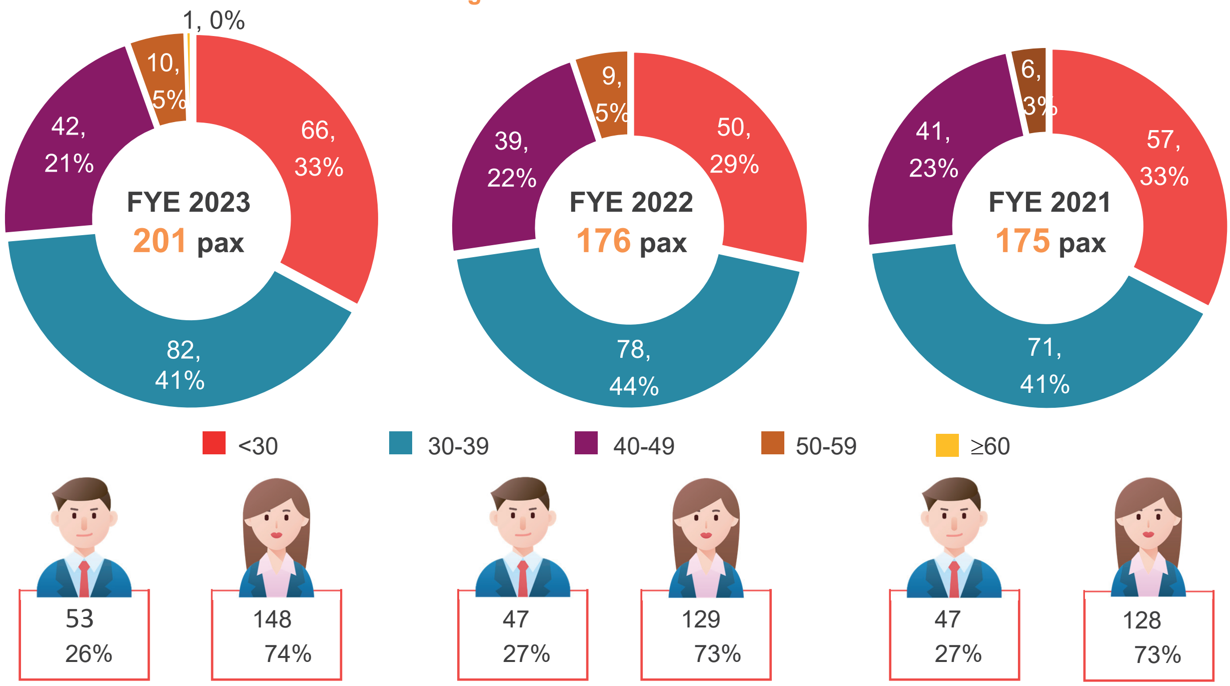
Workforce Diversity, Equity and Inclusion (Cont'd)

Embedded in the Group's corporate culture is the upholding of equal opportunity and mutual respect in the workplace. We strive to attract and retain top talents from all walks of life. The principle of "equal pay for equal work" for both men and women are strongly adhered to, as guided by the Employment Act 1955.

There were no reported incidents of discrimination based on ethnicity, gender or religious beliefs during the financial year.

The Group currently employs 201 Malaysian permanent employees with age and gender composition as indicated below:

Age and Gender Distribution



The Group's age distribution showed higher composition for age groups between 30 to 49 years old, consistent with our efforts for succession planning in developing younger generation in our workforce.

As for the composition of women employees, it remains higher due to the nature and requirements of our business.

Meanwhile, the Board recognises that diversity in gender composition is critical in ensuring its effectiveness and good corporate governance. In the previous financial year, the Board approved and adopted a gender diversity policy by setting the aim to achieve at least 30.0% women representatives on the Board by 31 March 2025, whereby the appointment is based on merit.

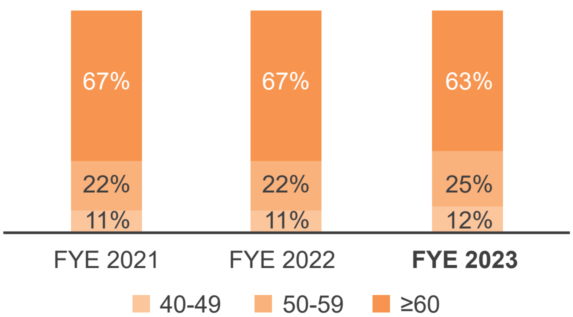
SUSTAINABILITY STATEMENT

C. *SOCIAL (CONT'D)*

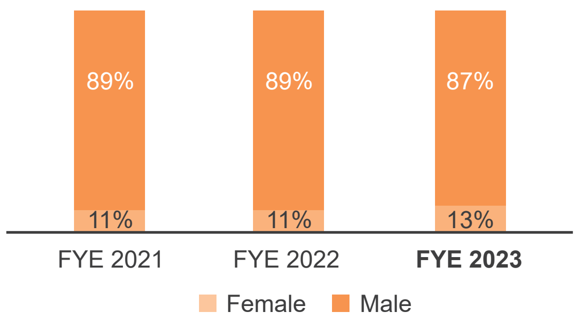
Talent Management and Development (Cont'd)

Workforce Diversity, Equity and Inclusion (Cont'd)

Board by Age Group



Board by Gender



The Group opposes all forms of sexual harassment and acknowledges that sexual harassment is a form of discrimination and violates the dignity of individuals. Our Sexual Harassment Policy mirrors the core value that all employees should be treated with dignity and respect, with the vision that a safe, healthy and supportive work environment should be preserved and upheld.

The policy aims to safeguard all employees in the organisation from unwanted sexual advances and to provide a non-prejudicial complaint resolution mechanism for reporting incidents. Employees are to report any sexually inappropriate behaviour directly to the Human Resource ("HR") Unit or immediate superior. This reporting channel or whistleblowing mechanism aims to address the genuine concerns of our employees with confidentiality in mind. The Sexual Harassment Policy is published at RCE's official website: https://www.rce.com.my/esg.php.

Our HR Unit is trained in handling the grievances arising from any form of harassment through on-the-job training, keeping abreast with relevant laws and regulations.

In FYE 2023, there was one incident of possible human rights violation involving an alleged sexual harassment reported. The case was resolved after investigation was conducted by HR Unit.

Regular email reminders are disseminated to employees of their rights, contents of Sexual Harassment Policy as well as sexual harassment awareness notices being displayed in our office premise.

Other steps taken to promote inclusion is hiring and retaining employees with special needs. As at 31 March 2023, there were two special needs employees, specifically deaf and deaf-mute, accounting for 1.0% of our total workforce.

As for employees on contract basis, there were six in the current financial year, representing 3.0% of our total workforce.

Contract Employee (%)

2023 : 3.0

2022 : 1.1
2021 : 0.0

C. SOCIAL (CONT'D)

Talent Management and Development (Cont'd)

Occupational Safety and Well-being

The Group mandates that employees comply with Occupational Safety and Health Policies, guidelines and protocols in order to safeguard themselves from workplace health and safety risks.

Quarterly inspection is carried out on the condition of the following safety equipment:

- automated external defibrillators;
- foldable stretchers;
- wheelchairs; and
- first aid kits.

Fire drills are conducted at least once a year with the coordination between Human Resource and Administration Department and Building Management to create awareness on the emergency procedures.

In FYE 2023, there were no occupational incidents reported, which resulted in zero lost time incident rate. The Group has achieved three consecutive years of zero cases of injuries reported.

Occupational Incident (Number)

2023 : Nil

2022 : Nil
2021 : Nil

Safety Training and Programmes

The Group ensures the health and safety of its employees by offering mandatory as well as supplementary trainings. These covered various topics such as first aid and fire safety measures conducted by accredited organisations as well as training on understanding roles and responsibilities in compliance to Occupational Safety and Health Act ("OSHA") 1994 by Department of Occupational Safety and Health ("DOSH").

In FYE 2023, the Safety, Health and Emergency Response Team and selected employees attended related OSHA trainings as follows:

No.	Training Programme	Number of Employees Participated
1.	Introduction to First Aid and Cardiopulmonary Resuscitation training by Malaysian Red Crescent Society	39
2.	Compliance to OSHA 1994 by DOSH	21
3.	Fire safety measures/practice of fire extinguisher operations workshop by Malaysia Fire and Rescue Department	30

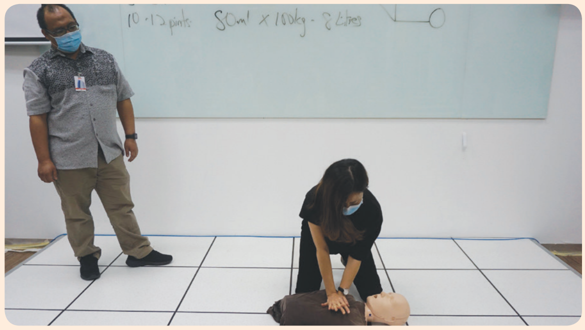
SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Talent Management and Development (Cont'd)

Occupational Safety and Well-being (Cont'd)

Safety Training and Programmes (Cont'd)



Introduction to First Aid and Cardiopulmonary Resuscitation training

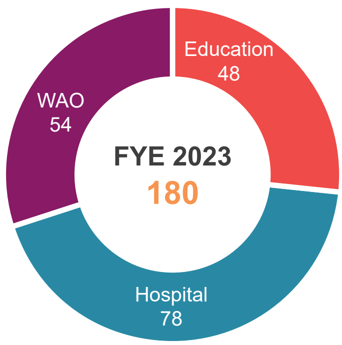
Fire safety measures/practice of fire extinguisher operations workshop

Community Investment

As a responsible corporate citizen, the Group connects with the local communities in which it operates in order to give back to the society. We contribute to a variety of philanthropic initiatives with a focus on education, health and supporting victims of domestic violence.

In FYE 2023, a total of RM180,000 was contributed to the community and the recipients were students receiving study grants, Hospital Kuala Lumpur and Women's Aid Organisation ("WAO").

Contributions to Local Community (RM'000)



SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Community Investment (Cont'd)

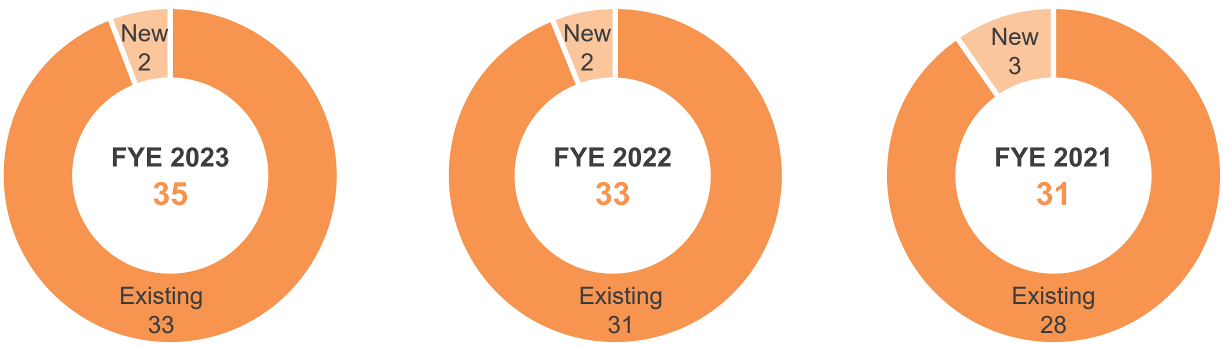
Education

Yayasan Azman Hashim ("YAH") was incorporated on 5 January 1991 by Tan Sri Azman Hashim, the Chairman of RCE's intermediate holding company, Amcorp Group Berhad. It focuses on welfare projects to help the needy with emphasis placed on education hoping to turn disadvantaged youth's dreams into reality. The Group embraces this social responsibility act by providing education assistance through its relationship with YAH.

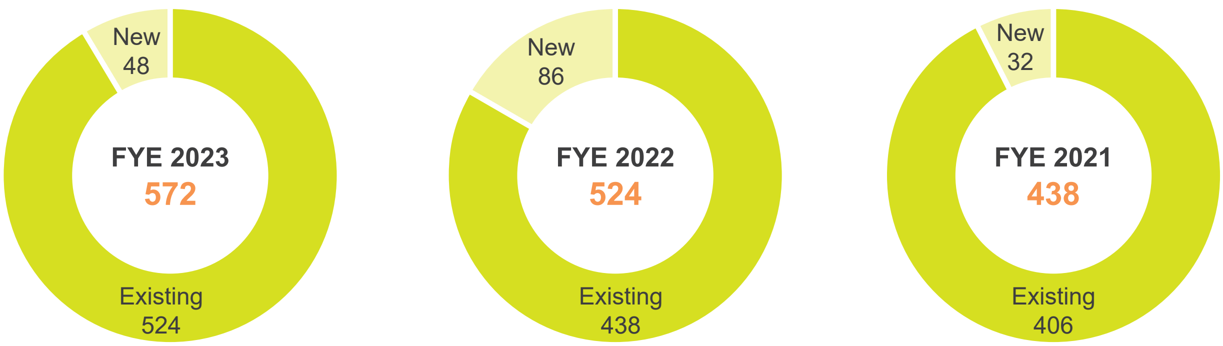
In conjunction with YAH's initiative, the Group enables deserving youths to pursue full time Association of Chartered Certified Accountants qualification through the provision of study grants and sponsorship for higher education. These students are offered employment opportunities following completion of their studies.

To date, a sum of RM572,000 has been awarded to students to support them in obtaining quality education. There were two new recipients of the study grants during the financial year.

Accumulated Number of Study Grants Awarded (Pax)



Accumulated Study Grants Awarded (RM'000)



SUSTAINABILITY STATEMENT

C. SOCIAL (CONT'D)

Community Investment (Cont'd)

Community Welfare Activities

Health - Medical Equipment to Hospital

In FYE 2023, two units of dialysis machines were donated to Hospital Kuala Lumpur amounting to RM78,000 to support the public healthcare system in alleviating the heavy load of critical kidney failure cases.

Handover of two units of dialysis machines to Hospital Kuala Lumpur

CSR Activities in Partnership with NKF

The Group resumed a long term partnership with NKF in conducting health screening roadshows to cultivate public awareness on the importance of healthcare. During the financial year, the following health screening roadshows were held:

- 14 June 2022 - Lembaga Hasil Dalam Negeri, Kuala Lumpur;
- 19 October 2022 - Dewan Bahasa dan Pustaka; and
- 12 January 2023 - Lembaga Tabung Haji, Kuala Lumpur - including a blood donation drive.

The above roadshows were also to promote brand presence in collaboration with BPs as indicated in the Business Sustainability section of this Statement.

Apart from the above, the Group engaged the following activities to shape a sustainable community:

- Movie outing with children and guardians from Pertubuhan Kebajikan dan Perlindungan Nur Qaseh;
- Donation of facemasks to WAO; and
- Donation of hampers to Yayasan Sunbeams Home.

WAO

WAO is a Malaysian non-governmental, non-profit organisation that fights for women's rights, specifically against violence towards them. It was founded in 1982 and is actively working towards its mission of promoting, protecting women's rights and empowering them to achieve gender equality. It is accredited with first phase certification under the Core Humanitarian Standard on Quality and Accountability in September 2019. WAO operates a 24-hour hotline, a shelter for survivors of domestic violence, counselling services, legal aid, and advocacy programs.

WAO Donation (RM'000)

2023 : 54.0

2022 : 54.0
2021 : 31.5

The Group has been supporting WAO since August 2019. In FYE 2023, it has donated a further RM54,000 to support their pro bono counselling and other programmes that they run for women and children who are victims of abuse.

For detailed information, please refer to RCE's official website: https://www.rce.com.my/csr.php?y=2022.

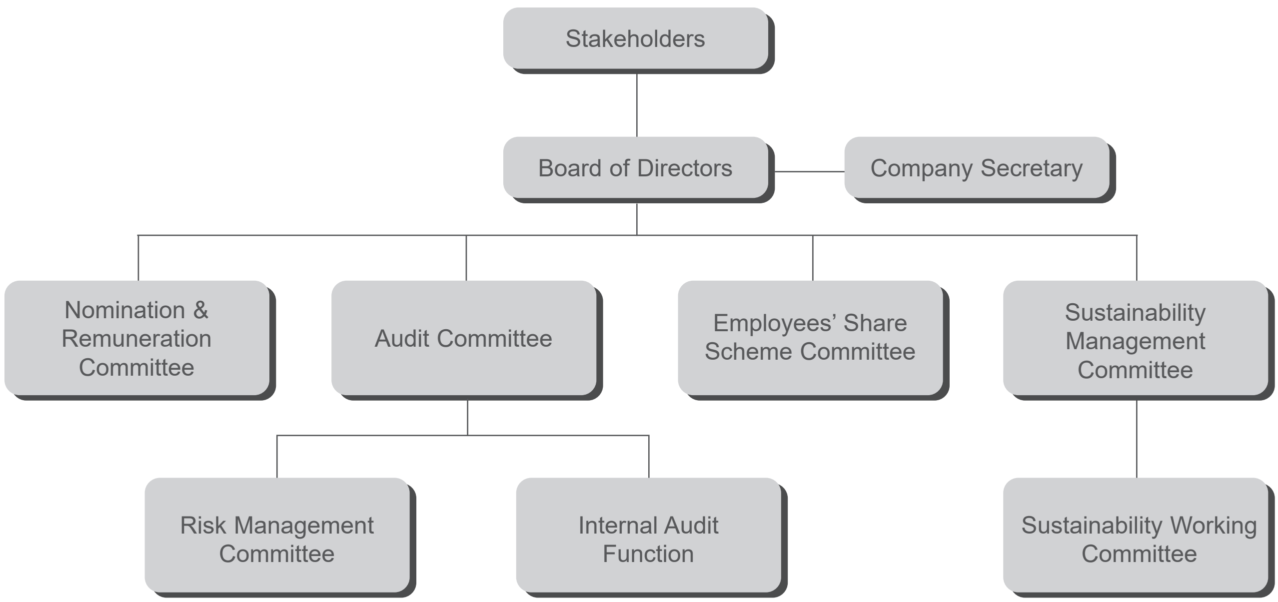
CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 good corporate governance practices enable the Group to operate more efficiently and facilitate better oversight of the business, management and operations of the Group. Despite the uncertain and evolving environments during the financial year 2023, the Board remains focused on building resilience by providing an effective stewardship whilst 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 2023. The overview takes guidance from the three (3) key corporate governance principles as set out in the Malaysian Code on Corporate Governance ("Code").

This Statement is prepared in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and shall be read in tandem 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, general meetings 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 companies.

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 ("Act") and the Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment from Directors to perform their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, reviewed and considered a variety of matters including the Group's financial results, budget and strategy, operations and corporate development of the Group, declaration of dividends, solvency position of the Company for dividends and share buyback, sustainability matters including sustainability reporting gap assessment, corporate governance practices, corporate proposals and strategic issues that affect the Group's business operations.

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

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

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

Name of Directors	No. of Meetings Attended	Percentage of Attendance (%)
Shahman Azman	4/4	100
Tan Sri Mazlan bin Mansor	4/4	100
Datuk Mohamed Azmi bin Mahmood	4/4	100
Mahadzir bin Azizan	4/4	100
Thein Kim Mon	4/4	100
Soo Kim Wai	4/4	100
Shalina Azman	4/4	100
Lum Sing Fai	4/4	100
Tan Bun Poo *(Resigned on 31 May 2022)*	1/1^	100

Note:

^ *Reflects the number of meetings held during the financial year prior to his resignation 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 Committees 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 updates 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, effectiveness of external and internal audit processes, and to review conflict of interests and related party transactions, if any. 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.

  During the financial year ended 31 March 2023, the N&R Committee held one (1) meeting with the full attendance of the N&R Committee members as follows:

Name	No. of Meetings Attended	Percentage of Attendance (%)
Datuk Mohamed Azmi bin Mahmood	1/1	100
Mahadzir bin Azizan	1/1	100
Shalina Azman	1/1	100

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 68th Annual General Meeting ("AGM") to determine whether or not to recommend their re-election;
- reviewed the remuneration package of the CEO and renewal of his service agreement;
- 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 2022;
- reviewed and recommended the Directors' benefits for the Non-Executive Chairman and Non-Executive Directors of the Company; and
- recommended the adoption of Directors' Fit and Proper Policy.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The ESS Committee was established to assist the Board in administering the Company's ESS in accordance with the By-Laws governing and constituting the ESS as approved by the shareholders.

During the financial year ended 31 March 2023, the ESS Committee held two (2) meetings with the full attendance of the ESS Committee members as follows:

Name	No. of Meetings Attended	Percentage of Attendance (%)
Soo Kim Wai	2/2	100
Shalina Azman	2/2	100
Lum Sing Fai	2/2	100
Loh Kam Chuin *(Chief Executive Officer)*	2/2	100

The ESS Committee had carried out the following activities during the financial year:

- reviewed and recommended the third grant of Employees' Share Option Scheme's options to the employees of the Group; and
- reviewed and approved the adjustments of option price pursuant to the ESS By-Laws.

- **Sustainability Management Committee**

RCE acknowledges the importance of issues related to sustainability and the environmental, social and governance (ESG), including their risks and opportunities to the Group. The Board is responsible to ensure that the Company has in place appropriate sustainability strategies which are aligned with the Company's strategic direction to support the Group's long-term objectives.

The Board is supported by a Sustainability Management Committee which is responsible to assist the Board in administering and overseeing the development and implementation of the Group's sustainability strategies.

During the financial year ended 31 March 2023, the Sustainability Management Committee held three (3) meetings and the attendance of the respective members at the meetings are as follows:

Name	No. of Meetings Attended	Percentage of Attendance (%)
Shahman Azman	3/3	100
Shalina Azman	2/3	67
Loh Kam Chuin *(Chief Executive Officer)*	3/3	100
Yap Choon Seng *(Group Chief Financial Officer)*	3/3	100
Oon Hooi Khee *(Chief Business Officer)*	3/3	100

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Sustainability Management Committee which is supported by a Sustainability Working Committee, had carried out and implemented various sustainability related initiatives and activities during the financial year. As a testament to RCE's commitment towards conservation of environmental, corporate social responsibility and the practice of good corporate governance, the Company has been included as a constituent of FTSE4Good Bursa Malaysia Index since 2020. Further information on the Company's approach to sustainability are disclosed in the Sustainability Statement in this Annual Report.

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 to the highest standards of personal integrity and professionalism. 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 detailed whistleblowing mechanism prescribed in the Whistleblowing Policy had been mapped into a process flowchart.

The Group continues to be committed in promoting the values of integrity and intolerance towards any form of bribery/corrupt practices throughout the organisation. An Anti-Bribery and Corruption Policy was adopted which requires the Directors, employees and business partners to uphold the highest standards of business ethics by not engaging in any form of corruption, bribery, fraud or facilitation payments. The Board has also adopted the Anti-Money Laundering and Counter Financing Terrorism Policies & Procedures which sets out the guidelines for compliance with relevant regulatory requirements concerning the prevention, detection and protection to the Group from money laundering, terrorism financing or other criminal activities.

The Group has also put in place a Code of Conduct for Business Partners as a guidance to its business partners on their conduct of business with the Group and had communicated the same to the business partners.

The Directors' Code of Conduct and Ethics, Anti-Bribery and Corruption Policy, Code of Conduct for Business Partners 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 of 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 regularly attend various seminars, training and external professional programmes which they individually considered relevant and useful to further enhance their business acumen and professionalism. In addition, Directors are also invited to attend in-house training organised by the Company and conducted by external consultants for the Directors and employees of the Group.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Director	Course Attended
Shahman Azman	Singapore Institute of Directors - INSEAD International Directors Programme Preview Session METAVI Summit 2022: The Emerging Future and Your Investment Opportunities INSEAD - Director duties and ESG - a view from the General Counsel MarCom Tech Live Virtual Conference: The Dawn of a Technology-Centric World Assessing Your Organisational Culture Singapore Exchange - Candlesticks Insight with Market Psychology Singapore Governance & Transparency Forum - Driving Sustainability through Governance Inbound Investment: Cross Border Transaction into Singapore - PE Singapore Exchange - The Basics of Investing Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment Transitioning to Net Zero Through Energy Efficiency SembangBiz with HP - Enhancing Hybrid Working Culture with Intelligent Technology Singapore Exchange - An introduction to DIY Investing Cybersecurity Awareness Asian Association of Management Organisations 21st Triennial Conference 2022 - Asia in Transition: Regional Cooperation in a Changing World Taxation on Foreign Source Income and Latest Tax Cases Listed Entity Director Programme by Singapore Institute of Directors: Environmental, Social and Governance Essentials Core Module Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees Malaysian Institute of Management - Building towards a Corrupt-Free Nation Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD) National Budget 2023 Review and Updates
Tan Sri Mazlan bin Mansor	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD)
Datuk Mohamed Azmi bin Mahmood	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Course Attended
Mahadzir bin Azizan	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD)
Thein Kim Mon	Innovation for Growth Impactful Sustainability Reporting Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD)
Soo Kim Wai	PERE Asia Summit Singapore 2022 Wealth Management APAC 2H Market Outlook Seminar 2022 AmBank Group - Sustainability Awareness AmBank Group - Recovery and Resolution Planning Project (2022) Ikhlas Capital 3rd Annual Conference Listed Entity Director Programme by Singapore Institute of Directors: Environmental, Social & Governance Essentials Leadership Perspectives Forum on Board Effectiveness Bloomberg Asia Wealth Summit AmBank Group - Anti-Money Laundering Awareness Recovery and Resilience: Spotlight on Asean Business AmBank Group - Cyber Security Awareness Program AmBank Group - Recovery and Resolution Planning Project (2023) AmBank Group - BNM Climate Risk Management and Scenario Analysis Policy Document Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees PERE Asia Summit 2023 Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD) National Budget 2023 Review And Updates
Shalina Azman	Assessing Your Organisational Culture 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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Course Attended
Shalina Azman *(cont'd)*	Listed Entity Director Programme by Singapore Institute of Directors: Module 4 - Stakeholder Engagement
	Taxation on Foreign Source Income and Latest Tax Cases
	Listed Entity Director Programme by Singapore Institute of Directors: Environmental, Social & Governance Essentials
	Impact Investing Across Public Markets
	Audit and Risk Committee Seminar 2023
	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
	Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD)
	National Budget 2023 Review And Updates
Lum Sing Fai	AmBank Group - Sustainability Awareness
	AmBank Group - Recovery and Resolution Planning Project (2022)
	Leadership Perspectives Forum on Board Effectiveness
	AmBank Group - AML Session
	AmBank Group - AmDigital Day
	AmBank Group - Cybersecurity: Emerging Trends
	AmBank Group - Recovery and Resolution Planning Project (2023)
	AmBank Group - BNM Climate Risk Management and Scenario Analysis Policy Document
	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
	Enhanced Sustainability Reporting Framework - Task Force on Climate-Related Financial Disclosures (TCFD)
	National Budget 2023 Review And Updates

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 has in place a 9-year tenure policy for its Independent Directors to limit the tenure of the Independent Directors to nine (9) years in order to facilitate Board refreshment. In May 2022, Mr. Tan Bun Poo who has served as Independent Director for nine (9) years, stepped down from the Board to conform to the Company's 9-year tenure policy for Independent Directors.

The Board comprises entirely Non-Executive Directors, of whom four (4) out of eight (8) are Independent Directors. None of the Independent Directors had exceeded the nine (9) years tenure.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Tenure of Independent Directors as at 31 March 2023				
Tenure	**< 3 years**	**3 - 6 years**	**6 - 9 years**	**Above 9 years**
Number of Independent Directors	👤	👤	👤 👤	–

The presence of Independent Directors on the Board ensures 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. 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. 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 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.

To this end, the Board has in place a gender diversity policy as recommended by the Code to achieve at least 30% women representatives on the Board. The Board presently has one (1) female Director who has been with the Board since 2000. The Board will endeavor to achieve its target of having at least 30% women Directors by 31 March 2025. Whilst the Board acknowledges the importance of boardroom diversity, appointments to the Board shall always be based on merit.

In line with new paragraph 15.01A of the Listing Requirements, a formal Directors’ Fit and Proper Policy was adopted in June 2022. The Directors’ Fit and Proper Policy serves as a practice guide for the appointment and re-election of Directors to assist N&R Committee to discharge their duties and functions in the Board’s nomination and re-election process of Directors. The Directors’ Fit and Proper Policy is available on the Company’s website at www.rce.com.my.

The Board through its N&R Committee reviews annually, the effectiveness of the Board and Board Committees, the contribution and performance of the individual Directors and CEO as well as the independence of the Independent Directors. The N&R Committee also conducted the fit and proper assessment on the Directors who were proposed for re-election, and the Directors standing for re-election had also provided their fit and proper confirmation. The performance and contribution of retiring Directors were also taken into account by the Board in determining whether or not the Board should support the re-election of the said Directors.

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. The Board is also satisfied with the performance, fitness and propriety of the Directors standing for re-election at the 69th AGM based on the satisfactory results of the evaluations and the fit and proper assessment. As the feedback of the Board evaluation was generally satisfactory, no apparent shortcomings had been identified.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 in recommending new appointments to the Board, will assess the suitability of candidates and conduct a fit and proper assessment in accordance with the Directors' Fit and Proper Policy, taking into consideration the required mix of skills, knowledge, expertise, professionalism, character and integrity, experience and 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.

During the financial year ended 31 March 2023, there was no new appointment of Director on the Board of the Company.

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 2023, the Board approved the recommendation by the N&R Committee in respect of the Non-Executive Directors' fees for the financial year ended 31 March 2023, which will be put forth to the shareholders for approval at the 69th AGM in accordance with Section 230 of the Act. No revision was made to the Non-Executive Directors' fees for the financial year ended 31 March 2023 as the N&R Committee and the Board were of the view that the fees are still competitive and at par with the prevalent market rate.

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 2023 are disclosed in the CG Report under Practice 8.1.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

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

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. Other Audit Committee members are Tan Sri Mazlan bin Mansor, Datuk Mohamed Azmi bin Mahmood, Encik Mahadzir bin Azizan and Mr. Soo Kim Wai.

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company's external auditors which ensures 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 82 to 87 of this Annual Report.

II. Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility for the Group's risk management and internal control system that provides reasonable assurance of effective and efficient operations, compliance with laws and regulations, as well as comprehensive internal procedures and guidelines.

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

The Board continues to maintain and regularly review the adequacy and effectiveness of risk management and internal control system 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 77 to 81 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Company's website, www.rce.com.my provides an avenue for shareholders and members of the public to access information pertaining to the Company, which is being updated regularly. Throughout the financial year, the Company and its investor relations team conducted briefings for analysts and fund managers. These briefings aimed to provide analysts, fund managers and investors with information relating to the Group. The Company attends to the requests of analysts and fund managers for briefings from time to time. To maintain a high level of transparency and effectively address any issues or concerns, the Group has an online enquiry form that can be accessed from the Company's website in which stakeholders can direct their queries or concerns.

Investor relations matters may be directed to the following persons:

Mr. Loh Kam Chuin, Chief Executive Officer
Ms. Oon Hooi Khee, Chief Business Officer
Telephone number: +603-4047 0988
Email: ir@rce.com.my

II. Conduct of General Meetings

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

In consideration of the feedback received from shareholders at previous AGMs indicating their preference for the Company to continue holding virtual AGMs, the 68th AGM held on 8 September 2022 was conducted fully virtual through live streaming and remote voting by leveraging technology in accordance with the Constitution of the Company and Securities Commission Malaysia's Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers. Shareholders were advised to take advantage of the Remote Participation and Voting ("RPV") facilities hosted on Securities Services e-Portal at https://sshsb.net.my/ without the need of being physically present at the general meeting.

Notice of and Administrative Guide for the 68th AGM, the Form of Proxy and the Annual Report were issued and/or uploaded onto the Company's website more than 28 days before the 68th AGM. This allowed shareholders sufficient time to review the Company's financial and operational performance and to make necessary arrangements to participate in the virtual 68th 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 68th 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 68th AGM through live streaming and online remote voting via the RPV facilities.

The proceedings of the 68th AGM including the CEO's presentation of the Group's activities and financial performance together with an overview of the Group's outlook, challenges faced by the Group, and the Group's prospects and strategies, questions from 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

To ensure effective participation of and engagement with shareholders at the virtual 68th AGM of the Company, all members of the Board participated in the meeting remotely via a designated virtual meeting platform to respond to the questions raised by the shareholders and proxies. 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 meeting 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 the fully virtual general meeting.

Minutes of the 68th AGM, including all the questions raised prior to and during the meeting and the Company's responses to the same, was made available on the Company's website at www.rce.com.my within 30 business days after the 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 keeps proper accounting records in accordance with the provisions of the Act to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

KEY FOCUS AREAS AND FUTURE PRIORITIES

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

Moving forward, the Board will continue to operationalise and 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, while continue to deliver sustainable growth and performance of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 May 2023.

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 20 October 2020 is the only share scheme of the Company in existence during the financial year ended 31 March 2023. The details of the ESS are as follows:

(a) The total number of options granted, exercised, cancelled and outstanding under the ESS since its commencement up to the financial year ended 31 March 2023 are set out below:

Description	**Number of Options**	
	Grand Total	**Directors and Chief Executive**
Granted	37,372,000	2,300,000
Exercised	38,678,844	1,700,000
Cancelled	902,396	-
Adjustment#	8,706,717	542,852
Outstanding	6,497,477	1,142,852

Note:

The number of options has been adjusted in accordance with ESS By-Laws to reflect the bonus issue undertaken by the Company which was completed on 17 January 2022.

(b) Percentages of options applicable to Directors and senior management under the ESS during the financial year and since its commencement up to the financial year ended 31 March 2023 are set out below:

Directors and Senior Management	**Percentage**	
	During the financial year	**Since commencement up to 31 March 2023**
Aggregate maximum allocation	37.24%	33.83%
Actual options granted	37.24%	33.83%

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

ADDITIONAL COMPLIANCE INFORMATION

3. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered by the external auditors and their affiliated companies or firms to the Company and the Group for the financial year ended 31 March 2023 are as follows:

Fees	Company RM	Group RM
Audit Fees	107,000	341,550
Non-Audit Fees	31,500	87,000
Total	**138,500**	**428,550**

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

- Tax related matters;
- Review of the Statement on Risk Management and Internal Control; and
- Agreed-Upon Procedures on ESS adjustments in accordance with the ESS By-Laws arising from dividends distribution.

4. UTILISATION OF PROCEEDS

In March 2019, a RM2.00 billion Sukuk Murabahah Asset-Backed Securitisation Programme was established via Zamarad Assets Berhad ("ZAB") backed by receivables originated by RCE Marketing Sdn Bhd, a wholly-owned subsidiary of the Company.

During the financial year, ZAB issued its eighth tranche of sukuk with proceeds totalling RM175.0 million. Details of the utilisation as at 31 March 2023 are as follows:

Description	RM'000
Proceeds	175,000
Utilisation:	
(a) purchase consideration of the acquired islamic financing agreements	(168,599)
(b) minimum profit balance required for finance service reserve account	(4,502)
(c) issuance related expenses	(1,481)
(d) deposit into revenue account	(418)
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 on-going basis.

The Group's system of risk management and internal control is designed to manage and not eliminate the risk of failure to achieve the Group's objectives, hence it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is pleased to disclose that:

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

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

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

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

RISK MANAGEMENT

The Group's Risk Management framework is outlined in the Group's Risk Management Policy. The Audit Committee shall assist the Board in evaluating the adequacy of the Group's Risk Management framework. The Group's Risk Management framework is guided by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Enterprise Risk Management Integrated Framework and benchmarking against COSO principles are performed annually.

A Risk Management Committee, comprising members of Senior Management and Directors, 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 environmental, 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 Departmental Heads; and

(b) day-to-day operational risk management by Departmental Heads entail:

- identification of risks;
- implementation of mitigating controls; and
- self-assessment to determine changes in risks and internal controls effectiveness.

Risk papers are prepared by Departmental Heads and reviewed by Management to document the identification and assessment of risks made in regard to significant business transactions. These are deliberated by the Risk Management Committee and reviewed by the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Besides identifying and evaluating risks, Departmental Heads 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 Departmental Heads and reviewed by Senior 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 and mitigating controls employed by the Group include but not limited to the following:

(a) Credit risks:

Financing facilities are reviewed for utilisation purposes, security against financing facilities and repayment patterns prior to facility extension.

Annual reviews of customers granted with financing facilities are performed where customer business' are reviewed including aspects regarding competition faced, financial performance and future prospects.

Periodical review of receivables are carried out where non-performing financing are identified and analysed in terms of reasons for non-performance, aging of facility and customer profile.

(b) Technology and cyber risks:

Engagement of external security professionals to identify potential security vulnerabilities, enhance cybersecurity awareness, evaluate the effectiveness of web and mobile application security controls, and the effectiveness of external perimeter security.

Engagement of external Information Technology Audit service provider to review cyber security concerns in the industry encompassing cyber security standards, guidelines and policies, and to review security controls for optimisation and effectiveness.

(c) Fraud risks:

Any attempted and penetrated frauds are identified and investigated by the Disciplinary Committee for Fraud and Task Force Investigation.

(d) Regulatory and compliance risks:

The Compliance, Operations and Methods Department ("COM") prepares Annual Plan for assignments to be carried out. Reports on reviews completed are also prepared. During the financial year, COM performed Policies and Procedures review, Compliance Check/Process Improvement assignments, preparation of risk review papers and regulatory reporting.

Money laundering and terrorism financing institutional risk assessment review was performed based on Bank Negara Malaysia Guideline on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Designated Non-Financial Businesses and Professions & Non-Bank Financial Institutions.

Appointment of external professionals for anti-bribery framework effectiveness review and appointment of Shariah consultants for the review of compliance with Shariah principles resulting in the annual certification and listing as a Shariah-compliant security.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(e) Corruption risk:

The respective operating unit identifies and assesses the risks that are inherent to its operations. Mitigating controls implemented include:

- establishment, dissemination and communication of Code of Conduct for Business Partners and Anti-Bribery and Corruption Policy to stakeholders;
- segregation of duties;
- authorisation and approval with authority matrix in place;
- multiple quotations from different vendors before an engagement;
- background checks and conduct of due diligence;
- donations, contributions and gifts given/received are declared and recorded; and
- periodical training or briefings.

INTERNAL CONTROL

(i) The Board has adopted a Directors' Code of Conduct and Ethics which provides principles and standards relating to Directors' duties and serves as a guideline for the Board to act in the best interest of the Group, and fulfil their fiduciary obligations to all its stakeholders. The Nomination & Remuneration Committee that comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors, reviews and assesses, among others, the effectiveness of the Board and each of the Directors annually. The assessment includes elements such as promotion of good corporate governance culture which reinforces ethical, prudent and professional behaviour in line with the Directors' Code of Conduct and Ethics.

(ii) The Board has appointed the Audit Committee to examine the effectiveness of the Group's system of internal control on behalf of the Board. This is accomplished through the review of the internal audit function's work, which focuses on areas of priority as identified by risk analysis and in accordance with audit plan approved by the Audit Committee.

(iii) The Group has engaged the services of the Internal Audit Department 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).

(iv) 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.

(v) The Board has also engaged external Information Technology Audit service provider to review cyber security concerns, guidelines and policies, security controls for optimisation and effectiveness.

(vi) Management has appointed:

(a) external Shariah consultants to review compliance with Shariah principles and provide annual compliance certification;
(b) external security professionals to identify potential security vulnerabilities, enhance cybersecurity awareness, evaluate the effectiveness of web and mobile application security controls, and the effectiveness of external perimeter security; and
(c) external advisory to review effectiveness of Anti-Bribery Framework.

(vii) 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(viii) Compliance remains the key priority of the Group. COM 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.

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

(x) 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.

(xi) A Code of Conduct is incorporated in the Group's Employee Handbook and in the Anti-Bribery and Corruption Policy together with the corporate values, which emphasises ethical behaviour, quality products and services. The Code of Conduct must be complied with by all employees and its effectiveness and relevance in the current business environment are reviewed and assessed periodically, and any non-compliances are promptly investigated, acted upon and reported.

(xii) Sustainability Management Committee (SMART) assists the Board to oversee sustainability initiatives and performance, and to ensure strategies, goals and principles are aligned with its commitment towards sustainability.

(xiii) 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 toward achieving the Group's objectives.

(xiv) Key staff and Departmental Heads are enrolled in Leadership and Coach Leader Development Programmes to help raise awareness in their leadership and communication style in order to drive positive results and achieve peak performance.

(xv) The Group also practices Annual and Mid-Year Strategy and 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; and

(b) actual performance is compared with the budget monthly, together with explanation of any major variance, while budget for the current financial year is reviewed at least semi-annually. Action plans are formulated to address any areas of concern.

(xvi) 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.

(xvii) 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the view that 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 systems 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 2023. Their review is performed in accordance with Audit and Assurance 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 paragraphs 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 23 May 2023.

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
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. The Audit Committee Chairman, Mr. Thein Kim Mon is a Fellow of the Institute of Chartered Accountants, England and Wales (FCA) and the Institute of Chartered Accountants of Australia (FCA) whereas, Mr. Soo Kim Wai is a member of the Malaysian Institute of Accountants ("MIA"). Accordingly, the Audit Committee meets the requirements of paragraph 15.09(1)(c) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

To conform to the Company's 9-year tenure policy for Independent Directors, Mr. Tan Bun Poo who had reached his 9-year term, resigned as Independent Director of the Company on 31 May 2022 and ipso facto ceased as member of the Audit Committee. Subsequent to the cessation of Mr. Tan Bun Poo as member of the Audit Committee, the Audit Committee comprises five (5) members, four (4) of whom are Independent Directors.

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 2023 and was satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with its terms of reference. The Board agreed that the Audit Committee had continued to support the Board in matters related to the Group's financial and audit, risk management and internal control, and provided appropriate and useful recommendations to the Board for better decision-making and consequently made Board meetings more efficient and effective.

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2023, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:

Name	No. of Meetings Attended	Percentage of Attendance (%)
Thein Kim Mon	4/4	100
Tan Sri Mazlan bin Mansor	4/4	100
Datuk Mohamed Azmi bin Mahmood	4/4	100
Mahadzir bin Azizan	4/4	100
Soo Kim Wai	4/4	100
Tan Bun Poo *(Resigned on 31 May 2022)*	1/1^	100

Note:

^ *Reflects the number of meetings held during the financial year prior to his resignation*

AUDIT COMMITTEE REPORT

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, senior management personnel and representatives of the internal auditors attended the meetings held during the financial year, to present their reports on financial results, audits 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 meeting 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.

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 and the hikes in the Overnight Policy Rate 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 the application of accounting policies and practices, 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, significant risks and 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.

AUDIT COMMITTEE REPORT

- **Internal Audit**

a. Reviewed and approved the Audit Plans and provided constructive feedback on key areas to be included in the Audit Plans. Risks affecting the audit areas determined the frequency of audit coverage.

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 proposal for the engagement of independent service provider to perform information technology ("IT") audits for the Group to ensure that the Group's IT environment remains intact from the constant evolution of IT threats and vulnerabilities and recommended the same for Board's approval.

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. Where appropriate, the Audit Committee directed Management to rectify and improve control procedures. 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 Individual Audit Finding Rating and Overall Audit Report Rating, together with the underlying rating criteria used for rating internal audit findings/reports for a more comprehensive and coherent classification of risks identified in the reports.

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

h. Reviewed the fees for the outsourcing of the Group's Internal Audit Function to Corporateview Sdn Bhd, a wholly-owned subsidiary of Amcorp Group Berhad and recommended the fees for the Board's approval.

i. Reviewed the resource requirements for the year and assessed the performance and competency of the Internal Audit Function. A formal annual appraisal of the internal auditors was performed on 15 February 2023 where areas reviewed covered adequacy of scope, functions, competency, resources and authority of the Internal Audit Function. The Audit Committee was satisfied that the internal auditors had discharged their duties effectively during the period under review.

j. Reviewed the objectivity and independence of the Internal Audit Function. On 15 February 2023, the internal auditors confirmed to the Audit Committee of their independence and declared that they did not engage in 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 they are currently responsible for.

k. Reviewed the annual report by the Internal Audit Function on the outcome of Quality Assurance and Improvement Program ("QAIP") for the period from 1 January 2022 to 31 December 2022 in accordance with the International Professional Practices Framework ("IPPF"). The review covered internal assessment performed by the Internal Audit Function to evaluate conformance to IPPF and the review of competency and professional experience of the internal audit staff. An external assessment was previously conducted in December 2021.

AUDIT COMMITTEE REPORT

l. Reviewed the whistleblowing reports received via the whistleblowing channels managed by the Internal Audit Function. All reports received through the whistleblowing channels were tabled to the Audit Committee on a quarterly basis, with pertinent reports, if any, 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 was 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 audit focus, changes to accounting standards, regulatory requirements and the extent of compliance, COVID-19 impact, building awareness on climate-related risks, revised provisions on Auditor Independence Standards, 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 21 November 2022. 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. The Audit Committee noted the external auditors' presentation of their 2022 Audit Transparency Report and the Securities Commission Malaysia's Audit Oversight Board Annual Inspection Report 2021 at the Audit Committee Meeting held on 21 November 2022.

f. Held two (2) discussions with the external auditors without the presence of Management on 30 May 2022 and 21 November 2022 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 adequacy of audit scope and ability to meet audit deadlines, competency and quality of services rendered, sufficiency of resources, effectiveness of the external auditors' recommendations in addressing any weaknesses observed during the audits, timeliness in escalating audit issues to the Audit Committee, 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.

   In evaluating the external auditors, the Audit Committee had also considered information presented in the external auditors' 2022 Audit Transparency Report.

   Following the outcome of the assessment and being satisfied with the external auditors' performance, suitability and independence, the Audit Committee at its meeting held on 23 May 2023 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.

AUDIT COMMITTEE REPORT

- **Related Party Transactions**

  a. Reviewed the related party transaction entered into by the Group and ensured that the transaction was in the best interest of the Company, fair, reasonable, on normal commercial terms and not detrimental to the interests of the minority shareholders of the Company.

  b. 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.

  c. 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 included maximum number of shares available under the ESS, eligibility of the allottees, basis of allocation and option price.

- **Risk Management Committee**

  a. Approved the appointment of additional members to the Risk Management Committee.

  b. Reviewed the deliberations on risk management approaches by the Risk Management Committee. Matters deliberated by Risk Management Committee encompass, amongst others, the appointment of external service providers for IT Audit, Anti-Bribery Framework Effectiveness review, penetration testing and Shariah compliance review and endorsement.

  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 define an adequate and practical mitigation action plan, where necessary.

- **Others**

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

INTERNAL AUDIT FUNCTION

The Company engaged the services of the internal audit department of Amcorp Group Berhad, a major shareholder of the Company, to perform its internal audit function. The Internal Audit Function is independent of the activities it audits and carries out its works through a risk-based approach by focusing on key risk areas. The costs incurred for the Internal Audit Function of the Group for the financial year ended 31 March 2023 was RM274,670.

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 updated risk-based 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 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.

AUDIT COMMITTEE REPORT

The scope of the internal audit function 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 Audit Plan covering the following areas: regulatory compliance, disbursement, customer service, finance, factoring and risk management activities. 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 a 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 an indication of 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, with ratings for both individual findings and overall 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's conformance to the standards contained in the IPPF as promulgated by The Institute of Internal Auditors were internally assessed during the financial year, where the effectiveness and efficiency of the Internal Audit Function, as well as audit personnel competency and experience, were reviewed. An external assessment was performed in the financial year 2022 in compliance with its QAIP, and these were reported to the Audit Committee.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 23 May 2023.

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 2023.

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 2023 are as follows:

	The Group	The Company
	RM	RM
Profit for the financial year	138,784,499	204,190,418

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:	
2023:	
First interim dividend of 5.00 sen per ordinary share, declared on 21 November 2022 and paid on 30 December 2022	36,642,528
Special interim dividend of 18.00 sen per ordinary share, declared on 21 November 2022 and paid on 30 December 2022	131,913,103
2022:	
Second interim dividend of 4.00 sen per ordinary share, declared on 30 May 2022 and paid on 30 June 2022	29,286,908

The Board of Directors ("Board") has declared a second interim dividend of 7.00 sen per ordinary share ("2nd interim dividend") in respect of financial year ended 31 March 2023, to be paid on 28 June 2023. The dividend payable is estimated at RM51,299,540 based on the latest number of ordinary shares, net of treasury shares.

The entitlement date for the dividend payment is 15 June 2023.

This 2nd interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2024.

DIRECTORS' REPORT

DIVIDENDS (CONT'D)

Total dividend declared in respect of the financial year ended 31 March 2023 is 30.00 sen. This translates to a dividend payout ratio of 158.4%.

The Board does not recommend any final dividend for the financial year ended 31 March 2023.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the total number of issued shares of the Company increased from 739,987,032 to 741,066,767 by way of the issuance of 1,079,735 new ordinary shares pursuant to 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 the Company's shares from the open market.

The treasury shares were held by the Company 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. None of the treasury shares repurchased have been sold, cancelled or transferred during the financial year.

As at 31 March 2023, the number of ordinary shares, net of treasury shares is 732,850,571 shares. Further details are disclosed in Note 26 to the financial statements.

ESS

The ESS which was approved by the shareholders at the Annual General Meeting held on 22 September 2020 is governed by the By-Laws and implemented on 20 October 2020. The 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 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 27 to the financial statements.

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

DIRECTORS' REPORT

ESS (CONT'D)

The details and movements in number of options during the financial year are as follows:

				ESS options			
Grant date	Expiry date	Option price RM	Balance as at 1.04.2022	Granted	Exercised	Cancelled	Balance as at 31.03.2023
14.12.2020	13.12.2022	1.13	1,161,639	-	(1,079,735)	(81,904)	-
21.10.2021	2.01.2024	1.35*	16,806,182	-	(11,716,213)	(295,992)	4,793,977
17.10.2022	30.11.2024	1.19*	-	19,112,000	(17,148,500)	(260,000)	1,703,500
			17,967,821	19,112,000	(29,944,448)	(637,896)	6,497,477

* The option price has been adjusted in accordance with By-Laws 15.1 and 15.5(c) arising from dividends distribution.

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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) 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 as follows:

Shahman Azman	
Tan Sri Mazlan Bin Mansor	
Datuk Mohamed Azmi Bin Mahmood	
Mahadzir Bin Azizan	
Thein Kim Mon	
Soo Kim Wai	
Shalina Azman*	
Lum Sing Fai	
Tan Bun Poo	(Resigned on 31 May 2022)

* 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	
Rupavathy A/P A.V. Govindasamy^	
Norhayati Binti Azit^	(Appointed on 20 March 2023)
Ng Jui Shan^	(Appointed on 28 April 2022)
Edmund Lee Kwing Mun^	(Resigned on 28 April 2022)
Kew Thean Yew^	(Resigned on 30 April 2022)

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

DIRECTORS' REPORT

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 options in the Company during the financial year are as follows:

	Number of ordinary shares			
	Balance as at 1.04.2022	**Acquired**	**Disposed**	**Balance as at 31.03.2023**
The Company				
Direct interest:				
Shahman Azman	600,000	-	-	600,000
Shalina Azman	900,000	-	-	900,000
Lum Sing Fai	996	-	-	996

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 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 options granted pursuant to the Company's ESS as disclosed in Note 27 to the financial statements.

The directors' remuneration of the Group and of the Company during the financial year are RM1,128,146 and RM679,732 respectively. 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 RM38,610.

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.

DIRECTORS' REPORT

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

The auditors' remuneration of the Group and of the Company during the financial year are RM359,550 and RM125,000 respectively. Further 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
23 May 2023

INDEPENDENT AUDITORS' REPORT

To the Members of RCE Capital Berhad
(Incorporated in Malaysia)

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 2023, 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 99 to 168.

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 2023 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 Matter

Key audit matter presented below is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company of the financial year. This matter was 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 this matter.

Key Audit Matter	***How the Scope of our Audit Responded to the Key Audit Matter***
Allowances for impairment on financing receivables	
MFRS 9 *Financial Instruments* requires the Group to account for financing receivables loss with a forward looking expected credit loss ("ECL") approach. The measurement of ECL 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.	We performed the following procedures to address the key audit matter: • Evaluated the design, implementation and operating effectiveness of key controls over impairment of financing receivables. • Involved information technology ("IT") specialist to test the general IT controls around systems involved in the impairment of financing receivables process.

INDEPENDENT AUDITORS' REPORT

To the Members of RCE Capital Berhad
(Incorporated in Malaysia)

Key Audit Matter	***How the Scope of our Audit Responded to the Key Audit Matter***
Allowances for impairment on financing receivables (Cont'd)	
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 34 to the financial statements.	• Assessed and evaluated the appropriateness of the Group's ECL model, including updates on forward looking macroeconomic factors and probability-weighted scenario. • Reviewed and tested samples of financing receivables to evaluate if credit staging is appropriately classified in accordance to the Group's definition of significant increase in credit risk. • Reconciled samples of ECL output from the source system to the general ledger.

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.

Responsibilities of the Directors 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.

INDEPENDENT AUDITORS' REPORT
To the Members of RCE Capital Berhad
(Incorporated in Malaysia)

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's 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 matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
To the Members of RCE Capital Berhad
(Incorporated in Malaysia)

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)

MAK WAI KIT
Partner - 03546/12/2024 J
Chartered Accountant

23 May 2023

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2023

		The Group		The Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Profit income		280,714,556	274,637,355	-	-
Other revenue		42,917,043	24,820,044	205,330,000	35,475,593
Revenue	5	323,631,599	299,457,399	205,330,000	35,475,593
Other income		28,046,235	20,417,779	244,399	53,178
Profit expense applicable to revenue	6	(90,061,373)	(80,234,300)	-	-
Directors' remuneration	7	(934,540)	(982,040)	(677,500)	(725,000)
Staff costs	8	(26,143,762)	(25,652,972)	-	-
Allowances for impairment loss on receivables, net	9	(28,687,565)	(11,543,770)	-	-
Depreciation of plant and equipment and right-of-use ("ROU") assets	14 - 15	(3,581,211)	(3,569,027)	-	-
Other expenses		(18,097,261)	(20,398,858)	(640,952)	(938,451)
Finance costs	10	(229,972)	(262,609)	-	-
Profit before tax	9	183,942,150	177,231,602	204,255,947	33,865,320
Income tax expense	11	(45,157,651)	(44,062,260)	(65,529)	(74,262)
Profit for the financial year		138,784,499	133,169,342	204,190,418	33,791,058
Other comprehensive income that may be reclassified subsequently to profit or loss:					
Foreign currency translations		-	1,129	-	-
Other comprehensive income for the financial year, net of tax		-	1,129	-	-
Total comprehensive income for the financial year		138,784,499	133,170,471	204,190,418	33,791,058
Attributable to:					
Owners of the Company		138,784,499	133,169,342		
Earnings per ordinary share ("EPS") (sen):					
Basic	12	18.95	18.25		
Diluted	12	18.85	18.19		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2023

		The Group		The Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Plant and equipment	14	7,240,949	6,353,979	-	-
ROU assets	15	4,663,544	4,026,955	-	-
Investment in subsidiary companies	16	-	-	354,485,812	354,485,812
Goodwill on consolidation	17	47,332,991	47,332,991	-	-
Financing receivables	18	1,677,871,003	1,558,601,598	-	-
Other investments	19	2	2	2	2
Deferred tax assets	20	38,575,273	40,684,293	84,195	91,263
Total Non-Current Assets		1,775,683,762	1,656,999,818	354,570,009	354,577,077
Current Assets					
Financing receivables	18	221,540,853	205,470,567	-	-
Trade receivables	21	53,917,984	53,970,231	-	-
Other receivables, deposits and prepaid expenses	22	16,021,315	8,326,501	133,482	47,685
Amount due from a subsidiary company	23	-	-	14,734,716	9,274,478
Deposits with licensed financial institutions	24	799,886,405	647,587,122	-	-
Cash and bank balances	24	79,780,685	152,924,143	4,262	1,210
Total Current Assets		1,171,147,242	1,068,278,564	14,872,460	9,323,373
Total Assets		2,946,831,004	2,725,278,382	369,442,469	363,900,450

STATEMENTS OF FINANCIAL POSITION
As at 31 March 2023

		The Group		The Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	25	201,916,965	200,696,865	201,916,965	200,696,865
Treasury shares	26	(4,947,936)	(4,947,936)	(4,947,936)	(4,947,936)
Reserves	28	608,690,145	676,318,786	171,605,742	167,239,212
Total Equity		805,659,174	872,067,715	368,574,771	362,988,141
Non-Current Liabilities					
Payables and accrued expenses	29	780,224	780,224	-	-
Hire-purchase payables	30	1,160,080	337,694	-	-
Financing liabilities	31	1,308,537,712	1,198,929,194	-	-
Lease liabilities	32	2,024,934	2,787,211	-	-
Deferred tax liabilities	20	1,111,368	1,167,038	-	-
Total Non-Current Liabilities		1,313,614,318	1,204,001,361	-	-
Current Liabilities					
Payables and accrued expenses	29	35,470,050	33,728,942	858,863	908,034
Hire-purchase payables	30	378,480	246,248	-	-
Financing liabilities	31	783,006,467	605,047,253	-	-
Lease liabilities	32	915,149	840,341	-	-
Tax liabilities		7,787,366	9,346,522	8,835	4,275
Total Current Liabilities		827,557,512	649,209,306	867,698	912,309
Total Liabilities		2,141,171,830	1,853,210,667	867,698	912,309
Total Equity and Liabilities		2,946,831,004	2,725,278,382	369,442,469	363,900,450

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2023

				Non-Distributable Reserves		Distributable Reserve		
The Group	**Note**	**Share Capital RM**	**Treasury Shares RM**	**ESS RM**	**Exchange Translation RM**	**Retained Earnings RM**	**Sub-total Reserves RM**	**Total RM**
Balance as at 1 April 2021		188,025,513	(25,910,249)	2,135,727	(1,129)	609,780,770	611,915,368	774,030,632
Total comprehensive income		-	-	-	1,129	133,169,342	133,170,471	133,170,471
Transactions with owners								
Dividends	13	-	-	-	-	(51,069,580)	(51,069,580)	(51,069,580)
Share dividend	13	-	20,962,313	-	-	(20,962,313)	(20,962,313)	-
Options under ESS:								
- Granted		-	-	3,325,930	-	-	3,325,930	3,325,930
- Exercised		-	-	(1,988,345)	-	1,927,255	(61,090)	(61,090)
Issuance of shares pursuant to options exercised	25	12,671,352	-	-	-	-	-	12,671,352
Cancellation of options		-	-	(7,425)	-	7,425	-	-
Total transactions with owners		12,671,352	20,962,313	1,330,160	-	(70,097,213)	(68,767,053)	(35,133,388)
Balance as at 31 March 2022		200,696,865	(4,947,936)	3,465,887	-	672,852,899	676,318,786	872,067,715

The Group	**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 2022		200,696,865	(4,947,936)	3,465,887	672,852,899	676,318,786	872,067,715
Total comprehensive income		-	-	-	138,784,499	138,784,499	138,784,499
Transactions with owners							
Dividends	13	-	-	-	(197,842,539)	(197,842,539)	(197,842,539)
Options under ESS:							
- Granted		-	-	2,866,800	-	2,866,800	2,866,800
- Exercised		-	-	(5,035,214)	(6,402,187)	(11,437,401)	(11,437,401)
Issuance of shares pursuant to options exercised	25	1,220,100	-	-	-	-	1,220,100
Cancellation of options		-	-	(110,689)	110,689	-	-
Total transactions with owners		1,220,100	-	(2,279,103)	(204,134,037)	(206,413,140)	(205,193,040)
Balance as at 31 March 2023		201,916,965	(4,947,936)	1,186,784	607,503,361	608,690,145	805,659,174

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2023

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 2021		188,025,513	(25,910,249)	2,135,727	200,079,690	202,215,417	364,330,681
Total comprehensive income		-	-	-	33,791,058	33,791,058	33,791,058
Transactions with owners							
Dividends	13	-	-	-	(51,069,580)	(51,069,580)	(51,069,580)
Share dividend	13	-	20,962,313	-	(20,962,313)	(20,962,313)	-
Options under ESS:							
- Granted		-	-	3,325,930	-	3,325,930	3,325,930
- Exercised		-	-	(1,988,345)	1,927,045	(61,300)	(61,300)
Issuance of shares pursuant to options exercised	25	12,671,352	-	-	-	-	12,671,352
Cancellation of options		-	-	(7,425)	7,425	-	-
Total transactions with owners		12,671,352	20,962,313	1,330,160	(70,097,423)	(68,767,263)	(35,133,598)
Balance as at 31 March 2022		200,696,865	(4,947,936)	3,465,887	163,773,325	167,239,212	362,988,141
Balance as at 1 April 2022		200,696,865	(4,947,936)	3,465,887	163,773,325	167,239,212	362,988,141
Total comprehensive income		-	-	-	204,190,418	204,190,418	204,190,418
Transactions with owners							
Dividends	13	-	-	-	(197,842,539)	(197,842,539)	(197,842,539)
Options under ESS:							
- Granted		-	-	2,866,800	-	2,866,800	2,866,800
- Exercised		-	-	(5,035,214)	187,065	(4,848,149)	(4,848,149)
Issuance of shares pursuant to options exercised	25	1,220,100	-	-	-	-	1,220,100
Cancellation of options		-	-	(110,689)	110,689	-	-
Total transactions with owners		1,220,100	-	(2,279,103)	(197,544,785)	(199,823,888)	(198,603,788)
Balance as at 31 March 2023		201,916,965	(4,947,936)	1,186,784	170,418,958	171,605,742	368,574,771

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

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 March 2023

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	183,942,150	177,231,602	204,255,947	33,865,320
Adjustments for:				
Allowances for impairment loss on receivables, net	28,687,565	11,543,770	-	-
Depreciation of plant and equipment and ROU assets	3,581,211	3,569,027	-	-
Options granted under ESS	2,866,800	3,325,930	-	-
Finance costs	229,972	262,609	-	-
Plant and equipment written off	263	2,324	-	-
Waiver of debt due by a subsidiary company	-	-	-	5,086
Profit and interest income from deposits with licensed financial institutions	(19,010,635)	(12,239,092)	-	-
Gain on disposal of plant and equipment	(206,837)	(176,086)	-	-
Dividends income	-	-	(205,000,000)	(35,000,000)
Interest income on amount due from a subsidiary company	-	-	(151,439)	(31,052)
Operating Profit/(Loss) Before Working Capital Changes	200,090,489	183,520,084	(895,492)	(1,160,646)
(Increase)/Decrease in working capital:				
Financing receivables	(163,960,541)	(54,448,287)	-	-
Trade receivables	(14,468)	249,074	-	-
Other receivables, deposits and prepaid expenses	(8,449,675)	7,091,296	(102,354)	6,962
Amount due from a subsidiary company	-	-	(7,290,148)	4,390,280
Increase/(Decrease) in working capital:				
Payables and accrued expenses	5,720,041	6,514,582	(49,171)	127,154
Cash Generated From/(Used In) Operations	33,385,846	142,926,749	(8,337,165)	3,363,750
Taxes paid	(42,848,570)	(41,152,928)	(37,344)	(8,250)
Taxes refunded	-	228,720	-	42,574
Net Cash (Used In)/Generated From Operating Activities	(9,462,724)	102,002,541	(8,374,509)	3,398,074

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 March 2023

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Profit and interest income from deposits with licensed financial institutions received	19,010,635	12,239,092	-	-
Proceeds from disposal of plant and equipment	206,838	180,000	-	-
Additions to plant and equipment	(2,525,069)	(2,168,914)	-	-
Deposit payment for asset under hire-purchase	(250,639)	(86,592)	-	-
Dividends received	-	-	205,000,000	35,000,000
Net Cash Generated From Investing Activities	16,441,765	10,163,586	205,000,000	35,000,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of revolving credits	743,028,000	583,500,000	-	-
Drawdown of term financing/loans	300,000,000	-	-	-
Issuance of Sukuk Murabahah ("Sukuk")	175,000,000	310,000,000	-	-
Drawdown of other financing liabilities	3,625,548	3,506,100	-	-
Proceeds from issuance of shares	1,220,100	12,671,352	1,220,100	12,671,352
Repayment of revolving credits	(651,528,000)	(494,000,000)	-	-
Redemption of Sukuk	(200,000,000)	(190,000,000)	-	-
Dividends paid	(197,842,539)	(51,069,580)	(197,842,539)	(51,069,580)
(Placements)/Withdrawal of deposits, cash and bank balances, net:				
Assigned in favour of the trustees	(159,820,220)	(114,187,761)	-	-
Pledged to licensed financial institutions	79,159,788	(77,643,146)	-	-
Repayment of term financing/loans	(82,757,008)	(79,156,594)	-	-
Cash settlement for ESS	(13,518,217)	(61,090)	-	-
Repayment of other financing liabilities	(3,625,548)	(3,506,100)	-	-
Repayment of lease liabilities	(840,198)	(792,807)	-	-
Repayment of hire-purchase payables	(355,382)	(384,468)	-	-
Finance costs paid	(229,972)	(262,609)	-	-
Net Cash Used In Financing Activities	(8,483,648)	(101,386,703)	(196,622,439)	(38,398,228)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,504,607)	10,779,424	3,052	(154)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	41,001,403	30,221,979	1,210	1,364
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 24)	39,496,796	41,001,403	4,262	1,210

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

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 of Directors ("Board") for issuance on 23 May 2023.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

2.1 Changes in Accounting Policies

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

Amendments to:	
MFRS 3	Reference to the Conceptual Framework
MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
MFRS 137	Onerous Contracts – Costs of Fulfilling a Contract
MFRSs	Annual Improvements to MFRSs 2018-2020 Cycle

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 Amendments Issued But Not Yet Effective

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

Amendments to:	
MFRS 101	Classification of Liabilities as Current or Non-current[1] Disclosure of Accounting Policies[1] Non-current Liabilities with Covenants[2]
MFRS 108	Definition of Accounting Estimates[1]
MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
MFRS 16	Lease Liability in a Sale and Leaseback[2]
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective date deferred to a date to be announced by Malaysian Accounting Standards Board

The Group and the Company will adopt the above 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (Cont'd)

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 control 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (Cont'd)

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 and Other Income

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

Revenue of the Company consists of dividend income from subsidiary companies and strategic management fee.

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 fee

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

The Group's other sources of revenue and income are recognised as follows:

(a) Profit/Interest income

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

(b) Dividend income

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

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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).

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 in accordance to the MFRS 16 (see Note 3.5(a)(i) on ROU assets).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 twelve (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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases and Hire-Purchase (Cont'd)

(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.

3.7 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial Assets (Cont'd)

(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.

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 twelve (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 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

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 twelve (12) months is recognised.

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

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

(iii) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired but not originated credit-impaired financial assets, a lifetime ECL is recognised and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

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

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

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

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

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

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

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 34(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 34(b).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of Assets (Cont'd)

(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 with insignificant risk of changes in value.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Liabilities (Cont'd)

(b) Other financial liabilities (Cont'd)

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 financing/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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Income Taxes (Cont'd)

(b) Deferred tax (Cont'd)

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.

3.15 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee Benefits (Cont'd)

(c) Share-based compensation

The Group and the Company operate 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.

For an equity-settled share-based compensation plan, the total fair value of options granted to eligible directors and employees is recognised as an employee cost with a corresponding increase in the options reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of options is measured at grant date, taking into account, if any, the market vesting conditions upon which the 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 options that are expected to become exercisable on vesting date.

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

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

If the share-based compensation plan provides a choice of cash settlement to the eligible directors and employees, the Group and the Company are required to account for that transaction or the components of the transaction as cash-settled share-based payment transaction. In this regards, the Group and the Company have incurred a liability to settle in cash or other assets or as an equity-settled share-based payment transaction.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Foreign Currencies (Cont'd)

(b) Foreign currency transactions and balances (Cont'd)

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

(c) Foreign operation

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

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

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

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

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

3.18 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 dividend, the cost of the treasury shares is applied in the reduction of the distributable retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023

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

4.2 Key Sources of Estimation Uncertainty (Cont'd)

(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.

5. REVENUE

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit income:				
Consumer financing	272,376,992	265,092,637	-	-
Murabahah financing	5,500,000	5,500,000	-	-
	277,876,992	270,592,637	-	-
Interest income:				
Consumer financing	2,524,819	3,851,046	-	-
Factoring and confirming	312,745	193,672	-	-
	2,837,564	4,044,718	-	-
	280,714,556	274,637,355	-	-
Other revenue:				
Shariah fee income from:				
Consumer financing	30,963,509	14,523,695	-	-
Processing and administration of payroll collection	9,345,056	8,827,390	-	-
Wakalah fee	1,860,320	1,106,720	-	-
Murabahah financing	600,000	250,000	-	-
	42,768,885	24,707,805	-	-
Factoring and confirming	124,759	85,556	-	-
Processing and administration of payroll collection	23,399	26,683	-	-
Dividend income from subsidiary companies	-	-	205,000,000	35,000,000
Strategic management fee from a subsidiary company	-	-	330,000	475,593
	42,917,043	24,820,044	205,330,000	35,475,593
	323,631,599	299,457,399	205,330,000	35,475,593

NOTES TO THE FINANCIAL STATEMENTS
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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	
	2023	2022	2023	2022
	RM	RM	RM	RM
Shariah fee income from:				
Consumer financing	30,963,509	14,523,695	-	-
Processing and administration of payroll collection	9,345,056	8,827,390	-	-
Wakalah fee	1,860,320	1,106,720	-	-
Murabahah financing	600,000	250,000	-	-
	42,768,885	24,707,805	-	-
Factoring and confirming	124,759	85,556	-	-
Processing and administration of payroll collection	23,399	26,683	-	-
Strategic management fee from a subsidiary company	-	-	330,000	475,593
	42,917,043	24,820,044	330,000	475,593

6. PROFIT EXPENSE APPLICABLE TO REVENUE

	The Group	
	2023	2022
	RM	RM
Profit expense on:		
Sukuk	64,484,193	60,442,804
Term financing	7,952,506	8,438,810
Revolving credits	6,931,403	4,786,764
	79,368,102	73,668,378
Interest expense on:		
Revolving credits	8,681,411	5,885,895
Term loans	1,995,761	666,494
Bankers' acceptances	16,097	13,528
Bank overdrafts	2	5
	10,693,271	6,565,922
	90,061,373	80,234,300

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7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Directors of the Company:				
Fees	612,500	675,000	612,500	675,000
Other emoluments	281,000	266,000	65,000	50,000
Defined contributions	41,040	41,040	-	-
	934,540	982,040	677,500	725,000
Benefits-in-kind	193,606	254,424	2,232	3,117
Total directors' remuneration	1,128,146	1,236,464	679,732	728,117

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 (1) or more financial years.

During the financial year:

(a) no professional fee 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	
	2023	2022
	RM	RM
Salaries	17,918,678	17,375,523
Options granted under ESS	2,866,800	3,325,930
Defined contributions	2,483,683	2,381,724
Social security contributions	168,145	144,377
Others	2,706,456	2,425,418
	26,143,762	25,652,972

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9. PROFIT BEFORE TAX

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

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit income from deposits with licensed Islamic financial institutions	(18,988,806)	(11,945,374)	-	-
Interest income from deposits with licensed financial institutions	(21,829)	(293,718)	-	-
	(19,010,635)	(12,239,092)	-	-
Bad debt recoveries	(7,610,465)	(7,157,292)	-	-
Gain on disposal of plant and equipment	(206,837)	(176,086)	-	-
Interest income on amount due from a subsidiary company	-	-	(151,439)	(31,052)
Allowances for impairment loss on receivables, net	28,687,565	11,543,770	-	-
Facility fee	3,826,485	5,427,783	-	-
Collection fee	3,303,138	3,375,689	-	-
Management fee paid/payable to a related company (Note 23)	1,420,100	1,420,100	-	-
Legal and professional fee	1,209,512	2,358,139	199,470	489,632
Auditors' remuneration:				
Statutory audit	341,550	305,400	107,000	95,000
Non-statutory audit	18,000	10,000	18,000	10,000
	359,550	315,400	125,000	105,000
Internal audit fee paid to a related company (Note 23)	274,670	278,600	122,600	102,550
Rental of:				
Disaster recovery centre	227,310	265,229	-	-
Warehouse	78,803	82,131	-	-
Expenses relating to leases of low value assets	69,106	65,910	-	-
Plant and equipment written off	263	2,324	-	-

10. FINANCE COSTS

	The Group	
	2023	2022
	RM	RM
Interest expense on:		
Lease liabilities	186,627	230,715
Hire-purchase payables	43,345	31,894
	229,972	262,609

NOTES TO THE FINANCIAL STATEMENTS
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11. INCOME TAX EXPENSE

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Income tax payable:				
Current year	43,591,610	42,256,227	58,450	12,525
(Over)/Under provision in prior years	(487,309)	(636,922)	11	-
	43,104,301	41,619,305	58,461	12,525
Deferred tax (Note 20):				
Current year	1,983,381	2,244,708	6,974	(19,263)
Under provision in prior years	69,969	198,247	94	81,000
	2,053,350	2,442,955	7,068	61,737
Income tax expense	45,157,651	44,062,260	65,529	74,262

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

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit before tax	183,942,150	177,231,602	204,255,947	33,865,320
Tax at applicable statutory tax rate of 24% (2022: 24%)	44,146,116	42,535,584	49,021,427	8,127,677
Tax effects of:				
Expenses not deductible for tax purposes	1,476,525	2,076,613	244,036	325,255
Income not subject to tax	(46,737)	(56,168)	(49,200,039)	(8,400,039)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	(913)	(55,094)	-	(59,631)
Tax at effective tax rate	45,574,991	44,500,935	65,424	(6,738)
(Over)/Under provision in prior years	(487,309)	(636,922)	11	-
Under provision of deferred tax in prior years	69,969	198,247	94	81,000
Income tax expense	45,157,651	44,062,260	65,529	74,262

The Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated taxable profits for the year of assessment 2023. The computation of deferred tax as at 31 March 2023 uses the same statutory tax rate.

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12. EPS

(a) Basic EPS

	The Group	
	2023	**2022**
	RM	**RM**
Profit for the financial year attributable to ordinary equity holders of the Company	138,784,499	133,169,342
Weighted average number of ordinary shares in issue:		
Balance net of treasury shares as at beginning of financial year	731,770,836	360,050,011
Effects of:		
- Shares pursuant to ESS exercised	653,079	3,942,962
- Bonus shares	-	351,470,069
- Distribution of treasury shares as share dividend, net of bonus shares	-	14,389,029
Balance as at end of financial year	732,423,915	729,852,071
Basic EPS (sen)	18.95	18.25

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.

In the previous financial year, the weighted average number of ordinary shares in issue took into account the effects of the distribution of bonus and treasury shares.

(b) Diluted EPS

	The Group	
	2023	**2022**
	RM	**RM**
Profit for the financial year attributable to ordinary equity holders of the Company	138,784,499	133,169,342
Weighted average number of ordinary shares in issue:	732,423,915	729,852,071
Effects of dilution of ESS	3,720,806	2,385,581
Adjusted weighted average number of ordinary shares in issue	736,144,721	732,237,652
Diluted EPS (sen)	18.85	18.19

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.

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13. DIVIDENDS

	The Company	
	2023	2022
	RM	RM
Recognised during the financial year:		
Second interim dividend for 2021:		
7.00 sen per ordinary share, paid on 29 July 2021	-	25,489,479
First interim dividend for 2022:		
7.00 sen per ordinary share, paid on 6 December 2021	-	25,580,101
	-	51,069,580
Second interim dividend for 2022:		
4.00 sen per ordinary share, paid on 30 June 2022	29,286,908	-
First interim dividend for 2023:		
5.00 sen per ordinary share, paid on 30 December 2022	36,642,528	-
Special interim dividend for 2023:		
18.00 sen per ordinary share, paid on 30 December 2022	131,913,103	-
Distribution of 18,291,722 treasury shares as share dividend on the basis of one (1) treasury share for every twenty (20) ordinary shares held on 5 January 2022 and credited on 17 January 2022	-	20,962,313
	197,842,539	72,031,893

The Board has declared a second interim dividend of 7.00 sen per ordinary share (“2nd interim dividend”) in respect of financial year ended 31 March 2023, to be paid on 28 June 2023. The dividend payable is estimated at RM51,299,540 based on the latest number of ordinary shares, net of treasury shares.

The entitlement date for the dividend payment is 15 June 2023.

This 2nd interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2024.

Total dividend declared in respect of the financial year ended 31 March 2023 is 30.00 sen. This translates to a dividend payout ratio of 158.4%.

The Board does not recommend any final dividend for the financial year ended 31 March 2023.

NOTES TO THE FINANCIAL STATEMENTS
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14. PLANT AND EQUIPMENT

The Group	Office equipment, furniture and fittings RM	Computers and IT equipment RM	Motor vehicles RM	Office renovation RM	Work-in-progress RM	Total RM
Cost						
Balance as at 1 April 2021	2,134,885	20,457,078	131,083	2,433,764	2,801,802	27,958,612
Additions	142,758	1,654,569	-	248,599	210,894	2,256,820
Write off	(46,718)	(64,933)	-	(141,641)	-	(253,292)
Disposals	-	-	(354,252)	-	-	(354,252)
Reclassification	148,622	1,321,119	-	-	(2,286,012)	(816,271)
Reclassification from ROU assets upon expiration of lease contracts (Note 15)	-	-	223,169	-	-	223,169
Balance as at 31 March 2022/ 1 April 2022	2,379,547	23,367,833	-	2,540,722	726,684	29,014,786
Additions	105,223	1,599,169	-	296,718	1,390,556	3,391,666
Write off	(42,160)	(163,936)	-	(79,875)	-	(285,971)
Disposals	-	-	(842,424)	-	-	(842,424)
Reclassification	-	344,420	-	-	(344,420)	-
Reclassification from ROU assets upon expiration of lease contracts (Note 15)	-	-	842,424	-	-	842,424
Balance as at 31 March 2023	2,442,610	25,147,486	-	2,757,565	1,772,820	32,120,481
Accumulated depreciation						
Balance as at 1 April 2021	1,484,175	17,849,450	131,082	1,177,888	-	20,642,595
Charge for the financial year	265,709	1,784,453	-	350,100	-	2,400,262
Write off	(44,450)	(64,914)	-	(141,604)	-	(250,968)
Disposals	-	-	(350,338)	-	-	(350,338)
Reclassification from ROU assets upon expiration of lease contracts (Note 15)	-	-	219,256	-	-	219,256
Balance as at 31 March 2022/ 1 April 2022	1,705,434	19,568,989	-	1,386,384	-	22,660,807
Charge for the financial year	237,096	1,873,637	-	393,700	-	2,504,433
Write off	(42,010)	(163,846)	-	(79,852)	-	(285,708)
Disposals	-	-	(842,423)	-	-	(842,423)
Reclassification from ROU assets upon expiration of lease contracts (Note 15)	-	-	842,423	-	-	842,423
Balance as at 31 March 2023	1,900,520	21,278,780	-	1,700,232	-	24,879,532
Carrying amount						
Balance as at 31 March 2022	674,113	3,798,844	-	1,154,338	726,684	6,353,979
Balance as at 31 March 2023	542,090	3,868,706	-	1,057,333	1,772,820	7,240,949

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14. PLANT AND EQUIPMENT (CONT'D)

During the financial year, the Group acquired plant and equipment at an aggregate cost of RM3,391,666 (2022: RM2,256,820) as follows:

	The Group	
	2023	2022
	RM	RM
Acquired via:		
Cash payments	2,525,069	2,168,914
Payables	866,597	87,906
	3,391,666	2,256,820

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 RM	Total RM
Cost			
Balance as at 1 April 2021	5,390,523	1,920,249	7,310,772
Additions	-	406,592	406,592
Reclassification to plant and equipment upon expiration of lease contracts (Note 14)	-	(223,169)	(223,169)
Balance as at 31 March 2022/1 April 2022	5,390,523	2,103,672	7,494,195
Additions	152,729	1,560,639	1,713,368
Termination	(49,289)	-	(49,289)
Reclassification to plant and equipment upon expiration of lease contracts (Note 14)	-	(842,424)	(842,424)
Balance as at 31 March 2023	5,493,963	2,821,887	8,315,850
Accumulated depreciation			
Balance as at 1 April 2021	1,148,133	1,369,598	2,517,731
Charge for the financial year	855,263	313,502	1,168,765
Reclassification to plant and equipment upon expiration of lease contracts (Note 14)	-	(219,256)	(219,256)
Balance as at 31 March 2022/1 April 2022	2,003,396	1,463,844	3,467,240
Charge for the financial year	854,216	222,562	1,076,778
Termination	(49,289)	-	(49,289)
Reclassification to plant and equipment upon expiration of lease contracts (Note 14)	-	(842,423)	(842,423)
Balance as at 31 March 2023	2,808,323	843,983	3,652,306
Carrying amount			
Balance as at 31 March 2022	3,387,127	639,828	4,026,955
Balance as at 31 March 2023	2,685,640	1,977,904	4,663,544

15. ROU ASSETS (CONT'D)

The following are the amounts recognised in profit or loss:

	The Group	
	2023	**2022**
	RM	**RM**
Depreciation of ROU assets	1,076,778	1,168,765
Interest expense on lease liabilities	186,627	230,715
Expenses relating to leases of low value assets	69,106	65,910
	1,332,511	1,465,390

The Group leases office floors and motor vehicles under hire-purchase arrangement with average lease term of five (5) (2022: five (5)) years. The Group also has certain leases with low value assets. The Group applies the recognition exemptions for this leases as permitted by MFRS 16.

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

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2023	**2022**
	RM	**RM**
Unquoted shares, at cost	354,485,812	354,485,812

Movement in allowance for impairment:

	The Company
	RM
Balance as at 1 April 2021	40,003
Written off	(40,003)
Balance as at 31 March 2022/1 April 2022/31 March 2023	-

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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 2023 %	2022 %	Principal Activities
Direct subsidiary companies				
RCE Marketing Sdn. Bhd. ("RCEM")	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. ("RCEF")	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. ("EXP")	Malaysia	100	100	Processing and administration of payroll collection
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 shariah-compliant and conventional financing services
RCE Trading Sdn. Bhd. ("RCET")π	Malaysia	100	100	Investment of securities
Al Dzahab Assets Berhad ("ADA")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 ("ZAB")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. ("RCEC")π	Malaysia	-	100	De-registered from the Companies Commission of Malaysia

π Held indirectly through RCEM

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

On 11 July 2022, RCEC, a dormant indirect subsidiary company of the Company has been struck off and de-registered from the Companies Commission of Malaysia pursuant to Section 551(3) of the Companies Act 2016.

In the previous financial year:

(a) RCE Credit Pte. Ltd., a dormant direct subsidiary of the Company has been struck off and de-registered from the Register of Companies pursuant to Section 344A, Chapter 50 of the Singapore Companies Act on 8 April 2021; and

(b) Strategi Interaksi Sdn. Bhd., a dormant direct subsidiary company of the Company has been struck off and de-registered from the Companies Commission of Malaysia pursuant to Section 551(3) of the Companies Act 2016 on 21 July 2021.

The above have no material financial effects to the Group.

17. GOODWILL ON CONSOLIDATION

	The Group	
	2023	2022
	RM	RM
Goodwill on consolidation, at cost	47,666,145	47,666,145
Less: Allowance for impairment	(333,154)	(333,154)
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, are 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 RCEF as an individual CGU.

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

	The Group	
	2023	2022
	RM	RM
Consumer financing	28,343,821	28,343,821
Processing and administration of payroll collection	18,989,170	18,989,170
	47,332,991	47,332,991

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

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17. GOODWILL ON CONSOLIDATION (CONT'D)

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 7.35% (2022: 7.98%) per annum. No growth rate is assumed in extrapolating the cash flows beyond the five-year period.

(b) Processing and Administration of Payroll Collection

The recoverable amount of the CGU is determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculation include quantum of 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 6.50% (2022: 6.69%) 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		
	Financing	Loans	Total
The Group	RM	RM	RM
2023			
At amortised cost, gross	2,007,665,630	13,274,727	2,020,940,357
Less: Allowances for impairment	(117,965,425)	(3,563,076)	(121,528,501)
	1,889,700,205	9,711,651	1,899,411,856
Amount receivable within one (1) year	(216,307,256)	(5,233,597)	(221,540,853)
Non-current portion	1,673,392,949	4,478,054	1,677,871,003
2022			
At amortised cost, gross	1,857,221,313	21,957,789	1,879,179,102
Less: Allowances for impairment	(109,802,342)	(5,304,595)	(115,106,937)
	1,747,418,971	16,653,194	1,764,072,165
Amount receivable within one (1) year	(198,478,181)	(6,992,386)	(205,470,567)
Non-current portion	1,548,940,790	9,660,808	1,558,601,598

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18. FINANCING RECEIVABLES (CONT'D)

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

The Group	Receivables Financing RM	Loans RM	Total RM
2023			
Amount receivables:			
Within one (1) to two (2) years	250,359,421	1,015,244	251,374,665
Within two (2) to five (5) years	704,415,162	1,265,881	705,681,043
After five (5) years	718,618,366	2,196,929	720,815,295
	1,673,392,949	4,478,054	1,677,871,003
2022			
Amount receivables:			
Within one (1) to two (2) years	235,456,462	5,136,506	240,592,968
Within two (2) to five (5) years	671,997,320	1,919,922	673,917,242
After five (5) years	641,487,008	2,604,380	644,091,388
	1,548,940,790	9,660,808	1,558,601,598

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 between corporations and the Group.

Loans and receivables which arose from the provision of the conventional financing are governed under Facility Agreements, Assignment Agreements and the Power of Attorney between corporations or cooperatives and the Group.

The information on the financial risk of financing receivables are disclosed in Note 34.

Included in financing receivables are:

	The Group 2023 RM	2022 RM
Assigned in favour of the trustees	1,075,682,721	1,131,864,415
Pledged to licensed financial institutions	723,788,592	453,416,673
	1,799,471,313	1,585,281,088

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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 2021	46,402,331	4,029,988	73,702,968	124,135,287
Changes in the ECL:				
Transfer to Stage 1	386,212	(932,410)	(4,726,948)	(5,273,146)
Transfer to Stage 2	(345,983)	1,916,698	(2,097,351)	(526,636)
Transfer to Stage 3	(1,063,484)	(1,228,292)	33,881,872	31,590,096
Net adjustment of allowances for impairment	(1,023,255)	(244,004)	27,057,573	25,790,314
New financial assets originated or purchased	9,059,399	-	-	9,059,399
Financial assets derecognised	(2,408,093)	(165,103)	(4,090,809)	(6,664,005)
Changes in risk parameters	(10,445,336)	(824,150)	(5,360,351)	(16,629,837)
Written off	-	-	(20,584,221)	(20,584,221)
Balance as at 31 March 2022/1 April 2022	41,585,046	2,796,731	70,725,160	115,106,937
Changes in the ECL:				
Transfer to Stage 1	426,881	(811,497)	(7,603,102)	(7,987,718)
Transfer to Stage 2	(188,836)	1,702,042	(3,232,875)	(1,719,669)
Transfer to Stage 3	(1,175,231)	(711,686)	49,779,235	47,892,318
Net adjustment of allowances for impairment	(937,186)	178,859	38,943,258	38,184,931
New financial assets originated or purchased	12,385,444	-	-	12,385,444
Financial assets derecognised	(2,591,576)	(145,776)	(4,906,457)	(7,643,809)
Changes in risk parameters	(8,120,652)	(640,001)	(5,545,063)	(14,305,716)
Written off	-	-	(22,199,286)	(22,199,286)
Balance as at 31 March 2023	42,321,076	2,189,813	77,017,612	121,528,501

The information on the credit quality analysis and write off of financing receivables are disclosed in Note 34(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	
	2023 RM	2022 RM
Investments, at FVTPL		
Association memberships	2	2

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

20. DEFERRED TAX

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

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Balance as at 1 April	39,517,255	41,960,210	91,263	153,000
Recognised in profit or loss (Note 11)	(2,053,350)	(2,442,955)	(7,068)	(61,737)
Balance as at 31 March	37,463,905	39,517,255	84,195	91,263

Presented after appropriate offsetting as follows:

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Deferred tax assets	38,575,273	40,684,293	84,195	91,263
Deferred tax liabilities	(1,111,368)	(1,167,038)	-	-
	37,463,905	39,517,255	84,195	91,263

(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	Payables	Other temporary differences	Total
	RM	RM	RM	RM
Balance as at 1 April 2021	38,715,312	1,290,796	3,175,178	43,181,286
Recognised in profit or loss	(3,817,711)	319,565	1,001,153	(2,496,993)
Balance as at 31 March 2022/1 April 2022	34,897,601	1,610,361	4,176,331	40,684,293
Recognised in profit or loss	(1,690,307)	526,453	(945,166)	(2,109,020)
Balance as at 31 March 2023	33,207,294	2,136,814	3,231,165	38,575,273

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

20. DEFERRED TAX (CONT'D)

(b) Cont'd

Deferred tax liabilities of the Group:

	Plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 April 2021	(190,333)	(1,030,743)	(1,221,076)
Recognised in profit or loss	(150,303)	204,341	54,038
Balance as at 31 March 2022/1 April 2022	(340,636)	(826,402)	(1,167,038)
Recognised in profit or loss	(97,849)	153,519	55,670
Balance as at 31 March 2023	(438,485)	(672,883)	(1,111,368)

Deferred tax assets of the Company:

	Other temporary differences RM
Balance as at 1 April 2021	153,000
Recognised in profit or loss	(61,737)
Balance as at 31 March 2022/1 April 2022	91,263
Recognised in profit or loss	(7,068)
Balance as at 31 March 2023	84,195

(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	
	2023 RM	2022 RM
Unused tax losses	2,267,797	2,271,601
Unabsorbed capital allowances	2,165,990	2,165,990
	4,433,787	4,437,591

In accordance with the provision in Finance Act 2021 gazetted on 31 December 2021, the unutilised tax losses are available for utilisation in the next consecutive ten (10) years effective from year of assessment 2019, for which, any excess at the end of the tenth (10th) year, will be disregarded.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

20. DEFERRED TAX (CONT'D)

(c) Cont'd

The unused tax losses which no deferred tax asset is recognised will expire in the following financial years:

	The Group	
	2023	**2022**
	RM	**RM**
2029	2,196,882	2,203,600
2030	18,184	18,184
2031	15,786	17,279
2032	13,635	13,635
2033	10,702	18,903
2034	12,608	-
	2,267,797	2,271,601

21. TRADE RECEIVABLES

	The Group	
	2023	**2022**
	RM	**RM**
Murabahah financing	52,645,897	52,652,055
Factoring receivables	1,256,177	1,262,026
Confirming receivables	201,650	1,616,941
	54,103,724	55,531,022
Less: Allowances for impairment	(185,740)	(1,560,791)
Trade receivables, net	53,917,984	53,970,231

During the financial year ended 31 March 2021, the Group granted a shariah-compliant Murabahah financing amounting to RM50.0 million to a customer with tenure of twelve (12) months from the date of disbursement.

The salient terms of the Murabahah financing are as follows:

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

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

The Murabahah financing bears profit rate at 11.00% (2022: 11.00%) per annum with full repayment of principal and profit at the end of the tenure.

During the current and previous financial years, the tenure of Murabahah financing has been extended three (3) times, each with six (6) months maturity period.

NOTES TO THE FINANCIAL STATEMENTS
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21. TRADE RECEIVABLES (CONT'D)

The salient terms of the extensions are as follows:

(a) full settlement of accrued profit in three (3) monthly instalments upon extension;

(b) payment of processing fee to the Group; and

(c) collateral securing the Murabahah financing remains in the Group's custody until the full settlement of principal and accrued profit are made.

For factoring and confirming receivables, the credit period granted by the Group ranges from 90 to 150 (2022: 90 to 150) days.

As at the reporting date, there is significant concentration of credit risk arising from the amount due from one (1) (2022: one (1)) major customer amounting to 97.64% (2022: 97.56%) 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 2021	59,453	1,752,458	1,811,911
Charge for the financial year	7,034	-	7,034
Changes in risk parameters	(19,135)	-	(19,135)
Written off	-	(239,019)	(239,019)
Balance as at 31 March 2022/1 April 2022	47,352	1,513,439	1,560,791
Charge for the financial year	86,214	-	86,214
Changes in risk parameters	(18,997)	(502)	(19,499)
Written off	-	(1,441,766)	(1,441,766)
Balance as at 31 March 2023	114,569	71,171	185,740

The information on the credit quality analysis and write off of trade receivables are disclosed in Note 34(b).

22. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Collections in transit	8,771,781	2,132,709	-	-
Other receivables	4,442,665	3,814,065	106,802	19,444
	13,214,446	5,946,774	106,802	19,444
Prepaid expenses	2,135,004	1,900,047	26,680	11,684
Refundable deposits	389,049	462,793	-	-
Tax recoverable	282,816	16,887	-	16,557
	16,021,315	8,326,501	133,482	47,685

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

23. RELATED PARTY TRANSACTIONS

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

	The Company	
	2023	**2022**
	RM	**RM**
Amount due from a subsidiary company	14,734,716	9,274,478

The amount due from a subsidiary company arose mainly from advances given, are unsecured, bear interest rate at 0.90% (2022: 0.25%) 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.

(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**
AmBank Islamic Berhad ("AIB") AmBank (M) Berhad ("AMB") AmFunds Management Berhad ("AFMB") 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") Melawangi Sdn. Bhd. ("MSB")	Subsidiary companies of Amcorp Group Berhad, the intermediate holding company of the Company
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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

23. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures (Cont'd)

During the financial year, significant related party transactions, which are determined on a basis negotiated between the said parties are as follows:

	The Company	
	2023	2022
	RM	RM
Direct subsidiary companies:		
Strategic management fee received/receivable from RCEM	(330,000)	(475,593)
Interest income on amount due from RCEM	(151,439)	(31,052)

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Other related parties:				
Profit/Interest income received/receivable from deposits placed with:				
AIB	(5,910,386)	(11,191,707)	-	-
AFMB	(5,879)	(139,329)	-	-
Profit/Interest expense paid/payable to:				
AIB	4,607,877	996,717	-	-
AMB	3,053,460	2,249,620	-	-
Fee paid/payable to CVSB:				
Management fee (Note 9)	1,420,100	1,420,100	-	-
Internal audit fee (Note 9)	274,670	278,600	122,600	102,550
Insurance premium and brokerage fee paid/payable to:				
AIBM	660,728	620,809	-	-
AGIB	-	28,049	-	-
Purchase of travel package from HTSB	659,600	-	-	-
Placement fee paid/payable to AIBB	408,333	723,333	-	-
Agency fee paid/payable to AIBB	86,970	92,170	-	-
Security trustee fee paid/payable to MTB	35,000	35,000	-	-
Contribution on holiday home paid/payable to MSB	23,186	22,511	-	-
Rental paid/payable to CVSB	3,600	50,460	-	-
Professional fee paid/payable to AIBB	-	120,729	-	120,729

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

23. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Compensation of key management personnel

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Short-term employees' benefits	7,919,031	7,355,093	677,500	725,000
Options granted under ESS	1,067,700	1,131,824	-	-
Defined contribution plan	989,599	914,526	-	-
	9,976,330	9,401,443	677,500	725,000

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Deposits with licensed financial institutions:				
- Islamic	799,875,227	647,576,318	-	-
- Conventional	11,178	10,804	-	-
	799,886,405	647,587,122	-	-
Cash and bank balances with licensed financial institutions:				
- Islamic	70,730,247	115,189,807	-	-
- Conventional	9,050,438	37,734,336	4,262	1,210
	79,780,685	152,924,143	4,262	1,210
	879,667,090	800,511,265	4,262	1,210
Less: Deposits, cash and bank balances				
Assigned in favour of the trustees	(811,879,086)	(652,058,866)	-	-
Pledged to licensed financial institutions:				
- Islamic	(20,104,918)	(70,636,991)	-	-
- Conventional	(8,186,290)	(36,814,005)	-	-
	(28,291,208)	(107,450,996)	-	-
	(840,170,294)	(759,509,862)	-	-
	39,496,796	41,001,403	4,262	1,210

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

24. CASH AND CASH EQUIVALENTS (CONT'D)

Deposits with licensed financial institutions of the Group have a weighted average remaining maturity period of 42 (2022: 98) days. The information on weighted average effective profit rate ("WAEPR") is disclosed in Note 34.

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

	The Group	
	2023	2022
	RM	RM
Deposits and bank balances placed with:		
AIB	122,067,147	555,227,542
AMB	5,048,531	31,698,336
AFMB	11,179	10,804
	127,126,857	586,936,682

25. SHARE CAPITAL

	The Group and The Company			
	2023	2022	2023	2022
	No. of shares		RM	RM
Ordinary shares				
Balance as at 1 April	739,987,032	382,655,236	200,696,865	188,025,513
Issuances of:				
Shares pursuant to options exercised	1,079,735	5,861,727	1,220,100	12,671,352
Bonus shares	-	351,470,069	-	-
Balance as at 31 March	741,066,767	739,987,032	201,916,965	200,696,865

During the financial year, the total number of issued shares of the Company increased from 739,987,032 to 741,066,767 by way of the issuance of 1,079,735 new ordinary shares pursuant to 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 382,655,236 to 739,987,032 by way of issuances of:

(a) 351,470,069 bonus shares on the basis of nineteen (19) bonus shares for every twenty-one (21) ordinary shares; and

(b) 5,861,727 new ordinary shares pursuant to 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.

NOTES TO THE FINANCIAL STATEMENTS
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26. TREASURY SHARES

	The Group and The Company			
	2023	2022	2023	2022
	No. of shares		RM	RM
Balance as at 1 April	8,216,196	22,605,225	4,947,936	25,910,249
Distribution as share dividend	-	(18,291,722)	-	(20,962,313)
Issuance of bonus shares	-	3,902,693	-	-
Balance as at 31 March	8,216,196	8,216,196	4,947,936	4,947,936

The shareholders of the Company, by a resolution passed at an annual general meeting held on 8 September 2022, 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.

In the previous financial year, the total number of treasury shares of the Company was reduced from 22,605,225 to 8,216,196 by way of:

(a) distribution of 18,291,722 treasury shares as share dividend on the basis of one (1) treasury share for every twenty (20) ordinary shares; offset with

(b) receipt of 3,902,693 bonus shares pursuant to the bonus issue which are held as treasury shares by the Company.

There were no repurchases of the Company’s shares from the open market for the financial years ended 31 March 2023 and 31 March 2022.

The treasury shares were held by the Company 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. None of the treasury shares repurchased have been sold, cancelled or transferred during the financial year.

As at 31 March 2023, the number of ordinary shares, net of treasury shares is 732,850,571 shares.

27. ESS

The ESS approved by the shareholders at the Annual General Meeting held on 22 September 2020 was governed by the By-Laws and implemented on 20 October 2020. The 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 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.

NOTES TO THE FINANCIAL STATEMENTS
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27. ESS (CONT'D)

The salient features of the ESS are as follows:

(a) The maximum number of shares to be allotted and issued pursuant to the ESS shall not at any point in time in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares);

(b) Not more than ten percent (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 twenty percent (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 eighteen (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 ten percent (10%) of the five (5) days volume weighted average market price of the Company's shares immediately preceding the date of offer.

The details and movements in number of options during the financial year are as follows:

			ESS options				
Grant date	**Expiry date**	**Option price RM**	**Balance as at 1.04.2022**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2023**
14.12.2020	13.12.2022	1.13	1,161,639	-	(1,079,735)	(81,904)	-
21.10.2021	2.01.2024	1.35*	16,806,182	-	(11,716,213)	(295,992)	4,793,977
17.10.2022	30.11.2024	1.19*	-	19,112,000	(17,148,500)	(260,000)	1,703,500
			17,967,821	19,112,000	(29,944,448)	(637,896)	6,497,477
Weighted average option price		(RM)	1.34	1.19	1.25	1.26	1.31
Weighted average share price		(RM)			1.91		
Weighted average of remaining contractual life		(days)					364

* The option price has been adjusted in accordance with By-Laws 15.1 and 15.5(c) arising from dividends distribution.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

27. ESS (CONT'D)

The details and movements in number of options in the previous financial year are as follows:

Before bonus issue adjustment:

			ESS options				
Grant date	Expiry date	Option price RM	Balance as at 1.04.2021	Granted	Exercised	Cancelled	Balance as at 6.01.2022
14.12.2020	13.12.2022	2.17	6,471,900	-	(5,815,000)	(22,500)	634,400
21.10.2021	2.01.2024	3.00	-	9,068,000	-	(79,000)	8,989,000
			6,471,900	9,068,000	(5,815,000)	(101,500)	9,623,400
Weighted average option price		(RM)	2.17	3.00	2.17	2.82	2.95
Weighted average share price		(RM)			2.98		
Weighted average of remaining contractual life		(days)					676

After bonus issue adjustment:

			ESS options				
Grant date	Expiry date	Option price RM	Balance as at 6.01.2022	Adjustment*	Exercised	Cancelled	Balance as at 31.03.2022
14.12.2020	13.12.2022	1.13	634,400	573,966	(46,727)	-	1,161,639
21.10.2021	2.01.2024	1.57	8,989,000	8,132,751	(315,569)	-	16,806,182
			9,623,400	8,706,717	(362,296)	-	17,967,821
Weighted average option price		(RM)	1.54	1.54	1.51	-	1.54
Weighted average share price		(RM)			1.76		
Weighted average of remaining contractual life		(days)					617

* The number of options and price have been adjusted in accordance with By-Laws 15.1 and 15.5(b) arising from issuance of bonus shares.

NOTES TO THE FINANCIAL STATEMENTS
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27. ESS (CONT'D)

The fair value of options granted, determined using the Trinomial valuation model, took into account the terms and conditions upon which the options were granted. The fair value of options measured at grant date and the assumption are as follows:

		Grant date	
		2023	2022
		17.10.2022	21.10.2021
Fair value of options at grant dates	(RM)	0.15	0.37
Grant date share price	(RM)	1.53	3.29
Option price	(RM)	1.38	3.00
Expected volatility	(%)	9.970	14.781
Expected life	(days)	775	803
Risk free rate	(%)	4.008	2.501
Expected dividend yield	(%)	7.180	4.573

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 options grant were incorporated into the measurement of fair value.

28. RESERVES

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Non-distributable:				
ESS reserve	1,186,784	3,465,887	1,186,784	3,465,887
Distributable:				
Retained earnings	607,503,361	672,852,899	170,418,958	163,773,325
	608,690,145	676,318,786	171,605,742	167,239,212

(a) Non-distributable:

(i) ESS reserve:

The ESS reserve represents the equity settled 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 options. Details of ESS granted to eligible directors and employees are disclosed in Note 27.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

28. RESERVES (CONT'D)

(b) Distributable:

Retained earnings:

Distributable reserves are those available for distribution as dividends.

Under the single-tier system, the dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax in the hands of the shareholders.

29. PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current:				
Payables	19,795,036	17,369,761	-	-
Accrued expenses	13,950,014	14,734,181	858,863	908,034
Deposits	1,725,000	1,625,000	-	-
	35,470,050	33,728,942	858,863	908,034
Non-current:				
Payables	780,224	780,224	-	-
	36,250,274	34,509,166	858,863	908,034

Included in payables of the Group are:

(i) marketing expenses amounting to RM8,060,568 (2022: RM5,929,615) payable to third parties;

(ii) collections received from customers amounting to RM4,605,024 (2022: RM3,836,221) on behalf of various corporations and cooperatives by subsidiary companies; and

(iii) refundable collections amounting to RM1,144,186 (2022: RM1,080,911).

30. HIRE-PURCHASE PAYABLES

	The Group	
	2023 RM	2022 RM
Total outstanding	1,673,430	626,797
Less: Future finance charges	(134,870)	(42,855)
Principal outstanding	1,538,560	583,942
Less: Amount due within one (1) year	(378,480)	(246,248)
Non-current portion	1,160,080	337,694

NOTES TO THE FINANCIAL STATEMENTS
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30. HIRE-PURCHASE PAYABLES (CONT'D)

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

	The Group	
	2023	**2022**
	RM	**RM**
Financial years ending 31 March:		
2024	-	132,234
2025	351,674	95,551
2026	358,491	92,094
2027	294,898	17,815
2028	155,017	-
	1,160,080	337,694

The interest rates implicit in these hire-purchase arrangements of the Group range from 3.78% to 4.63% (2022: 4.13% 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 are as follows:

	The Group	
	2023	**2022**
	RM	**RM**
Balance as at 1 April	583,942	648,410
Cash flows	(398,727)	(416,362)
Additions	1,310,000	320,000
Other changes	43,345	31,894
Balance as at 31 March	1,538,560	583,942

Included in other changes is accrued interest expense.

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCING LIABILITIES

	Note	The Group 2023 RM	2022 RM
At amortised cost			
Secured			
Current:			
- Shariah			
RM2.0 billion Sukuk Programme	(a)	128,556,342	105,046,851
RM900.0 million Sukuk Programme	(b)	97,910,746	106,570,593
		226,467,088	211,617,444
Revolving credits	(c)	148,040,927	46,054,445
Term financing	(d)	74,039,753	49,669,080
		448,547,768	307,340,969
- Conventional			
Revolving credits	(c)	196,635,771	248,713,700
Term loans	(d)	52,721,876	5,950,838
		249,357,647	254,664,538
		697,905,415	562,005,507
Non-current:			
- Shariah			
RM2.0 billion Sukuk Programme	(a)	790,101,914	734,731,786
RM900.0 million Sukuk Programme	(b)	274,301,395	363,648,791
		1,064,403,309	1,098,380,577
Term financing	(d)	95,782,652	93,103,809
		1,160,185,961	1,191,484,386
- Conventional			
Term loans	(d)	148,351,751	7,444,808
		1,308,537,712	1,198,929,194
Unsecured			
Current			
- Shariah			
Revolving credits	(c)	85,101,052	35,026,083
- Conventional			
Revolving credits	(c)	-	8,015,663
		85,101,052	43,041,746
		2,091,544,179	1,803,976,447

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

31. FINANCING LIABILITIES (CONT'D)

	The Group	
	2023	2022
	RM	RM
Disclosed in the statements of financial position as:		
Current	783,006,467	605,047,253
Non-current	1,308,537,712	1,198,929,194
	2,091,544,179	1,803,976,447

The maturity profile of the financing liabilities is as follows:

	The Group	
	2023	2022
	RM	RM
On demand or within one (1) year	783,006,467	605,047,253
More than one (1) year and less than two (2) years	378,654,933	229,900,729
More than two (2) years and less than five (5) years	685,575,374	679,902,114
More than five (5) years	244,307,405	289,126,351
	2,091,544,179	1,803,976,447

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

	2022	Cash flows	Other changes	2023
	RM	RM	RM	RM
Sukuk	1,309,998,021	(25,000,000)	5,872,376	1,290,870,397
Revolving credits	337,809,891	91,500,000	467,859	429,777,750
Term financing/loans	156,168,535	217,242,992	(2,515,495)	370,896,032
Total	1,803,976,447	283,742,992	3,824,740	2,091,544,179

	2021	Cash flows	Other changes	2022
	RM	RM	RM	RM
Sukuk	1,187,408,307	120,000,000	2,589,714	1,309,998,021
Revolving credits	247,863,323	89,500,000	446,568	337,809,891
Term financing/loans	235,347,841	(79,156,594)	(22,712)	156,168,535
Total	1,670,619,471	130,343,406	3,013,570	1,803,976,447

Included in other changes are accrued profit/interest expense and transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

31. FINANCING LIABILITIES (CONT'D)

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

	The Group	
	2023	**2022**
	RM	**RM**
Financing liabilities with:		
AIB	227,253,404	46,381,520
AMB	127,580,958	99,063,224
	354,834,362	145,444,744

(a) RM2.0 billion Sukuk Programme (Secured)

ZAB is 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 involve the purchase of financing receivables from RCEM from time to time. The purchases of financing receivables meeting certain pre-determined eligibility criteria are funded by the proceeds from the issuance of Sukuk by ZAB.

The Sukuk is constituted by a trust deed dated 19 March 2019 made between ZAB and the Trustee for the holders of the Sukuk.

During the financial year, ZAB has further issued one (1) (2022: two (2)) tranches of Sukuk amounting to RM219.0 million (2022: RM379.0 million), out of which RM44.0 million (2022: RM69.0 million), were subscribed by RCET, a subsidiary company.

In addition, ZAB has redeemed RM100.0 million (2022: RM90.0 million) of its Class A Series 1 and 2 from its Tranches 2, 3, 6 and 7 (2022: Class A Series 1 and 2 from its Tranches 1, 4 and 5) upon maturity.

The main features of the Sukuk are as follows:

(i) The maximum issue size of the RM2.0 billion Sukuk Programme consists of a multiple series of Classes A, B and C;

(ii) All Sukuk under first (1) to eight (8) tranches are issued at par and have maturity 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 3.15% to 5.42% (2022: 3.14% 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 5.72% (2022: 3.95% to 5.50%) per annum and step up by 4.0% per annum from the expected maturity in year seven point five (7.5) until the legal maturity in year eight point five (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 17.00% to 57.00% (2022: 19.30% to 57.00%) per annum and payable in full or in part upon the full redemption of Classes A and B. The Class C Sukuk is internally subscribed by RCET, a subsidiary company.

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31. FINANCING LIABILITIES (CONT'D)

(b) RM900.0 million Sukuk Programme (Secured)

ADA is 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 involve the purchase of financing receivables from RCEM from time to time. The purchases of financing receivables meeting certain pre-determined eligibility criteria are funded by the proceeds from the issuance of Sukuk by ADA.

The Sukuk is constituted by a trust deed dated 8 June 2016 made between ADA and the Trustee for the holders of the Sukuk.

ADA fully issued its RM900.0 million Sukuk Programme in the financial year ended 31 March 2018.

During the financial year, ADA has redeemed RM100.0 million (2022: RM100.0 million) of Class A Series 2 Sukuk from its Tranches 4 to 5 (2022: Class A Series 2 Sukuk from its Tranches 1 to 3) upon maturity.

The main features of the Sukuk are as follows:

(i) The maximum issue size of the RM900.0 million Sukuk Programme consists of a multiple series of Classes A, B and C;

(ii) All Sukuk are issued at par and have maturity 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 5.15% to 5.70% (2022: 5.00% 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% (2022: 6.00% to 7.00%) per annum and step up by 4.0% per annum from the expected maturity in year seven point five (7.5) until the legal maturity in year eight point five (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% (2022: 18.00% to 35.00%) per annum and payable in full or in part upon the full redemption of Classes A and B. The Class C Sukuk is internally subscribed by RCET, a subsidiary company.

The Sukuk Programmes 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.

31. FINANCING LIABILITIES (CONT'D)

(c) Revolving credits

As at 31 March 2023, the Group has thirteen (13) (2022: twelve (12)) revolving credit facilities.

These facilities are principally for working capital purposes and secured against the following:

(i) An assignment of the rights, titles, benefits and interests of eligible receivables under the applicable financing agreements entered into between a subsidiary company with corporations and/or cooperatives;

(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.

During the financial year, the Group is further granted with one (1) unsecured facility amounting to RM50.0 million (2022: two (2) unsecured and one (1) secured facilities amounting to RM43.0 million and RM40.0 million respectively).

(d) Term financing/loans

As at 31 March 2023, the Group has six (6) (2022: three (3)) term financing/loan facilities.

These facilities are principally for working capital purposes and secured against the following:

(i) An assignment of the rights, titles, benefits and interests of eligible receivables under the applicable financing agreements entered into between a subsidiary company with corporations and/or cooperatives;

(ii) An assignment of the designated accounts and all monies standing to the credit of the accounts;

(iii) A fixed deposit by a subsidiary company on lien or charged; and

(iv) An irrevocable corporate guarantee by the Company.

The maturity ranges from two (2) to six (6) (2022: five (5) to seven (7)) years from the date of the first disbursement of the applicable tranche of the term financing/loans.

During the financial year, the Group:

(i) is further granted with four (4) secured term financing facilities amounting to RM500.0 million; and

(ii) fully settled one (1) term financing with a limit of RM300.0 million upon maturity.

The information on WAEPR is disclosed in Note 34.

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32. LEASE LIABILITIES

	The Group	
	2023	2022
	RM	RM
Total outstanding	3,192,198	4,062,244
Less: Future finance charges	(252,115)	(434,692)
Principal outstanding	2,940,083	3,627,552
Less: Amount due within one (1) year	(915,149)	(840,341)
Non-current portion	2,024,934	2,787,211

The weighted average discount rate applied ranges from 4.87% to 5.83% (2022: 4.77% to 5.88%) per annum. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The maturity profile of the lease liabilities are as follows:

	The Group	
	2023	2022
	RM	RM
On demand or within one (1) year	915,149	840,341
More than one (1) year and less than two (2) years	965,065	889,063
More than two (2) and less than five (5) years	1,059,869	1,898,148
	2,940,083	3,627,552

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

	The Group	
	2023	2022
	RM	RM
Balance as at 1 April	3,627,552	4,420,359
Cash flows	(1,026,825)	(1,023,522)
Additions	152,729	-
Other changes	186,627	230,715
Balance as at 31 March	2,940,083	3,627,552

Included in other changes is accrued interest expense.

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33. COMMITMENTS

Capital commitments

	The Group	
	2023	**2022**
	RM	**RM**
Capital expenditure in respect of plant and equipment not provided for:		
Approved and contracted for	2,015,703	1,412,300

34. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management objectives and policies are monitored by a Risk Management Committee which reports to the Audit Committee.

The operations of the Group are subject to a variety of financial risks, including 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.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(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.

NOTES TO THE FINANCIAL STATEMENTS
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34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

(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.

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 are 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.

NOTES TO THE FINANCIAL STATEMENTS
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34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

(ii) Trade receivables

Category	Group's definition of category
Lifetime ECL	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.

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	Carrying amount (net of impairment provision) RM	Basis for calculation of profit income
2023					
Stage 1	0 to 30	12 months expected losses.	1,403,993,128	1,377,206,499	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.	533,804,581	518,270,134	
			1,937,797,709	1,895,476,633	
Stage 2	31 to 90	Lifetime expected losses.	3,442,295	2,509,320	Gross carrying amount
	91 to 180^		5,860,190	4,603,352	
			9,302,485	7,112,672	
Stage 3	More than 90	Lifetime expected losses.	41,316,560	-	Carrying amount (net of credit allowance)
	More than 180^		35,701,052	-	
			77,017,612	-	

NOTES TO THE FINANCIAL STATEMENTS
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34. 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	Carrying amount (net of impairment provision) RM	Basis for calculation of profit income
2022					
Stage 1	0 to 30	12 months expected losses.	1,235,920,945	1,212,064,535	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.	567,452,838	549,724,202	
			1,803,373,783	1,761,788,737	
Stage 2	31 to 90	Lifetime expected losses.	3,147,098	2,263,473	Gross carrying amount
	91 to 180^		8,750,529	6,837,423	
			11,897,627	9,100,896	
Stage 3	More than 90	Lifetime expected losses.	34,259,425	-	Carrying amount (net of credit allowance)
	More than 180^		36,465,735	-	
			70,725,160	-	

* Excluded fee for the provision of services to be recognised over a period of time of RM3,177,449 (2022: RM6,817,468).

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

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

(ii) Trade receivables

Group internal credit rating	Credit quality by days past due	Basis for recognition of ECL provision	Gross carrying amount RM	Carrying amount (net of impairment provision) RM	Basis for calculation of profit income
2023					
Lifetime ECL	0 to 90	Lifetime ECL	54,032,553	53,917,984	Gross carrying amount
Credit impaired	More than 90	Credit impaired	71,171	-	Carrying amount (net of credit allowance)
2022					
Lifetime ECL	0 to 90	Lifetime ECL	54,017,583	53,970,231	Gross carrying amount
Credit impaired	More than 90	Credit impaired	1,513,439	-	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 receivables 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 receivables 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 receivables and trade receivables that were written off during the financial year and are still subject to enforcement activities are RM23,641,052 (2022: RM20,823,240).

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

34. 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 follows:

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Irrevocable loan commitments issued on behalf of customers	365,165	576,732	-	-
Financial guarantees to licensed financial institutions for financing liabilities facilities granted to subsidiary companies	-	-	1,220,200,000	970,200,000
	365,165	576,732	1,220,200,000	970,200,000

As at the reporting date, the fair value of the financial guarantees are RMnil (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Collaterals (Cont'd)

As at the reporting date, the financial effect of collaterals (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held by the Group are as follows:

	Maximum exposure RM	Collateral value RM	Financial effect of collaterals %
2023			
Financing receivables	886,594,357	818,601,797	92.33
Trade receivables	53,917,984	94,492,500	175.25
	940,512,341	913,094,297	97.08
2022			
Financing receivables	697,353,437	604,036,451	86.62
Trade receivables	53,970,231	68,813,500	127.50
	751,323,668	672,849,951	89.56

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements, while maintaining the availability of a diverse source of banking facilities from various financial institutions at a reasonable level to its overall debt position. It also strives to maintain a balance between continuity of funding and flexibility through the use of these facilities.

Cash flow forecasting is performed in the operating entities of the Group on an aggregate basis, taking into consideration the Group's debt financing plans, including the matching of maturity profiles of its financial assets and liabilities.

In addition, the Group plans to match its assets by converting the current into non-current liabilities in order to meet its short-term obligations as and when they fall due, including raising funds from the market as evidenced from the establishment of Sukuk Programmes as disclosed in Notes 31(a) and 31(b) 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 RM879,667,090 (2022: RM800,511,265) as disclosed in Note 24 to meet estimated commitments arising from its financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

34. 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 financial instruments:

				Maturity Profile		
		WAEPR	Total	Within 1 year	2-5 years	After 5 years
The Group	**Note**	**%**	**RM**	**RM**	**RM**	**RM**
2023						
Fixed rate						
Financing receivables	18	12.15	1,899,411,856	221,540,853	957,055,708	720,815,295
Trade receivables	21	10.60	53,917,984	53,917,984	-	-
Other receivables and deposits	22	-	13,603,495	13,603,495	-	-
Deposits with licensed financial institutions	24	2.51	799,875,227	799,875,227	-	-
Cash and bank balances	24	-	79,780,685	79,780,685	-	-
Payables and accrued expenses	29	-	36,250,274	35,470,050	780,224	-
Hire-purchase payables	30	4.08	1,538,560	378,480	1,160,080	-
Sukuk	31	4.99	1,290,870,397	226,467,088	820,095,904	244,307,405
Lease liabilities	32	5.45	2,940,083	915,149	2,024,934	-
Floating rate						
Deposits with licensed financial institutions	24	1.76	11,178	11,178	-	-
Revolving credits	31	4.07	429,777,750	429,777,750	-	-
Term financing/loans	31	3.76	370,896,032	126,761,629	244,134,403	-
2022						
Fixed rate						
Financing receivables	18	12.59	1,764,072,165	205,470,567	914,510,210	644,091,388
Trade receivables	21	10.21	53,970,231	53,970,231	-	-
Other receivables and deposits	22	-	6,409,567	6,409,567	-	-
Deposits with licensed financial institutions	24	1.99	647,576,318	647,576,318	-	-
Cash and bank balances	24	-	152,924,143	152,924,143	-	-
Payables and accrued expenses	29	-	34,509,166	33,728,942	780,224	-
Hire-purchase payables	30	5.18	583,942	246,248	337,694	-
Sukuk	31	4.85	1,309,998,021	211,617,444	809,254,226	289,126,351
Lease liabilities	32	5.83	3,627,552	840,341	2,787,211	-
Floating rate						
Deposits with licensed financial institutions	24	1.00	10,804	10,804	-	-
Revolving credits	31	3.64	337,809,891	337,809,891	-	-
Term financing/loans	31	4.66	156,168,535	55,619,918	100,548,617	-

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Profit rate and liquidity risk tables (Cont'd)

The Company	Note	WAEPR %	Total RM	Maturity Profile Within 1 year RM
2023				
Fixed rate				
Other receivables	22	-	106,802	106,802
Amount due from a subsidiary company	23	0.90	14,734,716	14,734,716
Cash and bank balances	24	-	4,262	4,262
Accrued expense	29	-	858,863	858,863
2022				
Fixed rate				
Other receivables	22	-	19,444	19,444
Amount due from a subsidiary company	23	0.25	9,274,478	9,274,478
Cash and bank balances	24	-	1,210	1,210
Accrued expense	29	-	908,034	908,034

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 liabilities/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**
2023				
Fixed rate				
Sukuk	1,516,281,105	271,626,957	969,504,425	275,149,723
Payables and accrued expenses	36,250,274	35,470,050	780,224	-
Hire-purchase payables	1,673,430	433,279	1,240,151	-
Lease liabilities	3,192,198	1,049,346	2,142,852	-
Floating rate				
Revolving credits	429,807,889	429,807,889	-	-
Term financing/loans	405,318,190	141,697,705	263,620,485	-

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Profit rate and liquidity risk tables (Cont'd)

		Maturity Profile		
The Group	**Total RM**	**Within 1 year RM**	**2-5 years RM**	**After 5 years RM**
2022				
Fixed rate				
Sukuk	1,550,420,822	259,643,215	968,971,440	321,806,167
Payables and accrued expenses	34,509,166	33,728,942	780,224	-
Hire-purchase payables	626,797	266,733	360,064	-
Lease liabilities	4,062,244	1,024,864	3,037,380	-
Floating rate				
Revolving credits	338,374,255	338,374,255	-	-
Term financing/loans	168,744,266	61,139,478	107,604,788	-

Sensitivity analysis for profit rate risk

As at the reporting date, if profit rate had been fifty (50) basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would increase/decrease by RM2,859,376 (2022: RM1,668,754) as a result of a higher/lower profit expense on floating rate financial assets and liabilities.

(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 and deposits, amount due from a subsidiary company, 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, payables and accrued expenses.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

34. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

The carrying amount of financial assets and liabilities of the Group as at the reporting date approximate their fair values except for the following:

		2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	RM	RM	RM	RM
Financial assets					
Financing receivables	18	1,899,411,856	1,922,535,668	1,764,072,165	1,779,748,995
Financial liabilities					
Financing liabilities					
- Sukuk	31	1,290,870,397	1,315,695,911	1,309,998,021	1,359,551,593

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 (1) year are estimated to approximate their carrying amounts. For financing receivables with remaining maturity of more than one (1) 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).

NOTES TO THE FINANCIAL STATEMENTS
31 March 2023

34. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2023				
Financial assets				
Financing receivables	-	-	1,922,535,668	1,922,535,668
Financial liabilities				
Financing liabilities				
- Sukuk	-	1,315,695,911	-	1,315,695,911
2022				
Financial assets				
Financing receivables	-	-	1,779,748,995	1,779,748,995
Financial liabilities				
Financing liabilities				
- Sukuk	-	1,359,551,593	-	1,359,551,593

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group continue as going concerns while maintaining sustainable return to stakeholders.

The Group monitors capital using a gearing ratio, which is net 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 net gearing ratio are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Total financing liabilities	2,091,544,179	1,803,976,447	-	-
Less: Deposits, cash and bank balances	(879,667,090)	(800,511,265)	(4,262)	(1,210)
Net financing liabilities	1,211,877,089	1,003,465,182	(4,262)	(1,210)
Total equity	805,659,174	872,067,715	368,574,771	362,988,141
Net gearing ratio (times)	1.50	1.15	-	-

STATEMENT BY DIRECTORS

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 99 to 168 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 2023 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
23 May 2023

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 99 to 168 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 23rd day of May 2023.

YAP CHOON SENG
MIA 20766

Before me

PESURUHJAYA SUMPAH
W737
MUHAMMAD FAIZ DHARMENDRA BIN ABDULLAH
01 JAN 2021 - 31 DEC 2023
MALAYSIA

COMMISSIONER FOR OATHS

No. 30, Tingkat Bawah, Blok B,
Flat PKNS, Jalan Raja Muda Musa,
50300 Kg. Baru, Kuala Lumpur.

ANALYSIS OF SHAREHOLDINGS
as at 30 June 2023

Issued Shares	:	741,066,767 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	782	7.13	40,458	0.01
100 to 1,000	1,528	13.93	928,290	0.13
1,001 to 10,000	5,748	52.40	26,595,290	3.63
10,001 to 100,000	2,558	23.32	76,912,877	10.49
100,001 to less than 5% of issued shares	351	3.20	327,225,491	44.65
5% and above of issued shares	2	0.02	301,148,165	41.09
Total	**10,969**	**100.00**	**732,850,571**	**100.00**

THIRTY LARGEST REGISTERED SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	CEMPAKA EMPAYAR SDN BHD	207,148,165	28.27
2.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD (AGB CBC2)	94,000,000	12.83
3.	BBL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	31,450,000	4.29
4.	RHB NOMINEES (TEMPATAN) SDN BHD - MALAYSIAN TRUSTEES BERHAD PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	30,500,000	4.16
5.	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	25,000,000	3.41
6.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD (AMCORPPROPMGT)	21,600,000	2.95
7.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	13,133,400	1.79
8.	WOO KHAI YOON	11,182,000	1.53
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD	10,801,000	1.47
10.	AMANAHRAYA TRUSTEES BERHAD - PUBLIC ISLAMIC OPPORTUNITIES FUND	9,711,300	1.32
11.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (8109706)	7,058,300	0.96

ANALYSIS OF SHAREHOLDINGS
as at 30 June 2023

THIRTY LARGEST REGISTERED SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
12.	CIMB COMMERCE TRUSTEE BERHAD - PUBLIC FOCUS SELECT FUND	6,754,600	0.92
13.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT RHB BANK BERHAD FOR CEMPAKA EMPAYAR SDN BHD	6,200,001	0.85
14.	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR LOH KAM CHUIN	5,400,000	0.74
15.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	5,170,000	0.70
16.	AMANAHRAYA TRUSTEES BERHAD - PUBLIC STRATEGIC SMALLCAP FUND	5,023,600	0.69
17.	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR YAP CHOON SENG	4,100,000	0.56
18.	CHEAM MAY YOON	2,640,000	0.36
19.	LIEW SZE FOOK	2,630,000	0.36
20.	OON HOOI KHEE	2,500,000	0.34
21.	HIEW CHANG CHUN	2,420,000	0.33
22.	B-OK SDN BHD	2,400,000	0.33
23.	AMANAHRAYA TRUSTEES BERHAD - PUBLIC EMERGING OPPORTUNITIES FUND	2,383,000	0.32
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEAM MAY CHOO (E-KTN)	2,259,000	0.31
25.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG CHAI (E-KTN)	2,139,000	0.29
26.	AMANAHRAYA TRUSTEES BERHAD - PB ISLAMIC SMALLCAP FUND	2,134,200	0.29
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SU TIING UH	2,103,000	0.29
28.	HSBC NOMINEES (ASING) SDN BHD - J.P. MORGAN SECURITIES PLC	2,051,048	0.28
29.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	2,050,000	0.28
30.	PHILLIP NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	1,976,000	0.27
	Total	**523,917,614**	**71.49**

ANALYSIS OF SHAREHOLDINGS
as at 30 June 2023

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Cempaka Empayar Sdn Bhd	429,031,566	58.54	-	-
Amcorp Group Berhad	-	-	429,031,566[(1)]	58.54
Clear Goal Sdn Bhd	-	-	429,031,566[(1)]	58.54
Tan Sri Azman Hashim	1,500,000	0.20	429,031,566[(1)]	58.54

Note:

[(1)] *Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through Cempaka Empayar Sdn Bhd.*

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	600,000	0.08	-	-	-
Tan Sri Mazlan bin Mansor	-	-	-	-	-
Datuk Mohamed Azmi bin Mahmood	-	-	-	-	-
Mahadzir bin Azizan	-	-	-	-	-
Thein Kim Mon	-	-	-	-	-
Soo Kim Wai	-	-	-	-	-
Shalina Azman	900,000	0.12	-	-	-
Lum Sing Fai	996	*	-	-	-
Loh Kam Chuin *(Chief Executive Officer)*	5,400,000	0.74	-	-	-

Note:

* *Negligible*

The analysis of shareholdings is based on the Record of Depositors as at 30 June 2023, net of 8,216,196 treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixty-Ninth 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 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, 7 September 2023 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 2023 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees of RM612,500 for the financial year ended 31 March 2023. **Resolution 1**

3. To approve the Directors' benefits to the Non-Executive Directors of the Company up to an aggregate amount of RM850,000 for the period from 8 September 2023 until the next Annual General Meeting of the Company. **Resolution 2**

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

   (i) Mr. Thein Kim Mon **Resolution 3**
   (ii) Puan Shalina Azman **Resolution 4**
   (iii) Mr. Lum Sing Fai **Resolution 5**

5. 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 6**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions, with or without modifications:

6. **Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

   "THAT subject always to the Companies Act 2016 ("Act"), 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 Act 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 7**

   AND THAT pursuant to Clause 58 of the Constitution of the Company, direction to the contrary of pre-emptive rights under Section 85 of the Act be and is hereby given for the Directors to offer and issue new shares of the Company ranking equally to the existing shares of the Company pursuant to the aforesaid authority, to such persons for such consideration as the Directors deem fit and in the best interest of the Company."

NOTICE OF ANNUAL GENERAL MEETING

7. **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 27 July 2023, 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 8**

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."

8. **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 9**

(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);

NOTICE OF ANNUAL GENERAL MEETING

(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."

9. 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
27 July 2023

Notes:

1. The Sixty-Ninth 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 Securities Services e-Portal at https://sshsb.net.my/.

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

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

NOTICE OF ANNUAL GENERAL MEETING

2. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 30 August 2023 shall be eligible to participate and vote at the Sixty-Ninth 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 8 September 2023 until the next Annual General Meeting ("AGM") of the Company ("Relevant Period") up to an aggregate amount of RM850,000.

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) **Resolutions 3, 4 and 5 - Re-election of Directors**

The Constitution of the Company provides that all Directors shall retire from office at least once every three (3) years and that at every AGM, one-third of the Directors for the time being or if the number is not three (3) or a multiple of three (3), then the number nearest one-third shall retire from office and shall be eligible for re-election.

NOTICE OF ANNUAL GENERAL MEETING

The following Directors are due for retirement by rotation at the Sixty-Ninth AGM of the Company ("retiring Directors"), and being eligible, have offered themselves for re-election:

(1) Mr. Thein Kim Mon
(2) Puan Shalina Azman
(3) Mr. Lum Sing Fai

The Board via the Nomination & Remuneration ("N&R") Committee, has through an annual evaluation carried out in May 2023, reviewed the performance and contributions of each of the retiring Directors and the level of independence demonstrated by Mr. Thein Kim Mon, and conducted the fit and proper assessment on the retiring Directors. The N&R Committee after taking into account the satisfactory performance and contributions, as well as the fitness and propriety of the retiring Directors; the independence demonstrated by Mr. Thein Kim Mon, and their ability to act in the best interests of the Group in decision-making, had recommended the re-election of the retiring Directors for the Board's consideration. The retiring Directors had also met the fit and proper criteria as prescribed in the Directors' Fit and Proper Policy.

The Board was satisfied with the evaluation results of the retiring Directors and based on the N&R Committee's recommendation, resolved to recommend the re-election of the retiring Directors at the forthcoming Sixty-Ninth AGM.

The profile of the retiring Directors are set out in the Profile of Directors in the Annual Report 2023 and are also available on the Company's website at www.rce.com.my.

(iv) **Resolution 7 - Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

The Ordinary Resolution proposed under Agenda 6 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.

The Ordinary Resolution 7, if passed, will also give direction to the Directors of the Company under Clause 58 of the Constitution of the Company to issue new shares which rank equally to the existing issued shares of the Company, to any person without having to offer the new shares to all existing members of the Company prior to issuance of new shares in the Company under the General Mandate.

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-Eighth AGM of the Company held on 8 September 2022.

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.

(v) **Resolution 8 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

The Ordinary Resolution proposed under Agenda 7, 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.

NOTICE OF ANNUAL GENERAL MEETING

(vi) **Resolution 9 - Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution proposed under Agenda 8, 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 Shareholders' Mandate and Proposed Renewal of Share Buy-Back Authority are set out in the Circular/Statement to Shareholders dated 27 July 2023 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-Ninth 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-Ninth AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists and other documents relating to the Sixty-Ninth 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-Ninth 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 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, 7 September 2023 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 Mr. Thein Kim Mon as Director.		
4.	To re-elect Puan Shalina Azman as Director.		
5.	To re-elect Mr. Lum Sing Fai as Director.		
6.	To re-appoint Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	Authority to issue shares pursuant to Section 75 of the Companies Act 2016.		
8.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
9.	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 __________________, 2023.

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): ______________________

Notes:

1. The Sixty-Ninth 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 Securities Services e-Portal at https://sshsb.net.my/.

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

   The Administrative Guide for the Sixty-Ninth 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 30 August 2023 shall be eligible to participate and vote at the Sixty-Ninth 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.

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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/.

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-Ninth 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-Ninth AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists and other documents relating to the Sixty-Ninth 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.

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

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