RCE

RCE CAPITAL BERHAD
(2444-M)

Annual Report 2019

member of

AMCORP

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Corporate **Information**

BOARD OF DIRECTORS

SHAHMAN AZMAN
Non-Independent Non-Executive Chairman

DATUK MOHAMED AZMI BIN MAHMOOD
Independent Director

TAN BUN POO
Independent Director

MAHADZIR BIN AZIZAN
Independent Director

SOO KIM WAI
Non-Independent Non-Executive Director

SHALINA AZMAN
Non-Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER

Loh Kam Chuin

COMPANY SECRETARIES

Johnson Yap Choon Seng
(MIA 20766)

Seow Fei San
(MAICSA 7009732)

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square
17 Jalan SS 7/26
47301 Petaling Jaya
Selangor, Malaysia
Tel : +603-7803 1126 /
+603-7806 2116
Fax : +603-7806 1387 /
+603-7806 1261

BUSINESS ADDRESS

20th Floor
Menara AmMetLife
1 Jalan Lumut
50400 Kuala Lumpur, Malaysia
Tel : +603-4047 0988
Fax : +603-4042 8877
Website : www.rce.com.my

AUDITORS

Deloitte PLT
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
Tel : +603-7610 8888
Fax : +603-7726 8986

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : +603-2783 9299
Fax : +603-2783 9222

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

STOCK EXCHANGE LISTING

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

Corporate **Structure**

RCE

RCE CAPITAL BERHAD

100%
RCE Marketing Sdn Bhd

100%
Mezzanine Enterprise Sdn Bhd

Provision of financial administrative services

100%
EXP Payment Sdn Bhd

Processing and administration of payroll collection

100%
RCE Factoring Sdn Bhd

Confirming and factoring, industrial hire-purchase, specialising in trade-related activities and general trading

100%
Zamarad Assets Berhad ("ZAB")

100%
Al Dzahab Assets Berhad ("ADA")

ADA and ZAB are included as indirect and not legal subsidiary companies of RCE Capital Berhad as a result of compliance with applicable accounting standards. These are special purpose vehicles owned by TMF Trustees Malaysia Berhad as share trustee for the issuance of RM900.0 million Sukuk Murabahah Asset-Backed Securitisation and RM2.0 billion Asset-Backed Securitisation Islamic Medium Term Notes Programmes respectively

100%
RCE Trading Sdn Bhd

Investment in securities

100%
RCE Sales Sdn Bhd

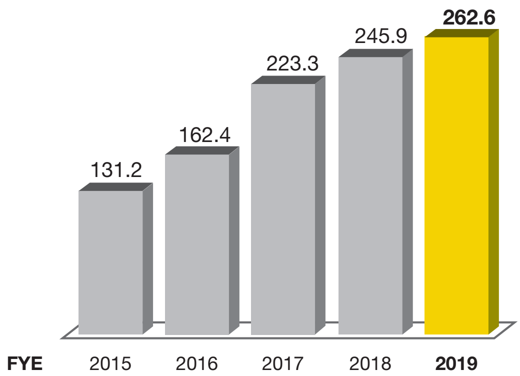
Provision of general loan financing services

Group Financial **Highlights**

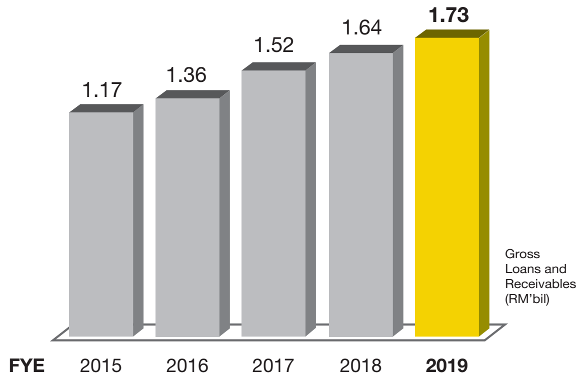
Financial Years Ended 31 March		2015	2016	2017	2018	2019
Profitability						
Revenue	(RM'000)	131,186	162,386	223,331	245,906	**262,570**
Profit before tax and allowances for impairment loss on receivables	(RM'000)	69,666	85,053	128,622	146,968	**154,814**
Profit before tax	(RM'000)	45,729	54,183	101,490	117,373	**131,089**
Net profit attributable to owners of the Company	(RM'000)	36,205	39,571	78,949	88,681	**95,533**
Key Consolidated Statements of Financial Position Data						
Total assets	(RM'000)	1,234,943	1,550,592	1,702,109	1,858,790	**2,226,143**
Loans and receivables, net	(RM'000)	1,069,917	1,260,442	1,411,561	1,524,707	**1,598,706**
Borrowings (net of deposits, cash and bank balances)	(RM'000)	580,107	861,733	1,054,230	1,101,274	**1,112,482**
Net assets ("NA") attributable to ordinary shareholders	(RM'000)	566,214	456,537	441,361	519,273	**583,516**
Key Financial Indicators						
NA per ordinary share	(RM)	0.44	0.35	1.31	1.52	**1.71**
Return on average equity	(%)	5.79	7.74	17.59	18.46	**17.33**
Earnings per share:						
Basic	(sen)	2.27	3.08	23.92	26.03	**28.02**
Diluted	(sen)	2.27	3.08	23.82	25.98	**27.95**
Gearing ratio	(times)	1.02	1.89	2.39	2.12	**1.91**
Net dividend per share	(sen)	1.50	14.00	3.00	7.00	**9.00**
Return on average total assets	(%)	2.84	2.84	4.85	4.98	**4.68**
Number of ordinary shares as at financial year end	(unit)	1,334,001	1,363,810	350,713	355,995	**360,555**
Share price as at financial year end	(RM)	0.32	0.29	1.78	1.23	**1.63**

Group Financial **Highlights**

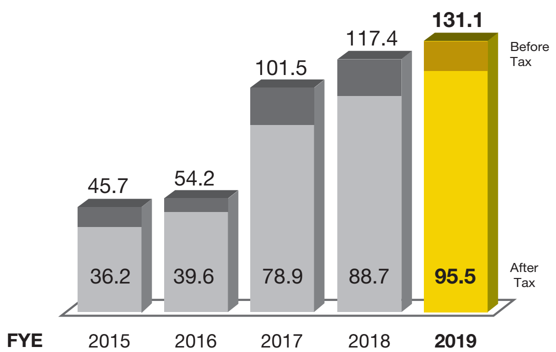
Revenue (RM'mil)



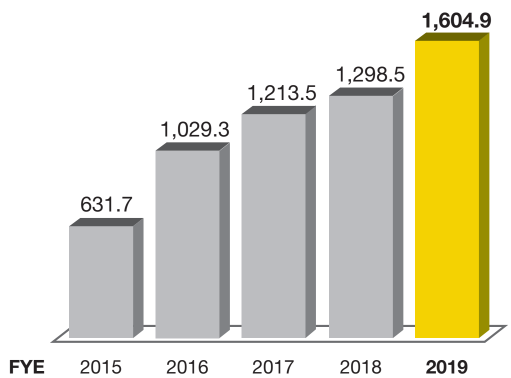
Loans and Receivables (RM'bil)



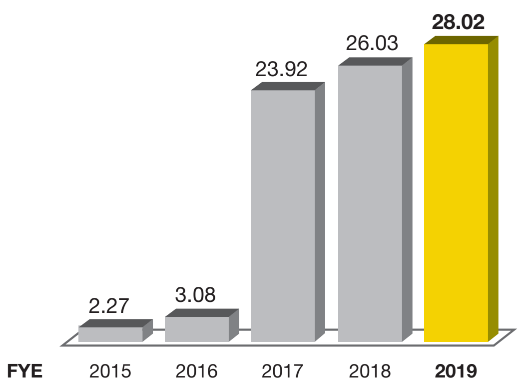
Profits (RM'mil)



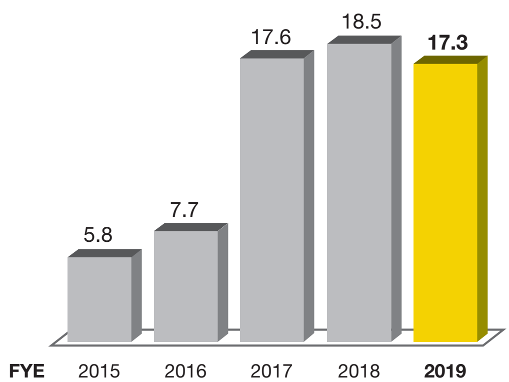
Borrowings (RM'mil)



Earnings Per Share (Sen)



Return On Average Equity (%)



Profile of Directors

SHAHMAN AZMAN

Non-Independent Non-Executive Chairman

Encik Shahman Azman, a Malaysian, male, aged 44, 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.

Encik Shahman is also a director of Amcorp and Deputy Group Chief Executive Officer of Amcorp Properties Berhad.

DATUK MOHAMED AZMI BIN MAHMOOD

Independent Director

Datuk Mohamed Azmi bin Mahmood, a Malaysian, male, aged 65, was appointed to the Board on 15 March 2017.

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

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

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

Profile of **Directors**

TAN BUN POO
Independent Director

Mr. Tan Bun Poo, a Malaysian, male, aged 69, was appointed to the Board on 1 June 2013.

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

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

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

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

MAHADZIR BIN AZIZAN
Independent Director

Encik Mahadzir bin Azizan, a Malaysian, male, aged 70, was appointed to the Board on 31 October 2014.

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

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

He also sits on the Board of ECM Libra Financial Group Berhad, Syarikat Takaful Malaysia Keluarga Berhad, Syarikat Takaful Malaysia Am Berhad and AmanahRaya-Kenedix REIT Manager Sdn Bhd, the Manager of AmanahRaya Real Estate Investment Trust.

Profile of **Directors**

SOO KIM WAI
Non-Independent Non-Executive Director

Mr. Soo Kim Wai, a Malaysian, male, aged 58, 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.

SHALINA AZMAN
Non-Independent Non-Executive Director

Puan Shalina Azman, a Malaysian, female, aged 52, was appointed to the Board on 6 January 2000.

She holds a Bachelor of Science in Business Administration majoring in Finance and Economics from Chapman University in California and in 1993, she obtained her Masters in Business Administration from University of Hull in United Kingdom.

Puan Shalina's involvement with the Company dates back to 1990 where she first gained invaluable experience in the media industry as a Business Development Officer. Prior to re-joining the Company, she was with Amcorp Group Berhad ("Amcorp") from 1995 to 1999 as Senior Manager, Corporate Planning. She was subsequently appointed as the Managing Director of the Company on 1 September 2000. On 31 July 2002, Puan Shalina resigned as the Managing Director of the Company to re-join Amcorp and on 1 August 2002, she was appointed as the Deputy Managing Director of Amcorp.

Apart from Amcorp, Puan Shalina is also the Chairman of Amcorp Properties Berhad and sits on the Board of Rockwills International Berhad.

Profile of Chief Executive Officer

LOH KAM CHUIN
Chief Executive Officer

Mr. Loh Kam Chuin, a Malaysian, male, aged 52, was appointed Chief Executive Officer ("CEO") on 1 March 2010.

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

He does not hold any directorship in public companies and listed issuers.

DETAILS OF MEMBERSHIP IN BOARD COMMITTEES

	COMMITTEES OF THE BOARD			
	Audit Committee	**Nomination & Remuneration Committee**	**Employees' Share Scheme Committee**	**Sustainability Management Committee**
Shahman Azman			**Chairman**	**Chairman**
Datuk Mohamed Azmi bin Mahmood	Member	**Chairman**		
Tan Bun Poo	**Chairman**			
Mahadzir bin Azizan	Member	Member		
Soo Kim Wai	Member		Member	
Shalina Azman		Member	Member	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 49, was appointed the Group Chief Financial Officer on 21 February 2003. He has been Company Secretary of the Company since February 2005.

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

He has over 28 years of experience in financial reporting, corporate finance, company secretarial, information technology and other management discipline.

OON HOOI KHEE

Chief Business Officer

Ms. Oon Hooi Khee, a Malaysian, female, aged 47, joined RCE Capital Berhad and its subsidiaries on 11 September 2006 and has since then held various positions as Head of Department including Finance, Business Development, Information Technology, Compliance, Operations & Methods, Human Resource & Administration and Strategy & Planning 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.

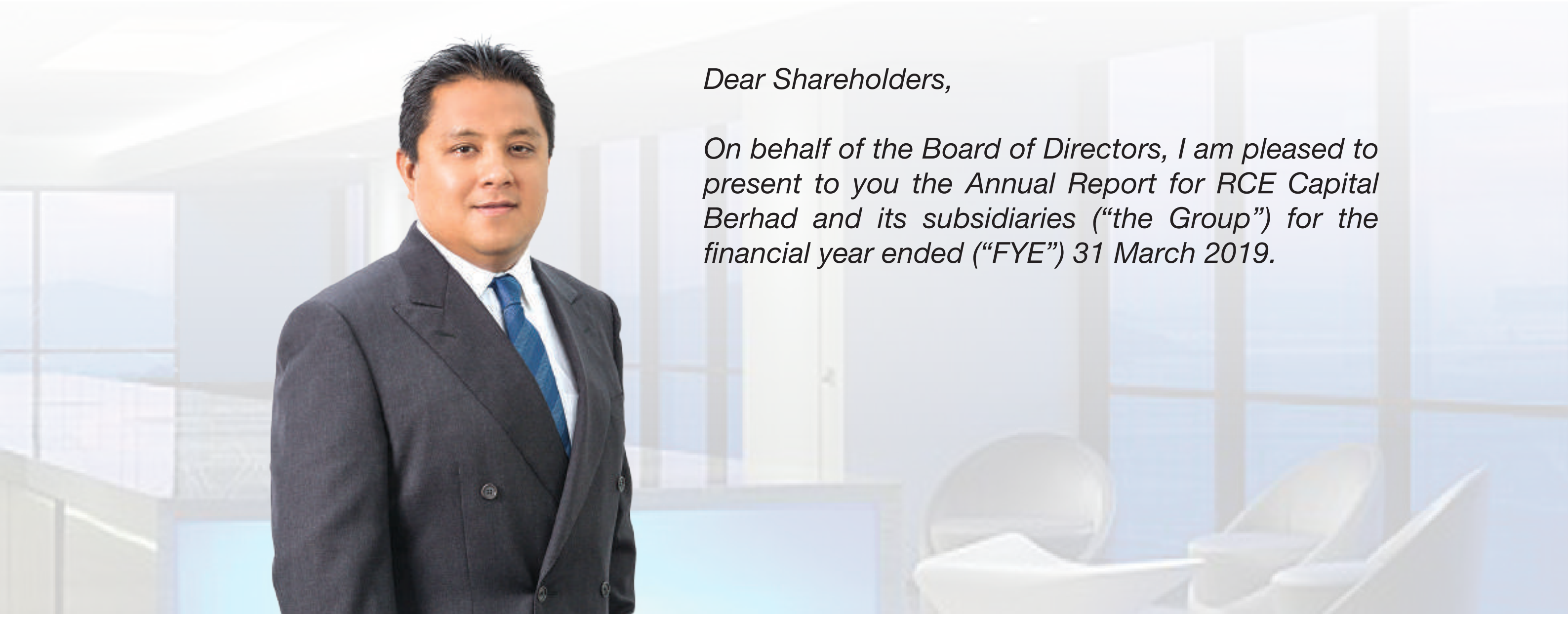
Upon graduating from Monash University with a Bachelor of Economics majoring in Accounting, Ms. Oon joined a Big 4 accounting firm for 8 years covering audit assurance and tax compliance. Thereafter, she spent 4 years as the Head of Finance in a stockbroking company.

Notes:

None of the Key Senior Management members have:

(i) any directorship in public companies and listed issuers;
(ii) any family relationship with any Directors and/or major shareholders of the Company;
(iii) any conflict of interest with the Company;
(iv) any conviction for offences within the past 5 years, other than traffic offences, if any; and
(v) any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year.

Chairman's Letter to Shareholders



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report for RCE Capital Berhad and its subsidiaries ("the Group") for the financial year ended ("FYE") 31 March 2019.

ECONOMIC REVIEW 2018

In 2018, the overall global economy growth has been moderate, due to multiple challenges faced such as the trade tensions among major economies, fluctuations in commodity prices and volatility in global financial markets. These have weighed on investor sentiment and contributed to the deterioration in global equity prices. Against this challenging backdrop, the growth in emerging market and developing countries has softened due mainly to the weak recovery in commodity exporters and the deceleration in commodity importers.

Back home, the Malaysian economy recorded a respectable Gross Domestic Product ("GDP") growth of 4.7% in 2018 (2017: 5.9%), exhibiting the resilience of our economy which is facing multiple external headwinds. The growth was underpinned by strong domestic demand as favourable wage and employment growth continued to drive household spending which resulted in increased private consumption from 7.1% a year ago to 8.1%.

In addition, the historic change of government in Malaysia after the 14th General Election saw a smooth political transition. Although public expenditure and private investment growths were initially affected by the uncertainties over the new government's transitory policies, the overall market responded positively and quickly adapted to these policy changes.

PERFORMANCE REVIEW

Despite the challenging market condition during the year, the Group reported higher revenue of RM262.6 million, representing a 6.8% increase from the previous financial year. The primary contributor was the increase in interest income in the consumer financing segment, supported by an expanded loan portfolio to RM1.7 billion with 5.2% growth from a year ago.

The Group strived to ensure cost efficiency and achieved a cost to income ratio at 22.2%. This resulted in a profit after tax of RM95.5 million, registering a 7.7% growth compared to FYE 2018, with higher earnings per share of 28.02 sen and a respectable return on average equity of 17.3%.

CORPORATE DEVELOPMENT

Following the full issuance of the previous RM900.0 million Sukuk Murabahah Asset-Backed Securitisation Programme ("Sukuk Programme") via Al Dzahab Assets Berhad, the Group has established a new Sukuk Programme of RM2.0 billion via a special purpose bankruptcy remote vehicle, namely Zamarad Assets Berhad. The first tranche amounting to RM265.0 million was successfully issued on 27 March 2019 with a remaining balance of RM1.7 billion available for future issuance. This is the Group's fifth foray into the debt market.

Chairman's Letter **to Shareholders**

INVESTOR RELATIONS

The Group upholds high standards of disclosure and continue to adopt good corporate governance practices across all business units.

We are dedicated to communicating with shareholders, investors and analysts in order to keep our stakeholders informed about the Group's aspirations, latest operational and financial developments in a timely manner. Various communication channels are used by our Investor Relations Team ("IR Team") to engage with stakeholders, such as quarterly briefings with analysts and fund managers and occasional roadshows with institutional/prospective investors.

Specifically, our IR Team participated in the 15th edition of Invest Malaysia 2019 organised by Bursa Malaysia Berhad and Malayan Banking Berhad held on 19 and 20 March 2019. In the two-day capital market forum, our IR Team conducted 6 small group meetings with over 40 diverse institutional investors.

Maybank Investment Bank Research and KAF-Seagroatt & Campbell Securities Sdn Bhd are the two research houses that provide coverage on the Group's financial performance since September 2016 and January 2018 respectively.

In addition, our IR Team continues to ensure the latest announcements on business activities, financial results and corporate developments are accessible on the Group's website (https://www.rce.com.my).

SUSTAINABILITY DEVELOPMENT

The sustainability of the Group's business practices is paramount. This year, the Group has completed our Sustainability Statement to report on the material sustainability issues of the Group and stakeholders, and also complying with Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Reporting. The Sustainability Statement can be found on pages 19 to 31 of this Annual Report.

The Group also embarked on the Board Effectiveness Assessment ("BEA") exercise with an independent external consultant to assess the overall effectiveness of the Board in view of the importance of the Board governance. The BEA's framework focuses on how the Board discharges its key roles and enablers that support the Board in fulfilling its responsibilities.

DIVIDEND

We continuously strive to balance the Group's funds for our business requirements, financial obligations as well as committing to the consistent returns for investors as we are guided by declaring dividends between the range of 20.0% to 40.0% of profit from FYE 2019 onwards.

On 13 December 2018, the Group paid an interim single-tier dividend of 4.0 sen per share, amounting to RM13.6 million. On top of this, the Board has now proposed a final single-tier dividend of 5.0 sen per share for FYE 2019 with an estimated payout of RM17.1 million, subject to approval by shareholders at the 65th Annual General Meeting. This brings the total dividend for FYE 2019 to 9.0 sen per share, amounting to approximately RM30.7 million, which translates to a total payout ratio of 32.1% and within our dividend guidance.

LOOKING AHEAD

The global economy is projected to continue growing in a moderate pace in 2019 following the impact of the build-up headwinds in 2018. These include the unclear direction for the prolonged negotiations on the trade war between the US and China, a slower than expected economic growth in China and the unresolved Brexit. These external factors will continue to weigh on investor sentiments and will impact Malaysia's trading and investing landscapes.

Bank Negara Malaysia estimated Malaysia GDP to grow by 4.3% to 4.8% in 2019, underpinned by strong private sector activity and recovery in commodity sectors. However, the loans growth in Malaysia is expected to be modest amid a tough investment environment and margin compression.

Nevertheless, the Group remains focused as a niche market player and will proactively deliver sustainable returns to our shareholders. Bringing in quality loans continues to be our main priority as we periodically assess our products and credit scoring model in order to remain competitive and relevant in this competitive market environment.

In the age of increasing digitalisation, the Group continues to promote process simplification and technology enhancements to simplify the way we operate and to remain resilient. Hence, the Group welcomes responsible innovation and continues to explore the digital space to add value to our businesses.

ACKNOWLEDGMENTS

On behalf of the Board, I wish to take this opportunity to express our deepest gratitude to all of our stakeholders, including shareholders and customers for your unwavering trust during this challenging time. I would also like to extend my greatest appreciation to the management team for their tireless contribution as well as our employees for their continued commitment in achieving good results.

Last but not least, I also thank the regulatory authorities for their guidance and support and my fellow Board members for their trust and wisdom.

Shahman Azman
Chairman

Management
Discussion and Analysis

OUR BUSINESS

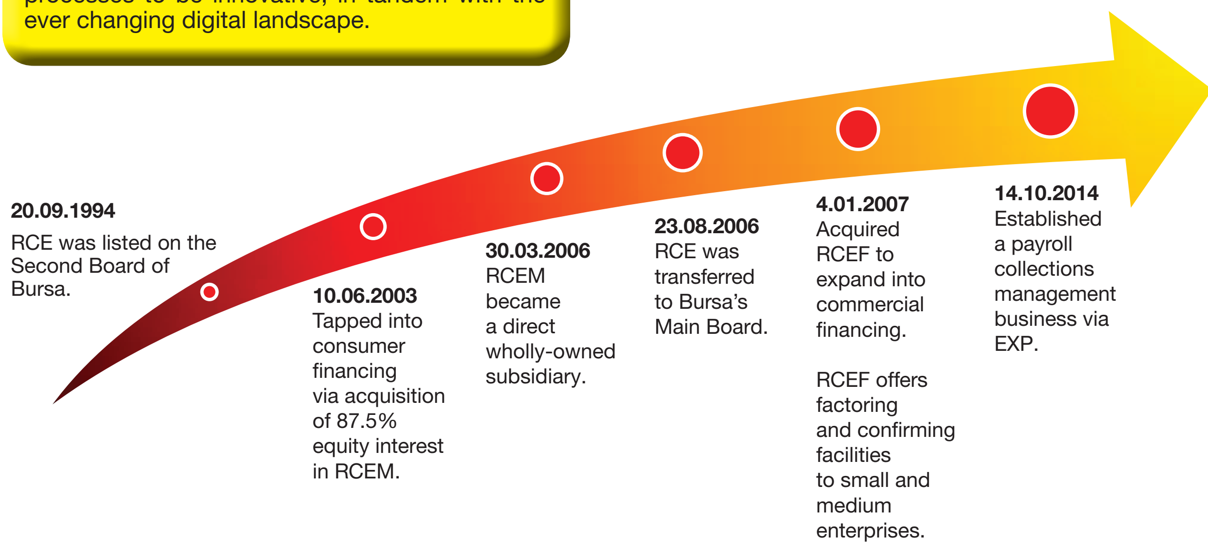
RCE Capital Berhad ("RCE") is a company listed in the Main Market of Bursa Malaysia Securities Berhad ("Bursa") since 2006 and a subsidiary of Amcorp Group Berhad. Our primary business is in the provision of financial services, with emphasis on responsible lending and delivery of sustainable return to our stakeholders supported by solid organisational infrastructure to facilitate our operational objectives.

OUR STRATEGY

We are committed to remain as a responsible lender, prioritising quality loans growth and good customer service as we continue expanding our business in the consumer financing space. Efficiencies in turnaround time, ethical sales distribution channel and risk-based pricing strategies are regularly monitored to remain sustainable in the competitive market. As a Group, we aim to refine our technologies and processes to be innovative, in tandem with the ever changing digital landscape.

Our core activities revolve around RCE Marketing Sdn Bhd ("RCEM") and its subsidiaries ("RCEM Group"), acting as financiers and total solution providers to our business partners, which focus on shariah-compliant lending to civil servants.

To complement our business, we have acquired RCE Factoring Sdn Bhd ("RCEF") and established EXP Payment Sdn Bhd ("EXP") to expand into commercial financing and payroll collections management back in 2007 and 2014 respectively.



SUMMARY OF GROUP FINANCIAL PERFORMANCE

For financial year ended ("FYE") 2019, RCE Group registered a higher revenue of RM262.6 million with a 6.8% Year-on-Year ("YoY") growth from RM245.9 million in FYE 2018. The growth was primarily contributed by RM234.3 million higher interest income, underpinned by expansion in quality consumer financing loans.

As at 31 March 2019, the loan base of the Group rose to RM1.7 billion, an increase of 5.2% from the previous FYE of RM1.6 billion, despite the challenging economic environment.

With the increase in borrowings to RM1.6 billion from RM1.3 billion, interest expense has increased from RM69.3 million to RM78.0 million a year ago. Notwithstanding that, the Group maintained the range of its average borrowing costs similar to that of FYE 2018.

The Group recently established a new Sukuk Murabahah Assets-Backed Securitisation Programme ("RM2.0 billion Sukuk Programme") via a special purpose bankruptcy remote vehicle, namely Zamarad Assets Berhad ("ZAB"). The first issuance of RM240.0 million with a weighted average profit rate ("WAPR") of 4.9% per annum was much lower than the WAPR of 5.4% per annum for Al Dzahab Assets Berhad's previous RM900.0 million Sukuk Programme, echoing the Group's continuous initiative in seeking lower financing products.

Issuance of ZAB Tranche 1 helped to lower average borrowing costs by approximately 10 basis points.

Non-core income of the Group for FYE 2019 totalled RM15.5 million, an increase of RM3.8 million or 32.2% from RM11.7 million, mainly arising from higher interest income earned from deposits with licensed financial institutions.

Revenue
RM262.6 mil
2018: RM245.9 mil

Gross Loan
RM1.7 bil
2018: RM1.6 bil

Loans Growth
5.2 %
2018: 8.0 %

Borrowings
RM1.6 bil
2018: RM1.3 bil

Management **Discussion and Analysis**

Our operating expenses increased from RM41.3 million to RM45.2 million in FYE 2019. This is largely driven by efforts taken to upgrade existing infrastructure, systems and processes, to strengthen regulatory and industry compliance. The Group's cost to income ratio ("CTI") increased marginally to 22.2% in FYE 2019 as compared to 21.6% a year ago.

As at 31 March 2019, gross impaired loans ratio increased to 7.4% as compared to FYE 2018 of 7.1%, taking into account the adoption of Malaysian Financial Reporting Standard ("MFRS") 9 with effect from 1 April 2018, replacing MFRS 139. Despite the changes in modelling from an incurred loss in MFRS 139 to an expected credit loss model in MFRS 9, loan loss coverage stood at 172.1% lower than the previous FYE of 178.0%, further demonstrating that asset quality is resilient and credit risk management policies are sound.

Overall, RCE Group achieved a higher profit before tax of RM131.1 million in FYE 2019, representing a solid increase of 11.7%, from RM117.4 million a year ago. Similarly, its profit after tax of RM95.5 million in FYE 2019, grew 7.7% from RM88.7 million in FYE 2018.

Given the improved financials, the Group's earnings per share increased to 28.02 sen for FYE 2019 as compared to 26.03 sen in FYE 2018.

Correspondingly, the modest growth generated a return on average equity of RM17.3%.

Cost To Income Ratio

22.2 %

2018: 21.6 %

Gross Impaired Loans

7.4 %

2018: 7.1 %

Loan Loss Coverage

172.1 %

2018: 178.0 %

Profit Before Tax

RM131.1 mil

2018: RM117.4 mil

Profit After Tax

RM95.5 mil

2018: RM88.7 mil

Earnings Per Share

28.02 sen

2018: 26.03 sen

Return On Average Equity

17.3 %

2018: 18.5 %

BUSINESS OPERATIONS REVIEW

Consumer Financing

Revenue for the current financial year grew by 7.0% from RM244.8 million in FYE 2018 to RM262.0 million in FYE 2019. Coupled with strict cost management, this segment's profit after tax rose to RM97.2 million, 7.7% higher than a year before.

Our pricing strategy is a culmination of various factors, both internal and external, with the objective to manage risks while keeping market demand and competition in mind. Expansion of quality loans portfolio remains a key objective, complemented by regular review of products, credit practices and credit scoring models to ensure we remain relevant and competitive in the prevailing market environment.

A robust credit scoring model is employed to assess a customer's risk level, complemented by due diligence credit practices to safeguard asset quality. Products are priced and designed for specific risk levels, with higher priced products for riskier customers.

While asset quality and product margin cater to returns, operationally, distribution channels and customer engagement are driven through a two-pronged approach. Implementation of a new Interactive Voice Response telephone system demonstrates our greater focus on improving customer experience, providing better interaction and communication.

At the same time, our Sales Team is enrolled in training programmes to upskill their professionalism as well as regulatory compliance. Ethical selling practices guided by our Code of Conduct are cultivated, with technological aid through our enhanced online platform for swift service delivery.

As we move forward, this segment will remain our core business and primary contributor to our top and bottom lines. Hence, we stay committed as a responsible lender, elevating our service level through speed, quality and customer service excellence with the aim of sustaining long-term growth.

Investment Holding, Management Services and Others ("IHMSO")

Our IHMSO segment reported RM0.6 million revenue in FYE 2019, RM0.5 million lower as compared to a year ago of RM1.1 million, mainly due to the Group's focus on recovery of non-performing loans.

Notwithstanding that, loss before tax has improved slightly from RM1.1 million a year ago to RM1.0 million this FYE mainly contributed by lower operating costs. In FYE 2019, loss after tax of RM1.7 million was higher as compared to RM1.6 million in FYE 2018 primarily due to higher non-deductibility of expenses.

The contribution of this segment to the Group's performance will remain marginal in the next FYE.

LIQUIDITY RISK MANAGEMENT

Liquidity risk management is of paramount importance to the Group, taking into consideration our short to long-term funding requirements.

The launch of RM2.0 billion Sukuk Programme provides the Group an avenue for continuous funding and another footprint into the debt capital market.

We constantly sourced for the cheapest funding and we use both fixed and floating rate funds to get the optimal funding mix at the lowest cost.

Group borrowings stood at RM1.6 billion, less than two times gearing as at 31 March 2019.

FYE	2019	2018
Borrowings (RM'bil)	1.6	1.3
Gearing Ratio (Times)	1.9	2.1

CAPITAL MANAGEMENT/INVESTMENTS

The Group's capital management is aimed to achieve a more efficient capital structure, without compromising stakeholders' value and expectation. This is driven by our business objective and risk appetite, complemented by regulatory compliances.

The Group continued to sustain its financial performance with shareholders' equity as follows:

FYE	2019	2018
Shareholders' Equity (RM'mil)	583.5	519.3

Within a dynamic and fast-paced environment, there is an ever present risk for every entity who does not continuously update or innovate to become obsolete. With that in mind, a further RM1.4 million was invested in the current financial year for upgrading of existing technologies and process simplification initiatives.

Management
Discussion and Analysis

OUR PEOPLE

Human resource remains a key asset within any organisation and talent management will always be an essential factor to the future growth of an organisation. We continue building employees' competencies through our robust talent management and development programmes, pushing them to maximise their potential, staying agile, driving positive change and increasing awareness towards the importance of risk management in today's evolving digitalisation environment.

We are not immuned to the risks and challenges faced by many other organisations in regards to talent management. As such, the Group has increased its focus in employees' key performance by:

- implementing executive coaching;
- conducting leadership programmes;
- enhancing leave benefits and perks; and
- upskilling exercising for expansion of employees' capabilities.

Policies and initiatives are regularly updated with our employees to develop valuable partnerships.

Please refer to pages 27 to 28 of our Sustainability Statement for a detailed discussion on employment management and development.

DIVIDEND

Taking into consideration our stable earnings and availability of sustainable funding programme for the next few years, capital previously allocated for business growth could now be redistributed to shareholders. Hence, the Board is proposing a higher final single-tier dividend payment of 5.0 sen per share for FYE 2019 which is subject to the shareholders' approval at the 65th Annual General Meeting.

Together with the interim single-tier dividend of 4.0 sen per share paid on 13 December 2018, the total dividend payment for FYE 2019 is 9.0 sen per share, 2.0 sen higher as compared to 7.0 sen a year ago. This translates to a dividend payout ratio of approximately 32.1% for FYE 2019 as compared to 27.0% a year ago, which is in line with our dividend guidance within 20.0% to 40.0% of profit after tax adopted from FYE 2019 onwards.

Bearing business sentiments and moderating loans growth arising from an expanding portfolio in mind, we aim to optimise our capital structure and strive to strike a balance between retaining funds for business growth and achieving a healthy return on equity.

OUTLOOK FOR 2019/FYE 2020

The global economy is expected to expand moderately with slower growth in both advanced and emerging market economies. Against this challenging backdrop, Bank Negara Malaysia expects Malaysia's economy to grow moderately between 4.3% to 4.8% (2018: 4.7%) while headline inflation is forecasted to remain stable averaging between 0.7% to 1.7% in 2019 (2018: 1.0%).

As Malaysia is progressing towards a digital economy, we continue embracing technology to streamline our operations, distribution channel and risk management infrastructure, improving operational efficiencies and customer experience.

Last but not least, we will stay vigilant to deliver long-term sustainable growth by aligning our strategy with the principles of environment, social and governance across all entities.

Sustainability **Statement**

SCOPE OF REPORTING

This report has been prepared in accordance with the Main Market Listing Requirements on Sustainability Reporting guided by Bursa Malaysia Securities Berhad's ("Bursa") Sustainability Reporting Guide. All data disclosed in this report covers the operation of all our active entities as presented in the corporate structure in page 3 for the financial year ended ("FYE") 31 March 2019. A majority of RCE Capital Berhad's ("RCE") Economic, Environmental and Social ("EES") impact is contributed by our consumer financing segment as the core of our business operations.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Board of Directors ("the Board") oversees and governs the sustainability matter of RCE and its subsidiaries ("the Group"), supported by the Sustainability Management Committee ("SMART") who provides advice and recommendations to the Board on sustainability related matters. SMART, assisted by a Sustainability Working Committee and chaired by Encik Shahman Azman is also responsible for the administration of our sustainability efforts from identification, management and assessment of EES risks, implementation of sustainability policies and/or initiatives within our Group as well as preparation of the sustainability report guided by Bursa's Main Market Listing Requirements on Sustainable Reporting.

BOARD OF DIRECTORS

SUSTAINABILITY MANAGEMENT COMMITTEE

SUSTAINABILITY WORKING COMMITTEE

EES impacts are taken into account in our decision-making process as we recognise the significance of good sustainability practices to our organisation and stakeholders. To demonstrate our efforts to this end, the Board is pleased to present the Group's Sustainability Report for FYE 31 March 2019.

STAKEHOLDER ENGAGEMENT

We have identified nine stakeholders which are affected by and influence our business:

- Business partners
- Investors and analysts
- Financiers
- Sales team
- Employees
- Government and regulators
- Customers
- Suppliers
- Community

Various engagement channels and tools have been used to connect with our stakeholders, through the primary methods as presented below:

Business Partners

- Formal and informal meetings
- Briefings

Investors & Analysts

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

Financiers

- Formal and informal meetings
- Financial statements

Sales Team

- Formal and informal meetings
- Product briefings
- Training and development programmes

Employees

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

Government & Regulators

- Disclosure and submission of information and compliance
- Training/briefing by regulators
- Website/media

Customers

- Customer service online enquiries
- Over-the-counter customer service

Suppliers

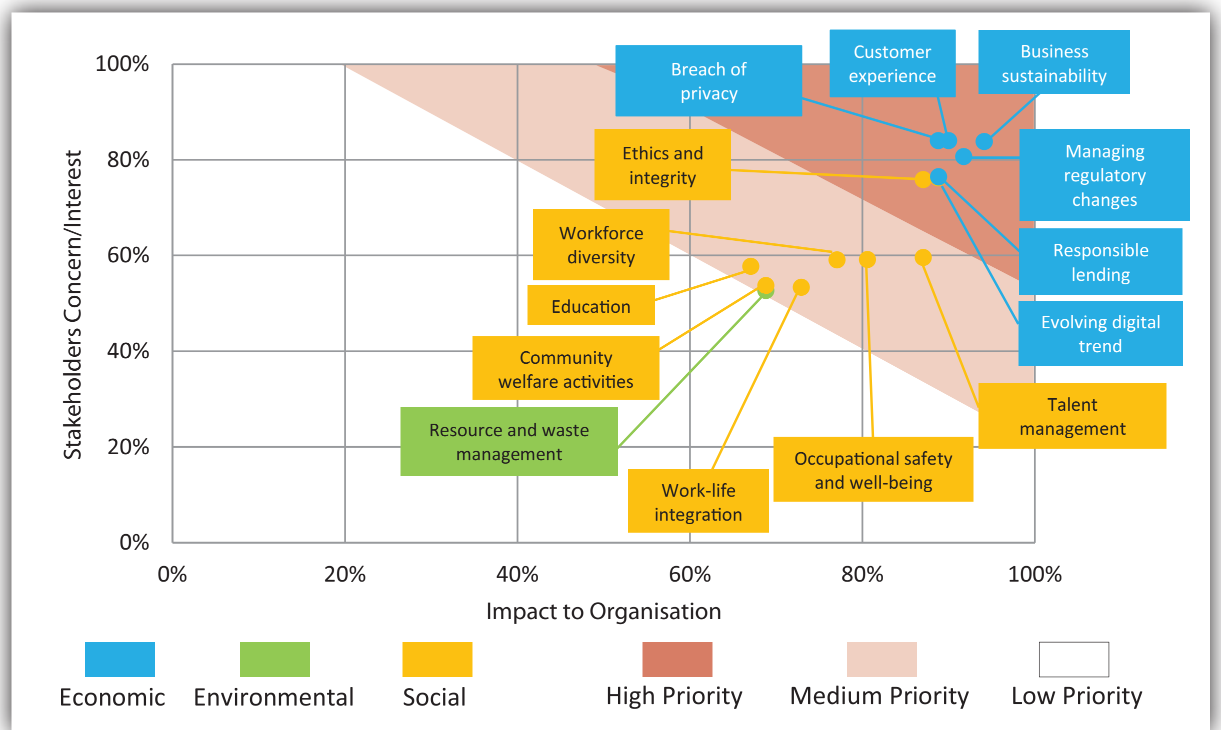
- Communication and transactions
- Meetings

Community

- Community investment and contributions
- Corporate social responsibility activities

MATERIALITY MATRIX

The materiality matrix is a tool used to assess the importance of material sustainability issues to us and our stakeholders. A focus group with representatives from both internal and external stakeholder groups was invited to review our organisation's material sustainability issues as well as identify new EES matters that may impact the business. Participants were given the list of compiled sustainability issues and were tasked to assess them based on the needs of the stakeholders and their materiality to the business. Findings were mapped into the materiality matrix developed by Bursa in the Sustainability Reporting Guide and Toolkits and the materiality issues were prioritised based on their significance.



The identified issues are significant factors that influence the Group's business risk and therefore, managed as reasonably practicable in minimising the impact of these identified findings to the Group as a whole. For the purposes of discussion, our material sustainability issues are grouped as follows:

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

MATERIAL SUSTAINABILITY ISSUES

A. Economic

i. Corporate Strategy

Our strategy as a Group revolves around the provision of sustainable financial services as a responsible lender, contributing positively to the financial system that makes the exchange of funds from lenders to borrowers possible. To that end, the interest of various stakeholders are considered during decision making, from business model and capital structure decisions for business sustainability to prudent and sound lending consistent with Bank Negara Malaysia's ("BNM") guidelines.

Business Sustainability

In addition to financing foundations and/or cooperatives who ultimately provide consumer financing facilities to civil servants, we also act as a total solutions provider delivering services including marketing channel management, application processing and collections management. Our comprehensive services afford us a position to offer added value to our clients while simultaneously present us with greater insight of their operational and financial health.

To safeguard our revenue stream and ensure disruption in collections are mitigated, collections are done via the engagement of two collections management service providers to conduct direct salary deductions and reinforce the resilience of our collections system. The collections management providers include EXP Payment Sdn Bhd, our internal subsidiary, and Biro Perkhidmatan Angkasa which offers services through ANGKASA Salary Deduction System.

We continue to manage our gearing ratio as we pursue a more efficient debt capital structure and achieve a balance between reasonable debt levels, cheaper cost of funding, effective asset-liability management and ultimately creating value for shareholders.

Our asset-liability management seeks to better match our borrowings, which comprises short-term and long-term borrowings against our loans and receivables, which are primarily long-term in nature. This was addressed by our funding programmes, which serves as a tool to manage our liquidity, translating into a better net current asset position of RM73.5 million from RM24.1 million a year ago.

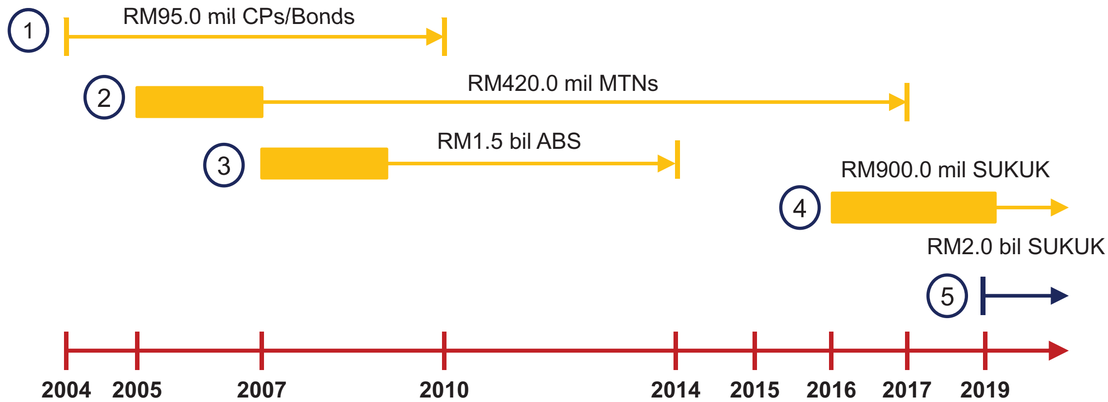
Our existing funding programme, Sukuk Murabahah Asset-Backed Securitisation Programme of up to RM900.0 million, has been fully issued during the last financial year with RM770.0 million subscribed by external parties and the remaining RM130.0 million by our subsidiary, RCE Trading Sdn Bhd ("RCET").

Subsequently, we have secured another new funding programme via our RM2.0 billion Sukuk Murabahah Asset-Backed Securitisation Programme ("RM2.0 billion Sukuk Programme"), with our first tranche amounting to RM265.0 million being issued on 27 March 2019 out of which RM25.0 million was subsequently subscribed by RCET. The RM2.0 billion Sukuk Programme marks our fifth venture into the debt capital market.

We are committed to honour all our debt obligations with a track record of full redemption of our previous funding programmes as we actively explore new avenues for more efficient financing costs.

Business Sustainability (Cont'd)

DEBT CAPITAL MARKET FUNDING



1. RCE Premier	2. RCE Advance	3. Tresor Assets	4. Al Dzahab Assets	5. Zamarad Assets
RM95.0 mil CPs/Bonds	**RM420.0 mil MTNs**	**RM1.5 bil ABS**	**RM900.0 mil SUKUK**	**RM2.0 bil SUKUK**
MARC: A	MARC: A+	RAM: AAA	RAM: AAA & AA1	RAM: AAA & AA2
October 2004	*December 2005*	*November 2007*	*March 2016*	*March 2019*
Fully Redeemed October 2010	**Fully Redeemed** March 2017	**Fully Early Redeemed** September 2014	**Fully Issued** March 2018	**1st Issuance**
6.31% - 8.56%	7.81%	6.47%	5.51%	*5.00%*

Note: The above rates represent all-in cost.

CP = *Commercial Paper*
MTN = *Medium Term Note*
MARC = *Malaysian Rating Corporation Berhad*
RAM = *RAM Holdings Berhad*

With regards to business operations, each of our internal department reviews the potential risks and threats we face through a control self-assessment exercise carried out on a half-yearly basis to evaluate the effectiveness of the controls that mitigate or minimise the identified risks and threats faced by the Group to an acceptable level. Appropriate measures will be taken by the departments responsible to update or enhance the relevant controls and processes whenever highlighted by our Compliance, Operations and Methods ("COM") team.

Whilst the established processes and procedures support on-going business operations, we recognise that a contingency plan to safeguard our operations during times of emergency is equally critical.

Our Business Continuity Management ("BCM") efforts attempt to identify and prepare for unfavourable events as well as implement safeguards and best practices for dealing with business disruptions from within or outside of our Group.

Business Continuity Management Components

- Standard operating procedures/policies defining scope and reach of BCM
- BCM Incident and Recovery Management Team to spearhead BCM processes before, during and after crisis periods
- Key designated personnel in each business unit responsible for enacting BCM procedures
- Risk evaluation and business impact analysis on affected business unit(s)
- Business continuity plan for conducting operations during disruptions
- Business continuity site for conducting operations in the event our physical premises are compromised
- Periodical drills and testing of business continuity plans, including penetration tests to assess system security and take remedial actions to address security weaknesses identified

In addition, reinforcement of cyber security defences is actively managed by adopting prevention, combating and detection of potential cyber-hacks to ensure that cybercrime prevention practices remain a step ahead.

Responsible Lending

Our stance on responsible lending is the provision of quality financing delivered in a timely manner in the moment of need while remaining mindful of the welfare of stakeholders with an interest in the business. Responsible lending is the bedrock of the Group. Its principles embedded in our daily operations to generate value for customers. The onus falls upon us as a financial solutions provider to facilitate funding of worthy causes and responsible individuals while mitigating the adverse impacts of default at an economic level.

The creditworthiness of potential customers are assessed by our credit evaluation team supported by a robust credit scoring model to determine their financial stability and repayment capabilities. Successfully screened customers are then offered financing products based on their credit profile with product features communicated clearly to customers by our credit specialist in the customer interview process. Customers may reject the offer at any point in time before the financing is disbursed and their unambiguous acceptance of the offer must be obtained before the transaction can be completed.

Whilst customers may be eligible and capable to service their financial obligations at the point of application, we understand that some customers may later face challenges and appreciate some form of support in servicing their facilities. Proactive actions are also taken to pre-emptively contact customers with preliminary symptoms of negative payment behaviour, which are monitored on a monthly basis.

As a culmination of all our efforts, we commit to continue serving the niche market as a responsible lender guided by the guidelines and policies as set out by BNM.

ii. Managing Regulatory Changes

Cognisant with the impact of increased regulatory risk as a result of operating within an ever evolving regulatory environment, we recognise the importance of change and adaptability in order to remain aligned with our nation's aspirations and ensure regulatory compliance.

We actively engage with regulators through forums, trainings or direct enquiries to ensure we comply with the latest regulatory requirements. External trainers/professionals are also engaged to train internal employees and keep them updated on the latest regulations.

Internally, we regularly review and enhance our policies and procedures and continuously improve corporate governance practices to mitigate, or minimise the risks of legal or regulatory sanctions imposed on the Group. Our COM team conducts periodic checks to ensure regulatory compliance as well as provides advice to ensure risk mitigators remain relevant and effective. COM also provides timely updates on the United Nation Consolidated List and Ministry of Home Affair's Specified Entity List as well as ensuring punctual submission to the Registrar of Unclaimed Money by 31 March every year.

Arising from our efforts, the claims or incidents of non-compliance against our Group are immaterial and are summarised as below:

FYE 31 March	2019	2018	2017
Claims or incidents of non-compliance (RM)	598	5	300

iii. Evolving Digital Trend

Today's global society has advanced to the point where consumers have become increasingly immersed in what the digital world has to offer. New technologies and business models have sprung up since the last decade specifically to cater for the greater demand and higher users' expectations on services, leading to creative disruption of the prevalently established norms of existing businesses.

We realise the importance of keeping up with the progress of this digital trend in order to remain competent in the market and have invested RM1.4 million in the past financial year for technological enhancements to incorporate innovative technologies into our business processes.

Internal processes and systems have been streamlined for a leaner operational process flow as technology is applied in tandem with our process simplification initiatives. Our online application platform was enhanced as we move towards a system capable of live data update, improving our process chain information flow and meeting if not exceeding regulatory compliance requirements.

Investments are also allocated to enhance customer engagement experience as we seek to implement better interactive voice response and call centre technology, increasing the efficiency of each customer enquiry and optimising our customer service resources.

Moving forward, the digital landscape will only continue to evolve further, as the world continues to embrace Industry 4.0. As a Group, we will continue exploring for new opportunities to enhance our processes and adopt more innovative technologies to remain relevant in a dynamic environment.

iv. Customer Experience

Within the current digitalisation environment, customer satisfaction is vital for the sustainability of a business and remains a key consideration as customers have higher expectation for quality of services delivered. Customer feedbacks are taken seriously as we constantly seek to streamline processes and improve their experience.

In FYE 2019, we continue to monitor and improve customer experience by focusing on customer engagement and service delivery. Potential customers may contact us directly via phone or email for enquiries or alternatively, opt for a facilitated application service through our Sales Team who will actively provide guidance and advice on their application journey. To that end, we initiated a new measure during the financial year to attend all customer enquiries within the same day from the date of receipt in our efforts to better serve our customers.

We strive to build lasting positive impressions on our customers to sustain a meaningful long-term relationship. Investments have been made to gradually digitise front-end processes to increase the effectiveness and efficiency of our customer service resources. Despite that, face-to-face engagement channels will still be maintained for customers who prefer human interaction.

v. Breach of Privacy

As an entity collecting personal information in the provision of our services, we try our utmost to mitigate the risk of breaching customer privacy arising from cyber attacks. We place great importance in protecting customer privacy which is crucial to build customer confidence towards the Group. Our Privacy Notice, publicly accessible online at https://www.rce.com.my, describes how the Group collects, uses, retains and discloses personal information in compliance with Personal Data Protection Act 2010 ("PDPA") requirements.

All new employees are briefed on PDPA requirements as part of our on-boarding programme to raise awareness on the importance of customer data privacy. We have in place an information security policy to limit user access, keeping private and confidential information on a need to know basis sufficient for employees to discharge their duty. Our backup policy also requires any backup media to be completely reformatted and destroyed before they are disposed to prevent misuse by any immoral parties. An information security incident response plan is also established to manage any security incidents.

Employees are also required to comply with the procedures outlined in our IT policy handbook which provides guidance on good security practices in password management and handling of information or equipment. In collaborating with third party vendors, non-disclosure agreements are signed before any internal information including customer's personal data are provided.

We constantly enhance our data security infrastructure and software to safeguard all our customers' private and confidential details. Through the above initiatives, we strive to safeguard private and confidential data, ensuring that sensitive information is not misused for any unintended purposes, for which the Group's total spending on data security infrastructure in respect of the current and prior financial years are set out in the table below:

FYE 31 March	2019	2018	2017
Investment on data security infrastructure (RM'000)	327.4	99.6	174.1

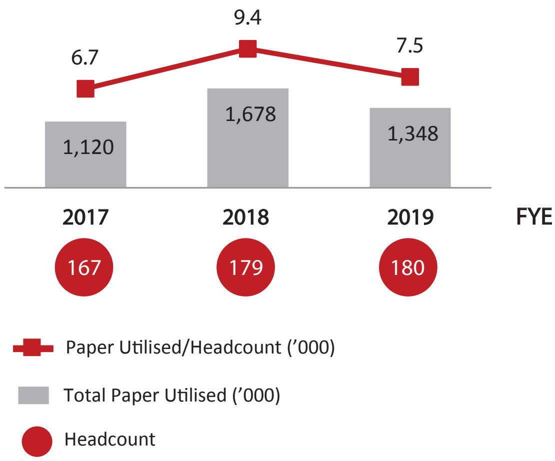
B. Environmental

i. Resource and Waste Management

Organisations are increasingly striving for more eco-friendly services and solutions as the awareness for environmental sustainability spreads worldwide. Green initiatives aligned to organisational objectives can positively impact the Group's bottom line while contributing to a more sustainable environment.

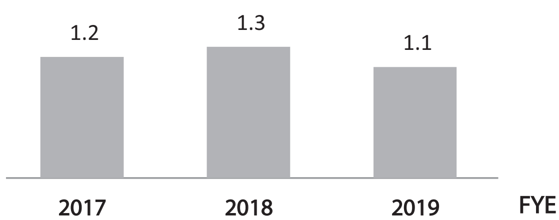
In FYE 2019, we have internally adopted a lock-print policy in order to mitigate paper wastage and encourage more effective printing practices. As a result, less paper was purchased during the financial year with 20.2% reduction observed in paper utilisation per headcount.

Paper Utilisation ('000 pieces)



We continue to explore for more energy efficient and cost-effective alternatives while encouraging our employees to adopt an environmentally friendly lifestyle. Our electricity consumption continues to remain manageable with a slight improvement to 1.1 kWh per square feet per month as compared to a year ago.

Monthly Electricity Consumption per sqft (kWh)



C. Social

i. Ethics and Integrity

At RCE, we hold the trust of our employees, customers, shareholders and communities as we strive to uphold our reputation with integrity and good governance. Ethics and integrity form the cornerstones of our value system, to act with responsibility and accountability, as contributing members of society.

Beginning with the Board governance, the Board Effectiveness Assessment exercise was initiated during the financial year with an independent external consultant to review the Board's effectiveness in discharging its key roles and enablers that facilitate the fulfilment of its responsibilities. Meanwhile, we also expect our employees to adhere to our values, principles, standards and norms of ethical behaviour as outlined in our Employee Handbook. In maintaining the high level of ethics and integrity, the Employee Handbook is available on the Group's intranet for easy access of all internal stakeholders and subject to regular reviews and updates.

Apart from that, we advocate corporate ethics and integrity to ensure customers' best interests are protected by honouring what we have promised, meeting obligations and expectations of our stakeholders. Trainings are organised for internal staff to ensure they adhere to and adopt our shared mission and values.

Our Sales Team is guided by a Code of Conduct outlining encouraged sales behaviour, prohibitions on malpractices and the values and principles adopted by the Group. A variety of trainings are also sourced and provided to our Sales Team as personal integrity, code of ethics and character development.

ii. Employment Management and Development

As a Group, we embrace equal opportunities to all individuals for recruitment, promotion, internal transfer or learning and development opportunities. Effective standard operating policies and procedures, defined levels of authority and proper guidelines for recruitment, promotion or termination of staff are established to ensure our human resources comply to internal control requirements, laws and regulations. These policies, procedures and guidelines are subject to regular reviews and communicated to all employees.

We are also committed to support the provision of living wage in compliance with the Minimum Wage Order 2016 for our employees. Cost of living allowance in the form of parking allowance are offered to all confirmed employees in addition to their basic salaries.

The theme of our employment management and development revolves around four key areas as follows:

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

Talent Management

In RCE, we believe continuous learning and development are required to help our employees realise their full potential. To ensure our employees continue thriving in this competitive environment, we have robust talent management and development programmes that can support the growth of leaders with distinctive qualities, skills and competencies. A variety of internal and external training programmes are engaged in accordance to our needs to upskill our employees, covering regulatory compliance, leadership, ethics and technical skills.

Meanwhile, various training and development programmes are also provided to our Sales Team to enhance their knowledge and skill level. The percentages of Sales Team who attended the trainings during the 3 financial years are presented as below:

FYE 31 March	2019	2018	2017
Training participation rate of Sales Team (%)	92.7	79.4	83.0

Our talent management framework mainly focuses on building a sustainable talent pool by continuously attracting, developing and retaining the right talent.

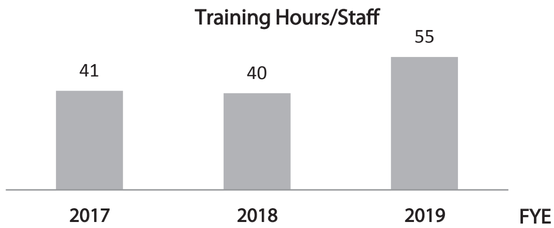
Recruitment

- Attract talent via the Group's website, media advertisements, recruitment agencies or internal employee recommendations.
- Recruitment and selection process are conducted in a fair, equitable and non-discriminatory manner.

Development

- Employee on-boarding and orientation are held to get newcomers accustomed to their new environment.
- Colleagues are encouraged to guide newcomers with on-the-job training.
- Employees are kept up to date with new regulations and latest market developments with numerous learning and development opportunities through the engagement of both internal and external trainers.
- Knowledge sharing by employees who had attended training is encouraged besides providing a soft copy of the training materials to all participants of the training, including absentees.
- RM331,962 invested in talent management and leadership programmes during the financial year. Total training hours attended by all employees for the financial year is 9,840 hours averaging 55 hours per employee.

FYE 31 March	2019	2018	2017
No. of training	115	95	63
Training costs (RM'000)	332.0	230.8	258.7



Retention

- Basic remuneration scheme includes a competitive base salary with performance driven reward packages to incentivise performance.
- Remuneration and benefits include Employees' Share Scheme, Loan Interest Subsidy, Cost of Living Allowance, Children Education Achievement Incentive, Perfect Attendance Scheme, Unutilised Medical Benefits and Long Service Award.
- Regular performance appraisals for all employees to assess abilities and identify areas for improvement.
- High-performance culture is advocated with a staff coaching programme and by rewarding high performers.
- Employee retention, including high performer retention, is closely monitored to better design and implement more effective talent recruitment and retention initiatives. The overall turnover rate for FYE 2019 is still within the acceptable range as follows:

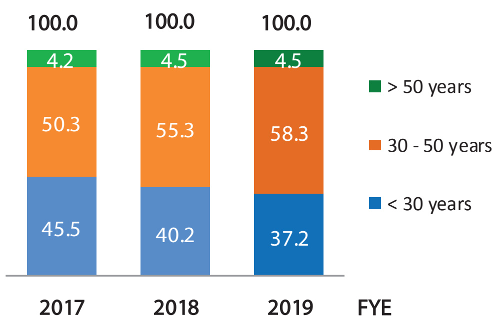
FYE 31 March	2019	2018	2017
Overall turnover rate (%)	18.1	13.8	17.9

Workforce Diversity

We are committed to build a more diverse, inclusive and balanced working environment and corporate culture as far as is reasonably practicable. However, prospects for individuals with potential will not be compromised merely for the sake of workforce diversity. Steadfast on our stand to provide equal opportunities to all existing and new employees, performing individuals with the drive to continuously improve will be rewarded. A workplace with a diverse workforce and performance reward structure fosters greater innovation, creativity and exposure, ultimately benefitting the organisation as a whole, which is evidenced from the diverse gender mix and age group within our Group.

Gender Mix
30.0% Men vs 70.0% Women

Age Group
%



Work-life Integration

We recognise that a positive work environment is essential to maintain the productivity and motivation of its employees. In order to create a platform to improve interdepartmental relations, employee health and work-life harmony, weekly sports activities such as yoga, badminton and zumba sessions are organised for interested employees. Monthly birthday celebrations are also held to share a joyous occasion with colleagues and friends, as part of our family.

Additionally, our recreation programmes, some of which were conducted through the engagement of external service providers, have garnered overwhelming positive response from our employees, appealing to their creativity, interests and hobbies while teaching them new skills.

The activities conducted throughout the current financial year include:

- Beginning Year Dinner;
- Badminton Tournament;
- Durian Festival;
- Bowling Tournament;
- Terrarium Workshop – Frozen Tree;
- Cooking Challenge;
- Batik Painting Workshop;
- Glass Painting Workshop;
- Movie Night; and
- Crochet Workshop.

FYE 31 March	2019	2018	2017
Participation rate (%)	80.6	74.5	86.1

Staff participating in batik painting workshop.

Group photo of our terrarium workshop for staff.

Occupational Safety and Well-being

Within the Group, it is everyone's responsibility to maintain a safe and healthy work environment free from any type of danger or harassment as aligned with our Occupational Safety and Health Policy. The policy sets out the responsibilities of the organisation and employees to provide and maintain a safe and healthy working environment. We believe that through consultations, cooperations and action, both the employer and employees have a joint responsibility in striving towards this goal.

During the financial year, we encouraged employees to make changes towards a healthier lifestyle. Various initiatives were organised to increase awareness on Occupational Safety and Health Administration ("OSHA") and comply with regulatory requirements such as:

- Establishment of OSHA Committee;
- First Aid and Cardiopulmonary Resuscitation ("CPR") Courses;
- Annual Flu Vaccination;
- Men's and Women's Health;
- Stress Management Technique;
- Two Months Weight Management Challenge; and
- "Fruity Tuesday" where fresh fruits are distributed to employees every Tuesday.

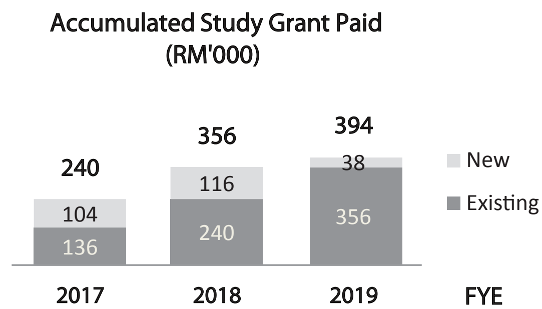
iii. Community Investment

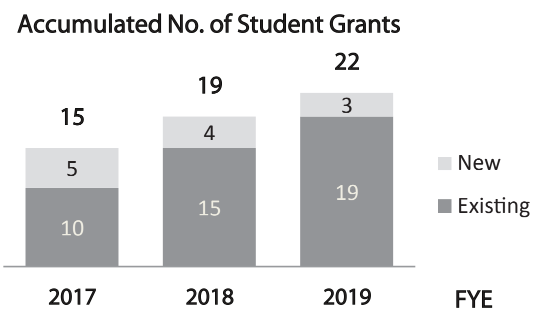
As a responsible corporate citizen, we continue practising corporate social responsibility ("CSR") activities to give back to society and improve community welfare. Our contributions for our community investment activities include our patronage for education through the provision of study grants as well as other community welfare activities.

Education

We believe that sound education paves the way for an individual's future success and is crucial for a country's social and economic development. It is with this spirit in mind that we, as a Group, financially support the education of deserving students through the extension of study grants.

During FYE 2019, the study grant has been awarded to three new students who have received their first payment. Together in collaboration with Yayasan Azman Hashim, a non-profit charitable institution headed by Tan Sri Azman Hashim, we have given back more than RM360,000 to a total of 22 capable students since 2013 with a focus on empowering education and enhancing communities.





Mr. Soo Kim Wai (second from left) and Encik Shahman Azman (second from right) with Amcorp Study Grant recipients.

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

Community Welfare Activities

Besides our initiatives to support education, we have also provided contributions in cash and in kind to support various charitable causes and voluntary contributions as part of our CSR activities.

We have continued our partnership with the National Kidney Foundation ("NKF") to provide health screenings for the 12th consecutive year, with the aim to increase the health consciousness of the public to kidney diseases, as well as promoting a healthier environment and society. Our employees helped to coordinate the time and venue for the health screenings as well as volunteering during the event.

In an attempt to brighten the lives of underprivileged children, we have organised a movie outing for 43 orphans and 9 of their guardians from Yayasan Chow Kit, offering them an enjoyable experience. Our employees also assisted to organise a sumptuous meal and school supplies to the orphans as a modest support to their welfare.

Monetary donations were also made to Pertubuhan Kebajikan & Pendidikan Nur Kasih Selangor to facilitate non-government organisations providing charities and welfare activities for charitable causes. These encapsulate the Group's efforts in encouraging its employees to reach out and give back to the community.

Employees movie outing together with the children and guardians from Yayasan Chow Kit.

Corporate Governance
Overview Statement

The Board of Directors of RCE Capital Berhad ("RCE" or "the Company") recognises the importance of safeguarding and promoting the interests of shareholders. The Board remains committed to 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 2019. The overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 ("Code").

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

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

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

The Board's principal focus is the overall strategic direction, development and control of the Group. In support of this focus, the Board maps out and reviews the Group's medium and long term strategic plans on an annual basis, so as to align the Group's business directions and goals with the prevailing economic and market conditions. It also reviews Management's performance and ensures that necessary financial and human resources are available to meet the Group's objectives. The Board's other main duties include regular oversight of the Group's business performance, and ensuring that the internal controls and risk management processes of the Group are well in place and are implemented consistently to safeguard the assets of the Group. The Board also remains cognisant of the need for sustainable practices to manage the economic, environmental and social impact to address the long-term interest of the stakeholders.

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

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

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

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

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

The Board meets at least four (4) times annually with additional meetings convened as and when deemed necessary. During the financial year, the Board met four (4) times where it deliberated and considered a variety of matters including the Group's financial results, budget and strategy, corporate proposals and strategic issues that affect the Group's business operations.

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

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

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

Name of Directors	No. of Meetings Attended
Shahman Azman	4/4
Datuk Mohamed Azmi bin Mahmood	3/4
Tan Bun Poo	4/4
Mahadzir bin Azizan	4/4
Soo Kim Wai	4/4
Shalina Azman	4/4
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan* *(Resigned on 16 April 2018)*	0/0
Dato' Che Md Nawawi bin Ismail* *(Resigned on 16 April 2018)*	0/0

Note:
* *Resigned prior to the first meeting held for the financial year*

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.

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

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

- **Audit Committee**

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

- **Nomination & Remuneration Committee**

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

  - reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
  - reviewed and assessed the performance of each individual Director, the independence of the Independent Directors, and the effectiveness of the Board and the Board Committees;
  - reviewed the Directors who are due for re-election at the Company's 64th Annual General Meeting ("AGM") to determine whether or not to recommend their re-election;
  - reviewed and evaluated the performance and recommended the remuneration package of the CEO;
  - reviewed the performance of the Audit Committee and each of its members;
  - reviewed the training courses attended by the Directors and assessed their training needs;
  - reviewed and recommended the remuneration of Non-Executive Directors;
  - reviewed and recommended the adoption of remuneration policy for Directors and CEO;
  - reviewed and recommended the Directors' fees for the financial year ended 31 March 2018;
  - reviewed and recommended the revision of Chairman's allowance;
  - reviewed and recommended the adoption of the revised Terms of Reference of the N&R Committee; and
  - reviewed, assessed and recommended the appointment of Datuk Mohamed Azmi bin Mahmood as Chairman of the N&R Committee and member of the Audit Committee.

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

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

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

- **Sustainability Management Committee**

  The Sustainability Management Committee was established to assist the Board in administering and overseeing the development and implementation of the Group's sustainability strategies.

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

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

During the financial year, the Board approved the revisions to the Board Charter, the Directors' Code of Conduct and Ethics and the Terms of Reference of the Audit Committee and N&R Committee to be in line with the corporate governance standards as set out in the Code.

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

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

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

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

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

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	Grosvenor Asia Pacific Breakfast Seminar
	Post Budget 2019 Review Seminar
	Breakfast Series: Companies of the Future - The Role for Boards
	Breakfast Series: Non-Financials - Does it Matter?
	Renewable Energy in Malaysia + Opportunities for Norwegian Companies
	AON Insurance Programmes
	Digital Innovation Conference: Working with Tomorrow's Technology Today
Datuk Mohamed Azmi bin Mahmood	Tax Workshop - Capital Statement
	The Rising Voice of Compliance towards Greater Governance and Transparency
	Breakfast Series: Non-Financials - Does it Matter?
Tan Bun Poo	Defining the Digital Bank/Blockchain and the Impact to Financial Services
	Financial Instruments Updates - An Analysis of MFRS (2014) Version
	MFRS 9 Expected Loss Model
	Power Talks - Effective Boards in VUCA World
	Budget 2019 - Doing Business in Malaysia
Mahadzir bin Azizan	Tax Workshop - Capital Statement
	Anti-Money Laundering, Terrorism Financing & Proliferation Financing
	Cyber Risk Awareness
	Post Budget 2019 Review Seminar
	Compliance Management Strategy During Conflict of Interest
	Combating Money Laundering and Fraud in a Digital Economy
	Cryptocurrency & Its Implications on Money Laundering Activities
Soo Kim Wai	Technology Update - Increase your competitive edge through Digital Transformation - Discover world's leading software platform for digital assets - Blockchain
	In Conversation with Stephen Hagger - Malaysia's Politics and Landscape
	Mid-Year Outlook 2018
	Creating and Preserving Your Wealth with Bank of Singapore
	Tax Workshop - Capital Statement
	Winner and Losers: Asian equities amidst trade tensions and tariffs
	Technology Update - An audience with Fintech Thought Leader, Chris Skinner - AmDigital Strategy

Director	Course Attended
Soo Kim Wai (Cont'd)	MIA International Accountants Conference 2018
	Grosvenor Asia Pacific Breakfast Seminar
	Post Budget 2019 Review Seminar
	BCBS 239, Data Governance & Risk - Finance Alignment
	Dialogue with IRB - Special Voluntary Disclosure Programme
	JP Morgan Outlook 2019
	New Investment Alternatives
	Reading the Signs: The next financial crisis and potential impact on Asia
	Manager Spotlight Series: Deciphering the Digital Revolution
Shalina Azman	Key Amendments to Listing Requirements
	Business Transformation using Capital Management Strategies
	Certificate in Corporate Governance
	Post Budget 2019 Review Seminar
	Ring the Bell for Gender Equality - Empower Women for Sustainable Results

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 adopted a 12-year tenure policy for its Independent Directors, to limit the tenure of the Independent Directors to twelve (12) years. In accordance with this policy, the Board had been refreshed where the two (2) long-serving Independent Directors, namely Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan and Dato' Che Md Nawawi bin Ismail had stepped down from the Board in April 2018.

As at the date of this Statement, the Board comprised six (6) members, entirely of Non-Executive Directors, of whom three (3) are Non-Independent Directors (including the Chairman) and three (3) are Independent Directors. The structure of the Board ensures that no single Director is dominant in the decision-making process. The present composition is in compliance with paragraph 15.02 of the Listing Requirements and the Code. A brief profile of each Director is set out in the Profile of Directors section of this Annual Report.

The 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.

In this regards, the Board through its N&R Committee reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual Directors.

During the financial year, the Board engaged an independent external consultant, namely Deloitte Risk Advisory Sdn Bhd to facilitate its Board Effectiveness Assessment exercise for the financial year ended 31 March 2019. The Board Effectiveness Assessment was undertaken by way of peer-to-peer and self-review assessments as well as one-to-one interview sessions between the representatives of the independent external consultant and the Directors and CEO.

The assessment also covers:

- review of the Board Charter and the terms of reference of the Board Committees;
- review of the minutes of the Board and Board Committees meetings held during the period under review;
- review the relevant documentation and information deemed necessary in facilitating the assessment; and
- surveys via questionnaires with all Board members and CEO.

The Board Effectiveness Assessment covers a broad spectrum of governance attributes encompassing strategy innovation, board and leadership succession, performance evaluation, stakeholder engagement, board oversight, processes, talent, learning, technology, leadership culture, risk and value drivers, compliance, accounting, financial reporting and taxation.

Based on the assessment, the Board concluded that the Board as a whole and its Committees have been effective in discharging their oversight responsibilities during the financial year. Premised on the outcome of the evaluations, the Board also agreed that the current composition of the Board is appropriate, taking into account the current mix of skills, experience and core competencies in the Board composition and given the Group's businesses and the size of its business operations.

III. Appointment to the Board

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

IV. Remuneration

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

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

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

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

In May 2019, the Board approved the recommendation by the N&R Committee in respect of the Non-Executive Directors' fee, which will be put forth to the shareholders for approval at the 65th AGM in accordance with Section 230 of the Act.

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

The details of the Directors’ remuneration for the financial year ended 31 March 2019 are disclosed in the CG Report under Practice 7.1.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company comprises four (4) Non-Executive Directors, three (3) of whom are Independent Directors which is in compliance with the Listing Requirements of Bursa Securities.

The Audit Committee is chaired by Mr. Tan Bun Poo, an Independent Director who is not the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee’s findings and recommendations.

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

The performance of the Audit Committee and its members were evaluated as part of the Board’s annual assessment and based on the findings, the Board is satisfied that the Audit Committee has discharged its responsibilities effectively during the financial year.

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

II. Risk Management and Internal Control Framework

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

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

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

The Statement on Risk Management and Internal Control, which provides an overview of the management of risks and state of internal control within the Group, is set out on pages 43 to 45 of this Annual Report.

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

I. Communication with Stakeholders

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

Investor relation matters may be directed to the following person:

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

II. Conduct of General Meetings

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

Notice of the AGM, the Form of Proxy and the Annual Report were despatched to the shareholders at least 28 days before the 64th AGM. This allows shareholders sufficient time to make necessary arrangements to attend and participate in person or by proxies.

To ensure effective participation of and engagement with shareholders at the 64th AGM of the Company held on 6 September 2018, all members of the Board were present at the meeting to respond to the questions raised by the shareholders and proxies.

At the 64th AGM, Management also presented a comprehensive review of the Company's financial performance for the financial year and the Group's prospects and strategies. Shareholders were encouraged to participate in the question and answer session on the Group's operations and all resolutions proposed, and were given opportunities to communicate and give constructive feedbacks to the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Act to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year. The Directors consider that in preparing the financial statements, they have consistently used and applied the appropriate and relevant accounting policies and made judgements and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Group keep proper accounting records in accordance with the provisions of the Act to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

KEY FOCUS AREAS AND FUTURE PRIORITIES

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

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

This Statement is made in accordance with the resolution of the Board of Directors dated 28 May 2019.

Additional **Compliance Information**

1. Material Contracts

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

2. Employees' Share Scheme

The Employees' Share Scheme ("ESS") implemented on 31 December 2015 is the only share scheme of the Company in existence during the financial year ended 31 March 2019. 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 2019 are set out below:

Description	Number of Options	
	Grand Total	Directors and Chief Executive
Granted	34,282,000	1,700,000
Exercised	19,603,050	1,200,000
Cancelled	1,858,850	–
Outstanding	12,820,100	500,000

(b) Percentages of options applicable to Directors and senior management under the ESS during the financial year and since its commencement up to the financial year ended 31 March 2019 are set out below:

Directors and Senior Management	Percentage	
	During the financial year	Since commencement up to 31 March 2019
Aggregate maximum allocation	26.54%	22.45%
Actual options granted	26.54%	22.45%

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

3. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the external auditors and their affiliated companies or firms to the Company and the Group for the financial year ended 31 March 2019 are as follows:

Fees	Company RM	Group RM
Audit Fees Non-Audit Fees	70,000 21,500	289,871 376,141
Total	**91,500**	**666,012**

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

- Tax related matters;
- Reporting Accountants on Asset-Backed Securitisation Programme;
- Review of the Statement on Risk Management and Internal Control;
- Common Reporting Standards Advisory; and
- Tax opinion on Singapore income tax implications.

4. Utilisation of Proceeds

During the financial year, the net proceeds totaling RM240.0 million from the issuance of RM265.0 million out of a total of up to RM2.0 billion Sukuk Murabahah Asset-Backed Securitisation Programme ("RM2.0 billion Sukuk Programme") by Zamarad Assets Berhad backed by loans and receivables originated by RCE Marketing Sdn Bhd, a wholly-owned subsidiary of the Company, were utilised for:

Description	Total RM'000
Proceeds	240,000
Utilisation:	
(a) purchase consideration of the acquired islamic financing agreements	(229,085)
(b) minimum required profit balance under the finance service reserve account	(5,955)
(c) reimbursement of all expenses (including deposit paid into the trustee's reimbursement account)	(4,513)
(d) deposit into the revenue account	(447)
Balance as at 31 March 2019	**–**

5. Recurrent Related Party Transactions

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

Statement on Risk Management and Internal Control

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

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

The Board is pleased to disclose that:

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

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

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

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

RISK MANAGEMENT

The Group's Risk Management framework is outlined in the Group's Risk Management Policy. The Audit Committee shall assist the Board in evaluating the adequacy of the Group's Risk Management framework.

A Risk Management Committee comprising members of senior management monitors the risks faced by the Group and the Risk Management Committee reports to the Audit Committee. The Risk Management Committee is chaired by Encik Shahman Azman, who is the Non-Executive Chairman of RCE Capital Berhad.

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

A two pronged risk management approach is adopted where:

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

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

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

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

Statement on Risk Management **and Internal Control**

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

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

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

(a) Credit risk management;
(b) Sales Team conduct management;
(c) Malaysian Financial Reporting Standards 9 ("MFRS 9") adoption, reporting solution and maintenance;
(d) Information technology security risks; and
(e) Financial risks including liquidity risks.

The mitigating controls employed by the Group include:

(a) Stringent credit approval process as well as constant credit monitoring and analysis;
(b) Review the adequacy of Sales Team conduct management;
(c) Assessment of the state of readiness, backup plan and status update on MFRS 9;
(d) Conduct external and web application penetration testing, Red Team and phishing exercise; and
(e) Active cashflow and debt management including matching maturity profile of assets and liabilities.

INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

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

(a) There is an annual budgeting process for each area of business and approval of the annual budget by the Board.

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

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

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

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

Pursuant to paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Statutory Auditors have reviewed this statement for inclusion in the annual report of the Group for the financial year ended 31 March 2019. Their review is performed in accordance with Audit Assurance and Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants. The Statutory Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control for the Group.

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

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 28 May 2019.

Audit Committee **Report**

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of RCE Capital Berhad consists of:

Name	Designation	Directorship
Tan Bun Poo*	Chairman	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

Notes:
* *Mr. Tan Bun Poo and Mr. Soo Kim Wai are members of the Malaysian Institute of Accountants.*
# *Datuk Mohamed Azmi bin Mahmood was appointed as member of the Audit Committee on 7 May 2018.*

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2019, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:

Name	No. of Meetings Attended
Tan Bun Poo	4/4
Datuk Mohamed Azmi bin Mahmood	3/4
Mahadzir bin Azizan	4/4
Soo Kim Wai	4/4
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan^ *(Resigned on 16 April 2018)*	0/0
Dato' Che Md Nawawi bin Ismail^ *(Resigned on 16 April 2018)*	0/0

Note:
^ *Resigned prior to the first Audit Committee meeting held for the financial year*

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 senior management personnel and representative of the internal auditors attended all the meetings held during the financial year, to present their reports on financial results, audit and other matters for the Audit Committee's deliberation and approval, if required. Representatives of the external auditors were also invited to attend these meetings, when necessary, to brief the Audit Committee on specific issues.

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

  b. Reviewed the annual audited financial statements of the Group for the financial year ended 31 March 2018 with Management and external auditors prior to submission to the Board for their consideration and approval. The review focused particularly on application of new accounting standards, adjustments arising from the audits, significant matters highlighted including financial reporting issues, key audit matters, significant and unusual events/transactions and how these matters were addressed as well as compliance with applicable approved accounting standards in Malaysia and other legal and regulatory requirements.

     Upon deliberation, the Audit Committee concluded that the annual audited financial statements of the Group presented a true and fair view of the Group's financial performance for the financial year ended 31 March 2018.

  c. Reviewed the effects and impact to the financial statements of the Group arising from adoption of MFRS 9.

- **Internal Audit**

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

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

  c. Reviewed the effectiveness and features of the risk management and internal control framework for compliance with the practices in Malaysian Code on Corporate Governance 2017 and internal auditors' proposed disclosures under the relevant practices to be reported in the Corporate Governance Report.

  d. Reviewed the proposed fees for the outsourcing of the Group's internal audit function to Corporateview Sdn Bhd, a wholly-owned subsidiary of Amcorp Group Berhad for the financial year under review, at the Audit Committee Meeting held on 28 May 2018. The Audit Committee recommended the proposed fees for the outsourcing of the Group's internal audit function for the Board's approval and the same was duly approved by the Board.

e. Reviewed the internal audit reports, audit recommendations made and Management's responses to these recommendations and actions taken to improve the system of internal control and procedures. During the meetings, enquiries were made to both internal auditors and Management over details of issues raised, root causes and the proposed corrective actions. The Audit Committee also provided additional advisories on issues raised through the discussions with internal auditors and Management.

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

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

h. Reviewed the 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 26 February 2019 where areas reviewed covered adequacy of scope, functions, competency, resources and authority of the Internal Audit Function. The Audit Committee was satisfied that the internal auditors had discharged their duties effectively during the period under review.

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

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

- **External Audit**

a. Reviewed with the external auditors the audit planning memorandum prior to the commencement of the annual audit, which outlined the audit strategy, audit materiality, scope of work, methodology and timetable, areas of focus, changes to accounting standards, regulatory requirements and the extent of compliance, as well as the proposed fees for the audit and non-audit services for the financial year under review, at the Audit Committee Meeting held on 14 November 2018. 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 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.

d. Held two (2) discussions with the external auditors without the presence of Management on 28 May 2018 and 14 November 2018 respectively, to discuss issues requiring attention/significant matters arising from the audit.

e. Reviewed, assessed and monitored the performance, suitability and independence of the external auditors. The external auditors had provided an annual confirmation of their independence in accordance with the terms of all professional and regulatory requirements.

   Following the outcome of the assessment and having satisfied with the external auditors' performance, suitability and independence, the Audit Committee at its meeting held on 28 May 2019 recommended to the Board for approval of the re-appointment of Deloitte PLT as auditors of the Company. A resolution for their re-appointment will be tabled for shareholders' approval at the forthcoming annual general meeting.

- **Related Party Transactions**

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

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

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

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

- **Risk Management Committee**

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

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

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

- **Others**

  Reviewed and approved the revision of the Terms of Reference of the Audit Committee to be consistent with practices of the Malaysian Code on Corporate Governance 2017.

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 2019 was RM226,000.

Audit Committee **Report**

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

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

The scope of internal audit functions performed by the internal auditors encompasses audit visits to all relevant subsidiaries of the Group on a regular basis. The objectives of such audit visits are to determine whether adequate controls have been established and are operating in the Group, to provide reasonable assurance that:

- business objectives and policies are adhered to;
- operations are cost effective and efficient;
- assets and resources are satisfactorily safeguarded and efficiently used;
- integrity of records and information is protected; and
- applicable laws and regulations are complied with.

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

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

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

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 28 May 2019.

FINANCIAL STATEMENTS

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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 2019.

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 2019 are as follows:

	The Group RM	The Company RM
Profit for the financial year	95,533,443	19,503,372

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:	
2019:	
Interim single-tier dividend of 4.00 sen per ordinary share, declared on 14 November 2018 and paid on 13 December 2018	13,647,413
2018:	
Final single-tier dividend of 4.00 sen per ordinary share, declared on 6 September 2018 and paid on 4 October 2018	13,658,744

The directors recommend the payment of a final single-tier dividend of 5.00 sen per ordinary share, estimated at RM17,095,416 in respect of the financial year ended 31 March 2019, which is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2020.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During financial year, the total number of issued shares of the Company was increased from 355,994,636 to 360,555,536 by way of the issuance of 4,560,900 new ordinary shares pursuant to share options exercised.

The 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, the Company repurchased 4,674,500 of its ordinary shares listed and quoted on the Main Market of Bursa Malaysia Securities Berhad from the open market at an average buy-back price of RM1.40 per share. The total consideration paid of RM6,592,654 net of transaction costs and taxes was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016.

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

As at 31 March 2019, the number of ordinary shares in issue after new ordinary shares issued and deducting the treasury shares is 341,908,311 shares. Further details are disclosed in Note 27 to the financial statements.

ESS

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

The salient features of the ESS are disclosed in Note 35 to the financial statements.

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

ESS (CONT'D)

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

			Number of options over ordinary shares				
Grant date	Expiry date	Exercise price per share RM	Balance as at 1.04.2018	Granted	Exercised	Cancelled	Balance as at 31.03.2019
3.02.2017	2.02.2019	1.30	1,598,850	–	(1,147,000)	(451,850)	–
18.08.2017	17.08.2019	1.48	8,670,000	–	(1,050,000)	(790,000)	6,830,000
4.07.2018	30.12.2020	1.37	–	8,516,000	(2,363,900)	(162,000)	5,990,100
			10,268,850	8,516,000	(4,560,900)	(1,403,850)	12,820,100

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.

OTHER STATUTORY INFORMATION (CONT'D)

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

(a) any charge on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

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

Shahman Azman
Datuk Mohamed Azmi Bin Mahmood
Tan Bun Poo
Mahadzir Bin Azizan
Soo Kim Wai
Shalina Azman*
Tan Sri Mohd Zaman Khan @ Hassan Bin Rahim Khan (Resigned on 16 April 2018)
Dato' Che Md Nawawi Bin Ismail (Resigned on 16 April 2018)

* Director of the Company and subsidiary companies

LIST OF DIRECTORS OF SUBSIDIARIES

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

Loh Kam Chuin
Oon Hooi Khee
Teoh Boon Wee
Yam Kwai Ying Sharon (Appointed on 1 August 2018)^
Norhayati Binti Azit (Appointed on 16 August 2018)^
Hooi Toong Wan (Appointed on 18 December 2018)
Loke Chee Kien (Resigned on 1 August 2018)^
Anna Lee Ai Leng (Demised on 6 August 2018)^

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

DIRECTORS' INTERESTS

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

		Number of ordinary shares		
	Balance as at 1.04.2018	**Allotted/ Acquired**	**Sold**	**Balance as at 31.03.2019**
Shares in the Company:				
Direct interest:				
Shahman Azman	300,000	–	–	300,000
Shalina Azman	450,000	–	–	450,000

		Number of ordinary shares		
	Balance as at 1.04.2018	**Allotted/ Acquired**	**Sold**	**Balance as at 31.03.2019**
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Shahman Azman	886,700	–	–	886,700

		Number of options over ordinary shares		
	Balance as at 1.04.2018	**Granted**	**Exercised**	**Balance as at 31.03.2019**
Options in a related company, Amcorp Properties Berhad				
Shahman Azman	1,440,000	816,000	–	2,256,000

Other than those disclosed above, none of the other directors in office at the end of the financial year held any interest in shares and options over shares in the Company or its related companies during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of the balances and transactions with companies in which certain directors of the Company are also directors and/ or have substantial financial interests as disclosed in Note 24 to the financial statements.

DIRECTORS' BENEFITS (CONT'D)

During and at the end of the financial year, there are no arrangement subsisted to which the Company is a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the share options granted pursuant to the Company's ESS as disclosed in Note 35 to the financial statements.

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

The insurance premium paid by the Group during the financial year amounted to RM26,500.

HOLDING COMPANIES

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

AUDITORS

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 10 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
28 May 2019

Independent Auditors' **Report**

to the members of RCE Capital Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RCE CAPITAL BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 March 2019, 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 63 to 147.

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 2019 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters	***How the Scope of our Audit Responded to the Key Audit Matter***
Allowances for impairment of loans and receivables	
The adoption of MFRS 9 *Financial Instruments* has fundamentally changed the Group's accounting for loans and receivables by replacing MFRS 139's incurred loss approach with an expected credit loss ("ECL") approach.	We performed the following procedures to address the key audit matters in the audit: • Evaluated the design and implementation of the key controls over impairment of loans and receivables.

Key Audit Matters	***How the Scope of our Audit Responded to the Key Audit Matter***
The measurement of ECLs is complex and requires the application of significant judgement and estimates which includes the identification of credit exposures with a significant deterioration in credit quality and assumptions used in the ECL models such as the expected future cash flows, time value of money, forward looking macroeconomic factors and probability-weighted scenarios. Note 3 to the financial statements makes reference to the significant accounting policies, Note 18 contains the disclosure of loans and receivables and the disclosure of credit risk is made in Note 33 to the financial statements.	• Involved financial risk specialists to assess whether the Group's ECL model relating to loans and receivables is in accordance with MFRS 9. The assessment included an evaluation of the significant assumptions and considerations applied by the Group in the ECL model to address the requirements of MFRS 9 such as the criteria for significant deterioration in credit quality, expected future cash flows, time value of money, forward looking macroeconomic factors and probability-weighted scenarios. • Evaluated whether changes in the modelling approach, parameters and assumptions were needed and if any changes made were appropriate, since the Group's initial application of the ECL model. • Involved information technology specialists to perform substantive analytic procedures by recomputing the ECL balance based on data of the Group and compared the independently generated expectation against the ECL balance recorded by the Group.
Impairment of goodwill on consolidation	
As at 31 March 2019, the Group recognised goodwill amounting to RM47,332,991 as disclosed in Note 17 to the financial statements. Significant judgement is required to determine whether the goodwill is impaired. The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit (as detailed in Note 17 to the financial statements) to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key sources of estimation uncertainty relating to impairment of goodwill are disclosed in Note 4.2(a) to the financial statements.	We performed the below procedures to address the key audit matters in the audit: • Evaluated management's budgeting process by comparing actual results to previously forecast results. • Considered the assumptions used in the cash flow projections and evaluated the reasonableness of these assumptions by comparing them to externally available economic and financial data. • Assessed the appropriateness of the discount rate used by management to calculate the present value of the cash flow projection. • Compared the value-in-use amount against the carrying amount of the goodwill to determine any impairment allowance required. • Performed sensitivity analyses around the key assumptions used in the cash flow projection.

We have not identified any key matter pertaining to the financial statements of the Company for the financial year ended 31 March 2019.

Independent Auditors' **Report**

to the members of RCE Capital Berhad

Other Information

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

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

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

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

Directors Responsibilities for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

We also:

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

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

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

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

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

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

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

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

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

Independent Auditors' **Report**
to the members of RCE Capital Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

Other Matter

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

Deloitte PLT

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

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

28 May 2019

Statements of Comprehensive Income

for the financial year ended 31 March 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Interest income	5	234,265,300	213,535,224	–	–
Other revenue	5	28,304,356	32,371,114	20,361,093	20,366,061
Revenue	5	262,569,656	245,906,338	20,361,093	20,366,061
Other income		15,493,137	11,715,161	492,064	584,257
Interest expense applicable to revenue	6	(78,019,398)	(69,313,241)	–	–
Directors' remuneration	7	(610,340)	(710,640)	(389,000)	(525,000)
Staff costs	8	(20,767,684)	(21,697,894)	(145,000)	(136,000)
Allowances for impairment loss on receivables, net	10	(23,725,003)	(29,594,994)	–	–
Depreciation of plant and equipment	15	(2,629,313)	(3,378,436)	–	–
Other expenses		(21,165,984)	(15,498,579)	(672,291)	(360,783)
Finance costs	9	(56,510)	(54,595)	(62,852)	–
Profit before tax	10	131,088,561	117,373,120	19,584,014	19,928,535
Income tax expense	11	(35,555,118)	(28,691,760)	(80,642)	(120,407)
Profit for the financial year		95,533,443	88,681,360	19,503,372	19,808,128
Other comprehensive income that may be reclassified subsequently to profit or loss:					
Foreign currency translations		769	–	–	–
Other comprehensive income for the financial year, net of tax		769	–	–	–
Total comprehensive income for the financial year		95,534,212	88,681,360	19,503,372	19,808,128
Attributable to:					
Owners of the Company		95,533,443	88,681,360		
Earnings per ordinary Share (sen):					
Basic	13	28.02	26.03		
Diluted	13	27.95	25.98		

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

Statements of Financial Position

as at 31 March 2019

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
ASSETS					
Non-Current Assets					
Plant and equipment	15	4,543,166	6,212,485	–	–
Investment in subsidiary companies	16	–	–	354,285,815	327,283,211
Goodwill on consolidation	17	47,332,991	47,332,991	–	–
Loans and receivables	18	1,447,008,748	1,384,992,914	–	–
Other investments	20	2	2	2	2
Financial assets at fair value through profit and loss ("FVTPL")	21	–	–	–	–
Available-for-sale ("AFS") financial assets	21	–	–	–	–
Deferred tax assets	22	41,977,418	39,481,630	–	–
Total Non-Current Assets		1,540,862,325	1,478,020,022	354,285,817	327,283,213
Current Assets					
Loans and receivables	18	151,697,708	139,713,992	–	–
Trade receivables	19	3,669,005	3,794,401	–	–
Other receivables, deposits and prepaid expenses	23	37,535,799	40,044,778	108,581	11,431
Amounts due from subsidiary companies	24	–	–	6,995,156	39,852,647
Deposits with licensed financial institutions	25	275,807,957	169,581,241	–	–
Cash and bank balances	25	216,570,218	27,635,183	34,617	3,733
Total Current Assets		685,280,687	380,769,595	7,138,354	39,867,811
Total Assets		2,226,143,012	1,858,789,617	361,424,171	367,151,024

Statements of **Financial Position**
as at 31 March 2019

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	26	154,454,399	44,675,603	154,454,399	44,675,603
Treasury shares	27	(19,944,269)	(13,352,618)	(19,944,269)	(13,352,618)
Reserves	28	449,006,007	487,949,579	226,351,850	335,180,148
Total Equity		583,516,137	519,272,564	360,861,980	366,503,133
Non-Current Liabilities					
Payables	29	717,858	–	–	–
Hire-purchase payables	30	714,295	959,393	–	–
Borrowings	31	1,029,203,259	981,608,471	–	–
Deferred tax liabilities	22	163,718	324,409	–	–
Total Non-Current Liabilities		1,030,799,130	982,892,273	–	–
Current Liabilities					
Payables and accrued expenses	29	26,256,761	33,018,667	562,191	606,735
Hire-purchase payables	30	372,106	328,984	–	–
Borrowings	31	575,657,005	316,881,875	–	–
Tax liabilities		9,541,873	6,395,254	–	41,156
Total Current Liabilities		611,827,745	356,624,780	562,191	647,891
Total Liabilities		1,642,626,875	1,339,517,053	562,191	647,891
Total Equity and Liabilities		2,226,143,012	1,858,789,617	361,424,171	367,151,024

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

Statements of Changes in Equity

for the financial year ended 31 March 2019

The Group	Note	Share Capital RM	Treasury Shares RM	Non-Distributable Reserves: Share Premium RM	Non-Distributable Reserves: Capital Redemption Reserve RM	Non-Distributable Reserves: Employees' Share Scheme RM	Distributable Reserve: Retained Earnings RM	Total Reserves RM	Total RM
Balance as at 1 April 2017		38,063,703	(13,352,618)	72,592,303	30,902,850	2,127,310	311,027,881	416,650,344	441,361,429
Total comprehensive income		–	–	–	–	–	88,681,360	88,681,360	88,681,360
Transactions with owners									
Dividends	14	–	–	–	–	–	(20,488,705)	(20,488,705)	(20,488,705)
Share options granted under ESS		–	–	–	–	3,106,580	–	3,106,580	3,106,580
Issuance of shares pursuant to ESS exercised	26	6,611,900	–	–	–	(1,681,790)	1,681,790	–	6,611,900
Cancellation of share options		–	–	–	–	(76,680)	76,680	–	–
Total transactions with owners		6,611,900	–	–	–	1,348,110	(18,730,235)	(17,382,125)	(10,770,225)
Balance as at 31 March 2018		44,675,603	(13,352,618)	72,592,303	30,902,850	3,475,420	380,979,006	487,949,579	519,272,564

The Group	Note	Share Capital RM	Treasury Shares RM	Non-Distributable Reserves: Share Premium RM	Non-Distributable Reserves: Capital Redemption Reserve RM	Non-Distributable Reserves: Employees' Share Scheme RM	Non-Distributable Reserves: Exchange Translation Reserve RM	Distributable Reserve: Retained Earnings RM	Total Reserves RM	Total RM
Balance as at 1 April 2018		44,675,603	(13,352,618)	72,592,303	30,902,850	3,475,420	–	380,979,006	487,949,579	519,272,564
Effects of adopting MFRS 9	2.1	–	–	–	–	–	–	(6,146,114)	(6,146,114)	(6,146,114)
Restated as at 1 April 2018		44,675,603	(13,352,618)	72,592,303	30,902,850	3,475,420	–	374,832,892	481,803,465	513,126,450
Total comprehensive income		–	–	–	–	–	769	95,533,443	95,534,212	95,534,212
Transactions with owners										
Dividends	14	–	–	–	–	–	–	(27,306,157)	(27,306,157)	(27,306,157)
Share options granted under ESS		–	–	–	–	2,469,640	–	–	2,469,640	2,469,640
Issuance of shares pursuant to ESS exercised	26	6,283,643	–	–	–	(1,421,041)	–	1,421,041	–	6,283,643
Cancellation of share options		–	–	–	–	(464,690)	–	464,690	–	–
Shares repurchased	27	–	(6,591,651)	–	–	–	–	–	–	(6,591,651)
Total transactions with owners		6,283,643	(6,591,651)	–	–	583,909	–	(25,420,426)	(24,836,517)	(25,144,525)
Transfer arising from "no par value" regime		103,495,153	–	(72,592,303)	(30,902,850)	–	–	–	(103,495,153)	–
Balance as at 31 March 2019		154,454,399	(19,944,269)	–	–	4,059,329	769	444,945,909	449,006,007	583,516,137

Statements of **Changes In Equity**

for the financial year ended 31 March 2019

The Company	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Capital Redemption Reserve RM	Employees' Share Scheme RM	Retained Earnings RM	Total Reserves RM	Total RM
				Non-Distributable Reserves			Distributable Reserve		
Balance as at 1 April 2017		38,063,703	(13,352,618)	72,592,303	30,902,850	2,127,310	227,131,682	332,754,145	357,465,230
Total comprehensive income		–	–	–	–	–	19,808,128	19,808,128	19,808,128
Transactions with owners									
Dividends	14	–	–	–	–	–	(20,488,705)	(20,488,705)	(20,488,705)
Share options granted under ESS		–	–	–	–	3,106,580	–	3,106,580	3,106,580
Issuance of shares pursuant to ESS exercised	26	6,611,900	–	–	–	(1,681,790)	1,681,790	–	6,611,900
Cancellation of share options		–	–	–	–	(76,680)	76,680	–	–
Total transactions with owners		6,611,900	–	–	–	1,348,110	(18,730,235)	(17,382,125)	(10,770,225)
Balance as at 31 March 2018		44,675,603	(13,352,618)	72,592,303	30,902,850	3,475,420	228,209,575	335,180,148	366,503,133

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

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

Statements of Cash Flows

for the financial year ended 31 March 2019

	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	131,088,561	117,373,120	19,584,014	19,928,535
Adjustments for:				
Allowances for impairment loss on receivables, net	23,725,003	29,594,994	–	–
Depreciation of plant and equipment	2,629,313	3,378,436	–	–
Share options granted under ESS	2,469,640	3,106,580	145,000	136,000
Finance costs	56,510	54,595	62,852	–
Plant and equipment written off	21	22,424	–	–
Waiver of debt owing by a subsidiary company	–	–	181,020	–
Allowance for impairment loss on investment in a subsidiary company	–	–	40,000	–
Interest income from deposits with licensed financial institutions	(7,984,616)	(5,013,121)	–	–
Net gain on disposal of plant and equipment	(91,664)	(140,662)	–	–
Dividend income	–	–	(20,000,000)	(20,000,000)
Interest income on amounts due from subsidiary companies	–	–	(486,157)	(543,867)
Operating Profit/(Loss) Before Working Capital Changes	151,892,768	148,376,366	(473,271)	(479,332)
(Increase)/Decrease in working capital:				
Loans and receivables	(105,967,618)	(142,660,413)	–	–
Trade receivables	281,468	1,681,140	–	–
Other receivables, deposits and prepaid expenses	(3,995,022)	(4,414,583)	2,631	(9,144)
Amounts due from subsidiary companies	–	–	35,487,268	(5,932,974)
(Decrease)/Increase in working capital:				
Payables and accrued expenses	(3,545,069)	(11,092,063)	(44,544)	144,083
Cash Generated From/(Used In) Operations	38,666,527	(8,109,553)	34,972,084	(6,277,367)
Taxes paid	(33,160,056)	(30,151,053)	(221,579)	(90,787)
Taxes refunded	3,045,079	562,002	–	246,391
Net Cash Generated From/(Used In) Operating Activities	8,551,550	(37,698,604)	34,750,505	(6,121,763)

Statements of **Cash Flows**

for the financial year ended 31 March 2019

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income from deposits with licensed financial institutions received	7,984,616	5,013,121	–	–
Net proceeds from disposal of plant and equipment	91,670	168,030	–	–
Dividend received	–	–	20,000,000	20,000,000
Proceeds from redemption of redeemable convertible non-cumulative preference share (“RCNCPS”)	–	–	20,000,000	–
Acquisitions of subsidiary companies	–	–	(47,042,604)	–
Additions to plant and equipment	(626,209)	(1,305,760)	–	–
Net Cash Generated From/(Used In) Investing Activities	7,450,077	3,875,391	(7,042,604)	20,000,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of revolving credits	380,800,000	697,300,000	–	–
Issuance of Sukuk Murabahah (“Sukuk”)	240,000,000	340,000,000	–	–
Drawdown of term loans	120,000,000	100,000,000	–	–
Proceeds from issuance of shares	6,283,643	6,611,900	6,283,643	6,611,900
Drawdown of other borrowings	3,450,012	3,030,776	–	–
Repayment of revolving credits	(328,800,000)	(739,800,000)	–	–
Placements of deposits, cash and bank balances, net:				
Assigned in favour of the trustees	(140,157,485)	(99,530,711)	–	–
Pledged to licensed financial institutions	(9,456,673)	(10,016,719)	–	–
Repayment of term loans	(104,820,225)	(310,869,279)	–	–
Dividends paid	(27,306,157)	(20,488,705)	(27,306,157)	(20,488,705)
Shares repurchased	(6,591,651)	–	(6,591,651)	–
Repayment of other borrowings	(3,450,012)	(3,642,776)	–	–
Repayment of hire-purchase payables	(348,976)	(346,294)	–	–
Finance costs paid	(56,510)	(54,595)	(62,852)	–
Net Cash Generated From/(Used In) Financing Activities	129,545,966	(37,806,403)	(27,677,017)	(13,876,805)

Statements of
Cash Flows
for the financial year ended 31 March 2019

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
NET CHANGE IN CASH AND CASH EQUIVALENTS	145,547,593	(71,629,616)	30,884	1,432
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	14,203,717	85,833,333	3,733	2,301
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 25)	159,751,310	14,203,717	34,617	3,733

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

Notes to the Financial Statements

31 March 2019

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.

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 AmMetLife, 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 for issuance on 28 May 2019.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

2.1 Changes in Accounting Policies

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

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to:	
MFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
Clarifications to:	
MFRS 15	Revenue from Contracts with Customers

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

2.1 Changes in Accounting Policies (Cont'd)

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

(a) MFRS 9, Financial Instruments ("MFRS 9")

MFRS 9 replaces MFRS 139, Financial Instruments: Recognition and Measurement ("MFRS 139") and introduces new requirements for classification and measurement of financial instruments, impairment and disclosure requirements. Retrospective application is required, but restatement of comparative information is not compulsory.

(i) Classification and measurement of financial instruments:

MFRS 9 requires financial assets to be classified into three measurement categories: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments.

For financial liabilities, the standard retains most of MFRS 139's requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is to be recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The application of the classification and measurement requirements has no impact on the financial instruments, other than reclassification of certain financial assets of the Group.

(ii) Impairment:

For loans and receivables, MFRS 9 requirements are based on changes in the ECL at each reporting date to reflect the changes in credit risk since initial recognition as opposed to an incurred credit loss model under MFRS 139. Accordingly, the ECL allowances which is more forward looking under MFRS 9 is expected to be higher and more volatile than MFRS 139.

Other than loans and receivables, the Group applies the simplified approach under MFRS 9 which requires expected lifetime losses to be recognised from initial recognition. The expected loss allowance is based on provisional matrix.

Upon initial adoption of MFRS 9 on 1 April 2018, an adjustment of RM6.1 million was made to the opening retained earnings of the Group, thereby decreasing the equity and net assets of the Group.

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

2.1 Changes in Accounting Policies (Cont'd)

(a) MFRS 9 (Cont'd)

(iii) Disclosure:

MFRS 9 requires more extensive disclosures and therefore will change the nature and extent of the financial instruments' disclosures of the Group and of the Company.

As at 1 April 2018, there were no changes to the classification and measurement of financial assets and liabilities except for the following:

Financial assets	Original measurement category under MFRS 139	New measurement category under MFRS 9
Loans and receivables	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Unquoted corporate bonds	Available-for-sale	FVTPL

There are no financial impact to the Group and the Company as at 1 April 2018 except for the following:

		Effects of MFRS 9 adoption		
	As at 1 April 2018 RM	Reclassification and remeasurement RM	Impairment RM	Restated as at 1 April 2018 RM
Effects on:				
Loans and receivables	1,524,706,906	–	(8,018,831)	1,516,688,075
Trade receivables	3,794,401	–	(68,162)	3,726,239
Deferred tax assets	39,481,630	–	1,940,879	41,422,509
Effects on:				
Retained earnings	380,979,006	–	(6,146,114)	374,832,892

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

2.2 Standards, Amendments and Interpretations Issued But Not Yet Effective

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

MFRS 16	Leases [1]
IC interpretation 23	Uncertainty over Income Tax Treatments [1]
Amendments to:	
MFRS 3	Business Combinations – Definition of Business [2]
MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation [1]
MFRS 101	Presentation of Financial Statements – Definition of Material [2]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material [2]
MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement [1]

Amendments to MFRSs classified as "Annual Improvements to MFRSs 2015 – 2017 Cycle" [1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020

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

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

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

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

At the commencement date of a lease, a lessee requires to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. Subsequently, the "right-of-use" asset is depreciated in accordance with principle in MFRS 116: *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

MFRS 16 requires more extensive disclosures in both qualitative and quantitative form. However, the adoption of MFRS 16 is not expected to have any material financial effects to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

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

3.2 Basis of Consolidation

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

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

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

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

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

Control is achieved when the Group:

(a) has power over the investee;

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (Cont'd)

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

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

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

(c) rights arising from other contractual arrangements; and

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

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

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

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

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

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

3.3 Revenue Recognition

Revenue of the Group consists mainly of interest and fee income from consumer financing, factoring and confirming activities, fee income from processing and administration of payroll collection, income derived from information technology ("IT") support services and interest income from deposits with licensed financial institutions.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue Recognition (Cont'd)

Accounting policy applicable after 1 April 2018

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

Fee income from consumer financing is recognised at a point in time when the Group satisfies its performance obligation upon rendering its services.

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

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

(c) Administrative fees and IT services

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

Revenue from other sources are recognised as follows:

(a) Interest income

Interest income is recognised using the effective interest method.

(b) Overdue interest income

Overdue interest income is recognised upon collection.

(c) Dividend income

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

(d) Interest income from deposits with licensed financial institutions

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue Recognition (Cont'd)

Accounting policy applicable before 1 April 2018

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the Company, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group and of the Company's activities as follows:

(a) Interest income

Interest income is recognised using the effective interest method.

(b) Overdue interest income

Overdue interest income is recognised upon collection.

(c) Dividend income

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

(d) Fee income from consumer financing

Fee income from consumer financing is recognised when the Group satisfies its performance obligation upon rendering its services.

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

Fee income from processing and administration of payroll collection is recognised when services are rendered.

(f) Administrative fees and IT services

Administrative fees and IT services are recognised when services are rendered.

(g) Interest income from deposits with licensed financial institutions

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Segment Reporting

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

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

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

Segment information is disclosed in Note 12.

3.5 Plant and Equipment and Depreciation

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repairs and maintenance are charged to profit or loss during the financial 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 3.10(b) on Impairment of Other Non-Financial Assets).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Plant and Equipment and Depreciation (Cont'd)

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

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

3.6 Leases and Hire-Purchase

(a) Classification

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

(b) Finance lease and hire-purchase

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

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

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

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

(c) Operating lease

Leases other than finance lease are classified as operating lease and the related rental is charged to profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Investment in Subsidiary Companies

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

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

3.8 Goodwill on Consolidation

Goodwill arising on consolidation is the excess of cost of investment over the Group's share of the net fair value of net assets of the acquiree's identifiable assets, liabilities and contingent liabilities, and is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

3.9 Financial Assets

On 1 April 2018, the Group has adopted the requirements of MFRS 9. The Group has elected the modified retrospective approach with no restatement of comparative information upon adoption of MFRS 9. The changes in accounting policies have been applied retrospectively from 1 April 2018.

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 FVTPL, which are initially measured at fair value.

Accounting policy applicable after 1 April 2018

From 1 April 2018, the Group and the Company have applied MFRS 9 and classifies its financial assets in the following measurement categories: amortised cost, 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)

3.9 Financial Assets (Cont'd)

Accounting policy applicable after 1 April 2018 (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 interest method. Gains and/or losses are recognised in profit or loss upon derecognition, reclassification or impairment, and through the amortisation process.

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

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

(ii) FVOCI

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

Subsequent to initial recognition, financial assets at FVOCI are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses and 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 designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Assets (Cont'd)

Accounting policy applicable after 1 April 2018 (Cont'd)

(b) Debt instruments

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

(c) Equity instruments

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

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

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

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.

Accounting policy applicable before 1 April 2018

Financial assets are classified into the following specified categories: 'FVTPL', 'held-to-maturity', 'AFS financial assets' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) AFS financial assets

AFS financial assets are financial assets that are designated as AFS or are not classified as loans and receivables, financial assets at FVTPL or held-to-maturity investments.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses and interest calculated using the effective interest method 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.

Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an AFS financial asset are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in AFS financial assets whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.

AFS financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Assets (Cont'd)

Accounting policy applicable before 1 April 2018 (Cont'd)

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value, including direct and incremental transaction costs.

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

Loans and receivables are classified as current assets, except for those having maturity later than 12 months after the reporting date which are classified as non-current.

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

3.10 Impairment of Assets

(a) Financial assets

Accounting policy applicable after 1 April 2018

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

Accounting policy applicable after 1 April 2018 (Cont'd)

(iii) Stage 3: Lifetime ECL - credit impaired

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

Accounting policy applicable after 1 April 2018 (Cont'd)

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

The Group's assessments on changes in credit risk are disclosed in Note 33(b).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the receivable does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due as disclosed in Note 33(b).

Accounting policy applicable before 1 April 2018

(i) AFS financial assets

Significant or prolonged decline in fair value below cost, financial difficulties of the issuer or obligator, and/or the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment in quoted shares classified as AFS are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

(ii) Loans and receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency, significant financial difficulties of the debtor, default or significant delay in payments and where observable data indicates that there is a measurable decrease in the estimated cash flows for instance, changes in arrears or economic conditions that correlate with defaults.

The impairment loss is recognised in profit or loss, and is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original EIR.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (Cont'd)

(a) Financial assets (Cont'd)

Accounting policy applicable before 1 April 2018 (Cont'd)

(ii) Loans and receivables (Cont'd)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

The Group addresses the impairment of loans and receivables via either collective or individual assessment allowance as set out below:

(1) Collective assessment allowance

Collective assessment allowance is maintained to reduce the carrying amount of portfolio of similar loans to their estimated recoverable amounts at the reporting date. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loan with similar credit risk characteristics and collectively assessed for impairment.

(2) Individual assessment allowance

The Group determines the allowance appropriate for each significant loan on an individual basis. The allowance is established based primarily on estimates of the realisable value of the collateral(s) to secure the loan and is measured as the difference between the carrying amount of the loan and the present value of the expected future cash flows discounted at the original EIR of the loan.

(ii) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off as and when ascertained and impairment is made for any debts considered to be doubtful of collection.

(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 CGU to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (Cont'd)

(b) Other non-financial assets (Cont'd)

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.11 Cash and Cash Equivalents

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

3.12 Financial Liabilities

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

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

(a) Financial liabilities at FVTPL

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

(b) Other financial liabilities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Financial Liabilities (Cont'd)

(b) Other financial liabilities (Cont'd)

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

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

3.13 Borrowing Costs

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

3.14 Financial Guarantee Contracts

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

Accounting policy applicable after 1 April 2018

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.

Accounting policy applicable before 1 April 2018

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Income Taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

3.16 Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of the resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Employee Benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences.

(b) Defined contribution plan

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

(c) Share-based compensation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Foreign Currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

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

(c) Foreign operation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Share Capital and Share Issuance Expenses

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

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

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

3.20 Treasury Shares

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

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

3.21 Contingencies

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In the process of applying the Group's accounting policies, which are described in Note 3, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements, except for those involving estimations which are dealt with in Note 4.2 below.

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

4.2 Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except for the following:

(a) Impairment of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiary companies 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 subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Allowances for impairment loss on loans and receivables

The Group records impairment losses on its loans and receivables using ECL models. The impairment losses computed based on the ECL models require judgement to ensure impairment losses recorded reflect the credit risk of the Group's loans and receivables 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.

(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.

(d) Fair value of borrowings

The fair value of borrowings is estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

5. REVENUE

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income from:				
Consumer financing:				
- Conventional	119,903,750	123,812,765	–	–
- Shariah	113,858,788	88,836,109	–	–
Factoring and confirming	460,689	828,573	–	–
Deposits with licensed financial institutions	42,073	57,777	–	–
	234,265,300	213,535,224	–	–
Other revenue:				
Fee income:				
Consumer financing	21,044,979	26,315,221	–	–
Processing and administration of payroll collection	7,148,550	5,829,677	–	–
Factoring and confirming	110,827	155,846	–	–
IT support service	–	70,370	–	–
Administrative service to a subsidiary company	–	–	361,093	366,061
Dividend income from a subsidiary company	–	–	20,000,000	20,000,000
	28,304,356	32,371,114	20,361,093	20,366,061
	262,569,656	245,906,338	20,361,093	20,366,061

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:

	2019 RM
Fee income:	
Consumer financing	21,044,979
Processing and administration of payroll collection	7,148,550
Factoring and confirming	110,827
	28,304,356

5. REVENUE (CONT'D)

The Company:

	2019 RM
Fee income:	
Administrative service to a subsidiary company	361,093

The Group and the Company have elected the modified retrospective approach with no restatement of comparative information upon adoption of MFRS 15: Revenue from Contracts with Customers.

6. INTEREST EXPENSE APPLICABLE TO REVENUE

	The Group	
	2019 RM	2018 RM
Interest expense on:		
Sukuk	42,742,807	29,338,943
Term loans	21,726,251	24,225,165
Revolving credits	13,533,741	15,723,210
Bankers' acceptances	16,599	25,702
Bank overdrafts	–	221
	78,019,398	69,313,241

7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company:				
- Fees	360,000	480,000	360,000	480,000
- Other emoluments	215,000	201,000	29,000	45,000
- Defined contributions	35,340	29,640	–	–
	610,340	710,640	389,000	525,000
Benefits-in-kind	221,159	148,166	–	–
Total directors' remuneration	831,499	858,806	389,000	525,000

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

7. DIRECTORS' REMUNERATION (CONT'D)

During the financial year:

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

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

8. STAFF COSTS

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Salaries	13,707,695	13,708,046	–	–
Share options granted under ESS	2,469,640	3,106,580	145,000	136,000
Defined contributions	1,939,183	1,899,086	–	–
Social security contributions	136,582	118,730	–	–
Others	2,514,584	2,865,452	–	–
	20,767,684	21,697,894	145,000	136,000

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

Included in others are RMnil (2018: RM490,000) staff costs payable to a related party as disclosed in Note 24(b).

9. FINANCE COSTS

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Interest expense on:				
Hire-purchase payables	56,510	54,595	–	–
Amount due to a subsidiary company	–	–	62,852	–
	56,510	54,595	62,852	–

10. PROFIT BEFORE TAX

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income from deposits with licensed financial institutions	7,984,616	5,013,121	–	–
Bad debt recoveries	5,231,831	4,525,362	–	–
Net gain on disposal of plant and equipment	91,664	140,662	–	–
Net interest income on amount due from a subsidiary company	–	–	423,305	543,867
Allowances for impairment loss on receivables, net	(23,725,003)	(29,594,994)	–	–
Rental of:				
Premises	(776,353)	(765,008)	–	–
Office equipment	(71,502)	(78,410)	–	–
Warehouse	(62,294)	(52,221)	–	–
Disaster recovery centre	(39,600)	(36,000)	–	–
Waiver of debt owing by a subsidiary company	–	–	(181,020)	–
Auditors' remuneration:				
Statutory audit	(303,671)	(261,400)	(70,000)	(65,000)
Non-statutory audit	(108,128)	(93,000)	(10,000)	(10,000)
Plant and equipment written off	(21)	(22,424)	–	–

11. INCOME TAX EXPENSE

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Income tax payable:				
Current year	35,115,611	29,943,410	80,659	126,873
Under/(Over) provision in prior years	1,155,107	(144,393)	(17)	(6,466)
	36,270,718	29,799,017	80,642	120,407
Deferred tax (Note 22):				
Current year	(721,543)	(1,101,610)	–	–
Under/(Over) provision in prior years	5,943	(5,647)	–	–
	(715,600)	(1,107,257)	–	–
Income tax expense	35,555,118	28,691,760	80,642	120,407

11. INCOME TAX EXPENSE (CONT'D)

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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Profit before tax	131,088,561	117,373,120	19,584,014	19,928,535
Tax at applicable statutory tax rate of 24% (2018: 24%)	31,461,255	28,169,549	4,700,163	4,782,848
Effect of different tax rates in foreign jurisdiction	11,006	–	–	–
Tax effects of:				
Expenses not deductible for tax purposes	3,079,337	2,473,064	180,533	144,062
Income not subject to tax	(161,894)	(365,406)	(4,800,037)	(4,800,037)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	4,364	33,530	–	–
Effect of reduction in tax rates on incremental of chargeable income	–	(1,468,937)	–	–
Tax at effective tax rate	34,394,068	28,841,800	80,659	126,873
Under/(Over) provision in prior years	1,155,107	(144,393)	(17)	(6,466)
Under/(Over) provision of deferred tax in prior years	5,943	(5,647)	–	–
Income tax expense	35,555,118	28,691,760	80,642	120,407

The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the year of assessment 2019. The computation of deferred tax as at 31 March 2019 uses the same statutory tax rate. Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12. SEGMENT INFORMATION

The Group is organised into business units based on their services and has two reportable operating segments as follows:

(i) Consumer financing

This segment engages in provision of general consumer loan financing.

(ii) Investment holding, management services and others

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

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expense and results include transfers between operating segments. These transfers are eliminated on consolidation.

Geographical segment

The Group operates substantially in Malaysia. Accordingly, no geographical segment information has been provided.

12. SEGMENT INFORMATION (CONT'D)

The following tables provide segment information for the reportable segments:

The Group 2019	Consumer financing RM	Investment holding, management services and others RM	Note	Total RM
Revenue				
Total revenue	261,956,067	20,974,682		282,930,749
Inter-segment revenue	–	(20,361,093)		(20,361,093)
External revenue	261,956,067	613,589		262,569,656
Results				
Segment results	132,179,494	(1,034,423)		131,145,071
Finance costs	(56,510)	–		(56,510)
Profit/(loss) before tax	132,122,984	(1,034,423)		131,088,561
Income tax expense	(34,925,934)	(629,184)		(35,555,118)
Profit/(loss) for the financial year	97,197,050	(1,663,607)		95,533,443
Interest income including interest income from deposits with licensed financial institutions	241,739,942	509,974		242,249,916
Interest expense applicable to revenue	78,002,799	16,599		78,019,398
Depreciation	2,606,428	22,885		2,629,313
Other non-cash expenses/(income)	26,132,929	(29,929)	A	26,103,000
Statements of Financial Position				
Capital additions	960,021	–	B	960,021
Segment assets	2,173,339,704	52,803,308		2,226,143,012
Segment liabilities	1,641,833,779	793,096		1,642,626,875

12. SEGMENT INFORMATION (CONT'D)

The Group 2018	Consumer financing RM	Investment holding, management services and others RM	Note	Total RM
Revenue				
Total revenue	244,793,772	21,478,627		266,272,399
Inter-segment revenue	–	(20,366,061)		(20,366,061)
External revenue	244,793,772	1,112,566		245,906,338
Results				
Segment results	118,495,722	(1,068,007)		117,427,715
Finance costs	(54,595)	–		(54,595)
Profit/(loss) before tax	118,441,127	(1,068,007)		117,373,120
Income tax expense	(28,183,718)	(508,042)		(28,691,760)
Profit/(loss) for the financial year	90,257,409	(1,576,049)		88,681,360
Interest income including interest income from deposits with licensed financial institutions	217,657,657	890,688		218,548,345
Interest expense applicable to revenue	69,287,318	25,923		69,313,241
Depreciation	3,249,314	129,122		3,378,436
Other non-cash expenses/(income)	32,270,570	312,766	A	32,583,336
Statements of Financial Position				
Capital additions	2,854,001	–	B	2,854,001
Segment assets	1,803,315,901	55,473,716		1,858,789,617
Segment liabilities	1,338,668,405	848,648		1,339,517,053

12. SEGMENT INFORMATION (CONT'D)

Note Nature of amounts reported in the consolidated financial statements.

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

	2019 RM	2018 RM
Allowances for impairment loss on receivables, net	23,725,003	29,594,994
Share options granted under ESS	2,469,640	3,106,580
Plant and equipment written off	21	22,424
Net gain on disposal of plant and equipment	(91,664)	(140,662)
	26,103,000	32,583,336

B Capital additions consist of:

	2019 RM	2018 RM
Plant and equipment (Note 15)	960,021	2,854,001

13. EARNINGS PER ORDINARY SHARE ("EPS")

(a) Basic EPS

	The Group	
	2019 RM	2018 RM
Profit for the financial year attributable to ordinary equity holders of the Company	95,533,443	88,681,360
Weighted average number of ordinary shares in issue:		
Balance net of treasury shares as at beginning of financial year	342,021,911	336,739,911
Effects of:		
Issuance of shares pursuant to ESS exercised	1,974,669	3,963,556
Shares repurchased	(3,109,120)	–
Balance as at end of financial year	340,887,460	340,703,467
Basic EPS (sen)	28.02	26.03

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.

13. EPS (CONT'D)

(b) Diluted EPS

	The Group 2019 RM	2018 RM
Profit for the financial year attributable to ordinary equity holders of the Company	95,533,443	88,681,360
Weighted average number of ordinary shares in issue	340,887,460	340,703,467
Effects of dilution of ESS	957,392	671,632
Adjusted weighted average number of ordinary shares in issue	341,844,852	341,375,099
Diluted EPS (sen)	27.95	25.98

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

14. DIVIDENDS

	Dividends recognised in financial year 2019 RM	2018 RM
Recognised during the financial year:		
Final dividend for 2017: 3.00 sen per ordinary share under single-tier system, paid on 20 September 2017	–	10,228,347
Interim dividend for 2018: 3.00 sen per ordinary share under single-tier system, paid on 30 January 2018	–	10,260,358
Final dividend for 2018: 4.00 sen per ordinary share under single-tier system, paid on 4 October 2018	13,658,744	–
Interim dividend for 2019: 4.00 sen per ordinary share under single-tier system, paid on 13 December 2018	13,647,413	–
	27,306,157	20,488,705

The directors recommend the payment of a final single-tier dividend of 5.00 sen per ordinary share, estimated at RM17,095,416 in respect of the financial year ended 31 March 2019, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2020.

15. PLANT AND EQUIPMENT

The Group	Office equipment, furniture and fittings RM	Computers and IT equipment RM	Motor vehicles under hire-purchase RM	Office renovation RM	Work-in-progress RM	Total RM
Cost						
Balance as at 1 April 2017	1,812,376	15,047,889	2,367,301	1,401,852	3,505,931	24,135,349
Additions	119,161	2,057,485	504,030	138,080	35,245	2,854,001
Disposals	–	(134,705)	(549,540)	–	–	(684,245)
Write off	(514,593)	(313)	–	(378,913)	–	(893,819)
Reclassification	–	671,931	–	–	(3,197,131)	(2,525,200)
Balance as at 31 March 2018/ 1 April 2018	1,416,944	17,642,287	2,321,791	1,161,019	344,045	22,886,086
Additions	41,577	401,329	170,074	13,390	333,651	960,021
Disposals	(23,506)	–	(490,000)	–	–	(513,506)
Write off	(25,140)	(3,827)	–	–	–	(28,967)
Reclassification	–	32,300	–	–	(32,300)	–
Balance as at 31 March 2019	1,409,875	18,072,089	2,001,865	1,174,409	645,396	23,303,634
Accumulated depreciation						
Balance as at 1 April 2017	1,473,069	11,135,022	1,116,466	1,098,880	–	14,823,437
Charge for the financial year	138,736	2,741,192	371,547	126,961	–	3,378,436
Disposals	–	(131,782)	(525,095)	–	–	(656,877)
Write off	(502,600)	(307)	–	(368,488)	–	(871,395)
Balance as at 31 March 2018/ 1 April 2018	1,109,205	13,744,125	962,918	857,353	–	16,673,601
Charge for the financial year	101,108	2,043,299	392,079	92,827	–	2,629,313
Disposals	(23,501)	–	(489,999)	–	–	(513,500)
Write off	(25,126)	(3,820)	–	–	–	(28,946)
Balance as at 31 March 2019	1,161,686	15,783,604	864,998	950,180	–	18,760,468
Carrying amount						
Balance as at 31 March 2018	307,739	3,898,162	1,358,873	303,666	344,045	6,212,485
Balance as at 31 March 2019	248,189	2,288,485	1,136,867	224,229	645,396	4,543,166

15. PLANT AND EQUIPMENT (CONT'D)

During the financial year, the Group acquired plant and equipment at an aggregate cost of RM960,021 (2018: RM2,854,001) as follows:

	The Group 2019 RM	2018 RM
Acquired via:		
Cash payments	626,209	1,305,760
Payables	186,812	1,098,241
Hire-purchase arrangements (Note 30)	147,000	450,000
	960,021	2,854,001

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Group 2019 RM	2018 RM
Unquoted shares, at cost	374,492,645	327,450,041
RCNCPS	–	20,000,000
	374,492,645	347,450,041
Less: Allowance for impairment	(20,206,830)	(20,166,830)
	354,285,815	327,283,211

During the financial year, a wholly-owned direct subsidiary company, Strategi Interaksi Sdn. Bhd. ("SISB") has redeemed the entire 20,000 RCNCPS under the name of the Company for a total redemption sum of RM20,000,000.

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The details of the subsidiary companies, all incorporated in Malaysia, are as follows:

	Effective Ownership Interest and Voting Interest 2019 %	Effective Ownership Interest and Voting Interest 2018 %	Principal Activities
Direct subsidiary companies			
RCE Marketing Sdn. Bhd.	100	100	Provision of general loan financing services
RCE Factoring Sdn. Bhd.	100	100	Confirming, factoring and industrial hire-purchase, specialising in trade related activities and general trading
RCE Synergy Sdn. Bhd.	100	100	Dormant
Strategi Interaksi Sdn. Bhd.#	100	100	Dormant
EXP Payment Sdn. Bhd.#	100	100	Processing and administration of payroll collection
Mezzanine Enterprise Sdn. Bhd.	100	100	Provision of financial administrative services
RCE Credit Pte. Ltd.#	100	–	Dormant
Effusion.Com Sdn. Bhd.	100	100	In the process of de-registering from the Companies Commission of Malaysia
Indirect subsidiary companies			
RCE Equity Sdn. Bhd.$^{\pi}$	100	100	Provision of financial administrative services
RCE Commerce Sdn. Bhd.$^{\pi}$	100	100	Dormant
RCE Sales Sdn. Bhd.$^{\pi}$	100	100	Provision of general loan financing services
RCE Trading Sdn. Bhd.$^{\pi}$	100	100	Investment in securities

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

	Effective Ownership Interest and Voting Interest		Principal Activities
	2019 %	2018 %	
Indirect subsidiary companies (Cont'd)			
Al Dzahab Assets Berhad$^{\pi}$	100	100	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue Sukuk to fund the purchase of such receivables
Zamarad Assets Berhad$^{\pi}$	100	–	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue Sukuk to fund the purchase of such receivables
RCE Advance Sdn. Bhd.$^{\pi}$	100	100	In member's voluntary winding up

\# Audited by another firm of auditors
π Held indirectly through RCE Marketing Sdn. Bhd. ("RCEM")

During the financial year:

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

(b) The Company has subscribed 20,000 ordinary shares of SISB at a consideration of RM20,000; and

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

All companies are incorporated in Malaysia except for RCPL.

17. GOODWILL ON CONSOLIDATION

	The Group	
	2019 RM	2018 RM
Goodwill on consolidation, at cost	47,843,974	47,843,974
Less: Allowance for impairment	(510,983)	(510,983)
Carrying amount	47,332,991	47,332,991

Allocation of goodwill to CGUs

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

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

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

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

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

	The Group	
	2019 RM	2018 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.

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 loan disbursements, which is based on RCEM Group's past performance and management's expectation on the growth in loans demand and the availability of funds by RCEM Group. The discount rate applied to the cash flow projections is 6.54% (2018: 7.67%) per annum. No growth rate is assumed in extrapolating the cash flows beyond the five-year period. 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.

(b) Processing and Administration of Payroll Collection

The recoverable amount of the CGU is determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculation include quantum of loan collection, which is based on management's expectation on the growth in loans demand. The discount rate applied to the cash flow projections is 6.54% (2018: 7.67%) per annum. No growth rate is assumed in extrapolating the cash flows beyond the five-year period. 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. LOANS AND RECEIVABLES

	The Group	
	2019 RM	**2018 RM**
Loans and receivables, gross	1,729,096,700	1,643,389,398
Less: Allowances for impairment	(130,390,244)	(118,682,492)
Loans and receivables, net	1,598,706,456	1,524,706,906
Amount receivable within one year	(151,697,708)	(139,713,992)
Non-current portion	1,447,008,748	1,384,992,914

18. LOANS AND RECEIVABLES (CONT'D)

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

	The Group	
	2019 RM	2018 RM
Amount receivables:		
Within one to two years	168,089,349	141,759,393
Within two to five years	594,944,977	504,140,040
After five years	683,974,422	739,093,481
	1,447,008,748	1,384,992,914

Loans and receivables which arose from the provision of loan financing are governed under Facility Agreements, Assignment Agreements and the Power of Attorney (collectively referred to as "Security Agreements") between the cooperatives or corporations and the Group.

The information on the financial risk of loans and receivables are disclosed in Note 33.

Included in loans and receivables are:

	The Group	
	2019 RM	2018 RM
Assigned in favour of trustees	924,674,220	766,818,521
Pledged to financial institutions	588,546,039	531,919,343
Held in trust for financial institutions	15,653,729	18,243,542
	1,528,873,988	1,316,981,406

18. LOANS AND RECEIVABLES (CONT'D)

Movement in allowances for impairment:

	Stage 1 RM	Stage 2 RM	Stage 3 RM	Collective assessment RM	Individual assessment RM	Total RM
Balance as at 1 Apil 2017	–	–	–	46,447,227	64,337,703	110,784,930
Charge for the financial year	–	–	–	11,127,080	41,375,516	52,502,596
Reversal/Written back	–	–	–	–	(22,987,838)	(22,987,838)
Reclassfied (to individual assessment)/from collective assessment	–	–	–	(5,571,334)	5,571,334	–
Written off	–	–	–	–	(21,617,196)	(21,617,196)
Balance as at 31 March 2018/ 1 April 2018	–	–	–	52,002,973	66,679,519	118,682,492
Restated for adoption of MFRS 9	46,904,461	5,098,512	66,679,519	(52,002,973)	(66,679,519)	–
Effects of adopting MFRS 9	4,022,103	3,996,728	–	–	–	8,018,831
Restated as at 1 April 2018	50,926,564	9,095,240	66,679,519	–	–	126,701,323
Changes in the ECL:						
Transfer to stage 1	1,075,755	(3,224,530)	(6,449,280)	–	–	(8,598,055)
Transfer to stage 2	(803,045)	4,795,239	(4,776,569)	–	–	(784,375)
Transfer to stage 3	(1,578,988)	(2,485,213)	46,593,690	–	–	42,529,489
Net adjustment of allowances for impairment	(1,306,278)	(914,504)	35,367,841	–	–	33,147,059
New financial assets originated or purchased	7,197,822	–	–	–	–	7,197,822
Financial assets derecognised	(788,555)	(109,532)	(1,744,059)	–	–	(2,642,146)
Changes in risk parameters	(7,756,591)	(1,706,802)	(4,290,105)	–	–	(13,753,498)
Written off	–	–	(20,260,316)	–	–	(20,260,316)
Balance as at 31 March 2019	48,272,962	6,364,402	75,752,880	–	–	130,390,244

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

19. TRADE RECEIVABLES

	The Group	
	2019 RM	2018 RM
Confirming receivables	3,592,233	4,020,258
Factoring receivables	2,358,558	2,450,298
	5,950,791	6,470,556
Less: Allowances for impairment		
- Individual assessment	–	(2,676,155)
- ECL	(2,281,786)	–
	(2,281,786)	(2,676,155)
Trade receivables, net	3,669,005	3,794,401

The credit period granted by the Group ranges from 90 to 150 (2018: 90 to 150) days. The EIR is at 11.38% (2018: 11.44%) per annum.

As at the reporting date, there are significant concentration of credit risk arising from the amount due from one (1) (2018: two (2)) major customer amounting to 64.22% (2018: 100.00%) of the total trade receivables. The extension of credits to and the repayments from these customers are closely monitored by the management to ensure that these customers adhere to the agreed credit terms and policies.

Movement in allowances for impairment:

	Lifetime ECL RM	Credit impaired RM	Individual assessment RM	Total RM
Balance as at 1 April 2017	–	–	3,654,040	3,654,040
Charge for the financial year	–	–	1,962,173	1,962,173
Written back	–	–	(1,881,937)	(1,881,937)
Written off	–	–	(1,058,121)	(1,058,121)
Balance as at 31 March 2018/ 1 April 2018	–	–	2,676,155	2,676,155
Restated for adoption of MFRS 9	–	2,676,155	(2,676,155)	–
Effects of adopting MFRS 9	68,162	–	–	68,162
Restated as at 1 April 2018	68,162	2,676,155	–	2,744,317
Charge for the financial year	(1,163)	–	–	(1,163)
Changes in risk parameters	1,898	(224,969)	–	(223,071)
Written off	–	(238,297)	–	(238,297)
Balance as at 31 March 2019	68,897	2,212,889	–	2,281,786

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

20. OTHER INVESTMENTS

	The Group and The Company 2019 RM	The Group and The Company 2018 RM
Investments, at FVTPL:		
Association memberships	2	–
Investments, at cost:		
Association memberships	–	2

21. FINANCIAL ASSETS

	The Group 2019 RM	The Group 2018 RM
Financial assets at FVTPL		
Unquoted corporate bonds, at fair value	–	–
AFS financial assets		
Unquoted corporate bonds, at cost	–	8,000,000
Less: Accumulated impairment losses	–	(8,000,000)
	–	–

During the financial year, the AFS financial assets were reclassified to financial assets at FVTPL upon the adoption of MFRS 9 as disclosed in Note 2.1.

The unquoted corporate bonds are unsecured and have no fixed coupon rate. Coupon rates will be determined semi-annually depending on the performance of the bonds.

There was no coupon payment received in respect of the unquoted corporate bonds for the financial years ended 31 March 2019 and 31 March 2018 respectively.

22. DEFERRED TAX

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

	The Group 2019 RM	2018 RM
Balance as at 1 April	39,157,221	38,049,964
Effects of adopting MFRS 9	1,940,879	–
Restated as at 1 April	41,098,100	38,049,964
Recognised in profit or loss (Note 11)	715,600	1,107,257
Balance as at 31 March	41,813,700	39,157,221

Presented after appropriate offsetting as follows:

	The Group 2019 RM	2018 RM
Deferred tax assets	41,977,418	39,481,630
Deferred tax liabilities	(163,718)	(324,409)
	41,813,700	39,157,221

(b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Loans and receivables RM	Payables RM	Other temporary differences RM	Total RM
Balance as at 1 April 2017	33,646,400	3,619,611	1,402,207	38,668,218
Recognised in profit or loss	3,417,937	(2,655,992)	51,467	813,412
Balance as at 31 March 2018	37,064,337	963,619	1,453,674	39,481,630
Balance as at 1 April 2018	37,064,337	963,619	1,453,674	39,481,630
Effects of adopting MFRS 9	1,924,520	–	16,359	1,940,879
Restated as at 1 April 2018	38,988,857	963,619	1,470,033	41,422,509
Recognised in profit or loss	499,825	239,593	(184,509)	554,909
Balance as at 31 March 2019	39,488,682	1,203,212	1,285,524	41,977,418

22. DEFERRED TAX (CONT'D)

Deferred tax liabilities of the Group:

	Plant and equipment RM
Balance as at 1 April 2017	(618,254)
Recognised in profit or loss	293,845
Balance as at 31 March 2018	(324,409)
Balance as at 1 April 2018	(324,409)
Recognised in profit or loss	160,691
Balance as at 31 March 2019	(163,718)

(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	
	2019 RM	2018 RM
Unused tax losses	2,221,784	2,203,600
Unabsorbed capital allowances	4,531,676	4,531,676
	6,753,460	6,735,276

23. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	33,927,841	31,156,451	175	–
Tax recoverable	1,770,265	4,779,387	99,781	–
Prepaid expenses	1,521,183	3,808,387	8,625	11,431
Refundable deposits	316,510	300,553	–	–
	37,535,799	40,044,778	108,581	11,431

Included in other receivables of the Group are collections in transit from various cooperatives and corporations of RM30,266,681 (2018: RM26,452,913).

Included in refundable deposits of the Group are RM164,791 (2018: RM161,067) paid in relation to the rental of office premises to related parties.

24. RELATED PARTY TRANSACTIONS

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

	The Company	
	2019 RM	2018 RM
Amounts due from subsidiary companies	6,995,156	39,852,647

The amounts due from subsidiary companies arose mainly from advances given, are unsecured, bear interest rate at 1.90% (2018: 1.75%) per annum, repayable on demand and to be settled in cash, except otherwise stated.

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiary companies.

24. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures

Other than as disclosed elsewhere in the financial statements, the related parties and their relationships with the Company are as follows:

Name of related parties	Relationship
AmFunds Management Berhad ("AFMB") AmBank Berhad ("AMB") AmBank Islamic Berhad ("ABI")	A company in which a deemed substantial shareholder of the Company has indirect interest and certain directors of the Company have directorship
Corporateview Sdn. Bhd. ("CVSB") Harpers Travel (Malaysia) Sdn. Bhd. ("HTSB") Fulcrum Capital Sdn. Bhd. ("FCSB")	Subsidiary companies of Amcorp Group Berhad, the intermediate holding company of the Company
AmMetLife Insurance Berhad ("ALIB")	A company in which a deemed substantial shareholder of the Company has indirect interest
AmInvestment Bank Berhad ("AIBB")	A company in which a deemed substantial shareholder and a director of the Company have substantial interest or directorship
AON Insurance Brokers (M) Sdn. Bhd. ("AIBM")	A company in which certain directors of the Company have directorship

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

	The Company	
	2019 RM	2018 RM
Direct subsidiary companies:		
Net interest income on amount due from RCEM	423,305	543,867
Administrative fees receivable from RCEM	361,093	366,061

24. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures (Cont'd)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other related parties:				
Interest income receivable from deposits placed with:				
ABI	7,016,109	3,193,955	–	–
AFMB	412,566	1,407,805	–	–
Net proceeds from disposal of plant and equipment from CVSB	90,000	–	–	–
Interest expense payable to:				
AMB	11,879,762	4,798,109	–	–
ABI	4,547,001	9,605,208	–	–
Fees payable to AIBB:				
Placement fee	1,347,000	600,000	–	–
Arranger fee	690,000	–	–	–
Fees payable to CVSB:				
Management fee	1,330,000	720,000	–	–
Internal audit fees	226,000	238,000	33,000	28,000
Staff costs	–	490,000	–	–
Rental payable to:				
ALIB	796,801	763,430	–	–
CVSB	39,600	36,000	–	–
Marketing expenses incurred arising from purchase of travel package from HTSB	603,061	503,942	–	–
Insurance premium and brokerage fee payable to AIBM	423,363	359,706	–	–
Purchase of travel package from HTSB	16,598	307,805	12,534	–

24. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures (Cont'd)

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

	The Group	
	2019 RM	**2018 RM**
Borrowings with:		
AMB	199,578,263	199,631,149
ABI	90,889,124	70,300,435
	290,467,387	269,931,584

(c) Compensation of key management personnel

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Short-term employees' benefits	6,265,487	4,955,444	389,000	525,000
Defined contribution plan	774,046	575,991	–	–
Share options granted under ESS	481,400	520,200	145,000	136,000
	7,520,933	6,051,635	534,000	661,000

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deposits with licensed financial institutions	275,807,957	169,581,241	–	–
Cash and bank balances	216,570,218	27,635,183	34,617	3,733
	492,378,175	197,216,424	34,617	3,733
Less: Deposits, cash and bank balances				
- Assigned in favour of the trustees	(284,550,137)	(144,392,652)	–	–
- Pledged to licensed financial institutions	(48,076,728)	(38,620,055)	–	–
	(332,626,865)	(183,012,707)	–	–
	159,751,310	14,203,717	34,617	3,733

Deposits with licensed financial institutions of the Group have a weighted average remaining maturity period of 80 (2018: 127) days. The information on weighted average effective interest rate ("WAEIR") is disclosed in Note 33.

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

	The Group	
	2019 RM	2018 RM
Deposits and bank balances placed with:		
ABI	447,461,945	148,705,326
AMB	22,238,676	17,754,257
AFMB	5,383,492	12,239,508
	475,084,113	178,699,091

26. SHARE CAPITAL

	The Group and The Company			
	2019	2018	2019	2018
	No. of shares		RM	RM
Ordinary shares				
Balance as at 1 April	355,994,636	350,712,636	44,675,603	38,063,703
Issuance of shares pursuant to ESS exercised	4,560,900	5,282,000	6,283,643	6,611,900
Transfer arising from “no par value” regime	–	–	103,495,153	–
Balance as at 31 March	360,555,536	355,994,636	154,454,399	44,675,603

During the financial year, the total number of issued shares of the Company was increased from 355,994,636 to 360,555,536 by way of the issuance of 4,560,900 new ordinary shares pursuant to share options exercised.

The 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 350,712,636 to 355,994,636 by way of the issuance of 5,282,000 new ordinary shares pursuant to share options exercised.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company’s residual assets.

27. TREASURY SHARES

The shareholders of the Company, by a resolution passed at an annual general meeting held on 6 September 2018, has granted an approval to the Company to buy back its own shares of up to 10% of its total number of issued shares of the Company.

27. TREASURY SHARES (CONT'D)

During the financial year, the Company repurchased its issued ordinary shares from the open market as summarised below:

	Number of shares	Total consideration RM	Purchase price per share Highest RM	Lowest RM	Average RM
Balance as at 1 April 2018	13,972,725	13,352,618	1.232	1.160	0.903
Shares repurchased during the financial year:					
- April 2018	687,700	943,345	1.440	1.298	1.366
- May 2018	1,853,000	2,407,774	1.345	1.258	1.295
- June 2018	602,500	891,739	1.559	1.341	1.475
- October 2018	420,800	615,756	1.500	1.430	1.456
- December 2018	167,800	244,872	1.460	1.437	1.450
- January 2019	531,300	813,187	1.583	1.450	1.523
- March 2019	411,400	674,978	1.650	1.610	1.630
	4,674,500	6,591,651	1.650	1.258	1.404
Balance as at 31 March 2019	18,647,225	19,944,269	1.650	1.160	1.209

The total consideration paid of RM6,591,651 (including transaction costs) was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016.

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

As at 31 March 2019, the number of ordinary shares in issue after new ordinary shares issued and deducting the treasury shares is 341,908,311 shares.

28. RESERVES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
ESS	4,059,329	3,475,420	4,059,329	3,475,420
Exchange translation reserve	769	–	–	–
Share premium	–	72,592,303	–	72,592,303
Capital redemption reserve	–	30,902,850	–	30,902,850
	4,060,098	106,970,573	4,059,329	106,970,573
Distributable:				
Retained earnings	444,945,909	380,979,006	222,292,521	228,209,575
	449,006,007	487,949,579	226,351,850	335,180,148

(a) Non-distributable:

(i) ESS:

The ESS reserve represents the equity settled share options granted to eligible directors and employees. This reserve is made up of the cumulative value of services received from eligible directors and employees recorded on the grant date of share options. Details of ESS granted to eligible directors and employees are disclosed in Note 35.

(ii) Exchange translation reserve:

Exchange translation reserve represents the foreign currency exchange differences arising from the translation of the financial statements of the foreign operation whose functional currency is different from that of the presentation currency of the Group. It also represents the exchange differences arising from monetary items, which form part of the net investment in foreign operation of the Group.

(iii) Share premium arose from the following:

	The Group and The Company	
	2019 RM	2018 RM
Balance as at 1 April	72,592,303	72,592,303
Transfer arising from "no par value" regime	(72,592,303)	–
Balance as at 31 March	–	72,592,303

28. RESERVES (CONT'D)

(a) Non-distributable (Cont'd):

(iv) Capital redemption reserve was arose from redemption of RCNCPS in the financial year ended 31 March 2015. The entire amount of capital redemption reserve have been reclassified to share capital during the financial year.

The Companies Act 2016 abolished the concept of nominal value in share with effect from 31 January 2017. Notwithstanding that, Section 618 of the Companies Act 2016 provides a transitional period of twenty four (24) months from 1 February 2017 to 31 January 2019 for the share premium and capital redemption reserves of the Group and of the Company outstanding as at 31 January 2017 to be utilised for specific purposes.

Subsequent to the transitional period ended 31 January 2019, the Group and the Company recognised the share premium and capital redemption reserves as part of the Group and of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(b) Distributable:

Retained earnings:

Distributable reserves are those available for distribution as dividends.

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

29. PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current				
Payables	15,121,887	22,031,628	–	–
Accrued expenses	9,702,207	9,729,372	562,191	606,735
Deposits	1,432,667	1,257,667	–	–
	26,256,761	33,018,667	562,191	606,735
Non-current				
Payables	717,858	–	–	–
	26,974,619	33,018,667	562,191	606,735

Included in payables of the Group are:

(i) refundable collections amounting to RM3,111,894 (2018: RM6,695,810); and

(ii) collections received from customers amounting to RM1,614,838 (2018: RM1,680,441) on behalf of various cooperatives and corporations by subsidiary companies.

30. HIRE-PURCHASE PAYABLES

	The Group 2019 RM	The Group 2018 RM
Total outstanding	1,164,962	1,405,955
Less: Future finance charges	(78,561)	(117,578)
Principal outstanding	1,086,401	1,288,377
Less: Amounts due within one year	(372,106)	(328,984)
Non-current portion	714,295	959,393

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

	The Group 2019 RM	The Group 2018 RM
Financial years ending 31 March:		
2020	–	344,375
2021	348,373	319,362
2022	260,185	229,835
2023	97,572	65,821
2024	8,165	–
	714,295	959,393

The interest rates implicit in these hire-purchase arrangements of the Group range from 4.37% to 4.83% (2018: 4.37% to 4.83%) per annum. The Group's hire-purchase payables are secured by a charge over the assets under hire-purchase.

A reconciliation of hire-purchase payables to cash flows arising from financing activities is as follows:

	The Group 2019 RM	The Group 2018 RM
Balance as at 1 April	1,288,377	1,184,671
Cash flows	(348,976)	(346,294)
Non-cash changes (Note 15)	147,000	450,000
Balance as at 31 March	1,086,401	1,288,377

31. BORROWINGS

	Note	The Group 2019 RM	The Group 2018 RM
At amortised cost			
Secured			
Current			
Term loans	(a)	123,232,210	85,371,287
Revolving credits	(b)	279,674,029	229,099,116
Sukuk	(c),(d)	172,750,766	2,411,472
		575,657,005	316,881,875
Non-current			
Term loans	(a)	196,731,748	217,093,126
Sukuk	(c),(d)	832,471,511	764,515,345
		1,029,203,259	981,608,471
		1,604,860,264	1,298,490,346
Disclosed in the statements of financial position as:			
Current		575,657,005	316,881,875
Non-current		1,029,203,259	981,608,471
		1,604,860,264	1,298,490,346

The maturity profile of the borrowings is as follows:

	The Group 2019 RM	The Group 2018 RM
On demand or within one year	575,657,005	316,881,875
More than 1 year and less than 2 years	165,430,130	227,218,362
More than 2 years and less than 5 years	489,073,058	390,741,319
More than 5 years	374,700,071	363,648,790
	1,604,860,264	1,298,490,346

31. BORROWINGS (CONT'D)

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

	2018 RM	Cash flows RM	Non-cash changes RM	2019 RM
Term loans	302,464,413	15,179,775	2,319,770	319,963,958
Sukuk	766,926,817	240,000,000	(1,704,540)	1,005,222,277
Revolving credits	229,099,116	52,000,000	(1,425,087)	279,674,029
Total	1,298,490,346	307,179,775	(809,857)	1,604,860,264

	2017 RM	Cash flows RM	Non-cash changes RM	2018 RM
Term loans	514,115,305	(210,869,279)	(781,613)	302,464,413
Sukuk	427,479,509	340,000,000	(552,692)	766,926,817
Revolving credits	271,322,487	(42,500,000)	276,629	229,099,116
Other borrowings	611,362	(612,000)	638	–
Total	1,213,528,663	86,018,721	(1,057,038)	1,298,490,346

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

(a) Term loan 1 (Secured)

During the financial year ended 31 March 2013, RCEM was granted a RM200 million back-to-back loan sale arrangement by a licensed financial institution, of which RM50 million was ear-marked for Revolving credit 3 as disclosed in Note 31(b), for working capital purposes.

Term loan 1 is secured against the rights, titles, benefits and interests of the eligible loans and receivables and the amounts collected or received in respect thereof.

The said term loan bears interest rate at 5.95% (2018: 5.95%) per annum for a tenure of five (5) years from the date of the disbursement of the applicable tranche of the term loan.

Term loan 2 (Secured)

During the financial year ended 31 March 2016, a term loan facility of RM300 million was granted to RCEM for financing its working capital purpose.

31. BORROWINGS (CONT'D)

(a) Term loan 3 (Secured)

In the previous financial year, a revolving credit was converted into a term loan facility of RM200 million for financing its working capital purpose.

The term loans 2 and 3 are secured against the following:

(i) An assignment of the rights, titles, benefits and interests of the eligible loans and receivables;

(ii) A letter of set off executed by RCEM in favour of the non-financial institution;

(iii) A fixed deposit by RCEM on lien or charged;

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

(v) An irrevocable corporate guarantee by the Company.

These term loans bear interest rate at 6.54% (2018: 6.40%) per annum for tenure ranging from six (6) to seven (7) years from the date of the first disbursement of the applicable tranche of the term loans.

Term loan 4 (Secured)

In the previous financial year, a term loan facility of RM150 million was granted to RCEM for financing its working capital purpose.

The term loan is secured against the following:

(i) An assignment of the rights, titles, benefits and interests of the eligible loans and receivables and the amounts collected or received in respect thereof;

(ii) A charge over the designated accounts and all monies standing to the credit of the accounts; and

(iii) An irrevocable corporate guarantee by the Company.

The said term loan bears interest rate at 5.88% (2018: 5.90%) per annum for a tenure of three (3) years from the date of the first disbursement of the term loan.

(b) Revolving credit 1 (Secured)

During the financial year ended 31 March 2009, RCEM obtained a revolving credit facility of RM30 million from a licensed financial institution for the purpose of financing the working capital of RCEM. This revolving credit facility limit was increased by RM20 million to a total of RM50 million in financial year ended 31 March 2011.

31. BORROWINGS (CONT'D)

(b) Revolving credit 2 (Secured)

During the financial year ended 31 March 2014, a revolving credit facility of RM100 million was granted by a licensed financial institution to RCEM for the purpose of financing its working capital. The facility limit was revised to RM60 million during the financial year.

All of the facilities are secured against the following:

(i) An assignment of the rights, titles, benefits and interests of receivables under the agreement entered into between RCEM with cooperatives and corporations;

(ii) An assignment of the loans and receivables;

(iii) An irrevocable undertaking by RCEM;

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

(v) An irrevocable corporate guarantee by the Company.

The revolving credits 1 and 2 bear interest at rates ranging from 5.10% to 5.25% (2018: 4.94% to 5.06%) per annum.

Revolving credit 3 (Secured)

During the financial year ended 31 March 2013, a revolving credit facility of RM100 million, which was ear-marked from Term loan 1 as disclosed in Note 31(a) was granted to RCEM for the purpose of working capital. The facility limit was revised to RM50 million during the financial year ended 31 March 2014.

Revolving credits 4 and 5 (Secured)

During the financial year ended 31 March 2016, RCEM was granted another two revolving credit facilities of RM100 million each by licensed financial institutions for working capital purposes. The revolving credit 4 facility has expired during the financial year.

Revolving credits 3 to 5 are secured against the following:

(i) A charge over a designated account and all monies standing to the credit of the account; and

(ii) A charge over the rights, titles, benefits and interests of the applicable personal financing portfolio and the amounts collected or received in respect thereof.

Revolving credit 4 was further secured against an irrevocable corporate guarantee by the Company.

The revolving credits bears interest rate at rates ranging from 5.00% to 5.28% (2018: 5.16% to 5.41%) per annum.

31. BORROWINGS (CONT'D)

(b) Revolving credits 6 (Secured)

During the financial year, a revolving credit facility of RM100 million was granted by a licensed financial institution to RCEM for financing its working capital purpose.

The revolving credit is secured against the following:

(i) An assignment of the rights, titles, benefits and interests of receivables under the agreement entered into between RCEM with 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.

The revolving credit bears interest rate at 5.54% per annum.

Revolving credits 7 (Secured)

During the financial year, a revolving credit facility of RM100 million was granted by a licensed financial institution to RCEM for financing its working capital purpose.

The revolving credit is secured against the following:

(i) A charge over a designated account and all monies standing to the credit of the account;

(ii) A charge over the rights, titles, benefits and interests of the applicable personal financing portfolio and the amounts collected or received in respect thereof; and

(iii) An irrevocable corporate guarantee by the Company.

The revolving credit bears interest rate at 5.28% per annum.

Revolving credit 8 (Unsecured)

All revolving credit facilities of RCEF amounting to RM5.5 million (2018: RM11.5 million) are secured against a corporate guarantee by the Company. There is no outstanding revolving credit as at 31 March 2019 and 31 March 2018 respectively.

(c) RM900.0 million Sukuk (Secured)

Al Dzahab Assets Berhad ("ADA") was incorporated on 5 November 2015 as a special purpose vehicle for the sole purpose of undertaking the Sukuk Murabahah Asset-backed Securitisation Programme amounting up to RM900.0 million which involved the purchase from RCEM from time to time of the loans and receivables meeting certain pre-determined eligibility criteria. The purchase of the loans and receivables were funded by the proceeds from the issuance of Sukuk by ADA.

In the previous financial year, ADA further issued two (2) tranches of Sukuk amounting to RM386.5 million, out of which RM46.5 million were subscribed by a subsidiary company, RCE Trading Sdn. Bhd.

31. BORROWINGS (CONT'D)

(c) RM900.0 million Sukuk (Secured) (Cont'd)

Following the above, ADA has fully issued its RM900.0 million Sukuk Programme since its establishment in June 2016.

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

The main features of the Sukuk are as follows:

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

(ii) All Sukuk were issued at par and have maturity tenures ranging from three (3) to ten (10) years within each tranche;

(iii) Each series of the Sukuk under Class A and Class B bear fixed profit rates ranging from 4.70% to 11.00% (2018: 4.70% to 11.00%) per annum, payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates; and

(iv) The Class C Sukuk bears fixed profit rates ranging from 18.00% to 35.00% (2018: 18.00% to 35.00%) per annum and payable in full or in part upon the full redemption of Class A and Class B.

(d) RM2.0 billion Sukuk (Secured)

ZAB was incorporated on 13 June 2018 as a special purpose vehicle for the sole purpose of undertaking the Sukuk Murabahah Asset-backed Securitisation Programme amounting up to RM2.0 billion which involved the purchase from RCEM from time to time of the loans and receivables meeting certain pre-determined eligibility criteria. The purchase of the loans and receivables were funded by the proceeds from the issuance of Sukuk by ZAB.

During the financial year, ZAB issued its first (1) tranche amounting to RM265.0 million, out of which RM25.0 million were subscribed by a subsidiary company, RCE Trading Sdn. Bhd.

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

The main features of the Sukuk are as follows:

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

(ii) All Sukuk under first tranche were issued at par and have maturity tenures ranging from one (1) to eight point five (8.5) years;

(iii) Each series of the Sukuk under Class A and Class B bear fixed profit rates ranging from 4.55% to 9.50% (2018: nil) per annum, payable semi-annually in arrears with the last profit payment to be made on the respective maturity dates; and

31. BORROWINGS (CONT'D)

(d) RM2.0 billion Sukuk (Secured) (Cont'd)

(iv) The Class C Sukuk bears fixed profit rate at 33.00% (2018: nil) per annum and payable in full or in part upon the full redemption of Class A and Class B.

The RM900.0 million and RM2.0 billion Sukuk are secured against the following:

(i) A debenture incorporating a first fixed and floating charge over the entire undertaking, property, assets and rights, both present and future of ADA and ZAB;

(ii) A first legal charge by the share trustee, over the entire issued and paid-up share capital of ADA and ZAB;

(iii) An assignment of the rights, titles, benefits and interests under the eligible loans and receivables purchased by ADA and ZAB; and

(iv) An assignment and charge over the designated accounts and all monies standing to the credit of the accounts of ADA and ZAB.

(e) Other borrowings (Unsecured)

(i) Bank overdraft 1

The bank overdraft facilities of RCEF amounting to RM0.7 million (2018: RM1.7 million) are secured against an irrevocable corporate guarantee by the Company. There is no outstanding bank overdraft as at 31 March 2019 and 31 March 2018 respectively.

(ii) Others

All bankers' acceptances, trust receipts and bills payable amounting to RM10 million (2018: RM12 million) are secured against an irrevocable corporate guarantee by the Company.

The bankers' acceptances facilities bear interest rate at 5.25% (2018: 4.99%) per annum.

32. COMMITMENTS

Capital commitments

	The Group	
	2019 RM	2018 RM
Capital expenditure in respect of plant and equipment not provided for:		
Approved and contracted for	1,128,824	4,587,403

33. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

The operations of the Group are subject to a variety of financial risks, including interest rate (both fair value and cash flow), credit and liquidity risks. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

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

(a) Interest rate risk

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

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

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

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

(b) Credit risk

Credit risk is the risk of default that may arise on its outstanding contractual obligations resulting in financial loss to the Group. The Group adopts a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk.

(i) Consumer financing services:

The Group manages this risk by exercising adequate credit evaluation measures in its lending criteria and stringent monitoring of repayment. Exposure to credit risk is mitigated through an ongoing monitoring procedure on the repayment via salary deduction from its loans and receivables.

The Group does not have any significant concentration of credit risk due to its large number of underlying borrowers. The maximum exposure to credit risk of the Group is represented by the carrying amount of each financial asset.

33. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(b) Credit risk (Cont'd)

(ii) Factoring and confirming:

The Group trades only with recognised and creditworthy third parties. 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 19.

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

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

(i) Loans and receivables

Category	**Group's definition of category**
Stage 1	Loans and receivables that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date.
Stage 2	All loans and receivables that have been significant increase in credit risk since intial recognition but do not have objective evidence of impairment.
Stage 3	When one or more objectives evidence of defaults that have a detrimental impact on the estimated future cash flows have occurred.

(ii) Trade receivables

Category	**Group's definition of category**
Lifetime ECL	Receivables for which there is a significant increase in credit risk as significant increase in credit risk is presumed if interest and/or principal repayments are from 0 to 90 days.
Credit impaired	Interest and/or principal repayments are more than 90 days.

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of loans and receivables and adjusts for forward looking macroeconomic data.

33. **FINANCIAL INSTRUMENTS (CONT'D)**

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

The Group provides for credit losses as follow:

(i) Loans and receivables

Group internal credit rating	Credit quality by days past due	Basis for recognition of ECL provision	Gross carrying amount* RM	Gross carrying amount (net of impairment provision) RM	Basis for calculation of interest income
Stage 1	0 to 30	12-months expected losses.	964,794,654	942,761,731	Gross carrying amount
	0 to 90^	Where expected lifetime of an asset is less than 12-months, expected losses are measured at its expected lifetime.	692,853,129	666,613,090	
			1,657,647,783	1,609,374,821	
Stage 2	31 to 90	Lifetime expected losses.	4,278,553	2,531,159	Gross carrying amount
	91 to 180^		18,906,649	14,289,641	
			23,185,202	16,820,800	
Stage 3	More than 90	Lifetime expected losses.	29,691,056	–	Amortised cost carrying amount (net of credit allowance)
	More than 180^		46,061,824	–	
			75,752,880	–	

* Excluded fees for the provision of services to be recognised over a period of time of RM27,489,165 (2018: RM35,211,245).

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

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Credit quality analysis (Cont'd)

(ii) Trade receivables

Group internal credit rating	Credit quality by days past due	Basis for recognition of ECL provision	Gross carrying amount RM	Gross carrying amount (net of impairment provision) RM	Basis for calculation of interest income
Lifetime ECL	0 to 90	Lifetime ECL	3,737,902	3,669,005	Gross carrying amount
Credit impaired	More than 90	Credit impaired	2,212,889	–	Amortised cost carrying amount (net of credit allowance)

There are no significant changes to estimation technique or assumption made during the financial year.

Write off

Write off exercise on fully impaired accounts is carried out periodically. The Group categorised loans and receivables and trade receivables for write off when borrower fails to make contractual payments in a given period and actions taken to recover have not been successful.

Where loans and 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 loans and receivables and trade receivables that were written off during the financial year and are still subject to enforcement activities are RM20,498,613 (2018: RM22,675,317).

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

In addition, the Group and the Company are exposed to credit risk representing the amount granted summarised as below:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Irrevocable loan commitments issued on behalf of customers	595,452	576,264	–	–
Financial guarantees to licensed financial institutions for borrowing facilities granted to subsidiary companies	–	–	977,200,000	883,200,000
	595,452	576,264	977,200,000	883,200,000

As at the reporting date, the fair value of the financial guarantees are RMnil (2018: RMnil), determined based on probability-weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

(i) The likelihood of the guaranteed party defaulting within the guaranteed period;

(ii) The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and

(iii) The estimated loss exposure if the party guaranteed were to default.

The counterparties to the financial guarantee contracts do not have a right to demand for settlement as no default events have arisen. Accordingly, financial guarantee contracts under the scope of MFRS 7 Financial Instruments: Disclosures are not included in the following interest rate and liquidity risks' maturity profile.

Collaterals

The main types of collaterals obtained by the Group are as follows:

(i) Consumer financing - loans by cooperatives or corporations to their members and assignment of collection proceeds in the designated account by cooperatives; and

(ii) Factoring and confirming - land and buildings.

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Collaterals (Cont'd)

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

	Maximum Exposure RM	Collateral value RM	Financial effect of collaterals %
2019			
Loans and receivables	751,501,931	704,249,194	93.71
Trade receivables	3,669,005	2,400,000	65.41
	755,170,936	706,649,194	93.57
2018			
Loans and receivables	817,606,647	750,788,850	91.83
Trade receivables	3,794,401	2,400,000	63.25
	821,401,048	753,188,850	91.70

(c) Liquidity risk

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

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

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

In addition, the Group plans to match its assets by converting the current into non-current liabilities in order to meet its short term obligations as and when they fall due, including raising funds from the market as evidenced from the establishment of sukuk programmes as disclosed in Notes 31(c) and 31(d) respectively.

The Group also manages its liquidity risk by maintaining a portion of its resources in deposits, cash and bank balances with licensed financial institutions amounting to RM492,378,175 (2018: RM197,216,424) as disclosed in Note 25 to meet estimated commitments arising from its financial liabilities.

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Interest rate and liquidity risk tables

Analysis of financial instruments based on remaining contractual maturity

The following table sets out the WAEIR, carrying amounts and the remaining maturities as at the reporting date of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

				←	Maturity profile	→
The Group	**Note**	**WAEIR %**	**Total RM**	**Within 1 year RM**	**2-5 years RM**	**After 5 years RM**
2019						
Fixed rate						
Loans and receivables	18	13.15	1,598,706,456	151,697,708	763,034,326	683,974,422
Trade receivables	19	11.38	3,669,005	3,669,005	–	–
Hire-purchase payables	30	4.54	1,086,401	372,106	714,295	–
Term loans (secured)	31	5.95	18,355,963	18,355,963	–	–
Sukuk	31	5.48	1,005,222,277	172,750,766	463,717,529	368,753,982
Floating rate						
Deposits with licensed financial institutions	25	3.41	275,807,957	275,807,957	–	–
Term loan (secured)	31	6.30	301,607,995	104,876,247	190,785,659	5,946,089
Revolving credits	31	5.09	279,674,029	279,674,029	–	–
2018						
Fixed rate						
Loans and receivables	18	12.63	1,524,706,906	139,713,992	645,899,433	739,093,481
Trade receivables	19	11.44	3,794,401	3,794,401	–	–
Hire-purchase payables	30	4.55	1,288,377	328,984	959,393	–
Term loans (secured)	31	5.95	20,404,876	2,055,081	18,349,795	–
Sukuk	31	5.60	766,926,817	2,411,472	400,866,555	363,648,790
Floating rate						
Deposits with licensed financial institutions	25	3.48	169,581,241	169,581,241	–	–
Term loan (secured)	31	6.22	282,059,537	83,316,206	198,743,331	–
Revolving credits	31	5.11	229,099,116	229,099,116	–	–

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

Interest rate and liquidity risk tables (Cont'd)

Analysis of financial liabilities based on an undiscounted basis

The following table summarises the remaining maturities as at the reporting date of the Group's financial liabilities based on contractual undiscounted repayment obligations:

The Group	Total RM	← Maturity profile Within 1 year RM	2-5 years RM	After 5 years RM →
2019				
Fixed rate				
Sukuk	1,255,735,757	220,978,697	615,438,182	419,318,878
Term loans (secured)	18,882,248	18,882,248	–	–
Hire-purchase payables	1,164,962	413,712	751,250	–
Floating rate				
Term loans (secured)	335,584,999	121,258,067	208,302,986	6,023,946
Revolving credits	281,368,033	281,368,033	–	–
2018				
Fixed rate				
Sukuk	993,774,095	46,360,672	536,853,479	410,559,944
Term loans (secured)	22,089,711	3,213,631	18,876,080	–
Hire-purchase payables	1,405,955	380,808	1,025,147	–
Floating rate				
Term loans (secured)	322,207,674	102,104,812	220,102,862	–
Revolving credits	229,099,116	229,099,116	–	–

Sensitivity analysis for interest rate risk

As at the reporting date, if interest rate had been 50 basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would increase/decrease by RM2,214,580 (2018: RM1,951,513) arising mainly as a result of a lower/higher interest expense on floating rate borrowings.

33. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values

The accounting policies applicable to the major financial assets and liabilities are as disclosed in Note 3.

(i) Financial assets

The Group's and the Company's principal financial assets are loans and receivables, trade receivables, other receivables, amounts due from subsidiary companies, deposits with licensed financial institutions and cash and bank balances.

(ii) Financial liabilities and equity instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual agreement.

Significant financial liabilities include borrowings and payables.

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

		2019		2018	
	Note	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Financial asset					
Loans and receivables	18	1,598,706,456	1,621,574,158	1,524,706,906	1,540,588,717
Financial liabilities					
Borrowings - Sukuk	31	1,005,222,277	1,055,695,838	766,926,817	802,883,372

The methods and assumptions used by management to determine the fair values of the financial instruments are as follows:

(i) Loans and receivables

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

The fair values of impaired loans and receivables are represented by their carrying amounts, net of credit allowance, being the expected recoverable amount.

33. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

(ii) FVTPL and AFS - Unquoted investments in Malaysia

The fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses.

(iii) Short term financial instruments

The fair values are estimated to approximate their carrying amounts as the financial instruments are considered short term in nature.

(iv) Sukuk

The fair values are estimated using discounting technique. The discount rates are based on market rates available to the Group for similar instruments.

The fair value hierarchies used to classify financial instruments not measured at fair value in the statements of financial position, but for which fair value is disclosed, are as follows:

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
31 March 2019				
Financial asset				
Loans and receivables	–	–	1,621,574,158	1,621,574,158
Financial liabilities				
Borrowings				
- Sukuk	–	1,055,695,838	–	1,055,695,838
31 March 2018				
Financial asset				
Loans and receivables	–	–	1,540,588,717	1,540,588,717
Financial liabilities				
Borrowings				
- Sukuk	–	802,883,372	–	802,883,372

34. CAPITAL MANAGEMENT

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

The Group monitors capital using a gearing ratio, which is net borrowings divided by total equity. Net borrowings are calculated as total borrowings less deposits, cash and bank balances. Total equity is calculated as share capital plus reserves as shown in the statements of financial position.

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total borrowings	1,604,860,264	1,298,490,346	–	–
Less: Deposits, cash and bank balances	(492,378,175)	(197,216,424)	(34,617)	(3,733)
Net borrowings	1,112,482,089	1,101,273,922	(34,617)	(3,733)
Total equity	583,516,137	519,272,564	360,861,980	366,503,133
Gearing ratio (times)	1.91	2.12	–	–

35. ESS

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

The salient features of the ESS are as follows:

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

(b) Not more than 10% of the total number of shares to be issued under the ESS shall be allocated to any executive director or employee, who either singly or collectively through persons connected with the executive director or employee, holds 20% or more of the issued and paid-up share capital of the Company;

(c) The eligible persons are executive directors and employees who have attained the age of 18 years, not an undischarged bankrupt and has not served a notice of resignation or received a notice of termination or subject to any disciplinary proceeding; and

35. ESS (CONT'D)

(d) The option price shall be at a discount of not more than 10% of the 5 days weighted average market price of the Company's shares immediately preceding the date of offer.

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

			Number of options over ordinary shares				
Grant date	**Expiry date**	**Exercise price per share RM**	**Balance as at 1.04.2018**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2019**
3.02.2017	2.02.2019	1.30	1,598,850	–	(1,147,000)	(451,850)	–
18.08.2017	17.08.2019	1.48	8,670,000	–	(1,050,000)	(790,000)	6,830,000
4.07.2018	30.12.2020	1.37	–	8,516,000	(2,363,900)	(162,000)	5,990,100
			10,268,850	8,516,000	(4,560,900)	(1,403,850)	12,820,100
Weighted average exercise price		(RM)	1.45	1.37	1.38	1.41	1.43
Weighted average share price		(RM)			1.61		
Weighted average of remaining contractual life		(days)					373

			Number of options over ordinary shares				
Grant date	**Expiry date**	**Exercise price per share RM**	**Balance as at 1.04.2017**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2018**
23.06.2016	30.12.2020	0.64	456,000	–	(456,000)	–	–
3.02.2017	2.02.2019	1.30	6,183,850	–	(4,569,000)	(16,000)	1,598,850
18.08.2017	17.08.2019	1.48	–	9,137,000	(257,000)	(210,000)	8,670,000
			6,639,850	9,137,000	(5,282,000)	(226,000)	10,268,850
Weighted average exercise price		(RM)	1.25	1.48	1.25	1.47	1.45
Weighted average share price		(RM)			1.71		
Weighted average of remaining contractual life		(days)					474

35. ESS (CONT'D)

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

		Grant date	
		2019	**2018**
		4.07.2018	**18.08.2017**
Fair value of share options at grant dates	(RM)	0.290	0.340
Grant date share price	(RM)	1.580	1.680
Exercise price	(RM)	1.370	1.480
Expected volatility	(%)	19.01	26.26
Expected life	(days)	909	729
Risk free rate	(%)	3.758	3.583
Expected dividend yield	(%)	1.611	1.876

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share options grant were incorporated into the measurement of fair value.

Statement By **Directors**

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 63 to 147 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 2019 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
28 May 2019

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 63 to 147 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 28th day of May 2019.

YAP CHOON SENG
MIA 20766

Before me

PESURUHJAYA SUMPAH
W 749
AMIRUL IMRAN BIN MOHD ALI
/10/2018-31/12/2020
MALAYSIA

No. 29, Tingkat Satu
Jalan Melayu
50100 Kuala Lumpur

COMMISSIONER FOR OATHS

Analysis of Shareholdings
as at 28 June 2019

Issued Shares : 364,393,936 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	741	9.91	23,849	0.01
100 to 1,000	1,110	14.84	678,064	0.20
1,001 to 10,000	3,996	53.44	16,842,031	4.88
10,001 to 100,000	1,470	19.66	42,676,242	12.38
100,001 to less than 5% of issued shares	158	2.11	93,661,041	27.17
5% and above of issued shares	3	0.04	190,882,484	55.36
Total	**7,478**	**100.00**	**344,763,711**	**100.00**

THIRTY LARGEST REGISTERED SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD (AGB CBC2)	107,000,000	31.03
2.	CEMPAKA EMPAYAR SDN BHD	63,257,484	18.35
3.	BBL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	20,625,000	5.98
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	16,666,700	4.83
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD	8,579,200	2.49
6.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	3,873,200	1.12
7.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (8109706)	3,617,800	1.05
8.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM (8036608)	2,578,500	0.75
9.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	2,319,900	0.67
10.	B-OK SDN BHD	2,200,000	0.64

Analysis of **Shareholdings**
as at 28 June 2019

THIRTY LARGEST REGISTERED SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
11.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	2,000,000	0.58
12.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPRING ABSR EQ)	1,723,600	0.50
13.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	1,574,000	0.46
14.	LOH KAM CHUIN	1,400,000	0.41
15.	LIEW SZE FOOK	1,315,000	0.38
16.	YAP PHAIK KWAI	1,300,000	0.38
17.	CHOO SHIOW CHARN	1,177,000	0.34
18.	CARTABAN NOMINEES (TEMPATAN) SDN BHD - RHB TRUSTEES BERHAD FOR KAF VISION FUND	1,150,000	0.33
19.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - KAF TACTICAL FUND	1,100,000	0.32
20.	HONG WENG HWA	1,089,187	0.32
21.	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM	1,077,000	0.31
22.	OON HOOI KHEE	1,040,000	0.30
23.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND	1,030,000	0.30
24.	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR YAP CHOON SENG	1,000,000	0.29
25.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SKYTURE CAPITAL SDN BHD (KL C/PIV)	977,300	0.28
26.	TAN AIK CHOON	763,700	0.22
27.	AZMAN BIN HASHIM	750,000	0.22
28.	KHOO BOON CHONG	750,000	0.22
29.	KENANGA NOMINEES (ASING) SDN BHD - RAKUTEN TRADE SDN BHD FOR TOSHIMASA ISHIDA	749,800	0.22
30.	LOOI BIAN CHEONG	744,900	0.22
	Total	**253,429,271**	**73.51**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Cempaka Empayar Sdn Bhd	207,549,184	60.20	–	–
Amcorp Group Berhad	–	–	207,549,184[(1)]	60.20
Clear Goal Sdn Bhd	–	–	207,549,184[(1)]	60.20
Tan Sri Azman Hashim	750,000	0.22	207,549,184[(1)]	60.20

Note:

(1) *Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through shareholdings in 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	300,000	0.09	–	–	–
Datuk Mohamed Azmi bin Mahmood	–	–	–	–	–
Tan Bun Poo	–	–	–	–	–
Mahadzir bin Azizan	–	–	–	–	–
Soo Kim Wai	–	–	–	–	–
Shalina Azman	450,000	0.13	–	–	–
Loh Kam Chuin *(Chief Executive Officer)*	1,400,000	0.41	–	–	1,000,000

Note:

The analysis of shareholdings is based on the Record of Depositors as at 28 June 2019, net of 19,630,225 treasury shares.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AND OPTIONS HELD UNDER THE EMPLOYEES' SHARE SCHEME IN AMCORP PROPERTIES BERHAD, A RELATED COMPANY

Name of Directors and Chief Executive Officer	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %	No. of Options Held
Shahman Azman					
- Ordinary Shares	886,700	0.15	–	–	2,256,000
Loh Kam Chuin *(Chief Executive Officer)*					
- Ordinary Shares	667	*	–	–	–
- Class A Redeemable Convertible Preference Shares	333	*	–	–	–
- Class B Redeemable Convertible Preference Shares	100	*	–	–	–

Note:

* *Negligible*

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixty-Fifth Annual General Meeting of RCE Capital Berhad will be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor, Malaysia on Wednesday, 28 August 2019 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 2019 together with the Reports of the Directors and Auditors thereon.

2. To declare a final single-tier dividend of 5 sen per ordinary share for the financial year ended 31 March 2019. **Resolution 1**

3. To approve the payment of Directors' fees of RM360,000 for the financial year ended 31 March 2019. **Resolution 2**

4. To approve the Directors' benefits to the Non-Executive Directors of the Company for the period from 29 August 2019 until the next Annual General Meeting of the Company to be held in 2020. **Resolution 3**

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

   (i) Encik Shahman Azman **Resolution 4**

   (ii) Encik Mahadzir bin Azizan **Resolution 5**

6. To re-appoint Deloitte PLT as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions, with or without modifications:

7. **Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

   "THAT subject always to the Companies Act 2016, provisions of the Company's Constitution and the approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

8. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.2 of the Circular to Shareholders dated 26 July 2019, 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."

9. **Proposed Renewal of Share Buy-Back Authority**

"THAT subject to the Companies Act 2016 ("Act"), provisions of the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and any other relevant authorities, approval be and is hereby given for the Company to purchase ordinary shares in the Company as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may in their absolute discretion deem fit and expedient in the interest of the Company ("Share Buy-Back Mandate") provided that: **Resolution 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);

(iii) the authority conferred by this resolution will be effective immediately upon the passing of this ordinary resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at the general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders in general meeting,

whichever is the earlier;

(iv) the shares so purchased by the Company pursuant to the Share Buy-Back Mandate be retained as treasury shares which may be distributed as dividends and/or resold on Bursa Securities and/or cancelled and/or dealt with by the Directors in the manners allowed by the Act;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as they may consider expedient or necessary to implement and give effect to the Share Buy-Back Mandate."

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final single-tier dividend of 5 sen per ordinary share for the financial year ended 31 March 2019, if approved by the shareholders, will be paid on 11 September 2019 to depositors who are registered in the Record of Depositors at the close of business on 30 August 2019.

A depositor shall qualify for entitlement only in respect of:

(a) shares transferred into the Depositor's Securities Account before 4.30 p.m. on 30 August 2019 in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

JOHNSON YAP CHOON SENG (MIA 20766)
SEOW FEI SAN (MAICSA 7009732)
Secretaries

Petaling Jaya
26 July 2019

Notice of
Annual General Meeting

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 21 August 2019 shall be eligible to attend, speak and vote at the Sixty-Fifth Annual General Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy.
3. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said account.
5. A member who is an exempt authorised nominee is entitled to appoint multiple proxies for each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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 3 - 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 3 is to seek shareholders' approval for the payment of Directors' benefits for the period from 29 August 2019 until the next Annual General Meeting ("AGM") of the Company to be held in 2020 ("Relevant Period"). The Directors' benefits comprise allowances and other emoluments payable to the Non-Executive Chairman and Non-Executive Directors of the Company, and the estimated total amount of Directors' benefits for the Relevant Period is expected to come up to approximately RM610,190, which is derived on the following basis:

Description	Non-Executive Chairman	Non-Executive Directors
Monthly fixed allowance	RM18,000	Not Applicable
Defined Contribution	19% of monthly fixed allowance	
Benefits-in-kind	RM23,133 per month	
Other Benefits	Directors' Liability Insurance	Directors' Liability Insurance
Meeting allowance (Independent Directors only) • Board • Board Committee	**Chairman** **(per meeting)** RM2,000 RM2,000	**Member** **(per meeting)** RM1,000 RM1,000

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 based on the above remuneration structure were taken into consideration.

The monthly fixed allowance, benefits-in-kind and other emoluments are given to the Chairman of the Company in recognition of the significant roles in leadership and oversight, and the scope of responsibilities expected of him.

The Chairman is principally responsible for the leadership of the Board which sets the strategy and direction of the Group and to promote and oversee a high standard of corporate governance. He is also the chairperson of the Risk Management Committee which deliberates on all material transactions as well as the overall risk appetite of the Group. In addition, he is the chairperson of the Sustainability Management Committee ("SMART") to lead the SMART in administering and overseeing the development and implementation of the Group's sustainability strategies. Apart from that, Management also actively seeks the Chairman's advice and guidance before undertaking any key decisions by the Group.

(iii) **Resolution 7 - Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

The Ordinary Resolution proposed under Agenda 7 is for the purpose of seeking a renewal of the general mandate ("General Mandate") and if passed, will empower the Directors of the Company pursuant to Section 75 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new share in the Company was issued pursuant to the mandate granted to the Directors at the Sixty-Fourth AGM of the Company held on 6 September 2018.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to funding future investment, working capital, acquisitions or such other purposes as the Directors consider would be in the best interest of the Company.

(iv) **Resolution 8 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Ordinary Resolution proposed under Agenda 8, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(v) **Resolution 9 - Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution proposed under Agenda 9, if passed, will allow the Company to purchase up to 10% of the total number of issued ordinary shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Further information on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Renewal of Share Buy-Back Authority are set out in the Circular/Statement to Shareholders dated 26 July 2019 which are available on the Company's website at www.rce.com.my.

RCE

RCE CAPITAL BERHAD

(2444-M)

FORM OF PROXY

I/We ____ NRIC No./Company No. ______________________

of ____

being a member/members of **RCE CAPITAL BERHAD**, hereby appoint __________________________________

____ NRIC No. __________________________________

of ____

or failing him/her, ____________________________________ NRIC No. __________________________________

of ____

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-Fifth Annual General Meeting of the Company to be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor, Malaysia on Wednesday, 28 August 2019 at 10.30 a.m. and at any adjournment thereof, in the manner as indicated below:

No.	Resolutions	For	Against
1.	To declare a final single-tier dividend of 5 sen per ordinary share for the financial year ended 31 March 2019.		
2.	To approve the payment of Directors' fees.		
3.	To approve the Directors' benefits.		
4.	To re-elect Encik Shahman Azman as Director.		
5.	To re-elect Encik Mahadzir bin Azizan 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 vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this _______ day of ____________________, 2019.

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. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 21 August 2019 shall be eligible to attend, speak and vote at the Sixty-Fifth Annual General Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy.
3. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said account.
5. A member who is an exempt authorised nominee is entitled to appoint multiple proxies for each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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STAMP

The Company Secretary
RCE CAPITAL BERHAD
802, 8th Floor, Block C
Kelana Square
17 Jalan SS 7/26
47301 Petaling Jaya
Selangor, Malaysia

Please fold here

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(2444-M)

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