

Company No. 2444 - M

**RCE CAPITAL BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR**  
**ENDED 31 MARCH 2015**  
(In Ringgit Malaysia)

Company No. 2444 - M

**RCE CAPITAL BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL STATEMENTS**

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Company No. 2444 - M

**RCE CAPITAL BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**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 2015.

**PRINCIPAL ACTIVITIES**

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

The principal activities of the subsidiary companies are as disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of these principal activities of the Group and of the Company during the financial year other than as disclosed in Note 17 to the financial statements.

**FINANCIAL RESULTS**

The audited results of the Group and of the Company for the financial year ended 31 March 2015 are as follows:

	<b>The Group RM</b>	<b>The Company RM</b>
<b>Profit for the financial year</b>	<u>36,204,736</u>	<u>3,109,473</u>

In the opinion of the directors, the results 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:

	<b>RM</b>
(a) Single-tier preference share dividend of 20% on 469,436,998 redeemable convertible non-cumulative preference shares ("RCPS"), approved on 7 November 2014 and paid on 4 December 2014	<u>9,388,740</u>
(b) In respect of financial year ended 31 March 2014:	
Final single-tier dividend of 15% on 1,137,025,595 ordinary shares, declared on 11 September 2014 and paid on 1 October 2014	<u>17,055,382</u>

The directors recommend the payment of a final single-tier dividend of 15% on 1,279,492,095 ordinary shares amounting to RM19,192,381 in respect of the financial year ended 31 March 2015, which is subject to shareholders' approval at the forthcoming Annual General Meeting ("AGM"). The financial statements for the current 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 2016.

## **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Note 29 to the financial statements.

## **ISSUE OF SHARES AND DEBENTURES**

During the financial year:

- (a) the issued and paid-up shares capital of the Company increased from 1,173,592,495 to 1,334,000,995 ordinary shares by way of the issuance of 160,408,500 new ordinary shares of RM0.10 each pursuant to the conversion of 160,408,500 RCPS of RM0.10 each to ordinary shares.

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

- (b) all of the remaining 309,028,498 units of RCPS were fully redeemed.

There were no other issues of shares or debentures during the financial year.

## TREASURY SHARES

During the financial year, the Company repurchased 38,107,000 of its ordinary shares of RM0.10 each listed and quoted on the Main Market of Bursa Malaysia Securities Berhad from the open market at an average buy-back price of RM0.318 per share. The total consideration paid including transaction costs of RM12,203,766 was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 March 2015, the number of ordinary shares in issue after the share buy-back is 1,279,492,095 ordinary shares of RM0.10 each. Further relevant details are disclosed in Note 28 to the financial statements.

## EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS is governed by the bylaws which was approved by the shareholders at the Extraordinary General Meeting held on 20 August 2009. The ESOS was implemented on 15 September 2009 and is to be in force for a period of ten (10) years from the date of implementation. The salient features of the ESOS are disclosed in Note 36 to the financial statements.

No shares have been issued during the financial year by virtue of the exercise of any share option to take up unissued shares of the Company.

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

Number of options over ordinary shares of RM0.10 each							
Grant date	Expiry date	Exercise price per share RM	Balance as at	Granted	Exercised	Cancelled	Balance as at
			1.4.2014				31.3.2015
24.3.2010	14.9.2019	*0.40	13,024,200	-	-	(516,500)	12,507,700
11.8.2014	10.8.2016	0.32	-	18,639,000	-	(1,080,000)	17,559,000

One (1) option is exercisable into 1.5 new ordinary shares of the Company as disclosed below:

Number of option shares							
Grant date	Expiry date	Exercise price per share RM	Balance as at	Granted	Exercised	Cancelled	Balance as at
			1.4.2014				31.3.2015
24.3.2010	14.9.2019	*0.40	19,536,300	-	-	(774,750)	18,761,550
11.8.2014	10.8.2016	0.32	-	27,958,500	-	(1,620,000)	26,338,500

\* Adjusted in accordance to Bylaw 11.

## **EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)**

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 13 April 2015 from having to disclose the names of option holders who have been granted options in aggregate of less than 333,200 options during the financial year pursuant to Section 169(11) of the Companies Act, 1965 in Malaysia.

The names of option holders who were granted 333,200 options and above during the financial year are as follows:

<b>Name</b>	<b>Number of options</b>	<b>Number of option shares</b>
Low Peck Yoke	1,040,000	1,560,000
Oon Hooi Khee	960,000	1,440,000
Yap Choon Seng	850,000	1,275,000
Loh Kam Chuin	700,000	1,050,000
Koh Shu Chean	630,000	945,000
Ng Yeun Ting	626,400	939,600
Khoo Bee Lan	597,000	895,500
Chean Swee Chiat	336,000	504,000
Lee Tak Fan	336,600	504,900
Er Chiang Chuan	333,200	499,800
Lim Poh Yan	333,200	499,800

## **OTHER STATUTORY INFORMATION**

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, 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.

**OTHER STATUTORY INFORMATION (CONT'D)**

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

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

## DIRECTORS

The directors who served on the Board of the Company since the date of the last report are:

Tan Sri Azman Hashim (Resigned on 1 April 2015)  
Tan Sri Mohd Zaman Khan @ Hassan Bin Rahim Khan  
Dato' Ab. Halim Bin Mohyiddin (Resigned on 31 December 2014)  
Major General (Rtd) Dato' Haji Fauzi Bin Hussain (Retired on 11 September 2014)  
Dato' Che Md Nawawi Bin Ismail  
Soo Kim Wai  
Shalina Azman  
Shahman Azman  
Tan Bun Poo  
Mahadzir bin Azizan (Appointed on 31 October 2014)

## 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 of RM0.10 each			
	Balance as at 1.4.2014	Alloted/ Acquired	Sold	Balance as at 31.3.2015
<b>Indirect interest: Shares in the Company:</b>				
Tan Sri Azman Hashim	509,140,753	215,151,991	-	724,292,744

	Number of RCPS of RM0.10 each			Balance as at 31.3.2015
	Balance as at 1.4.2014	Bought	Converted/ Redeemed	
<b>Indirect interest: Shares in the Company:</b>				
Tan Sri Azman Hashim	451,024,881	-	(451,024,881)	-



**DIRECTORS' INTERESTS (CONT'D)**

	Number of ordinary shares of RM1.00 each			
	Balance as at 1.4.2014	Alloted	Sold	Balance as at 31.3.2015
<b>Direct interest:</b>				
<b>Shares in the ultimate holding company, Clear Goal Sdn Bhd</b>				
Tan Sri Azman Hashim	109,999	-	-	109,999

<b>Indirect interest:</b>				
<b>Shares in the intermediate holding company, Amcorp Group Berhad</b>				
Tan Sri Azman Hashim	1,059,972,335	-	-	1,059,972,335

	Number of ordinary shares of RM0.50 each			
	Balance as at 1.4.2014	Alloted	Sold	Balance as at 31.3.2015
<b>Shares in a related company, Amcorp Properties Berhad</b>				

<b>Direct interest:</b>				
Tan Sri Azman Hashim	158,359	-	-	158,359
Shahman Azman	-	950,000	-	950,000

<b>Indirect interest:</b>				
Tan Sri Azman Hashim	417,372,745	1,873,200	-	419,245,945

	Number of Redeemable Convertible Preference Shares of RM0.50 each			
	Balance as at 1.4.2014	Bought	Converted/ Redeemed	Balance as at 31.3.2015
<b>Shares in a related company, Amcorp Properties Berhad</b>				

<b>Direct interest:</b>				
Tan Sri Azman Hashim	-	79,179	-	79,179
Shahman Azman	-	475,000	-	475,000

<b>Indirect interest:</b>				
Tan Sri Azman Hashim	-	208,686,372	-	208,686,372

**DIRECTORS' INTERESTS (CONT'D)**

	<b>Number of options over ordinary shares of RM0.10 each</b>			<b>Balance as at 31.3.2015</b>
	<b>Balance as at 1.4.2014</b>	<b>Granted</b>	<b>Exercised</b>	
<b>Options in the Company:</b>				
Tan Sri Azman Hashim	2,000,000	-	-	2,000,000
Tan Sri Mohd Zaman Khan @ Hassan Bin Rahim Khan	200,000	-	-	200,000
Dato' Che Md Nawawi Bin Ismail	200,000	-	-	200,000
Soo Kim Wai	1,500,000	-	-	1,500,000
Shalina Azman	1,200,000	-	-	1,200,000
Shahman Azman	900,000	-	-	900,000

One (1) option is exercisable into 1.5 new ordinary shares of the Company as disclosed below:

	<b>Number of option shares</b>			<b>Balance as at 31.3.2015</b>
	<b>Balance as at 1.4.2014</b>	<b>Granted</b>	<b>Exercised</b>	
<b>Option shares in the Company:</b>				
Tan Sri Azman Hashim	3,000,000	-	-	3,000,000
Tan Sri Mohd Zaman Khan @ Hassan Bin Rahim Khan	300,000	-	-	300,000
Dato' Che Md Nawawi Bin Ismail	300,000	-	-	300,000
Soo Kim Wai	2,250,000	-	-	2,250,000
Shalina Azman	1,800,000	-	-	1,800,000
Shahman Azman	1,350,000	-	-	1,350,000

## **DIRECTORS' INTERESTS (CONT'D)**

	<b>Number of options over ordinary shares of RM0.50 each</b>			
	<b>Balance</b>			<b>Balance</b>
	<b>as at</b>	<b>Granted</b>	<b>Exercised</b>	<b>as at</b>
	<b>1.4.2014</b>			<b>31.3.2015</b>
<b>Options in a related company, Amcorp Properties Berhad</b>				
Shahman Azman	550,000	400,000	(950,000)	-

By virtue of Tan Sri Azman Hashim's interest being more than 15% of the share capital of the Company, he is deemed to have interests in the shares in all the subsidiary companies to the extent that the Company has an interest.

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 emoluments 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 25 to the financial statements.

During and at the end of the financial year, there are no arrangement subsisted to which the Company is a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the share options granted pursuant to the Company's ESOS as disclosed in Note 36 to the financial statements.

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## **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Significant events subsequent to the end of the reporting period are disclosed in Note 37 to the financial statements.

## **HOLDING COMPANIES**

During the financial year, the Company became 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, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the directors



**SHAHMAN AZMAN**

1 July 2015



**SOO KIM WAI**

Company No. 2444 - M

**Deloitte**

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **RCE CAPITAL BERHAD**

(Incorporated in Malaysia)

### **Report on the Financial Statements**

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 of 31 March 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 14 to 114.

#### *Directors' Responsibility 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, 1965 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

(Forward)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2015 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, 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act;
- (b) we have considered the accounts and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 17 to the financial statements, being accounts that have been included in the financial statements of the Group;
- (c) we are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and
- (d) the auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

(Forward)


### **Other Reporting Responsibilities**

The supplementary information set out in Note 29(c) to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### **Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

  
**DELOITTE**  
**AF 0080**  
**Chartered Accountants**

  
**SITI HAJAR BINTI OSMAN**  
**Partner - 3061/04/17 (J)**  
**Chartered Accountant**

1 July 2015

**RCE CAPITAL BERHAD**  
(Incorporated in Malaysia)  
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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	5	131,186,015	130,261,327	1,997,407	2,305,840
Other income		11,546,803	16,043,602	3,294,400	4,043,551
Interest expense applicable to revenue	6	(30,357,603)	(39,674,384)	-	-
Directors' remuneration	7	(1,350,940)	(1,359,740)	(308,500)	(306,000)
Staff costs	8	(16,071,934)	(13,297,948)	(42,230)	-
Depreciation of plant and equipment	15	(3,004,170)	(1,870,746)	-	-
Depreciation of investment properties	16	(60,548)	(60,548)	-	-
Other expenses		(46,133,740)	(75,778,629)	(1,035,680)	(1,061,430)
Finance costs	9	(25,315)	(38,594)	-	-
<b>Profit before tax</b>	10	45,728,568	14,224,340	3,905,397	4,981,961
Income tax expense	11	(9,523,832)	(1,711,807)	(795,924)	(1,135,260)
<b>Total comprehensive income for the financial year</b>		<u>36,204,736</u>	<u>12,512,533</u>	<u>3,109,473</u>	<u>3,846,701</u>
Attributable to:					
Owners of the Company		<u>36,204,736</u>	<u>12,512,533</u>		
Earnings per ordinary share:					
Basic/Diluted (sen)	13	<u>2.27</u>	<u>0.27</u>		

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



**RCE CAPITAL BERHAD**  
(Incorporated in Malaysia)  
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**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2015**

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Plant and equipment	15	10,927,243	10,515,646	-	-
Investment properties	16	2,482,448	2,542,996	-	-
Investment in subsidiary companies	17	-	-	347,235,398	327,215,398
Goodwill on consolidation	18	47,666,145	28,676,975	-	-
Loans and receivables	19	920,162,158	786,156,201	-	-
Trade receivables	20	-	1,564,951	-	-
Other investments	21	2	2	2	2
Available-for-sale (“AFS”) financial assets	22	-	-	-	-
Deferred tax assets	23	17,660,468	21,898,310	-	-
<b>Total Non-Current Assets</b>		<u>998,898,464</u>	<u>851,355,081</u>	<u>347,235,400</u>	<u>327,215,400</u>
<b>Current Assets</b>					
Loans and receivables	19	149,755,042	138,829,988	-	-
Trade receivables	20	17,884,596	19,575,519	-	-
Other receivables, deposits and prepaid expenses	24	16,817,353	16,355,206	47	59,807
Amounts due from subsidiary companies	25	-	-	8,359,889	179,935,691
Deposits with licensed financial institutions	26	40,576,237	288,309,742	-	-
Cash and bank balances	26	11,011,528	2,771,297	550	336
<b>Total Current Assets</b>		<u>236,044,756</u>	<u>465,841,752</u>	<u>8,360,486</u>	<u>179,995,834</u>
<b>Total Assets</b>		<u>1,234,943,220</u>	<u>1,317,196,833</u>	<u>355,595,886</u>	<u>507,211,234</u>

**RCE CAPITAL BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION (CONT'D)**  
**AS AT 31 MARCH 2015**

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital					
Ordinary shares	27	133,400,099	117,359,249	133,400,099	117,359,249
Redeemable convertible non-cumulative preference shares ("RCPS")	27	-	46,943,700	-	46,943,700
Treasury shares	28	(16,784,544)	(4,580,778)	(16,784,544)	(4,580,778)
Reserves	29	449,598,699	525,527,309	237,934,205	346,958,078
<b>Total Equity</b>		<u>566,214,254</u>	<u>685,249,480</u>	<u>354,549,760</u>	<u>506,680,249</u>
<b>Non-Current Liabilities</b>					
Hire-purchase payables	30	176,956	404,518	-	-
Borrowings	31	336,145,159	360,627,169	-	-
Deferred tax liabilities	23	1,910,020	30,576,685	-	-
<b>Total Non-Current Liabilities</b>		<u>338,232,135</u>	<u>391,608,372</u>	<u>-</u>	<u>-</u>
<b>Current Liabilities</b>					
Payables and accrued expenses	32	27,522,502	14,065,080	336,464	333,229
Amount due to a subsidiary company	25	-	-	700,000	-
Hire-purchase payables	30	124,853	232,682	-	-
Borrowings	31	295,549,864	221,706,953	-	-
Tax liabilities		7,299,612	4,334,266	9,662	197,756
<b>Total Current Liabilities</b>		<u>330,496,831</u>	<u>240,338,981</u>	<u>1,046,126</u>	<u>530,985</u>
<b>Total Liabilities</b>		<u>668,728,966</u>	<u>631,947,353</u>	<u>1,046,126</u>	<u>530,985</u>
<b>Total Equity and Liabilities</b>		<u>1,234,943,220</u>	<u>1,317,196,833</u>	<u>355,595,886</u>	<u>507,211,234</u>

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

**RCE CAPITAL BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

The Group	Note	Share Capital		Total Share Capital RM	Treasury Shares RM	Non-Distributable Reserves		Distributable Reserve Retained Earnings RM	Total Reserves RM	Total RM
		Ordinary Shares RM	RCPS RM			Share Premium RM	Share Options RM			
Balance as at 1 April 2013		117,359,249	46,943,700	164,302,949	(2,394)	149,569,380	5,221,614	385,160,414	539,951,408	704,251,963
Total comprehensive income		-	-	-	-	-	-	12,512,533	12,512,533	12,512,533
<b>Transactions with owners</b>										
Dividends	14	-	-	-	-	-	-	(26,936,632)	(26,936,632)	(26,936,632)
Cancellation of share options		-	-	-	-	-	(436,913)	436,913	-	-
Shares repurchased	28	-	-	-	(4,578,384)	-	-	-	-	(4,578,384)
Total transactions with owners		-	-	-	(4,578,384)	-	(436,913)	(26,499,719)	(26,936,632)	(31,515,016)
Balance as at 31 March 2014		117,359,249	46,943,700	164,302,949	(4,580,778)	149,569,380	4,784,701	371,173,228	525,527,309	685,249,480

**RCE CAPITAL BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

The Group	Note	Share Capital		Total Share Capital RM	Treasury Shares RM	Non-Distributable Reserves			Distributable Reserve	Total Reserves RM	Total RM
		Ordinary Shares RM	RCPS RM			Share Premium RM	Capital Redemption Reserve RM	Share Options RM	Retained Earnings RM		
Balance as at 1 April 2014		117,359,249	46,943,700	164,302,949	(4,580,778)	149,569,380	-	4,784,701	371,173,228	525,527,309	685,249,480
Total comprehensive income		-	-	-	-	-	-	-	36,204,736	36,204,736	36,204,736
<b>Transactions with owners</b>											
Dividends	14	-	-	-	-	-	-	-	(26,444,122)	(26,444,122)	(26,444,122)
Share options granted under ESOS		-	-	-	-	-	-	838,755	-	838,755	838,755
Issuance of shares pursuant to RCPS conversion	27	16,040,850	(16,040,850)	-	-	-	-	-	-	-	-
RCPS redemption	27	-	(30,902,850)	(30,902,850)	-	(86,527,979)	-	-	-	(86,527,979)	(117,430,829)
Creation of capital redemption reserve upon RCPS redemption		-	-	-	-	-	30,902,850	-	(30,902,850)	-	-
Cancellation of share options		-	-	-	-	-	-	(238,347)	238,347	-	-
Shares repurchased	28	-	-	-	(12,203,766)	-	-	-	-	-	(12,203,766)
Total transactions with owners		16,040,850	(46,943,700)	(30,902,850)	(12,203,766)	(86,527,979)	30,902,850	600,408	(57,108,625)	(112,133,346)	(155,239,962)
Balance as at 31 March 2015		133,400,099	-	133,400,099	(16,784,544)	63,041,401	30,902,850	5,385,109	350,269,339	449,598,699	566,214,254

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**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

The Company	Note	Share Capital		Total Share Capital RM	Treasury Shares RM	Non-Distributable Reserves		Distributable Reserve Retained Earnings RM	Total Reserves RM	Total RM
		Ordinary Shares RM	RCPS RM			Share Premium RM	Share Options RM			
Balance as at 1 April 2013		117,359,249	46,943,700	164,302,949	(2,394)	149,569,380	5,221,614	215,257,015	370,048,009	534,348,564
Total comprehensive income		-	-	-	-	-	-	3,846,701	3,846,701	3,846,701
<b>Transactions with owners</b>										
Dividends	14	-	-	-	-	-	-	(26,936,632)	(26,936,632)	(26,936,632)
Cancellation of share options		-	-	-	-	-	(436,913)	436,913	-	-
Shares repurchased	28	-	-	-	(4,578,384)	-	-	-	-	(4,578,384)
Total transactions with owners		-	-	-	(4,578,384)	-	(436,913)	(26,499,719)	(26,936,632)	(31,515,016)
Balance as at 31 March 2014		117,359,249	46,943,700	164,302,949	(4,580,778)	149,569,380	4,784,701	192,603,997	346,958,078	506,680,249

Company No. 2444 - M

**RCE CAPITAL BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

The Company	Note	Share Capital		Total Share Capital RM	Treasury Shares RM	Non-Distributable Reserves Capital			Distributable Reserve	Total Reserves RM	Total RM
		Ordinary Shares RM	RCPS RM			Share Premium RM	Redemption Reserve RM	Share Options RM	Retained Earnings RM		
Balance as at 1 April 2014		117,359,249	46,943,700	164,302,949	(4,580,778)	149,569,380	-	4,784,701	192,603,997	346,958,078	506,680,249
Total comprehensive income		-	-	-	-	-	-	-	3,109,473	3,109,473	3,109,473
<b>Transactions with owners</b>											
Dividends	14	-	-	-	-	-	-	-	(26,444,122)	(26,444,122)	(26,444,122)
Share options granted under ESOS		-	-	-	-	-	-	838,755	-	838,755	838,755
Issuance of shares pursuant to RCPS conversion	27	16,040,850	(16,040,850)	-	-	-	-	-	-	-	-
RCPS redemption	27	-	(30,902,850)	(30,902,850)	-	(86,527,979)	-	-	-	(86,527,979)	(117,430,829)
Creation of capital redemption reserve upon RCPS redemption		-	-	-	-	-	30,902,850	-	(30,902,850)	-	-
Cancellation of share options		-	-	-	-	-	-	(238,347)	238,347	-	-
Shares repurchased	28	-	-	-	(12,203,766)	-	-	-	-	-	(12,203,766)
Total transactions with owners		16,040,850	(46,943,700)	(30,902,850)	(12,203,766)	(86,527,979)	30,902,850	600,408	(57,108,625)	(112,133,346)	(155,239,962)
Balance as at 31 March 2015		133,400,099	-	133,400,099	(16,784,544)	63,041,401	30,902,850	5,385,109	138,604,845	237,934,205	354,549,760

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

**RCE CAPITAL BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	45,728,568	14,224,340	3,905,397	4,981,961
Adjustments for:				
Allowance for impairment loss on receivables, net	23,936,819	64,023,773	-	-
Loss on early redemption of asset-backed securities (“ABS”)	7,284,500	-	-	-
Depreciation of plant and equipment	3,004,170	1,870,746	-	-
Share options granted under ESOS	838,755	-	38,250	-
Amortisation of discount on medium term notes (“MTNs”)	458,962	647,842	-	-
Depreciation of investment properties	60,548	60,548	-	-
Plant and equipment written off	55,415	132,396	-	1
Loss/(Gain) on disposal of plant and equipment, net	40,075	(31,936)	-	-
Finance costs	25,315	38,594	-	-
Investment income	(3,525,748)	(9,719,181)	-	(184)
Interest income on amounts due from subsidiary companies	-	-	(3,258,400)	(4,043,367)
Dividend income	-	-	(900,000)	(856,667)
Operating Profit/(Loss) Before Working Capital Changes	77,907,379	71,247,122	(214,753)	81,744

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**STATEMENTS OF CASH FLOWS (CONT'D)**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(Increase)/Decrease in:				
Loans and receivables	(165,468,942)	(57,169,054)	-	-
Trade receivables	(143,014)	6,124,848	-	-
Other receivables, deposits and prepaid expenses	(4,161,525)	(4,478,132)	59,760	(9,759)
Amounts due from subsidiary companies	-	-	175,634,707	13,023,363
Increase/(Decrease) in:				
Payables and accrued expenses	8,314,180	(10,274,121)	3,235	77,601
Amount due to a subsidiary company	-	-	700,000	-
Net Cash (Used In)/Generated From Operations	(83,551,922)	5,450,663	176,182,949	13,172,949
Taxes paid	(27,516,042)	(16,779,187)	(984,018)	(1,252,760)
Taxes refunded	204,933	6,520,788	-	218,727
Cash (Used In)/Generated From Operating Activities	<u>(110,863,031)</u>	<u>(4,807,736)</u>	<u>175,198,931</u>	<u>12,138,916</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income received	3,525,748	9,719,181	-	184
Proceeds from disposal of plant and equipment	179,184	181,452	-	-
Dividend received	-	-	900,000	14,356,667
Proceeds from redemption of preference shares	-	-	-	5,000,000
Acquisition of subsidiary companies, net	(16,590,609)	-	(20,000)	-
Additions to plant and equipment	(3,630,336)	(4,180,777)	-	-
Subscription of preference shares in a subsidiary company	-	-	(20,000,000)	-
Net Cash (Used in)/Generated From Investing Activities	<u>(16,516,013)</u>	<u>5,719,856</u>	<u>(19,120,000)</u>	<u>19,356,851</u>



**RCE CAPITAL BERHAD**  
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**STATEMENTS OF CASH FLOWS (CONT'D)**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of revolving credits	363,011,018	225,720,000	-	-
Withdrawal of deposits and cash and bank balances, net:				
Assigned in favour of the trustees	246,817,160	11,367,864	-	-
Pledged to licensed financial institutions	(1,924,609)	9,827,649	-	-
Drawdown of term loans	145,620,261	-	-	-
Drawdown of other borrowings	35,118,917	45,499,413	-	-
Repayment of revolving credits	(263,497,945)	(172,300,000)	-	-
Redemption of ABS	(142,284,500)	(40,000,000)	-	-
Redemption of RCPS	(117,430,829)	-	(117,430,829)	-
Redemption of MTNs	(40,000,000)	(35,000,000)	-	-
Repayment of other borrowings	(38,651,413)	(49,037,150)	-	-
Dividends paid	(26,444,122)	(26,936,632)	(26,444,122)	(26,936,632)
Repayment of term loans	(14,991,145)	(72,073,159)	-	-
Shares repurchased	(12,203,766)	(4,578,384)	(12,203,766)	(4,578,384)
Repayment of hire-purchase payables	(335,391)	(388,452)	-	-
Finance costs paid	(25,315)	(38,594)	-	-
	<u>132,778,321</u>	<u>(107,937,445)</u>	<u>(156,078,717)</u>	<u>(31,515,016)</u>
Net Cash Generated From/(Used In) Financing Activities				
	<u>132,778,321</u>	<u>(107,937,445)</u>	<u>(156,078,717)</u>	<u>(31,515,016)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	5,399,277	(107,025,325)	214	(19,249)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<u>17,747,877</u>	<u>124,773,202</u>	<u>336</u>	<u>19,585</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 26)</b>	<u>23,147,154</u>	<u>17,747,877</u>	<u>550</u>	<u>336</u>

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

**RCE CAPITAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2015**

**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 17. There have been no significant changes in the nature of these principal activities during the financial year other than as disclosed in Note 17 to the financial statements.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 1 July 2015.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)**

### **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 the Company are as follows:

Amendments to:

MFRS 10	Consolidated Financial Statements – Investment Entities
MFRS 12	Disclosure of Interests in Other Entities – Investment Entities
MFRS 127	Separate Financial Statements (2011) – Investment Entities
MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above does not give rise to any material financial effects on the financial statements of the Group and the Company.

### **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 9	Financial Instruments <sup>4</sup>
MFRS 15	Revenue from Contracts with Customers <sup>3</sup>

Amendments to:

MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception <sup>2</sup>
MFRS 12	Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception <sup>2</sup>
MFRS 101	Presentation of Financial Statements – Disclosure Initiative <sup>2</sup>
MFRS 116	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>

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

### **2.2 Standards, Amendments and Interpretations Issued But Not Yet Effective (Cont'd)**

Amendments to (Cont'd):

MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions <sup>1</sup>
MFRS 127	Separate Financial Statements – Equity Method in Separate Financial Statements <sup>2</sup>
MFRS 138	Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>

Amendments to MFRSs classified as “Annual Improvements to MFRSs 2010 – 2012 Cycle”<sup>1</sup>

Amendments to MFRSs classified as “Annual Improvements to MFRSs 2011 – 2013 Cycle”<sup>1</sup>

Amendments to MFRSs classified as “Annual Improvements to MFRSs 2012 – 2014 Cycle”<sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

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 the Company other than as discussed below:

#### **(a) MFRS 9, Financial Instruments (“MFRS 9”)**

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. MFRS 9 replaces parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised costs. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flows characteristics of the instrument.

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

### **2.2 Standards, Amendments and Interpretations Issued But Not Yet Effective (Cont'd)**

#### **(a) MFRS 9, Financial Instruments ("MFRS 9") (Cont'd)**

For financial liabilities, the standard retains most of the MFRS 139 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 recorded in other comprehensive income rather than profit or loss, unless this creates accounting mismatch.

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group anticipated that the application of MFRS 9 in the future may have impact on the amounts reported in respect of the Group's financial assets but not financial liabilities.

## **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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.2 Basis of Consolidation (Cont'd)**

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recognised as goodwill in the statements of financial position (see Note 3.9 on Goodwill on Consolidation). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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

Control is achieved when the Group:

- (a) has power over the investee;
- (b) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (c) has the ability to use its power to affect its returns.

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

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

- (a) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (b) potential voting rights held by the Group, other vote holders or other parties;
- (c) rights arising from other contractual arrangements; and
- (d) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting pattern at previous shareholders' meetings.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.2 Basis of Consolidation (Cont'd)**

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 income from loan financing, factoring and confirming activities, income derived from information technology ("IT") support services, dividend income, rental income, investment income and collection income.

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.3 Revenue Recognition (Cont'd)**

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'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) Rental income**

Rental income is recognised on an accrual basis.

**(e) Management fees and IT services**

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

**(f) Investment income**

Investment income is recognised on an accrual basis using the effective interest method.

**(g) Collection income**

Collection income is recognised when services are rendered.



### **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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.5 Plant and Equipment and Depreciation (Cont'd)**

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

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

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 3.11(d) on Impairment of Other Non-Financial Assets).

The residual values, useful lives and depreciation method are reviewed at each financial year end 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.6 Leases and Hire-Purchase (Cont'd)**

##### **(b) Finance lease and hire-purchase**

Assets acquired by way of finance leases 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.

#### **3.7 Investment Properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties are computed on a straight-line method to write off the cost over its estimated useful life at the annual depreciation rate of 2%.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.7 Investment Properties (Cont'd)**

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment properties are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the assets are recognised in profit or loss in the period of the retirement or disposal.

#### **3.8 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.

#### **3.9 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.10 Financial Assets**

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

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

Financial assets are classified into the following specified categories: 'FVTPL', 'held-to-maturity', 'available-for-sale financial assets' ("AFS") 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 available for sale 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)**

#### **3.10 Financial Assets (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.

#### **3.11 Impairment of Assets**

##### **(a) 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.11 Impairment of Assets (Cont'd)**

##### **(b) 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 effective interest rate ("EIR").

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:

##### **(i) 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.

##### **(ii) 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.11 Impairment of Assets (Cont'd)**

##### **(c) 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.

##### **(d) 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 cash-generating unit to which the asset belongs.

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

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

#### **3.12 Cash and Cash Equivalents**

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



### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.13 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 fair value through profit or loss or other financial liabilities.

##### **(a) Financial liabilities at fair value through profit or loss**

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

##### **(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.

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 amounts is recognised in profit or loss.

#### **3.14 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.15 Financial Guarantee Contracts**

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

Financial 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.

#### **3.16 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.16 Income Taxes (Cont'd)**

##### **(b) Deferred tax (Cont'd)**

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

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

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

#### **3.17 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)**

#### **3.18 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 Company's ESOS, an equity settled, share-based payment compensation plan, allows the Group's eligible directors and employees to acquire ordinary shares of the Company.

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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.18 Employee Benefits (Cont'd)**

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

The amount attributable to exercised share options previously recognised in equity shall be transferred to share premium. Where share options have not been exercised by end of the option period and have expired, the amount attributable to these share options shall be transferred to retained earnings.

#### **3.19 Foreign Currencies**

##### **(a) Functional and presentation currency**

The financial statements of the Group and of the Company are presented in Ringgit Malaysia (“RM”), which is the currency of the primary economic environment in which the Group and the Company operate (“the 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 each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in 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 not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.20 Share Capital and Share Issuance Expenses**

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

Ordinary shares and RCPS 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.

Dividends for RCPS are recognised as distributions within equity.

#### **3.21 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 share premium account or distributable retained profits or both.

#### **3.22 Contingencies**

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

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

## **4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

### **4.2 Key Sources of Estimation Uncertainty**

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

#### **(a) Impairment of goodwill on consolidation**

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the 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) Impairment of loans and receivables**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired based on the evaluation of collectibility and ageing analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

#### **(c) Deferred tax assets**

Deferred tax assets are recognised for all 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 losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

**4.2 Key Sources of Estimation Uncertainty (Cont'd)**

**(d) Fair value of borrowings**

The fair value of borrowings is estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the EIR approximate the current market interest rates available to the Group and the Company based on its size and its business risk.

**5. REVENUE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest income from:				
Loan financing	125,733,363	124,014,198	-	-
Factoring and confirming	2,438,038	2,919,049	-	-
Deposits with licensed financial institutions	240,104	274,122	-	-
Industrial hire purchase	-	34,810	-	-
	128,411,505	127,242,179	-	-
Factoring and confirming fee	1,314,089	1,752,700	-	-
Collection fee	620,167	-	-	-
Rental income	489,854	842,848	-	-
IT support service fee	350,400	423,600	-	-
Administrative fees from a subsidiary company	-	-	1,097,407	1,449,173
Dividend income from subsidiary companies	-	-	900,000	856,667
	<u>131,186,015</u>	<u>130,261,327</u>	<u>1,997,407</u>	<u>2,305,840</u>



**6. INTEREST EXPENSE APPLICABLE TO REVENUE**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Interest expense on:		
Term loans	13,656,438	15,534,369
Fixed rate medium term notes (“MTNs”)	7,484,201	10,316,707
Revolving credits	5,982,392	2,372,998
ABS	2,548,057	10,653,644
Bankers’ acceptances	458,756	526,969
Bank overdrafts	218,069	222,199
Trust receipts	9,690	47,498
	<u>30,357,603</u>	<u>39,674,384</u>

**7. DIRECTORS’ REMUNERATION**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Directors of the Company:				
Non-executive directors				
- Fees	257,500	260,000	257,500	260,000
- Other emoluments	1,044,671	920,000	51,000	46,000
- Defined contributions	48,769	179,740	-	-
	<u>1,350,940</u>	<u>1,359,740</u>	<u>308,500</u>	<u>306,000</u>
Benefits-in-kind	31,150	109,634	-	-
	<u>1,382,090</u>	<u>1,469,374</u>	<u>308,500</u>	<u>306,000</u>
Total directors’ remuneration	<u>1,382,090</u>	<u>1,469,374</u>	<u>308,500</u>	<u>306,000</u>

**7. DIRECTORS' REMUNERATION (CONT'D)**

The number of directors of the Company whose total remuneration during the financial year fell within the following bands, are as follows:

	<b>Number of directors</b>	
	<b>2015</b>	<b>2014</b>
Non-executive directors:		
RM50,000 and below	9	8
RM1,100,001 - RM1,150,000	1	-
RM1,150,001 - RM1,200,000	-	1
	<u>10</u>	<u>9</u>

**8. STAFF COSTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries	11,586,297	9,904,514	-	-
Defined contributions	1,402,650	1,389,910	-	-
Share options granted under ESOS	838,755	-	38,250	-
Social security contributions	80,806	78,850	-	-
Others	2,163,426	1,924,674	3,980	-
	<u>16,071,934</u>	<u>13,297,948</u>	<u>42,230</u>	<u>-</u>

**9. FINANCE COSTS**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Interest expense on hire-purchase payables	<u>25,315</u>	<u>38,594</u>

**10. PROFIT BEFORE TAX**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Bad debts recoveries	4,908,334	2,706,660	-	-
Investment income	3,525,748	9,719,181	-	184
Realised gain on foreign exchange, net	11,107	16,737	-	-
Interest income on amounts due from subsidiary companies	-	-	3,258,400	4,043,367
Allowance for impairment loss on receivables, net	(23,936,819)	(64,023,773)	-	-
Loss on early redemption of ABS	(7,284,500)	-	-	-
Rental of:				
Premises	(814,038)	(959,620)	-	-
Disaster recovery centre	(36,000)	(36,000)	-	-
Warehouse	(33,188)	(35,734)	-	-
Office equipment	(31,783)	(25,257)	-	-
Amortisation of discount on MTNs	(458,962)	(647,842)	-	-
Auditors' remuneration:				
Statutory audit				
- Current year	(235,000)	(218,900)	(50,000)	(44,000)
Non-statutory audit				
- Current year	(4,400)	(4,400)	(4,400)	(4,400)
Plant and equipment written off	(55,415)	(132,396)	-	(1)
(Loss)/Gain on disposal of plant and equipment, net	(40,075)	31,936	-	-

**11. INCOME TAX EXPENSE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Income tax payable:				
Current year	36,033,400	13,890,554	808,424	1,134,740
Overprovision in prior years	<u>(2,080,745)</u>	<u>(779,323)</u>	<u>(12,500)</u>	<u>(84)</u>
	33,952,655	13,111,231	795,924	1,134,656
Deferred tax (Note 23):				
Current year	(28,093,995)	(15,188,128)	-	604
Underprovision in prior years	<u>3,665,172</u>	<u>3,788,704</u>	<u>-</u>	<u>-</u>
	<u>(24,428,823)</u>	<u>(11,399,424)</u>	<u>-</u>	<u>604</u>
Income tax expense	<u>9,523,832</u>	<u>1,711,807</u>	<u>795,924</u>	<u>1,135,260</u>

**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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax	<u>45,728,568</u>	<u>14,224,340</u>	<u>3,905,397</u>	<u>4,981,961</u>
Tax at applicable statutory tax rate of 25% (2014: 25%)	11,432,142	3,556,085	976,349	1,245,490
Tax effects of:				
Expenses not deductible for tax purposes	1,237,580	877,363	57,075	104,066
Income not subject to tax	(168,315)	(311,075)	(225,000)	(214,212)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	1,106,181	287,998	-	-
Realisation of deferred tax assets not recognised previously	(6,324,453)	(5,707,945)	-	-
Effect on deferred tax balances due to reduction in tax rate	<u>656,270</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax at effective tax rate	7,939,405	(1,297,574)	808,424	1,135,344
Overprovision of tax in prior years	(2,080,745)	(779,323)	(12,500)	(84)
Underprovision of deferred tax in prior years	<u>3,665,172</u>	<u>3,788,704</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>9,523,832</u>	<u>1,711,807</u>	<u>795,924</u>	<u>1,135,260</u>

## **11. INCOME TAX EXPENSE (CONT'D)**

The Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated taxable profits for the year of assessment 2015. The statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 March 2015 has reflected this change.

## **12. SEGMENT INFORMATION**

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

### **(i) Loan financing services**

This segment engages in provision of general loan financing.

### **(ii) Investment holding and management services**

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

### **(iii) Factoring, confirming and industrial hire purchase**

This segment engages in provision of factoring, confirming and industrial hire purchase businesses.

### **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:

<b>The Group 2015</b>	<b>Loan financing services RM</b>	<b>Investment holding and management services RM</b>	<b>Factoring, confirming and industrial hire purchase RM</b>	<b>Notes</b>	<b>Total RM</b>
<b>Revenue</b>					
Total revenue	126,353,530	81,886,291	3,752,127		211,991,948
Inter-segment revenue	-	(80,805,933)	-		(80,805,933)
External revenue	<u>126,353,530</u>	<u>1,080,358</u>	<u>3,752,127</u>		<u>131,186,015</u>
<b>Results</b>					
Segment results	52,131,602	(2,443,532)	(3,934,187)		45,753,883
Finance costs	(21,975)	-	(3,340)		(25,315)
Profit/(Loss) before tax	52,109,627	(2,443,532)	(3,937,527)		45,728,568
Income tax expense	(8,321,888)	(1,351,564)	149,620		(9,523,832)
Profit/(Loss) for the financial year	<u>43,787,739</u>	<u>(3,795,096)</u>	<u>(3,787,907)</u>		<u>36,204,736</u>
Interest income including investment income	129,228,686	240,104	2,468,463		131,937,253
Interest expense applicable to revenue	29,492,809	274,163	590,631		30,357,603
Depreciation and amortisation	2,477,766	899,879	146,035		3,523,680
Other non-cash expenses	20,537,942	55,394	3,398,898	A	23,992,234
<b>Statements of Financial Position</b>					
Capital additions	2,989,849	506,354	194,238	B	3,690,441
Segment assets	<u>1,163,022,683</u>	<u>43,112,928</u>	<u>28,807,609</u>		<u>1,234,943,220</u>
Segment liabilities	<u>650,263,219</u>	<u>1,035,644</u>	<u>17,430,103</u>		<u>668,728,966</u>

**12. SEGMENT INFORMATION (CONT'D)**

<b>The Group 2014</b>	<b>Loan financing services RM</b>	<b>Investment holding and management services RM</b>	<b>Factoring, confirming and industrial hire purchase RM</b>	<b>Notes</b>	<b>Total RM</b>
<b>Revenue</b>					
Total revenue	124,014,198	6,026,510	4,706,559		134,747,267
Inter-segment revenue	-	(4,485,940)	-		(4,485,940)
External revenue	<u>124,014,198</u>	<u>1,540,570</u>	<u>4,706,559</u>		<u>130,261,327</u>
<b>Results</b>					
Segment results	17,905,660	(3,668,761)	26,035		14,262,934
Finance costs	<u>(33,521)</u>	<u>-</u>	<u>(5,073)</u>		<u>(38,594)</u>
Profit/(Loss) before tax	17,872,139	(3,668,761)	20,962		14,224,340
Income tax expense	<u>(149,724)</u>	<u>(1,371,759)</u>	<u>(190,324)</u>		<u>(1,711,807)</u>
Profit/(Loss) for the financial year	<u>17,722,415</u>	<u>(5,040,520)</u>	<u>(169,362)</u>		<u>12,512,533</u>
Interest income including investment income	133,691,293	274,306	2,995,761		136,961,360
Interest expense applicable to revenue	38,708,669	338,766	626,949		39,674,384
Depreciation and amortisation	1,111,519	1,291,647	175,970		2,579,136
Other non-cash expenses	<u>63,168,349</u>	<u>132,341</u>	<u>855,479</u>	A	<u>64,156,169</u>
<b>Statements of Financial Position</b>					
Capital additions	2,904,602	1,857,667	6,508	B	4,768,777
Segment assets	<u>1,254,142,283</u>	<u>38,194,685</u>	<u>24,859,865</u>		<u>1,317,196,833</u>
Segment liabilities	<u>612,761,896</u>	<u>9,119,051</u>	<u>10,066,406</u>		<u>631,947,353</u>



**12. SEGMENT INFORMATION (CONT'D)**

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

A Other material non-cash expenses consists of the following items as presented in Note 10:

	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Allowance for impairment loss on receivables, net	23,936,819	64,023,773
Plant and equipment written off	<u>55,415</u>	<u>132,396</u>
	<u><u>23,992,234</u></u>	<u><u>64,156,169</u></u>

B Capital additions consists of:

	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Plant and equipment (Note 15)	<u><u>3,690,441</u></u>	<u><u>4,768,777</u></u>

**13. EARNINGS PER ORDINARY SHARE (“EPS”)**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Profit for the financial year attributable to owners of the Company	36,204,736	12,512,533
Less: Preference share dividends on RCPS	<u>(9,388,740)</u>	<u>(9,388,740)</u>
Profit for the financial year attributable to ordinary equity holders of the Company	<u>26,815,996</u>	<u>3,123,793</u>
Weighted average number of ordinary shares in issue:		
Balance net of treasury shares as at beginning of financial year	1,157,190,595	1,173,582,495
Effects of:		
Issuance of shares pursuant to RCPS conversion	49,143,543	-
Shares repurchased	<u>(23,985,038)</u>	<u>(5,338,381)</u>
Balance as at end of financial year	<u>1,182,349,100</u>	<u>1,168,244,114</u>
Basic/Diluted EPS (sen)	<u>2.27</u>	<u>0.27</u>

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.

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 RCPS and ESOS.

The incremental shares from assumed conversions of the RCPS are not included in the calculation of diluted EPS for the previous financial year as they are anti-dilutive.

ESOS options are anti-dilutive as the options’ exercise price exceeds the average market price of the Company ordinary shares. Accordingly, the options are assumed not to be exercised in the calculation of diluted EPS.

**14. DIVIDENDS**

	<b>Dividends recognised in financial year</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>Recognised during the financial year:</b>		
Preference share dividend: 20% under single-tier system on 469,436,998 RCPS, paid on 4 December 2014	9,388,740	-
Preference share dividend: 20% under single-tier system on 469,436,998 RCPS, paid on 4 December 2013	-	9,388,740
Final dividend for 2014: 15% under single-tier system on 1,137,025,595 ordinary shares, paid on 1 October 2014	17,055,382	-
Final dividend for 2013: 15% under single-tier system on 1,169,859,595 ordinary shares, paid on 9 October 2013	-	<u>17,547,892</u>
	<u>26,444,122</u>	<u>26,936,632</u>

The directors recommend the payment of a final single-tier dividend of 15% on 1,279,492,095 ordinary shares amounting to RM19,192,381 in respect of the financial year ended 31 March 2015, which is subject to shareholders' approval at the forthcoming AGM.

The financial statements for the current 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 2016.

**15. PLANT AND EQUIPMENT**

<b>The Group</b>	<b>Office equipment, furniture and fittings RM</b>	<b>Computers and IT equipment RM</b>	<b>Motor vehicles RM</b>	<b>Motor vehicles under hire- purchase RM</b>	<b>Office renovation RM</b>	<b>Work- in-progress RM</b>	<b>Total RM</b>
<b>Cost</b>							
Balance as at 1 April 2013	2,203,255	7,055,954	111,313	1,589,998	1,620,107	2,374,662	14,955,289
Additions	56,410	2,663,795	-	163,706	-	1,884,866	4,768,777
Disposals	-	(27,614)	-	(316,407)	-	-	(344,021)
Write-off	(143,632)	-	(95,470)	-	-	(132,340)	(371,442)
Reclassification	626	946,751	-	-	-	(947,377)	-
Balance as at 31 March 2014/ 1 April 2014	2,116,659	10,638,886	15,843	1,437,297	1,620,107	3,179,811	19,008,603
Additions	16,760	2,529,790	-	-	36,470	1,107,421	3,690,441
Disposals	(108,075)	(61,160)	(15,843)	(397,756)	-	-	(582,834)
Write-off	(21,620)	(2,814,041)	-	-	(161,253)	-	(2,996,914)
Reclassification	-	4,134,399	-	-	-	(4,134,399)	-
Balance as at 31 March 2015	2,003,724	14,427,874	-	1,039,541	1,495,324	152,833	19,119,296

**15. PLANT AND EQUIPMENT (CONT'D)**

<b>The Group</b>	<b>Office equipment, furniture and fittings RM</b>	<b>Computers and IT equipment RM</b>	<b>Motor vehicles RM</b>	<b>Motor vehicles under hire- purchase RM</b>	<b>Office renovation RM</b>	<b>Work- in-progress RM</b>	<b>Total RM</b>
<b>Accumulated depreciation</b>							
Balance as at 1 April 2013	1,252,480	4,360,030	110,663	563,148	769,441	-	7,055,762
Charge for the financial year	269,121	1,089,270	576	297,062	214,717	-	1,870,746
Disposals	-	(24,003)	-	(170,502)	-	-	(194,505)
Write-off	(143,577)	-	(95,469)	-	-	-	(239,046)
Balance as at 31 March 2014/ 1 April 2014	1,378,024	5,425,297	15,770	689,708	984,158	-	8,492,957
Charge for the financial year	238,610	2,294,281	69	273,586	197,624	-	3,004,170
Disposals	(77,597)	(2,504)	(15,839)	(267,635)	-	-	(363,575)
Write-off	(20,144)	(2,811,230)	-	-	(110,125)	-	(2,941,499)
Balance as at 31 March 2015	1,518,893	4,905,844	-	695,659	1,071,657	-	8,192,053
<b>Carrying amount</b>							
Balance as at 31 March 2014	738,635	5,213,589	73	747,589	635,949	3,179,811	10,515,646
Balance as at 31 March 2015	484,831	9,522,030	-	343,882	423,667	152,833	10,927,243

**15. PLANT AND EQUIPMENT (CONT'D)**

<b>The Company</b>	<b>Motor vehicles RM</b>	<b>Total RM</b>
<b>Cost</b>		
Balance as at 1 April 2013	95,470	95,470
Write-off	<u>(95,470)</u>	<u>(95,470)</u>
Balance as at 31 March 2014/2015	<u>-</u>	<u>-</u>
<b>Accumulated depreciation</b>		
Balance as at 1 April 2013	95,469	95,469
Write-off	<u>(95,469)</u>	<u>(95,469)</u>
Balance as at 31 March 2014/2015	<u>-</u>	<u>-</u>
<b>Carrying amount</b>		
Balance as at 31 March 2014/2015	<u>-</u>	<u>-</u>

During the financial year, the Group acquired plant and equipment at an aggregate cost of RM3,690,441 (2014: RM4,768,777) as follows:

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Acquired via:		
Cash payments	3,630,336	4,180,777
Payables	60,105	458,000
Hire-purchase arrangements	<u>-</u>	<u>130,000</u>
	<u>3,690,441</u>	<u>4,768,777</u>

**16. INVESTMENT PROPERTIES**

	<b>The Group Leasehold buildings RM</b>
<b>Cost</b>	
Balance as at 31 March 2014/2015	<u>3,027,390</u>
<b>Accumulated depreciation</b>	
Balance as at 1 April 2013	423,846
Charge for the financial year	<u>60,548</u>
Balance as at 31 March 2014/1 April 2014	484,394
Charge for the financial year	<u>60,548</u>
Balance as at 31 March 2015	<u>544,942</u>
<b>Carrying amount</b>	
Balance as at 31 March 2014	<u>2,542,996</u>
Balance as at 31 March 2015	<u>2,482,448</u>
<b>Fair value</b>	
Balance as at 31 March 2014	<u>5,700,000</u>
Balance as at 31 March 2015	<u>5,050,000</u>

The fair values of the investment properties are arrived at by reference to the latest valuations carried out by accredited valuers. The valuation was based on Comparison Method which entails critical analyses of comparable properties' recent evidence of values in the neighbourhood and adjustments to differences are made. The fair values are estimated based on the highest and best use of the properties in their current use. There has been no change to the valuation technique during the financial year.

## 16. INVESTMENT PROPERTIES (CONT'D)

Details of the Group's investment properties and information about the fair value hierarchy 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).

<b>The Group</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>2015</b>				
Investment properties	-	5,050,000	-	5,050,000
<b>2014</b>				
Investment properties	-	5,700,000	-	5,700,000

The property rental income from the investment properties, which are under operating leases, amounted to RM227,754 (2014: RM274,448). Direct operating expenses arising from the investment properties during the financial year amounted to RM76,929 (2014: RM78,144).

## 17. INVESTMENT IN SUBSIDIARY COMPANIES

	<b>The Company</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Unquoted shares, at cost	327,450,041	327,430,041
RCPS	20,000,000	-
	347,450,041	327,430,041
Less: Allowance for impairment	(214,643)	(214,643)
	<u>347,235,398</u>	<u>327,215,398</u>



## 17. 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		Principal Activities
	2015 %	2014 %	
<b>Direct subsidiary companies</b>			
Effusion.Com Sdn. Bhd.	100	100	Provision of information technology
RCE Factoring Sdn. Bhd.	100	100	Confirming, factoring and industrial hire purchase, specialising in trade related activities and general trading
RCE Marketing Sdn. Bhd.	100	100	Provision of general loan financing services
RCE Synergy Sdn. Bhd.	100	100	Investment holding
Strategi Interaksi Sdn. Bhd. <sup>#</sup>	100	-	Investment holding
<b>Indirect subsidiary companies</b>			
EXP Payment Sdn. Bhd. <sup>^#</sup>	100	-	Processing and administration of payroll collection
RCE Equity Sdn. Bhd. <sup>π</sup>	100	100	Property investment, provision of financial administrative services, debt management services and trading of securities
RCE Advance Sdn. Bhd. <sup>π</sup>	100	100	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue private debt securities to fund the purchase of such receivables

**17. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**

	<b>Effective Ownership Interest and Voting Interest</b>		<b>Principal Activities</b>
	<b>2015</b>	<b>2014</b>	
	<b>%</b>	<b>%</b>	
<b>Indirect subsidiary companies</b>			
RCE Commerce Sdn. Bhd. <sup>π</sup>	100	100	Provision of information technology and financial administrative services
RCE Sales Sdn. Bhd. <sup>β</sup>	100	100	Provision of financial administrative services
RCE Trading Sdn. Bhd. <sup>π</sup>	100	100	Provision of financial administrative services
Tresor Assets Berhad <sup>π</sup>	100	100	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue ABS to fund the purchase of such receivables
Mezzanine Enterprise Sdn. Bhd. <sup>*</sup>	100	100	Property investment, provision of financial administrative services

<sup>^</sup> Held indirectly through Strategi Interaksi Sdn. Bhd.

<sup>π</sup> Held indirectly through RCE Marketing Sdn. Bhd.

<sup>β</sup> Held indirectly through RCE Trading Sdn. Bhd.

<sup>\*</sup> Held indirectly through RCE Equity Sdn. Bhd.

<sup>#</sup> Audited by another firm of auditors

On 14 October 2014, the Company acquired 100% equity interest in Strategi Interaksi Sdn. Bhd. (“SISB”) comprising a total of 10,000 ordinary shares of RM1.00 each for a total cash consideration of RM20,000 (“Acquisition”). SISB directly owns the entire equity interest of EXP Payment Sdn. Bhd. (“EXPP”) comprising 1,800,000 ordinary shares of RM1.00 each (“collectively known as SISB Group”).

**17. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**

SISB Group was acquired so as to involve the Group in processing and administration of payroll collection system.

The cost of acquisition consisted of the following:

	<b>The Group 2015 RM</b>
Purchase consideration satisfied by cash	<u>20,000</u>

The acquired subsidiary companies have contributed the following results to the Group:

	<b>The Group 2015 RM</b>
Revenue	620,167
Loss for the financial year	<u>(553,147)</u>

Had the acquisition occurred on 1 April 2014, the Group's revenue and profit for the financial year ended 31 March 2015 would have been RM131,361,484 and RM36,324,744 respectively.

The assets and liabilities arising from the acquisition are as follows:

	<b>The Group 2015 RM</b>
Deposits with licensed financial institution	2,284,605
Cash and bank balances	314,806
Borrowings	(19,170,020)
Payables and accrued expenses	(2,354,901)
Tax liabilities	<u>(43,660)</u>
Fair value of total net liabilities	<u>(18,969,170)</u>
Group's share of net liabilities	(18,969,170)
Goodwill on acquisition (Note 18)	<u>18,989,170</u>
Total cost of acquisition	<u>20,000</u>

**17. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**

Goodwill arose in the acquisition of SISB Group because the cost of the combination include a control premium. In addition, the consideration paid for the combination effectively include amounts in relation to the benefit of expected synergies, revenue growth and the future market development of SISB Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The cash flow on acquisition is as follows:

	<b>The Group 2015 RM</b>
Purchase consideration satisfied by cash	(20,000)
Cash and cash equivalents of subsidiary companies acquired	2,599,411
Term loan of subsidiary company assumed	<u>(19,170,020)</u>
Net cash flow of the Group	<u>(16,590,609)</u>

**18. GOODWILL ON CONSOLIDATION**

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Goodwill on consolidation, at cost	28,854,804	28,854,804
Arising from acquisition of subsidiary companies (Note 17)	<u>18,989,170</u>	<u>-</u>
	47,843,974	28,854,804
Less: Allowance for impairment	<u>(177,829)</u>	<u>(177,829)</u>
Carrying amount	<u>47,666,145</u>	<u>28,676,975</u>

## 18. GOODWILL ON CONSOLIDATION (CONT'D)

### Allocation of goodwill to cash-generating units

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from the business combination, as follows:

- (i) Loan financing operations of RCE Marketing Sdn. Bhd. ("RCEM") and its subsidiary companies ("RCEM Group") as a group CGU;
- (ii) Processing and administration of payroll collection operations of SISB Group as a group CGU; and
- (iii) Factoring and confirming operations of RCE Factoring Sdn. Bhd. as an individual CGU.

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

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Loan financing	28,343,821	28,343,821
Processing and administration of payroll collection	18,989,170	-
Factoring and confirming	333,154	333,154
	<u>47,666,145</u>	<u>28,676,975</u>

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

### Key assumptions used in value-in-use calculations

#### (a) Loan 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 7.28% (2014: 7.33%) 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. GOODWILL ON CONSOLIDATION (CONT'D)

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

#### (b) Processing and administration of payroll collection

The recoverable amount of the CGU is determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculation include quantum of 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 7.28% per annum. No growth rate is assumed in extrapolating the cash flows beyond the five-year period. The directors believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

## 19. LOANS AND RECEIVABLES

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Loans and receivables, gross	1,202,516,585	1,071,638,132
Less: Allowance for impairment		
- Individual assessment	(60,199,534)	(90,568,889)
- Collective assessment	(37,948,664)	(34,918,595)
	<u>(98,148,198)</u>	<u>(125,487,484)</u>
Loans and receivables	1,104,368,387	946,150,648
Deferred income, net	<u>(34,451,187)</u>	<u>(21,164,459)</u>
Loans and receivables, net	1,069,917,200	924,986,189
Amount receivable within one year	<u>(149,755,042)</u>	<u>(138,829,988)</u>
Non-current portion	<u>920,162,158</u>	<u>786,156,201</u>

## 19. LOANS AND RECEIVABLES (CONT'D)

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

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Amount receivables:		
Within one to two years	79,144,112	66,777,576
Within two to five years	228,312,494	180,883,397
After five years	<u>612,705,552</u>	<u>538,495,228</u>
	<u>920,162,158</u>	<u>786,156,201</u>

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 34.

Included in loans and receivables of the Group are:

- (a) RM205,058,333 (2014: RM103,851,822) pledged to financial institutions as securities for borrowings as disclosed in Notes 31(c) and 31(d) respectively; and
- (b) RM307,949,827 (2014: RM204,467,141) held in trust for financial institutions for borrowings as disclosed in Note 31(c).

The profile of the loans and receivables is as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Performing	768,847,379	616,511,603
1 to 150 days past due but performing	339,018,485	343,393,181
Non-performing	<u>60,199,534</u>	<u>90,568,889</u>
	<u>1,168,065,398</u>	<u>1,050,473,673</u>

**19. LOANS AND RECEIVABLES (CONT'D)**

*Loans and receivables that are performing*

Loans and receivables that are performing are neither past due nor impaired, are newly disbursed and/or having months-in-arrear less than a month.

None of these have been renegotiated during the financial year.

*Loans and receivables that are past due but performing*

All loans and receivables that are past due but performing are loans that are under the salary deduction scheme and subject to administrative/technical delay due to logistic considerations.

*Loans and receivables that are non-performing*

The Group's loans and receivables that are non-performing at the reporting date are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Loans and receivables, non-performing	60,199,534	90,568,889
Less: Allowance for impairment		
- Individual assessment	<u>(60,199,534)</u>	<u>(90,568,889)</u>
	<u>-</u>	<u>-</u>

The allowance for impairment consist of:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Performing loans	37,948,664	34,918,595
Non-performing loans	<u>60,199,534</u>	<u>90,568,889</u>
	<u>98,148,198</u>	<u>125,487,484</u>



**19. LOANS AND RECEIVABLES (CONT'D)**

Movement in allowance for impairment:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<i>Individual assessment:</i>		
Balance as at 1 April	90,568,889	58,082,991
Charge for the financial year	12,563,643	59,090,582
Reversal/Written back	(213,463)	(6,409,505)
Reclassified from collective assessment	5,157,682	56,926,765
Written off	<u>(47,877,217)</u>	<u>(77,121,944)</u>
Balance as at 31 March	<u>60,199,534</u>	<u>90,568,889</u>
<i>Collective assessment:</i>		
Balance as at 1 April	34,918,595	81,358,132
Charge for the financial year	8,187,751	10,487,228
Reclassified to individual assessment	<u>(5,157,682)</u>	<u>(56,926,765)</u>
Balance as at 31 March	<u>37,948,664</u>	<u>34,918,595</u>

**20. TRADE RECEIVABLES**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Confirming receivables	15,330,850	14,909,969
Factoring receivables	6,966,776	8,897,459
Rental receivable	-	200
	<u>22,297,626</u>	<u>23,807,628</u>
Less: Allowance for impairment	<u>(4,413,030)</u>	<u>(2,667,158)</u>
Trade receivables, net	17,884,596	21,140,470
Amount receivable within one year	<u>(17,884,596)</u>	<u>(19,575,519)</u>
Non-current portion	<u>-</u>	<u>1,564,951</u>

**20. TRADE RECEIVABLES (CONT'D)**

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

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Amount receivables:		
Within one to two years	<u>-</u>	<u>1,564,951</u>

The credit period granted by the Group ranges from 60 to 150 (2014: 60 to 150) days while other credit terms are determined on a case by case basis. The effective interest rate is at 11.53% (2014: 11.57%) per annum.

As at the reporting date, there are significant concentration of credit risk arising from the amounts due from two (2) (2014: four (4)) major customers amounting to 45.47% (2014: 53.20%) 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.

The ageing of the trade receivables is as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Performing	13,180,339	16,399,488
Past due but performing:		
Less than 90 days	4,373,896	1,120,253
More than 90 days	330,361	3,620,729
Total past due but performing	4,704,257	4,740,982
Non-performing	<u>4,413,030</u>	<u>2,667,158</u>
	<u>22,297,626</u>	<u>23,807,628</u>

**20. TRADE RECEIVABLES (CONT'D)**

*Trade receivables that are performing*

Trade receivables that are performing are neither past due nor impaired, are creditworthy debtors with good payment records with the Group and there are no indications as of the reporting date that the debtors will not meet their payment obligations.

None of these have been renegotiated during the financial year.

*Trade receivables that are past due but performing*

Trade receivables that are less than 90 days past due at the reporting date are performing as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade receivables that are more than 90 days past due but performing are those with repayment plan and/or collateral with the Group. Their repayments are closely monitored by the management to ensure that they adhere to the agreed repayment schedule.

Overdue accounts are regularly reviewed and impairment provisions are created where necessary. All trade receivables that are more than 90 days past due are fully provided net of collaterals, except those approved by management and with due regard to the historical risk profile of the customer.

*Trade receivables that are non-performing*

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables may or may not be secured by any collateral or credit enhancements.

The Group's trade receivables that are non-performing at the reporting date are as follows:

	<b>Individually impaired</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Trade receivables, non-performing	4,413,030	2,667,158
Less: Allowance for impairment	<u>(4,413,030)</u>	<u>(2,667,158)</u>
	<u>-</u>	<u>-</u>

**20. TRADE RECEIVABLES (CONT'D)**

Movement in allowance for impairment:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 April	2,667,158	4,510,251
Charge for the financial year	4,355,579	1,222,223
Written back	(956,691)	(366,755)
Written off	<u>(1,653,016)</u>	<u>(2,698,561)</u>
Balance as at 31 March	<u>4,413,030</u>	<u>2,667,158</u>

**21. OTHER INVESTMENTS**

	<b>The Group and The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Investments, at cost:		
Association memberships	<u>2</u>	<u>2</u>

**22. AFS FINANCIAL ASSETS**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Unquoted corporate bonds, at cost	8,000,000	8,000,000
Less: Accumulated impairment losses	<u>(8,000,000)</u>	<u>(8,000,000)</u>
	<u>-</u>	<u>-</u>

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 2015 and 31 March 2014 respectively.

**23. DEFERRED TAX**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance as at 1 April	(8,678,375)	(20,077,799)	-	604
Recognised in profit or loss (Note 11)	<u>24,428,823</u>	<u>11,399,424</u>	<u>-</u>	<u>(604)</u>
Balance as at 31 March	<u>15,750,448</u>	<u>(8,678,375)</u>	<u>-</u>	<u>-</u>

Presented after appropriate offsetting as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Deferred tax assets	17,660,468	21,898,310
Deferred tax liabilities	<u>(1,910,020)</u>	<u>(30,576,685)</u>
	<u>15,750,448</u>	<u>(8,678,375)</u>

**23. DEFERRED TAX**

(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:**

	<b>Loans and receivables RM</b>	<b>Interest expense applicable to revenue RM</b>	<b>Unused tax losses and unabsorbed capital allowances RM</b>	<b>Other temporary differences RM</b>	<b>Total RM</b>
Balance as at 1 April 2013	7,007,503	-	9,470,804	604	16,478,911
Recognised in profit or loss	<u>10,861,229</u>	<u>2,358,304</u>	<u>(7,817,710)</u>	<u>17,576</u>	<u>5,419,399</u>
Balance as at 31 March 2014	<u>17,868,732</u>	<u>2,358,304</u>	<u>1,653,094</u>	<u>18,180</u>	<u>21,898,310</u>
Balance as at 1 April 2014	17,868,732	2,358,304	1,653,094	18,180	21,898,310
Recognised in profit or loss	<u>(1,062,125)</u>	<u>(2,358,304)</u>	<u>(1,632,240)</u>	<u>814,827</u>	<u>(4,237,842)</u>
Balance as at 31 March 2015	<u>16,806,607</u>	<u>-</u>	<u>20,854</u>	<u>833,007</u>	<u>17,660,468</u>

**23. DEFERRED TAX (CONT'D)**

**Deferred tax assets of the Company:**

	<b>Other temporary differences RM</b>	<b>Total RM</b>
Balance as at 1 April 2013	604	604
Recognised in profit or loss	<u>(604)</u>	<u>(604)</u>
Balance as at 31 March 2014/2015	<u>-</u>	<u>-</u>

**Deferred tax liabilities of the Group:**

	<b>Plant and equipment RM</b>	<b>Loans and receivables RM</b>	<b>Other temporary differences RM</b>	<b>Total RM</b>
Balance as at 1 April 2013	(712,717)	(7,889,382)	(27,954,611)	(36,556,710)
Recognised in profit or loss	<u>(596,215)</u>	<u>7,889,382</u>	<u>(1,313,142)</u>	<u>5,980,025</u>
Balance as at 31 March 2014	<u>(1,308,932)</u>	<u>-</u>	<u>(29,267,753)</u>	<u>(30,576,685)</u>
Balance as at 1 April 2014	(1,308,932)	-	(29,267,753)	(30,576,685)
Recognised in profit or loss	<u>(601,088)</u>	<u>-</u>	<u>29,267,753</u>	<u>28,666,665</u>
Balance as at 31 March 2015	<u>(1,910,020)</u>	<u>-</u>	<u>-</u>	<u>(1,910,020)</u>

Deferred tax liabilities recognised on other temporary differences were mainly arising from interest receivable on AFS financial assets held by a subsidiary company.

**23. DEFERRED TAX (CONT'D)**

- (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:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Unused tax losses	28,141,921	49,452,700
Unabsorbed capital allowances	<u>4,722,199</u>	<u>4,284,508</u>
	<u><u>32,864,120</u></u>	<u><u>53,737,208</u></u>

**24. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	15,285,804	11,309,321	47	58
Tax recoverable	318,895	4,038,755	-	-
Prepaid expenses	911,203	584,831	-	59,749
Refundable deposits	<u>301,451</u>	<u>422,299</u>	<u>-</u>	<u>-</u>
	<u><u>16,817,353</u></u>	<u><u>16,355,206</u></u>	<u><u>47</u></u>	<u><u>59,807</u></u>

Included in other receivables of the Group are collections in transit from various cooperatives and corporations of RM11,439,746 (2014: RM8,888,611).

Included in refundable deposits of the Group are RM207,866 (2014: RM199,940) paid in relation to the rental of office premises to related parties.



## 25. RELATED PARTY TRANSACTIONS

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

	<b>The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Amounts due from/(to):		
Subsidiary companies	8,359,889	179,935,691
A subsidiary company	<u>(700,000)</u>	<u>-</u>

The amounts due from subsidiary companies arose mainly from advances given, are unsecured, bear interest rate at 3.04% (2014: 2.25%) per annum, repayable on demand and to be settled in cash, except otherwise stated.

The amount due to a subsidiary company arose mainly from advances received, 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.

**25. 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:

<b>Name of related parties</b>	<b>Relationship</b>
Amcorp Auto Sdn. Bhd. ("AASB") 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
Triple Esteem Sdn. Bhd. ("TESB")	A company in which the controlling shareholder is connected to certain directors of the Company
AmMetLife Insurance Berhad ("ALIB") AmInvestment Bank Berhad ("AIBB")	Companies in which a director of the Company has directorship and substantial interest
AmInvestment Services Berhad ("AISB")	A company in which a director of the Company has substantial interest
AON Insurance Brokers (M) Sdn. Bhd. ("AIBM")	A company in which certain directors of the Company have directorship

**25. RELATED PARTY TRANSACTIONS (CONT'D)****(b) Related party disclosures (Cont'd)**

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

	<b>The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>Direct subsidiary companies:</b>		
Administrative fees receivable from:		
RCE Marketing Sdn. Bhd.	1,097,407	1,449,173
Interest income on amounts due from:		
RCE Marketing Sdn. Bhd.	3,258,171	4,043,367
RCE Factoring Sdn. Bhd.	229	-
Dividend receivable from:		
RCE Marketing Sdn. Bhd.	900,000	-
RCE Synergy Sdn. Bhd.	-	600,000
RCE Factoring Sdn. Bhd.	-	256,667
	<u>          </u>	<u>          </u>

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Other related parties:</b>				
Rental payable to:				
ALIB	697,488	665,784	-	-
CVSB	36,000	36,000	-	-
TESB	-	16,666	-	-
Fees payable to CVSB:				
Management fee	720,000	600,000	720,000	600,000
Staff costs	490,000	518,000	-	-
Internal audit fees	238,000	268,000	28,000	140,000
Administrative fee payable to AISB	239,657	415,878	-	88
Insurance premium payable to AIBM	317,406	365,145	16,348	13,184

**25. RELATED PARTY TRANSACTIONS (CONT'D)**

**(b) Related party disclosures (Cont'd)**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Other related parties</b>				
<b>(Cont'd):</b>				
Marketing expenses incurred arising from:				
Purchase of travel package from HTSB	65,000	67,800	-	-
Interest expense payable to FCSB	24,110	-	-	-
Arranger fee payable to AIBB	19,016	67,863	-	-
	<u>19,016</u>	<u>67,863</u>	<u>-</u>	<u>-</u>

**(c) Compensation of key management personnel**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short term employees' benefits	3,410,695	3,312,253	308,500	306,000
Defined contribution plan	317,298	438,246	-	-
	<u>3,727,993</u>	<u>3,750,499</u>	<u>308,500</u>	<u>306,000</u>

**26. CASH AND CASH EQUIVALENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deposits with licensed financial institutions	40,576,237	288,309,742	-	-
Cash and bank balances	11,011,528	2,771,297	550	336
	<u>51,587,765</u>	<u>291,081,039</u>	<u>550</u>	<u>336</u>
Less: Deposits and cash and bank balances				
- Assigned in favour of the trustees	(17,442,647)	(264,259,807)	-	-
- Pledged to licensed financial institutions	(10,997,964)	(9,073,355)	-	-
	<u>(28,440,611)</u>	<u>(273,333,162)</u>	<u>-</u>	<u>-</u>
	<u>23,147,154</u>	<u>17,747,877</u>	<u>550</u>	<u>336</u>

Deposits with licensed financial institutions of the Group have a weighted average remaining maturity period of 22 (2014: 14) days. The information on weighted average effective interest rate is disclosed in Note 34.

**27. SHARE CAPITAL**

	<b>The Group and The Company</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>No of shares of RM0.10 each</b>		<b>RM</b>	<b>RM</b>
<b>Authorised:</b>				
<i>Ordinary shares</i>				
Balance as at 1 April/31 March	3,000,000,000	3,000,000,000	300,000,000	300,000,000
<i>RCPS</i>				
Balance as at 1 April/31 March	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	<u>4,000,000,000</u>	<u>4,000,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>
<b>Issued and fully paid:</b>				
<i>Ordinary shares</i>				
Balance as at 1 April	1,173,592,495	1,173,592,495	117,359,249	117,359,249
Issuance of shares pursuant to RCPS conversion	<u>160,408,500</u>	<u>-</u>	<u>16,040,850</u>	<u>-</u>
Balance as at 31 March	<u>1,334,000,995</u>	<u>1,173,592,495</u>	<u>133,400,099</u>	<u>117,359,249</u>
<i>RCPS</i>				
Balance as at 1 April	469,436,998	469,436,998	46,943,700	46,943,700
RCPS conversion	(160,408,500)	-	(16,040,850)	-
RCPS redemption	<u>(309,028,498)</u>	<u>-</u>	<u>(30,902,850)</u>	<u>-</u>
Balance as at 31 March	<u>-</u>	<u>469,436,998</u>	<u>-</u>	<u>46,943,700</u>
	<u>1,334,000,995</u>	<u>1,643,029,493</u>	<u>133,400,099</u>	<u>164,302,949</u>

## 27. SHARE CAPITAL (CONT'D)

During the financial year:

- (a) the issued and paid-up shares capital of the Company increased from 1,173,592,495 to 1,334,000,995 ordinary shares by way of the issuance of 160,408,500 new ordinary shares of RM0.10 each pursuant to the conversion of 160,408,500 RCPS of RM0.10 each to ordinary shares.

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

- (b) all of the remaining 309,028,498 units of RCPS were fully redeemed.

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.

The salient terms of the RCPS are as follows:

- (a) Dividend      The RCPS shall carry the right to a non-cumulative preferential dividend rate of 20% per annum, payable annually in arrears, subject to availability of distributable profits.
- (b) Maturity      The maturity date is 27 November 2019, which is the day immediately preceding the 7<sup>th</sup> anniversary of the date of issuance of RCPS. The RCPS were issued on 28 November 2012.
- (c) Redemption    All outstanding RCPS, unless previously purchased, cancelled or converted, shall be redeemable at the option of the Company from 28 November 2014 to 27 November 2019.  
  
Any RCPS not redeemed at the maturity date shall be automatically converted into new ordinary shares.
- (d) Conversion    The RCPS shall be convertible into new ordinary shares at the option of the holder from 28 November 2014 to 27 November 2019. One RCPS shall be converted into one new ordinary share.

**27. SHARE CAPITAL (CONT'D)**

- (e) Ranking      The RCPS shall rank in priority to the ordinary shares but pari passu among themselves and any such class ranking pari passu with the RCPS in respect of the right to receive dividends out of distributable profits.

The new ordinary shares issued upon conversion of RCPS shall rank pari passu with all existing ordinary shares except that they shall not be entitled to any dividend, declared or to be declared in respect of any particular financial year ending before the relevant date on which the Company receives the conversion notice irrespective of the date when such dividend is declared, made or paid, nor any rights, allotments and/or other distributions of which the entitlement date is prior to the date of allotment of the said new ordinary shares.

- (f) Voting right      The RCPS do not carry any right to vote at any general meeting of the Company except for the right to vote in person or by proxy or by attorney at such meeting in each of the following circumstances:

- (i) when the dividend or part of the dividend payable on the RCPS is in arrears for more than six months;
- (ii) on a proposal to reduce the Company's share capital;
- (iii) on a proposal for disposal of the whole Company's property, business and undertaking;
- (iv) on a proposal that affects the rights and privileges attaching to the RCPS;
- (v) on a proposal to wind up the Company; and
- (vi) during winding-up of the Company.



## 28. TREASURY SHARES

The shareholders of the Company, by a resolution passed at an annual general meeting held on 11 September 2014, has granted an approval to the Company to buy back its own shares of up to 10% of the issued and paid-up share capital of the Company.

During the financial year, the Company repurchased its issued ordinary shares of RM0.10 each 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 2014	16,401,900	4,580,778	0.290	0.235	0.278
Shares repurchased during the financial year:					
- April 2014	12,754,100	4,028,265	0.335	0.285	0.314
- May 2014	3,147,600	1,013,591	0.330	0.303	0.320
- June 2014	3,302,900	1,082,419	0.333	0.317	0.323
- July 2014	940,400	327,965	0.350	0.336	0.347
- August 2014	20,000	7,153	0.355	0.355	0.355
- September 2014	1,779,500	600,352	0.340	0.327	0.335
- October 2014	4,670,900	1,488,590	0.336	0.302	0.317
- November 2014	3,631,600	1,202,375	0.336	0.325	0.329
- December 2014	2,537,300	778,775	0.321	0.289	0.305
- January 2015	1,628,000	502,234	0.317	0.300	0.306
- February 2015	1,235,700	389,525	0.315	0.310	0.313
- March 2015	2,459,000	782,522	0.320	0.310	0.316
	<u>38,107,000</u>	<u>12,203,766</u>	<u>0.355</u>	<u>0.285</u>	<u>0.318</u>
Balance as at 31 March 2015	<u>54,508,900</u>	<u>16,784,544</u>	<u>0.355</u>	<u>0.235</u>	<u>0.306</u>

The total consideration paid including transaction costs of RM16,784,544 was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The Company has the right to cancel, resell and/or distribute the treasury shares as dividends 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 or cancelled during the financial year.

As at the reporting date, the number of ordinary shares in issue after the share buy-back is 1,279,492,095 shares of RM0.10 each.

**29. RESERVES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Non-distributable:				
Share premium	63,041,401	149,569,380	63,041,401	149,569,380
Capital redemption reserve	30,902,850	-	30,902,850	-
Share options	5,385,109	4,784,701	5,385,109	4,784,701
	99,329,360	154,354,081	99,329,360	154,354,081
Distributable:				
Retained earnings	350,269,339	371,173,228	138,604,845	192,603,997
	<u>449,598,699</u>	<u>525,527,309</u>	<u>237,934,205</u>	<u>346,958,078</u>

**(a) Non-distributable:**

- (i) Share premium arose from the following:

	<b>The Group and The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 April	149,569,380	149,569,380
RCPS redemption	<u>(86,527,979)</u>	<u>-</u>
Balance as at 31 March	<u>63,041,401</u>	<u>149,569,380</u>

- (ii) Capital redemption reserve arose from the following:

	<b>The Group and The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 April	-	-
Creation of capital redemption reserve upon RCPS redemption	<u>30,902,850</u>	<u>-</u>
Balance as at 31 March	<u>30,902,850</u>	<u>-</u>

## 29. RESERVES (CONT'D)

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

#### (iii) Share options:

The share options 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 share options granted to eligible directors and employees are disclosed in Note 36.

### (b) Distributable:

Retained earnings:

Distributable reserves are those available for distribution as dividends.

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

### (c) Supplementary information – Disclosure on realised and unrealised profits

Pursuant to Bursa Malaysia Securities Berhad's directive dated 20 December 2010, further information on the retained earnings in relation to realised and unrealised profits of the Group and the Company is as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings				
- Realised	334,518,891	379,851,603	138,604,845	192,603,997
- Unrealised	15,750,448	(8,678,375)	-	-
	<u>350,269,339</u>	<u>371,173,228</u>	<u>138,604,845</u>	<u>192,603,997</u>

**30. HIRE-PURCHASE PAYABLES**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Total outstanding	320,287	686,220
Less: Future finance charges	<u>(18,478)</u>	<u>(49,020)</u>
Principal outstanding	301,809	637,200
Less: Amounts due within one year	<u>(124,853)</u>	<u>(232,682)</u>
Non-current portion	<u>176,956</u>	<u>404,518</u>

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

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Financial years ending 31 March:		
2016	-	184,345
2017	92,024	116,311
2018	73,012	91,942
2019	<u>11,920</u>	<u>11,920</u>
	<u>176,956</u>	<u>404,518</u>

The interest rates implicit in these hire-purchase arrangements of the Group range from 4.37% to 6.18% (2014: 4.37% to 6.18%) per annum. The Group's hire-purchase payables are secured by a charge over the assets under hire-purchase.

**31. BORROWINGS**

		<b>The Group</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>RM</b>	<b>RM</b>
<b>At amortised cost</b>			
<b>Secured</b>			
Current			
Fixed rate MTNs	(a)	31,239,614	41,862,664
ABS	(b)	-	42,255,340
Term loans	(c)	43,620,642	13,018,637
Revolving credits	(d)	199,991,825	110,196,786
Bank overdrafts	(e)	5,208,841	5,327,084
		280,060,922	212,660,511
Non-Current			
Fixed rate MTNs	(a)	34,621,721	64,259,488
ABS	(b)	-	95,000,000
Term loans	(c)	301,523,438	201,367,681
		<u>336,145,159</u>	<u>360,627,169</u>
		<u>616,206,081</u>	<u>573,287,680</u>
<b>Unsecured</b>			
Current			
Trust receipts	(f)	116,125	342,028
Bankers' acceptances	(f)	5,534,896	8,704,414
Revolving credits	(d)	9,837,921	-
		<u>15,488,942</u>	<u>9,046,442</u>
		<u>631,695,023</u>	<u>582,334,122</u>
Disclosed in the financial statements as:			
Current		295,549,864	221,706,953
Non-current		<u>336,145,159</u>	<u>360,627,169</u>
		<u>631,695,023</u>	<u>582,334,122</u>

### 31. BORROWINGS (CONT'D)

The maturity profile of the borrowings is as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
On demand or within one year	295,549,864	221,706,953
More than 1 year and less than 2 years	59,335,224	72,760,780
More than 2 years and less than 5 years	<u>276,809,935</u>	<u>287,866,389</u>
	<u>631,695,023</u>	<u>582,334,122</u>

#### (a) Fixed rate MTNs

During the financial year ended 31 March 2007, a subsidiary company, RCE Advance Sdn. Bhd. ("RCEA"), fully issued its RM420 million 5-year fixed rate MTNs for the purpose of financing the working capital of the Group. As at the reporting date, RM60 million (2014: RM60 million) out of the total RM420 million MTNs were subscribed by a subsidiary company, RCE Equity Sdn. Bhd. ("RCEE").

The MTNs were constituted by a trust deed dated 23 November 2005 made between RCEA and the Trustee for the holders of the MTNs.

The main features of the MTNs are as follows:

- (i) The maximum issue size of the RM420 million MTNs comprises:
- RM240 million Class A MTNs;
  - RM120 million Class B MTNs; and
  - RM60 million Class C MTNs.

**31. BORROWINGS (CONT'D)****(a) Fixed rate MTNs (Cont'd)**

- (ii) The MTNs were issued up to a maximum of six (6) tranches of RM70 million each ("Tranche") with each respective Tranche comprising the following:

<b>Tranches</b>	<b>Class A MTNs issue size RM'000</b>	<b>Class B MTNs issue size RM'000</b>	<b>Class C MTNs issue size RM'000</b>	<b>Total issue size RM'000</b>
A	40,000	20,000	10,000	70,000
B	40,000	20,000	10,000	70,000
C	40,000	20,000	10,000	70,000
D	40,000	20,000	10,000	70,000
E	40,000	20,000	10,000	70,000
F	40,000	20,000	10,000	70,000
<b>Total</b>	<b>240,000</b>	<b>120,000</b>	<b>60,000</b>	<b>420,000</b>

- (iii) Each Tranche of MTNs is sub-divided into twelve (12) series ("Series") which are categorised into Class A MTNs, Class B MTNs and Class C MTNs, based on the different collateralisation ratios. The class and tenure of each Series per Tranche are set out as below:

<b>Series</b>	<b>Tenure Years</b>	<b>Class A MTNs RM'000</b>	<b>Class B MTNs RM'000</b>	<b>Class C MTNs RM'000</b>
1	Three (3)	10,000	-	-
2	Four (4)	5,000	-	-
3	Five (5)	5,000	-	-
4	Six (6)	5,000	-	-
5	Six (6)	-	5,000	-
6	Seven (7)	-	5,000	-
7	Eight (8)	5,000	-	-
8	Eight (8)	-	5,000	-
9	Nine (9)	5,000	-	-
10	Ten (10)	5,000	-	-
11	Ten (10)	-	5,000	-
12	Ten (10)	-	-	10,000
		<b>40,000</b>	<b>20,000</b>	<b>10,000</b>

### **31. BORROWINGS (CONT'D)**

#### **(a) Fixed rate MTNs (Cont'd)**

- (iv) All MTNs under Tranche A and Tranche B were issued at par;
- (v) The Class A MTNs and Class B MTNs issued under all subsequent Tranches were issued at par, premium or a discount to face value depending on the yield to maturity agreed with the private placement investor(s) at the time of issuance of each Tranche while Class C MTNs issued under all subsequent Tranches were issued at par;
- (vi) Each series of the MTNs under Class A MTNs and Class B MTNs bear a fixed coupon rates ranging from 8.05% to 9.00% (2014: 7.85% to 9.00%) per annum, payable semi-annually in arrears with the last coupon payment to be made on the respective maturity dates; and
- (vii) The Class C MTNs bear an initial fixed coupon rate at 15.00% per annum, but may be reset on the third and/or sixth anniversary from the issuance of the Class C MTNs at a new coupon rate to be determined between the Noteholders of the Class C MTNs and RCEA at the time the coupon rate is to be reset. The coupon payment under the Class C MTNs may be calculated annually but payment is deferred until all Class A MTNs and Class B MTNs have been fully redeemed. The entire deferred Class C MTNs coupon payment will be paid in one lump sum.

The MTNs are secured against the following:

- (i) A third party first legal charge by RCE Marketing Sdn. Bhd. ("RCEM"), the immediate holding company of RCEA, over the entire issued and paid-up share capital of RCEA;
- (ii) A debenture incorporating a first fixed and floating charge over the entire undertaking, property, assets and rights, both present and future of RCEA;
- (iii) An assignment of the rights, titles, benefits and interests under the eligible receivables purchased by RCEA;
- (iv) An assignment over the present and future rights, titles, benefits and interests in certain bank accounts of RCEA;
- (v) An undertaking from RCEM; and
- (vi) An irrevocable corporate guarantee from the Company.



### **31. BORROWINGS (CONT'D)**

#### **(b) ABS**

Tresor Assets Berhad (“TAB”) was incorporated on 31 May 2007 as a special purpose vehicle for the sole purpose of undertaking the ABS exercise amounting up to RM1.5 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 ABS by TAB.

In relation to the ABS programme, revolving credit facilities amounting to RM150 million were granted by a financial institution to finance the origination and/or acquisition of the loans and receivables to reach an economically meaningful amount of approximately RM100 million before they were sold at any time and from time to time throughout the facility availability period of 5.5 years to TAB.

During the financial year ended 31 March 2011, TAB further issued the seventh, eighth and ninth tranche of ABS amounting to RM100 million each for the seventh and eighth tranche and RM83.8 million for the ninth tranche.

All the outstanding ABS have been fully redeemed during the financial year.

The ABS was constituted by a trust deed dated 15 November 2007 made between TAB and the Trustee of the holders of the ABS.

The main features of the ABS were as follows:

- (i) The maximum issue size of the RM1.5 billion ABS consisted of a multiple series of Senior and Subordinated Bonds;
- (ii) The nine ABS tranches of RM100 million each (except for Tranche E of RM96.9 million and Tranche I of RM83.8 million) were issued at par and had a maturity tenure ranging from one (1) to ten (10) years within each tranche;

### **31. BORROWINGS (CONT'D)**

#### **(b) ABS (Cont'd)**

- (iii) Each series of Senior Bonds bore fixed coupon rates ranging from 6.00% to 8.40% (2014: 6.00% to 8.40%) per annum, payable semi-annually in arrears with the last coupon payment to be made on the respective maturity dates; and
- (iv) The Subordinated Bonds issued under Tranches A to I bore variable coupon rates and the coupon payment on the Subordinated Bonds was accrued on a semi-annual basis and payable in full or in part upon the full redemption of all Senior Bonds in Tranches A to I.

The ABS were 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 TAB;
- (ii) An assignment of First and Second Master Sale and Purchase Agreements;
- (iii) An assignment of Servicing Agreement;
- (iv) An assignment of Transaction Administration Agreement;
- (v) An assignment of Administration Agreement; and
- (vi) An assignment of Rights to Members' Agreement.

#### **(c) Term loan 1 (Secured)**

During the financial year ended 31 March 2009, a term loan of RM9 million was granted to RCE Synergy Sdn. Bhd. ("RCES") to refinance its remaining balance of RM9.5 million from a term loan facility of RM32 million obtained on 30 August 2005. The term loan facility is secured by an irrevocable corporate guarantee by the Company and deposits pledged with the licensed financial institution. The said term loan bears interest rate at 4.15% (2014: 4.00%) per annum for a tenure of seven (7) years from the date of the first disbursement of term loan.

### **31. BORROWINGS (CONT'D)**

#### **(c) Term loan 2 (Secured)**

During the financial year ended 31 March 2013, RCEM was granted a back-to-back loan sale arrangement facility of up to RM100 million by a licensed financial institution for working capital purposes. During the financial year, RCEM was further granted another RM100 million facility.

#### **Term loan 3 (Secured)**

During the financial year ended 31 March 2013, RCEM was granted RM200 million back-to-back loan sale arrangement by another licensed financial institution, of which RM50 million is ear-marked for Revolving credit 4 as disclosed in Note 31(d), for working capital purposes.

Term loans 2 and 3 are secured against the rights, titles, benefits, and interests of the eligible loans and receivables and the amounts collected or received in respect thereof.

These term loans bear interest rate ranging from 5.45% to 6.00% (2014: 5.45%) per annum for tenure ranging from three (3) to five (5) years from the date of the first disbursement of the applicable tranche of the term loans.

#### **Term loan 4 (Secured)**

During the financial year, a term loan facility of RM60 million was granted to RCEM for the purpose of financing its working capital.

Term loan 4 is secured against the rights, titles, benefits, and interests of the eligible loans and receivables and all other security at anytime from time to time, where applicable.

The said term loan payable to a related party bears interest rate at 8.00% per annum for a tenure of three (3) months from the date of the first drawdown of term loan.

### **31. BORROWINGS (CONT'D)**

#### **(d) Revolving credit 1 (Secured)**

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

#### **Revolving credit 2 (Secured)**

During the financial year ended 31 March 2012, a revolving credit facility of RM20 million was granted to RCEM for the purpose of financing the working capital of RCEM. The facility limit was then increased from RM20 million to RM30 million in the financial year ended 31 March 2013.

#### **Revolving credit 3 (Secured)**

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

All of the facilities are secured against the following:

- (i) An assignment of 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 bear interest at rates ranging from 4.85% to 5.05% (2014: 4.49% to 4.85%) per annum.

### **31. BORROWINGS (CONT'D)**

#### **(d) Revolving credit 4 (Secured)**

During the financial year ended 31 March 2013, a revolving credit facility of RM100 million, which is ear-marked from Term loan 3 as disclosed in Note 31(c) was granted to RCEM for the purpose of working capital. In the previous financial year, the facility limit ear-marked from Term loan 3 was revised to RM50 million.

Revolving credit 4 is secured against the following:

- (i) A charge over a designated account and all monies standing to the credit of the account; and
- (ii) A charge over the rights, titles, benefits, and interests of the applicable personal financing portfolio and the amounts collected or received in respect thereof.

The said revolving credit bears interest rate at 4.86% (2014: 4.59%) per annum.

#### **Revolving credit 5 (Unsecured)**

All revolving credit facilities of RCE Factoring Sdn. Bhd. ("RCEF") amounting to RM12.5 million (2014: RM12.5 million) are secured by a corporate guarantee by the Company. The revolving credits bear interest at rates ranging from 5.35% to 5.51% (2014: 4.61% to 5.14%) per annum.

#### **(e) Bank overdraft 1 (Unsecured)**

The bank overdraft facilities of RCEF amounting to RM2.2 million (2014: RM2.2 million) is secured by an irrevocable corporate guarantee by the Company.

#### **Bank overdraft 2 (Secured)**

The bank overdraft facility of RCE Commerce Sdn. Bhd. ("RCEC") of RM1 million is secured by the following:

- (i) A negative pledge not to encumber or dispose of RCEC's assets; and
- (ii) An irrevocable corporate guarantee by the Company.

### 31. BORROWINGS (CONT'D)

#### (e) Bank overdraft 3 (Secured)

The bank overdraft facility of RCES amounting to RM5.5 million is guaranteed by the Company and secured by deposits pledged with the licensed financial institution.

The bank overdraft facilities bear interest rate at 4.15% (2014: 4.00%) per annum.

#### (f) Others (Unsecured)

All bankers' acceptances, trust receipts and bills payable amounting to RM24 million (2014: RM25 million) are secured by an irrevocable corporate guarantee by the Company.

The bankers' acceptances and trust receipts facilities bear interest at rates ranging from 5.05% to 7.85% (2014: 4.65% to 7.60%) per annum.

### 32. PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Payables	21,894,905	11,094,341	-	-
Accrued expenses	4,665,759	2,275,783	335,564	332,455
Deposits	960,938	694,182	-	-
Dividend payable	900	774	900	774
	<u>27,522,502</u>	<u>14,065,080</u>	<u>336,464</u>	<u>333,229</u>

Included in payables of the Group are:

- (i) advance payments from customers amounting to RM6,037,492 (2014: RM7,024,449);
- (ii) collections received of RM5,188,152 (2014: RM206,739) on behalf of various cooperatives and corporations by subsidiary companies in their capacity as the collection and payment agents; and
- (iii) amount payable of RM6,502,658 (2014: RM930,928) by a subsidiary company in respect of certain incentive programmes entered into with corporations.

### 33. COMMITMENTS

#### (a) Capital commitments

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Capital expenditure in respect of plant and equipment not provided for:		
Approved and contracted for	<u>67,587</u>	<u>2,101,430</u>

#### (b) Operating lease commitments – as lessor

Future minimum rental receivable under non-cancellable operating leases at the reporting date are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Within one year	3,600	443,700
More than 1 year and less than 5 years	<u>300</u>	<u>198,200</u>
	<u>3,900</u>	<u>641,900</u>

#### (c) Operating lease commitments – as lessee

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Within one year	32,280	64,930
More than 1 year and less than 5 years	<u>25,160</u>	<u>73,610</u>
	<u>57,440</u>	<u>138,540</u>

## **34. FINANCIAL INSTRUMENTS**

### **Financial Risk Management Objectives and Policies**

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

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



### **34. FINANCIAL INSTRUMENTS (CONT'D)**

#### **(b) Credit risk**

Credit risk is the risk of default that may arise on its outstanding contractual obligations resulting in financial loss to the Group. The Group adopts a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk.

##### **(i) Loan 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.

##### **(ii) Factoring, confirming and industrial hire purchase:**

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 20.

The credit risk for cash and bank balances and deposits with licensed financial institutions is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**34. FINANCIAL INSTRUMENTS (CONT'D)****(b) Credit risk (Cont'd)**

In addition, the Group and the Company are exposed to credit risk representing the amount granted summarised as below:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Irrevocable loan commitments issued on behalf of customers	1,522,093	2,690,734	-	-
Financial guarantee to a trustee for MTNs facility granted to a subsidiary company	-	-	420,000,000	420,000,000
Financial guarantees to licensed financial institutions for borrowing facilities granted to subsidiary companies	-	-	<u>235,200,000</u>	<u>236,200,000</u>
	<u>1,522,093</u>	<u>2,690,734</u>	<u>655,200,000</u>	<u>656,200,000</u>

As at the reporting date, the fair values of the financial guarantees are nil (2014: nil). The fair values of the financial guarantees are 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.

### **34. FINANCIAL INSTRUMENTS (CONT'D)**

#### **(b) Credit risk (Cont'd)**

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 risk's maturity profile.

#### **Collaterals**

The main types of collaterals obtained by the Group are as follows:

- (i) Loan financing - loans by cooperatives or corporations to their members and assignment of collection proceeds in the designated account by cooperatives
- (ii) Factoring, confirming and industrial hire purchase - land and buildings

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 is at 84.03% (2014: 89.00%).

#### **(c) Liquidity risk**

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 levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

**34. FINANCIAL INSTRUMENTS (CONT'D)****(c) Interest rate and liquidity risk tables***Analysis of financial instruments based on remaining contractual maturity*

The following table sets out the weighted average effective interest rates (“WAEIR”), carrying amounts and the remaining maturities as at the reporting date of the Group’s and the Company’s financial instruments that are exposed to interest rate risk:

The Group	Note	WAEIR %	Total RM	← Maturity profile →		
				Within 1 year RM	2-5 years RM	After 5 years RM
<b>2015</b>						
<b>Fixed rate</b>						
Loans and						
receivables	19	13.14	1,069,917,200	149,755,042	307,456,606	612,705,552
Trade receivables	20	11.53	17,884,596	17,884,596	-	-
Hire-purchase						
payables	30	4.61	301,809	124,853	176,956	-
Fixed rate MTNs	31	9.59	65,861,335	31,239,614	34,621,721	-
Term loans (secured)	31	5.76	<u>344,627,728</u>	<u>43,104,290</u>	<u>301,523,438</u>	<u>-</u>
<b>Floating rate</b>						
Deposits with						
licensed financial						
institutions	26	3.12	40,576,237	40,576,237	-	-
Term loans (secured)	31	4.15	516,352	516,352	-	-
Revolving credits	31	4.98	209,829,746	209,829,746	-	-
Other bank						
borrowings *	31	4.76	<u>10,859,862</u>	<u>10,859,862</u>	<u>-</u>	<u>-</u>
<b>2014</b>						
<b>Fixed rate</b>						
Loans and						
receivables	19	12.50	924,986,189	138,829,988	247,660,973	538,495,228
Trade receivables	20	11.57	21,140,470	19,575,519	1,564,951	-
Hire-purchase						
payables	30	4.84	637,200	232,682	404,518	-
Fixed rate MTNs	31	9.43	106,122,152	41,862,664	64,259,488	-
ABS	31	7.27	137,255,340	42,255,340	95,000,000	-
Term loans (secured)	31	5.45	<u>212,269,956</u>	<u>11,415,483</u>	<u>200,854,473</u>	<u>-</u>
<b>Floating rate</b>						
Deposits with						
licensed financial						
institutions	26	3.18	288,309,742	288,309,742	-	-
Term loans (secured)	31	4.00	2,116,362	1,603,154	513,208	-
Revolving credits	31	4.60	110,196,786	110,196,786	-	-
Other bank						
borrowings *	31	4.65	<u>14,373,526</u>	<u>14,373,526</u>	<u>-</u>	<u>-</u>

\* Other bank borrowings comprise trust receipts, bankers’ acceptances and bank overdrafts.

**34. FINANCIAL INSTRUMENTS (CONT'D)****(c) 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
<b>2015</b>				
<b>Fixed rate</b>				
Hire-purchase payables	320,287	135,313	184,974	-
Fixed rate MTNs	72,332,957	36,042,032	36,290,925	-
Term loans (secured)	362,064,777	50,213,541	311,851,236	-
<b>Floating rate</b>				
Term loans (secured)	520,453	520,453	-	-
Revolving credits	209,829,746	209,829,746	-	-
Other bank borrowings *	10,859,862	10,859,862	-	-
<b>2014</b>				
<b>Fixed rate</b>				
Hire-purchase payables	686,220	258,036	428,184	-
Fixed rate MTNs	120,334,284	49,273,797	71,060,487	-
Term loans (secured)	230,967,156	16,972,350	213,994,806	-
ABS	157,138,036	50,366,326	106,771,710	-
<b>Floating rate</b>				
Term loans (secured)	2,183,534	1,664,173	519,361	-
Revolving credits	110,196,786	110,196,786	-	-
Other bank borrowings *	14,373,526	14,373,526	-	-

\* Other bank borrowings comprise trust receipts, bankers' acceptances and bank overdrafts.

**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 RM828,395 (2014: RM474,448) arising mainly as a result of a lower/higher interest expense on floating rate borrowings.

**34. FINANCIAL INSTRUMENTS (CONT'D)****(d) Fair values**

The accounting policies applicable to the major financial assets and liabilities are as disclosed in Note 3.

**(i) Financial assets**

The Group's and the Company's principal financial assets are cash and bank balances, deposits with licensed financial institutions and receivables.

**(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:

	Note	2015		2014	
		Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial asset</b>					
Loans and receivables	19	1,069,917,200	1,075,263,876	924,986,189	976,758,336
<b>Financial liabilities</b>					
Borrowings					
- Fixed rate MTNs [including accrued interest of RM1,272,470 (2014: RM1,992,249)]	31	65,861,335	67,959,332	106,122,152	111,148,444
- ABS [including accrued interest of nil (2014: RM2,255,340)]	31	-	-	137,255,340	142,170,986

### **34. FINANCIAL INSTRUMENTS (CONT'D)**

#### **(d) Fair values (Cont'd)**

The methods and assumptions used by management to determine the fair values of the financial instruments are as follows:

(i) Loans and receivables

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 any individual assessment allowance, being the expected recoverable amount.

(ii) 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) Fixed rate MTNs

The fair values are estimated using discounting technique. The discount rates are based on market rates available to the Group for similar instruments.

(iv) ABS

The fair values are estimated using discounting technique. The discount rates are based on market rates available to the Group for similar instruments.

(v) Short term financial instruments

The fair values are estimated to approximate their carrying amounts as the financial instruments are considered short term in nature.

**34. FINANCIAL INSTRUMENTS (CONT'D)****(d) Fair values (Cont'd)**

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).

<b>The Group</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>31 March 2015</b>				
<b>Financial asset</b>				
Loans and receivables	-	-	1,075,263,876	1,075,263,876
<b>Financial liabilities</b>				
Borrowings				
- Fixed rate MTNs	-	67,959,332	-	67,959,332
<b>31 March 2014</b>				
<b>Financial asset</b>				
Loans and receivables	-	-	976,758,336	976,758,336
<b>Financial liabilities</b>				
Borrowings				
- Fixed rate MTNs	-	111,148,444	-	111,148,444
- ABS	-	142,170,986	-	142,170,986



**35. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group continue as going concerns while maximising 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 cash and cash equivalents. 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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total borrowings	631,695,023	582,334,122	-	-
Less: Deposits and cash and bank balances				
- Assigned in favour of the trustees	(17,442,647)	(264,259,807)	-	-
- Pledged to licensed financial institutions	(10,997,964)	(9,073,355)	-	-
	<u>(28,440,611)</u>	<u>(273,333,162)</u>	<u>-</u>	<u>-</u>
Net borrowings	<u>603,254,412</u>	<u>309,000,960</u>	<u>-</u>	<u>-</u>
Total equity	<u>566,214,254</u>	<u>685,249,480</u>	<u>354,549,760</u>	<u>506,680,249</u>
Gearing ratio (times)	<u>1.07</u>	<u>0.45</u>	<u>-</u>	<u>-</u>

Pursuant to the requirements of Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding any treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 March 2015.

### **36. ESOS**

The ESOS is governed by the bylaws which was approved by the shareholders at the Extraordinary General Meeting held on 20 August 2009. The ESOS was implemented on 15 September 2009 and is to be in force for a period of ten (10) years from the date of implementation.

The salient features of the ESOS are as follows:

- (a) The maximum number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at the time of the offer, of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management;
- (b) Not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up share capital of the Company;
- (c) Allocation of the shares are extended to eligible directors and employees who are employed by or on the payroll of subsidiary companies of the Company which are not dormant;
- (d) The eligible directors and employees must have attained the age of 18 years and appointed or confirmed in service by the Group, subject to a minimum period as determined from time to time by the Options Committee, provided always that the selection of any eligible directors and employees is at the discretion of the Options Committee, which shall be final and binding;
- (e) The exercise price was determined at a discount of not more than 10% from the weighted average market price (“WAMP”) (calculated as the average of highest and lowest price) for the 5 (five) market days immediately preceding the date of offer and is not lower than the par value of the ordinary shares of the Company;
- (f) The new shares allotted and issued upon any exercise of option, rank pari passu in all respects with the existing ordinary shares of the Company and shall carry no dividends, rights, allotments and any other distribution which may be declared, made or paid prior to the allotment date of the new shares; and
- (g) The exercise price and/or the number of new shares exercisable in an option in so far as unexercised may be adjusted in the event of any alteration in the share capital structure of the Company. The adjusted exercise price shall not be lower than the par value of the new shares.

### 36. ESOS (CONT'D)

The movements in number of share options pursuant to the ESOS during the financial year are as follows :

<b>Number of options over ordinary shares of RM0.10 each</b>							
<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price per share RM</b>	<b>Balance as at 1.4.2014</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled</b>	<b>Balance as at 31.3.2015</b>
24.3.2010	14.9.2019	*0.40	13,024,200	-	-	(516,500)	12,507,700
11.8.2014	10.8.2016	0.32	-	18,639,000	-	(1,080,000)	17,559,000

One (1) option is exercisable into 1.5 new ordinary shares of the Company as disclosed below:

<b>Number of option shares</b>							
<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price per share RM</b>	<b>Balance as at 1.4.2014</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled</b>	<b>Balance as at 31.3.2015</b>
24.3.2010	14.9.2019	*0.40	19,536,300	-	-	(774,750)	18,761,550
11.8.2014	10.8.2016	0.32	-	27,958,500	-	(1,620,000)	26,338,500

\* Adjusted in accordance to Bylaw 11.

The fair value of share options granted during the financial year, determined using the Trinomial valuation model, takes 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:

Fair value of share options at grant date, 11 August 2014	(RM)	0.030
Grant date share price	(RM)	0.345
Exercise price	(RM)	0.320
Expected volatility	(%)	12.35
Expected life	(years)	2
Risk free rate	(%)	3.803
Expected dividend yield	(%)	4.348

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share options grant were incorporated into the measurement of fair value.

**37. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

- (a) On 29 May 2015, the Company announced that its indirect wholly-owned subsidiary, RCE Equity Sdn Bhd had entered into a sale and purchase agreement ("SPA") with Living Development Sdn Bhd, a wholly-owned subsidiary of Amcorp Properties Berhad, for the proposed disposal of an office unit for a total cash consideration of RM3.3 million ("Proposed Disposal").

A deposit of RM330,000 representing 10% of the sale consideration has been received upon signing of the SPA.

The Proposed Disposal is expected to result in an estimated net gain of approximately RM1,782,110 based on the carrying amount of the property as at 31 March 2015.

- (b) On 25 June 2015, the Company announced the incorporation of a wholly-owned subsidiary, RCE Dynamics Sdn Bhd ("RCE Dynamics"), a company incorporated in Malaysia with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1 each and issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1 each.

RCE Dynamics is established as a special purpose vehicle to acquire a pool of eligible receivables. The incorporation has no material financial effect to the Group.

Company No. 2444 - M

**RCE CAPITAL BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**STATEMENT BY DIRECTORS**

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 14 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 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 2015 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 29(c), which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board  
in accordance with a resolution of the directors



**SHAHMAN AZMAN**



**SOO KIM WAI**

1 July 2015

Company No. 2444 - M

**RCE CAPITAL BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**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 14 to 114 are, in my opinion, correct and I make this solemnly 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 1st day of July 2015.

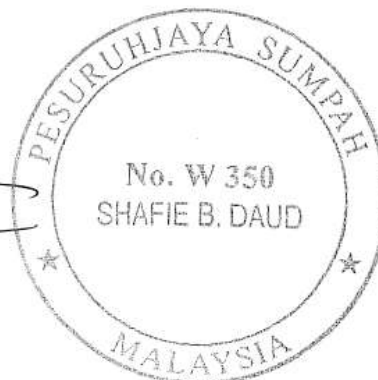


**YAP CHOON SENG**

Before me



**COMMISSIONER FOR OATHS**



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