RCE

RCE CAPITAL BERHAD

(2444-M)

ANNUAL REPORT 2017

member of

AMCORP

At a Glance

REVENUE

RM223.3 million

2016: RM162.4 million

PROFIT BEFORE TAX

RM101.5 million

2016: RM54.2 million

TOTAL ASSETS

RM1,702.1 million

2016: RM1,550.6 million

NET PROFIT

RM78.9 million

2016: RM39.6 million

Contents

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New Feature in this Annual Report 2017

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Corporate **Information**

BOARD OF DIRECTORS

SHAHMAN AZMAN
Non-Independent Non-Executive Chairman

TAN SRI MOHD ZAMAN KHAN @ HASSAN BIN RAHIM KHAN
Independent Director

DATO' CHE MD NAWAWI BIN ISMAIL
Independent Director

DATUK MOHAMED AZMI BIN MAHMOOD
Independent Director

TAN BUN POO
Independent Director

MAHADZIR BIN AZIZAN
Independent Director

SOO KIM WAI
Non-Independent Non-Executive Director

SHALINA AZMAN
Non-Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER

Loh Kam Chuin

COMPANY SECRETARIES

Johnson Yap Choon Seng
(MIA 20766)

Seow Fei San
(MAICSA 7009732)

REGISTERED OFFICE

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

BUSINESS ADDRESS

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

AUDITORS

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

SHARE REGISTRAR

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

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

STOCK EXCHANGE LISTING

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

Corporate **Structure**

RCE

RCE CAPITAL BERHAD

- **100%** RCE Synergy Sdn Bhd
  - Investment holding
  - **100%** Al Dzahab Assets Berhad ("ADA")
    - ADA is included as an indirect and not a legal subsidiary of RCE Capital Berhad as a result of compliance with applicable accounting standards. It is a special purpose bankruptcy remote vehicle owned by TMF Trustees Malaysia Berhad as share trustee for the issuance of sukuk murabahah asset-backed securitisation programme
- **100%** Strategi Interaksi Sdn Bhd
  - **100%** EXP Payment Sdn Bhd
    - Investment holding
    - Processing and administration of payroll collection
- **100%** Effusion.Com Sdn Bhd
- **100%** RCE Marketing Sdn Bhd
  - **100%** RCE Equity Sdn Bhd
    - Provision of financial administrative services
    - **100%** Mezzanine Enterprise Sdn Bhd
  - **100%** RCE Commerce Sdn Bhd
    - Provision of information technology
  - **100%** RCE Trading Sdn Bhd
    - **100%** RCE Sales Sdn Bhd
    - Provision of general loan financing services
    - Investment in securities
- **100%** RCE Factoring Sdn Bhd
  - Confirming, factoring, and industrial hire purchase, specialising in trade related activities and general trading

Group Financial **Highlights**

Financial Years Ended 31 March		2013	2014	2015	2016	2017
Profitability						
Revenue	(RM'000)	166,653	130,261	131,186	162,386	223,331
Profit before tax and allowances for impairment loss on receivables	(RM'000)	92,710	78,249	69,666	85,053	128,622
Profit before tax	(RM'000)	34,210	14,225	45,729	54,183	101,490
Net profit attributable to owners of the Company	(RM'000)	9,719	12,513	36,205	39,571	78,949
Key Consolidated Statements of Financial Position Data						
Total assets	(RM'000)	1,445,521	1,317,197	1,234,943	1,550,592	1,702,109
Loans and receivables	(RM'000)	930,985	924,986	1,069,917	1,260,442	1,411,561
Borrowings (net of deposits and cash and bank balances)	(RM'000)	261,201	291,253	580,107	861,733	1,054,230
Share capital:						
Ordinary shares	(RM'000)	117,359	117,359	133,400	136,381	38,064
Redeemable convertible non-cumulative preference shares	(RM'000)	46,944	46,944	-	-	-
Total equity	(RM'000)	704,252	685,250	566,214	456,537	441,361
Net assets ("NA") attributable to ordinary shareholders	(RM'000)	657,308	638,306	566,214	456,537	441,361
Key Financial Indicators						
NA per share attributable to ordinary shareholders	(sen)	56.01	55.16	44.25	35.13	131.07
Return on equity	(%)	1.58	1.80	5.79	7.74	17.59
Earnings per share:						
Basic	(sen)	0.83	0.27	2.27	12.33	23.92
Diluted	(sen)	0.73	0.27	2.27	12.33	23.82
Gearing ratio	(times)	0.37	0.43	1.02	1.89	2.39
Net dividend per share	(sen)	1.50	1.50	1.50	14.00	3.00
Return on average total assets	(%)	0.67	0.91	2.84	2.84	4.85
Share price as at financial year end	(sen)	27.00	28.00	31.50	28.50	178.00

Profile of **Directors**

SHAHMAN AZMAN

Non-Independent Non-Executive Chairman

Encik Shahman Azman, a Malaysian, male, aged 42, was appointed to the Board on 2 June 2008 and was later redesignated Non-Independent Non-Executive Chairman on 1 April 2015.

After graduating from Chapman University, U.S.A. with a Bachelor of Communications, Encik Shahman joined Amcorp Group Berhad ("Amcorp") in 1996. He was subsequently promoted to General Manager spearheading the Corporate Planning and Strategy portfolio. In 2001, he joined MCM Technologies Berhad, a subsidiary of Amcorp, as General Manager of Corporate Planning and Strategy. His last held position in MCM Technologies Berhad was Chief Investment Officer.

Encik Shahman later joined the Company as Director of Corporate Affairs on 1 April 2004 and was promoted to Director of Strategic Business Unit on 1 January 2006.

Encik Shahman is also the Deputy Managing Director of Amcorp Properties Berhad and director of Amcorp.

TAN SRI MOHD ZAMAN KHAN @ HASSAN BIN RAHIM KHAN

Independent Director

Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan, a Malaysian, male, aged 74, was appointed to the Board on 26 March 1998.

He graduated from the Royal College of Defence Studies, United Kingdom and holds a Graduate Certificate in Management from the Monash Mt. Eliza Business School.

He served the Malaysian Police Force for 35 years and had held several key positions, namely as Commissioner of Police, Director of Criminal Investigation and Director-General for the Prisons Department.

He was a Trustee for the Malaysian AIDS Foundation and past President (2010 & 2011) of the Malaysian AIDS Council.

He also sits on the Board of Tricubes Berhad.

Profile of **Directors**

DATO' CHE MD NAWAWI BIN ISMAIL

Independent Director

Dato' Che Md Nawawi bin Ismail, a Malaysian, male, aged 67, was appointed to the Board on 28 February 2006.

Dato' Nawawi holds a Bachelor of Laws from the International Islamic University of Malaysia and practiced as an advocate and solicitor in a legal firm between 1990 and 1991. Dato' Nawawi was the Deputy Commissioner of Police of the Malaysian Police Force until his retirement in February 2006. He had held several key positions during his 36 years of service with the Malaysian Police Force including the position of Head of Criminal Investigation Department in the State of Sabah and Perlis, OCPD Cheras, Deputy Director, Commercial Crime Division and Deputy Director, Criminal Investigation Department in Bukit Aman.

Dato' Nawawi also sits on the Board of Amcorp Properties Berhad.

DATUK MOHAMED AZMI BIN MAHMOOD

Independent Director

Datuk Mohamed Azmi bin Mahmood, a Malaysian, male, aged 63, was appointed to the Board on 15 March 2017.

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

Datuk Azmi has 36 years of experience in the banking industry. He joined Arab-Malaysian Finance Berhad ("AMFB") in 1981 as an accountant. In 1989, he was seconded by Bank Negara Malaysia to First Malaysia Finance Berhad as the Chief Executive Officer in a rescue scheme for the finance company. In January 1991, he re-joined AMFB and was promoted to Managing Director on 1 August 1994, a position he held until 14 June 2002 to assume the office of Managing Director, Retail Banking in AmBank (M) Berhad.

Datuk Azmi was the Deputy Group Chief Executive Officer of AMMB Holdings Berhad from April 2012 to January 2017.

Profile of **Directors**

TAN BUN POO

Independent Director

Mr. Tan Bun Poo, a Malaysian, male, aged 67, was appointed to the Board on 1 June 2013.

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

Mr. Tan, a retired Senior Partner with Deloitte has more than 37 years of experience in the audits of both private and public companies including banking, insurance and financial services, construction and property development, manufacturing, retailing (including hypermarkets), engineering, gaming and entertainment, leisure and hospitality, food and distribution and the service industry.

He was also involved in leading assignments related to outsourced internal audits and risk management services, initial public offerings, corporate restructuring, mergers and acquisitions, and financial due diligence.

He was a council member of the Malaysian Institute of Certified Public Accountants (MICPA) and served as a member in its Accounting & Auditing Technical Committee, Financial Statements Review Committee and Investigation Committee. Mr. Tan is also a board member of the Auditing & Assurance Standards Board, Malaysian Institute of Accountants.

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

MAHADZIR BIN AZIZAN

Independent Director

Encik Mahadzir bin Azizan, a Malaysian, male, aged 68, was appointed to the Board on 31 October 2014.

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

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

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

Profile of **Directors**

SOO KIM WAI

Non-Independent Non-Executive Director

Mr. Soo Kim Wai, a Malaysian, male, aged 56, was appointed to the Board on 11 August 1997.

Mr. Soo is a Member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Certified Practising Accountant, Australia, and the Association of Chartered Certified Accountants, United Kingdom.

He joined Amcorp Group Berhad ("Amcorp") in 1989 as Senior Manager, Finance and has since held various positions. He was appointed as a Director of Amcorp on 13 March 1996 and subsequently as Managing Director on 1 January 1999. Before joining Amcorp, he was in the accounting profession for 5 years with Deloitte KassimChan from 1980 to 1985 and with Plantation Agencies Sdn Bhd from 1985 to 1989.

Apart from Amcorp, his directorships in other public companies include Amcorp Properties Berhad and AMMB Holdings Berhad. He also sits on the Board of British Malaysian Chamber of Commerce and serves as Chairman of Am ARA REIT Managers Sdn Bhd, the Manager of AmFirst Real Estate Investment Trust.

SHALINA AZMAN

Non-Independent Non-Executive Director

Puan Shalina Azman, a Malaysian, female, aged 50, was appointed to the Board on 6 January 2000.

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

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

Apart from Amcorp, Puan Shalina is also the Chairman of Amcorp Properties Berhad.

Profile of **Chief Executive Officer**

LOH KAM CHUIN

Chief Executive Officer

Mr. Loh Kam Chuin, a Malaysian, male, aged 50, was appointed Chief Executive Officer on 1 March 2010.

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

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

DETAILS OF MEMBERSHIPS IN BOARD COMMITTEES

	COMMITTEES OF THE BOARD		
	Audit Committee	**Nomination & Remuneration Committee**	**Employees' Share Scheme Committee**
Shahman Azman			**Chairman**
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan	Member	**Chairman**	
Dato' Che Md Nawawi bin Ismail	Member	Member	
Datuk Mohamed Azmi bin Mahmood		Member	
Tan Bun Poo	**Chairman**		
Mahadzir bin Azizan	Member	Member	
Soo Kim Wai	Member		Member
Shalina Azman		Member	Member
Loh Kam Chuin *(Chief Executive Officer)*			Member

Notes:

Puan Shalina Azman and Encik Shahman Azman are siblings and children of Tan Sri Azman Hashim, a major shareholder of the Company. Save as disclosed herein, none of the Directors and the Chief Executive Officer have any family relationship with any Directors and/or major shareholders of the Company.

None of the Directors and the Chief Executive Officer have any conflict of interest with the Company.

None of the Directors and the Chief Executive Officer have been convicted for offences within the past 5 years, other than traffic offences, if any.

None of the Directors and the Chief Executive Officer have any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year.

Profile of **Senior Management**

JOHNSON YAP CHOON SENG
Group Chief Financial Officer and Company Secretary

Mr. Johnson Yap Choon Seng, a Malaysian, male, aged 47, was appointed the Group Chief Financial Officer on 21 February 2003. He also serves as Company Secretary of the Company since February 2005.

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

He has over 25 years of experience in financial reporting, corporate finance, company secretarial, information technology and other management discipline.

OON HOOI KHEE
Senior General Manager

Ms. Oon Hooi Khee, a Malaysian, female, aged 45, joined the Group on 11 September 2006 and has since then held various positions as Head of Department including Finance, Business Development, Information Technology, Operations & Methods, Human Resource & Administration and Strategy & Planning prior to her current appointment as Senior General Manager.

Ms. Oon is a Fellow of the Certified Practising Accountant (CPA), Australia, and a member of the Malaysian Institute of Accountants.

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

She also holds directorship in other companies within RCE Capital Berhad Group.

Notes:

None of the Key Senior Management members have:

(i) any directorship in public companies and listed issuers;

(ii) any family relationship with any Directors and/or major shareholders of the Company;

(iii) any conflict of interest with the Company;

(iv) any conviction for offences within the past 5 years, other than traffic offences, if any; and

(v) any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year.

Chairman's Letter **to Shareholders**

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report for the Group for the financial year ended 31 March 2017 ("FYE 2017")

Chairman's Letter **to Shareholders**

The Group's consumer financing segment performed commendably well, achieving a jump of ***11.6%*** in loans growth for the full year, and remained the largest contributor to the Group's profit before tax ("PBT") of **RM101.5 million**, ***87.3%*** higher than a year before, underpinned by a ***37.5%*** increase in revenue as a result of a larger loan base and improved risk-based products.

ECONOMIC REVIEW

The year 2016 saw subdued growth, shifting policies and heightened uncertainties, marking another challenging year for the global economy. It was also a year of unprecedented developments, with the outcome of the Brexit vote as well as the US presidential election expected to have implications well beyond 2017.

Despite these challenges, most ASEAN economies posted respectable growth, largely due to stabilising commodity and oil prices. Back home, lower revenue from energy exports tightened current account surplus and weighed on growth, but resilient domestic demand provided some support, resulting in a steady 4.2% Gross Domestic Product ("GDP") growth for 2016.

The past year also saw a shift in landscape for traditional financial institutions and intermediaries. The emergence of leaner and tech-savvy financial technology firms, or FinTechs, which provide alternative delivery channels for financial services, have become disruptors to financial institutions, challenging the way they traditionally operate and redefining customer experience towards financial services.

PERFORMANCE REVIEW

The Group ended FYE 2017 on a strong note despite the challenging macroeconomic environment. The Group's consumer financing segment performed commendably well, achieving a jump of 11.6% in loans growth for the full year, and remained the largest contributor to the Group's profit before tax ("PBT") of RM101.5 million, 87.3% higher than a year before, underpinned by a 37.5% increase in revenue as a result of a larger loan base and improved risk-based products.

Correspondingly, profit after tax ("PAT") soared 99.2%, from RM39.6 million to RM78.9 million in FYE 2017. This translated into higher earnings per share ("EPS") of 23.92 sen and net assets per share of RM1.31. Return on equity also improved from 7.7% to 17.6%.

Detailed updates on our respective business segments are covered under the Management Discussion and Analysis section.

CORPORATE DEVELOPMENT

On the corporate front, the Group is pleased to announce that the Sukuk Murabahah Asset-Backed Securitisation Programme of up to RM900.0 million in nominal value ("Sukuk Programme") established via Al Dzahab Assets Berhad ("ADA"), a trust-owned special purpose bankruptcy remote vehicle, has bagged three awards, namely "Best Murabahah Deal of the Year in Southeast Asia" by Alpha Southeast Asia Deal & Solution Awards 2016, "Commodity Murabahah Deal of the Year" by the Islamic Finance News Awards 2016 and "Best Securitisation Sukuk" by The Asset Triple A Islamic Finance Awards 2017 on 25 January 2017, 22 February 2017 and 11 July 2017 respectively.

The winning team, led by the Group's Chief Executive Officer, Mr. Loh Kam Chuin (5th from left) with the "Best Murabahah Deal of the Year in Southeast Asia" award presented by Alpha Southeast Asia Deal & Solution Awards 2016.

Mr. Loh Kam Chuin, Chief Executive Officer of the Group (left), receiving the "Commodity Murabahah Deal of the Year" award at the Islamic Finance News Awards 2016.

ADA has since issued three separate tranches in June 2016, September 2016 and March 2017 respectively amounting to RM513.5 million. As at 30 June 2017, the Sukuk Programme has a remaining balance of RM386.5 million available for issue.

Chairman's Letter **to Shareholders**

INVESTOR RELATIONS

The Group remains committed to transparency and continues to adopt good corporate governance practices across all business divisions. The Group's website (http://www.rce.com.my) provides the latest announcements on business activities, financial results and corporate developments.

Issues of concern can be directed to IR@rce.com.my, a dedicated point of contact for investors and stakeholders.

The Group also values dialogues with stakeholders, investors and analysts. Briefings with analysts and fund managers are conducted on a regular basis, while open discussions with institutional/prospective investors are held occasionally, ensuring the Group's latest operational and financial developments are communicated in a timely manner.

Since September 2016, Maybank Investment Bank Research provides coverage on the Group's financial performance.

CORPORATE SOCIAL RESPONSIBILITY

The Group's focus on delivering results is balanced by our commitment to the people whose lives we impact, directly or indirectly, namely our employees and the larger community in which we operate.

As an employer, the Group focuses on identifying individual talents and enhancing their skills for career advancements. Throughout the year, employees receive comprehensive on-the-job training along with formal training programmes focusing on leadership development. Besides such investments, other fun-filled activities are also made available to keep employees motivated and engaged.

As part of our corporate social responsibility, the Group continues to partner with the National Kidney Foundation to carry out health screening campaigns with the aim of raising health awareness towards a healthier Malaysia.

The Group also upholds the importance of good education and has sponsored 19 deserving students since 2011 through our partnership with Yayasan Azman Hashim, a non-profit charitable institution headed by Tan Sri Azman Hashim, with the aim of paying forward by assisting young ambitious scholars in their journey to become future leaders in our society.

DIVIDENDS

The Group had in the past 2 years paid a total of RM165.4 million in dividends to shareholders, including a special interim single-tier dividend of 10.5 sen per ordinary share on 8 October 2015.

As a Group, we continuously strive to strike a balance between channelling funds for the interests of our business requirements, our financial obligations as well as our shareholders. In view of the above, a final single-tier dividend of 3 sen per share is proposed for FYE 2017 with an estimated payout of RM10.1 million, to be approved by the shareholders at the 63rd Annual General Meeting.

LOOKING AHEAD

With the uncertainties surrounding global trade and growth, and the strong headwinds in the local market, 2017 is anticipated to be another challenging year for us.

Nonetheless, the Group remains focused as a niche market player and will continue to strive in bringing sustainable returns to our shareholders. Our entire organisation is also committed to adapting in this fast evolving environment and will ensure every effort will be taken to remain relevant.

Regardless of the macroeconomic uncertainties and disruptors, the Group is built upon our core values of integrity, versatility and relevance. Positive disruption is inevitable and will be the driver towards a new norm. The Group welcomes responsible innovation and continues to strategise to create a space for value adding in the digital economy.

We look forward to another profitable financial year for the Group.

ACKNOWLEDGMENTS

It is my privilege to welcome on board Datuk Mohamed Azmi bin Mahmood, who was appointed as a Director on 15 March 2017. Datuk Azmi brings with him 36 years of experience in the banking industry and is an excellent addition that will further strengthen the existing Board.

On behalf of the Board, I wish to express our appreciation and thanks to our shareholders for their continued support. My personal appreciation goes to the management team and staff for their commitment and effort in ensuring we consistently deliver amidst the industry's increasing demands.

I also wish to convey my gratitude to the regulatory authorities for their counsel as well as my fellow Board members for their valuable contributions and guidance.

Shahman Azman
Chairman
11 July 2017

Management **Discussion and Analysis**

OVERVIEW

RCE Capital Berhad ("RCE"), a subsidiary of Amcorp Group Berhad, is an established investment holding company in Malaysia. It was listed on the Second Board of Bursa Malaysia Securities Berhad on 20 September 1994 and subsequently transferred to the Main Board (now known as Main Market) on 23 August 2006.

The Group's core business is in the provision of consumer financing under RCE Marketing Sdn Bhd ("RCEM") and its group of companies ("RCEM Group"). RCEM enters into agreements with cooperatives and/or foundations to provide unsecured Islamic financing products to civil servants. Repayments are received in the form of monthly instalments via direct salary deductions through Biro Perkhidmatan Angkasa ("ANGKASA") and Accountant General's Department of Malaysia ("AG"). RCEM Group remains the main contributor to the Group's profitability.

RCE Factoring Sdn Bhd, a commercial financing business providing confirming and factoring services, was acquired on 4 January 2007 to complement the Group's existing business. For financial year ended ("FYE") 2017, its contribution to the Group's bottom line is marginal.

EXP Payment Sdn Bhd ("EXP"), a direct subsidiary of Strategi Interaksi Sdn Bhd, taps into the payroll collection segment of selected existing and potential borrowers. The venture into collections management provides an alternative to existing market players. EXP's collection service attends to deductions in payroll systems of government departments under the purview of AG. To date, the Group has invested more than RM4.7 million as capital expenditure into developing and making technological enhancements on our collection management system to continuously provide enhanced convenience and speed to our clients.

Strategy

The Group pursues growth organically by expanding its loan base primarily in the consumer financing segment, as financiers of cooperatives and foundations. Emphasis is placed on turnaround time ("TAT"), our key competitive advantage while quality loans remain the guiding principle for loans growth. We will continuously strive to enhance operational efficiencies through process simplification initiatives to stay relevant.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

We are pleased to present that for FYE 2017, the Group's revenue grew 37.5% to RM223.3 million from RM162.4 million in FYE 2016. This is achieved mainly from higher interest income derived from expansion of loan base in the consumer financing segment and fee income arising from improvement in business terms. The introduction of new product pricing with better matching of customers' risk profiles have also contributed to revenue growth despite economic uncertainties and competition from short term disruptive financiers.

The loan base for the Group expanded to RM1.5 billion, an increase of 11.6% as compared to a year ago supported by quality products. This translates to a double-digit growth for the third consecutive year as we gradually rebuild our portfolio since 2014.

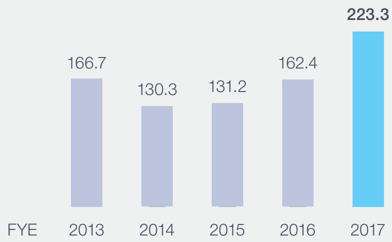
Correspondingly, net borrowings increased from RM0.9 billion to RM1.1 billion, increasing the interest expense by 28.2% amidst improving overall cost of funds arising from more favourable financing terms.

A prudent approach on our loan classifications and recognition is adopted. For FYE 2017, gross impaired loans ratio improved to 7.2% from 7.8% while loan loss coverage remains stable at 172.2%. We maintain our stand in enforcing sound credit risk management practices and will continue to monitor the performance of our portfolio regularly to ensure asset quality. Better matching of risk profile of receivables will also ensure that we continue to receive sustainable revenue.

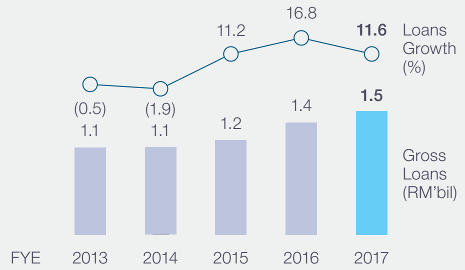
Management
Discussion and Analysis

SUMMARY OF GROUP FINANCIAL PERFORMANCE

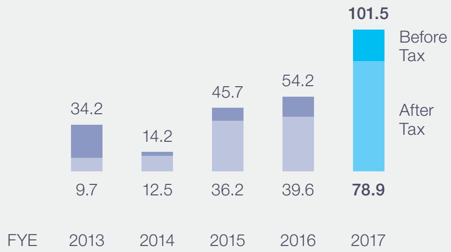
Revenue
RM'mil



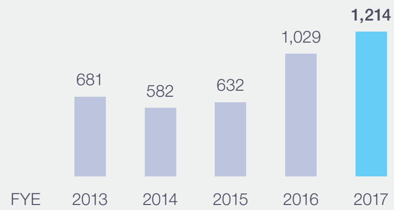
Loans and Receivables



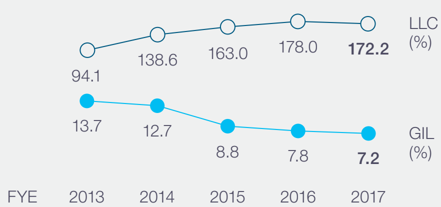
Profits
RM'mil



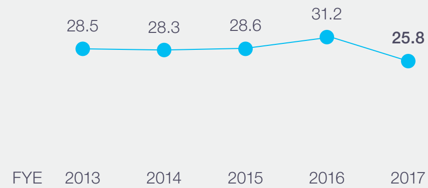
Borrowings
RM'mil



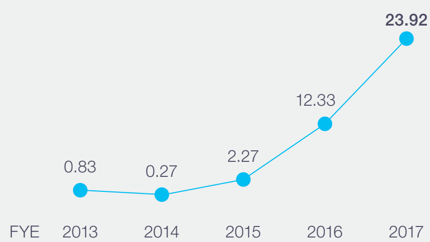
Loan Loss Coverage ("LLC") and Gross Impaired Loans ("GIL")



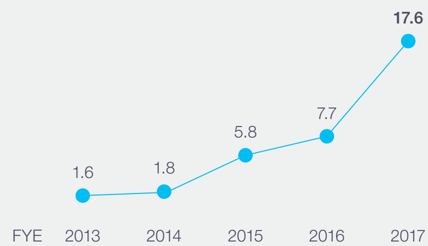
Cost to Income Ratio
%



Earnings per Share
Sen



Return on Equity
%



Management
Discussion and Analysis

During the financial year, we fully redeemed the remaining RM35.0 million of fixed rate medium term notes ("MTN"), marking another successful milestone. Following the redemption, the entire RM420.0 million MTN Programme has been cancelled. The full settlement of the MTN Programme demonstrates the Group's ability to meet debt obligations, as it did in the past for the RM880.7 million Asset-Backed Securities Programme in FYE 2015 and RM95.0 million Fixed Rate Serial Bonds and Underwritten Commercial Papers Programme in FYE 2011.

In FYE 2017, the Sukuk Murabahah ("Sukuk") Asset-Backed Securitisation Programme of up to RM900.0 million ("Sukuk Programme") was established via Al Dzahab Assets Berhad ("ADA"), a special purpose vehicle, set up to acquire a pool of eligible loans and receivables originated by RCEM. ADA has to-date successfully issued three (3) tranches of Sukuk amounting to RM513.5 million, out of which RM83.5 million were subscribed by a subsidiary company, RCE Trading Sdn Bhd. The Sukuk Programme was awarded with "Best Murabahah Deal of the Year in Southeast Asia", "Commodity Murabahah Deal of the Year" and "Best Securitisation Sukuk" by Alpha Southeast Asia Deal & Solution Awards 2016, Islamic Finance News Awards 2016 and The Asset Triple A Islamic Finance Awards 2017 respectively. This Programme marks the Group's fourth foray into the debt market and is expected to finance the business growth of the Group.

Repayments of RM1.1 billion were also made on the Group's financing facilities, including back-to-back loan sale arrangement facilities granted by licensed financial institutions via a corporation which is well regarded for its secondary mortgage liquidity facility.

To provide better focus on our core business, we have disposed the remaining leasehold building with a net gain of RM0.7 million in FYE 2017. There was also a marginal drop in bad debt recoveries from RM5.5 million in FYE 2016 to RM5.0 million in the current financial year.

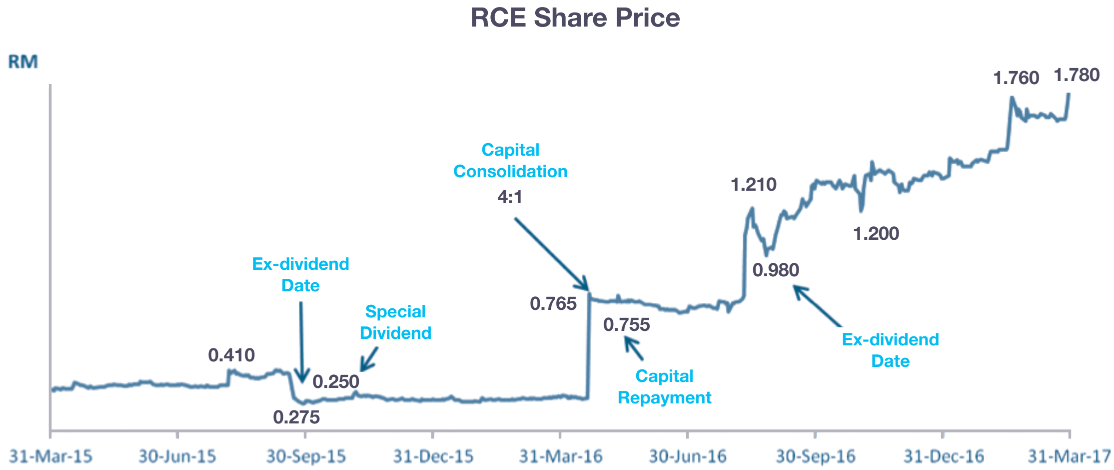
During the financial year, the Group granted a total of 16,629,000 share options under Employees' Share Scheme ("ESS") to eligible employees amounting to RM4.4 million to recognise, reward, retain and motivate them. This increased staff cost from RM15.2 million in FYE 2016 to RM20.8 million in FYE 2017. The Group's other expenses were well managed, recorded at RM44.9 million as compared to RM52.6 million in FYE 2016, mainly attributed to lower allowance for impairment and facility fees by RM3.8 million and RM3.1 million respectively.

The Group monitors cash flow actively to ensure all repayments and funding needs are met. We adopt prudent liquidity management by maintaining sufficient cash levels to meet working capital requirements, while striving to maintain available banking facilities at a reasonable level. Weekly cash flow forecasting is being performed, taking into consideration of the Group's debt financing plan, including maturity profile matching of the financial assets against its liabilities. Short term borrowings are also progressively converted to longer terms for better match against longer maturity receivables, gradually improving our net current liabilities' position. We are mindful in striking a balance between managing working capital requirements, servicing debt obligations and securing short term financing with more favourable financing rates as compared to longer term financing.

Through the initiatives and efforts mentioned above, our cost to income ratio improved to 25.8% in FYE 2017 from 31.2% a year ago leading to a commendable increase for profit before tax of RM101.5 million from RM54.2 million and profit after tax of RM78.9 million from RM39.6 million during the same period.

For FYE 2017, we are pleased to report favourable return on equity of 17.6% and earnings per share of 23.92 sen, following the improved profits and a capital repayment exercise completed on 6 May 2016.

Share Price Movement and Performance



Prior to the share consolidation and capital repayment exercise, RCE's shares were traded between a year low of RM0.27 to RM0.29 per share.

Upon the completion of the share consolidation on 26 April 2016, RCE's shares opened at a price of RM0.77 per share.

The share price increased after the first quarter result announcement on 10 August 2016, ranging from RM0.78 to RM1.08 and has demonstrated resilience since.

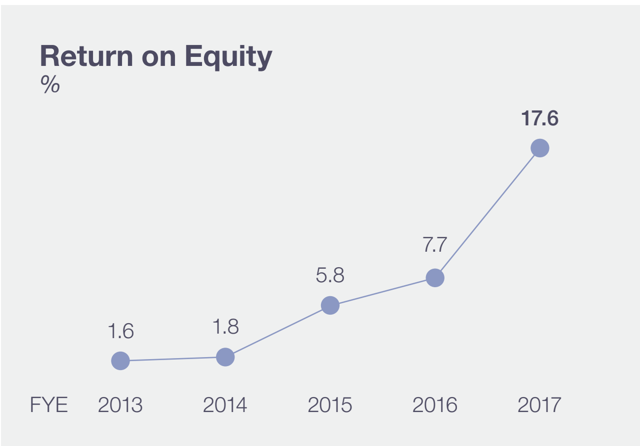
RCE's share price closed at a high of RM1.78 on 31 March 2017 against net tangible asset per share of RM1.17.

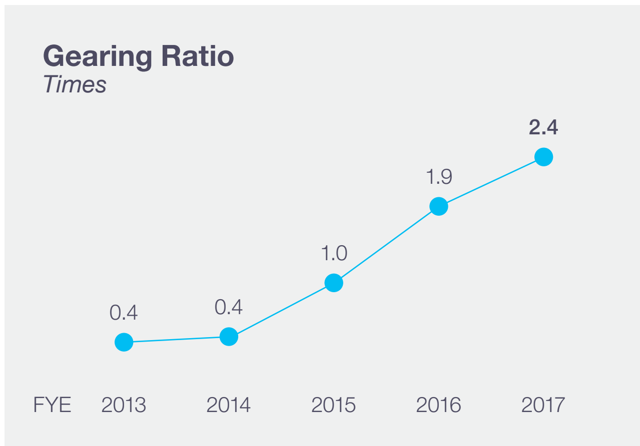
Management
Discussion and Analysis

CAPITAL MANAGEMENT/INVESTMENTS

The objective of the Group's capital management is to safeguard its entities to continue as going concerns while staying aligned to the business strategy and in compliance with the existing regulatory environment, preserving the interests of its stakeholders.

The Group on 26 April 2016 consolidated four (4) ordinary shares of RM0.025 each into one (1) ordinary share of RM0.10, resulting in an adjusted issued and paid-up capital of 340,952,486 ordinary shares from 1,363,809,945. Subsequently, the capital repayment of RM0.075 per share, totalling RM97.5 million, was completed on 6 May 2016 using internally generated funds. These initiatives are in line with the Group's capital management strategy to achieve a more efficient capital structure. Arising thereof, the gearing ratio is now more reflective of the business strategy while return on equity improved from 7.7% for FYE 2016 to 17.6% for FYE 2017.





Meanwhile, in relation to capital investments, a total RM4.9 million were invested mainly for information technology ("IT") system upgrades with another RM7.9 million capital commitment in progress as at 31 March 2017, to ensure that the Group stays updated with technological advancements.

BUSINESS OPERATIONS REVIEW

i. Consumer Financing

The Group's consumer financing segment achieved healthy loans growth and profitability for FYE 2017. Internal processes were streamlined to achieve operational efficiencies while existing guidelines are continuously revisited to promote better operational efficiencies across the board.

For FYE 2017, the Group recorded RM221.8 million revenue, a 39.2% increase from a year ago (2016: RM159.3 million) arising from higher fee and interest income generated from a larger loan base. The 11.6% loans growth from RM1.4 billion in FYE 2016 to RM1.5 billion in FYE 2017 compares favourably. Against this backdrop, the consumer financing segment yielded 83.3% increase in net profit from RM42.6 million in FYE 2016 to RM78.1 million in FYE 2017.

The Group manages credit risk through stringent credit discipline supported by a comprehensive credit scoring model, which assesses an applicant's profile and evaluates his or her creditworthiness, and reviewed regularly to ensure they remain relevant and effective. Higher risk credit profiles are matched with higher pricing products, supported by the applicants' credit reports. A maximum exposure per customer is enforced to mitigate single customer risk, safeguarding the Group's bottom line. Portfolio performance is also regularly tracked to ensure asset quality remains at manageable level.

The Group's distribution channel is supported by sales teams who are governed under a Code of Conduct. To strengthen the distribution channel, performing sales teams are retained while new potential talents are recruited. The Group remains committed in building a competent workforce and we continuously identify suitable training programmes or courses to enhance the sales teams' competency and skills. Various marketing and promotional activities are also in place to support sales productivity.

We aim to continue delivering better customer experience, guided by our dedication to provide speed, ease of transaction and service excellence.

Looking ahead, this segment will remain the primary contributor to the Group's profitability in FYE 2018.

ii. Investment Holding, Management Services and Others

During the financial year, this segment recorded RM1.5 million revenue as compared to RM3.1 million in the previous financial year. The decrease is in line with the Group's shift in focus towards streamlining its commercial financing business through strengthening its efforts in managing higher risk loans and non-performing loans.

This segment returned to profitability with a net profit of RM0.8 million, up from a previous loss position of RM3.0 million mainly due to higher loan recoveries.

OUR PEOPLE

Talent management has been a central theme for FYE 2017, without which a company cannot grow and prosper. As at 31 March 2017, the Group has a workforce of 169 employees.

A series of leadership programmes were rolled out for all employees so as to re-emphasise the core values the Group holds dearly. In addition, a coaching programme was rolled out to cultivate two-way communication among employees, further encouraging active engagement across departments and igniting meaningful discussions.

Further investments were also made to promote a healthier and safer workplace where a certified ergonomist trainer was engaged to educate and create awareness among employees on the importance of maintaining proper posture and sitting positions for better health and productivity.

Technical trainings ranging from regulatory changes to accounting implications were also made available to keep employees abreast on the latest developments in the industry as well as to ensure our employees are fully equipped with the knowledge and skills to continue contributing effectively.

Management
Discussion and Analysis

Here at RCE, we believe in remuneration based on performance and skills. During the financial year, deserving employees were invited to participate in the ESS in recognition of their commitment, dedication and contribution to the commendable financial performance of the Group.

We continue to recognise our human assets and will continue to invest and develop core talents.

DIVIDEND

In the last 2 financial years, a sum of RM165.4 million has been paid as dividends of which RM134.7 million was a one-off special interim single-tier dividend of 10.5 sen per ordinary share. Whilst we understand shareholders' expectations to have a consistent dividend, a balance must be struck on the use of surplus funds to cater for business growth and to meet our financial obligations. Given the significant payout to shareholders in recent years, there is a need to channel funds and shift the focus back to the business and to retain sufficient resources for working capital needs. With this in mind, a final dividend of 3 sen per share for a total estimated payout of RM10.1 million is proposed, to be approved by shareholders at the 63rd Annual General Meeting.

OUTLOOK FOR 2017/FYE 2018

The macro outlook is expected to remain stable despite headwinds on the global front. Amidst gradual recovery in global growth and commodity prices, Bank Negara Malaysia ("BNM") expects the local economy to remain steady and grow between 4.3% to 4.8% for 2017. Domestic demand will continue to be the engine for growth underpinned by faster growth in public and private investments while the weak ringgit exerts upward pressure on headline inflation which BNM expects to hold between 3.0% to 4.0% as compared to 2.1% in 2016.

Despite a lower household debt-to-GDP ratio of 88.4% in 2016 (2015: 89.1%), BNM anticipates it to remain high for 2017. Meanwhile, Maybank Investment Bank Research expects industry loans growth to hover around 4.7%. That said, the Group supports BNM's initiatives in promoting sound and sustainable household debt repayment capabilities amongst borrowers and strives to comply with policies and regulations.

The new Malaysian Financial Reporting Standards 9 taking effect in FYE 2019 will require the Group to rework its accounting policies to ensure compliance. The forward looking expected credit loss model is anticipated to increase loan impairments which may unfavourably impact the Group's profitability. Presently, the Group is in the midst of model development and finalisation of user requirements for system readiness before the new financial year beginning 1 April 2018 takes place.

It is no longer sufficient to compete on products and services alone; how services are delivered are just as important as what services are delivered. Customer experience will be the key success factor to winning, growing and retaining customers in the ultra-competitive environment. In this respect, financial institutions face significant competition not only from each other, but also from financial technology firms, or FinTechs. FinTechs offer existing financial services at lower costs, and new tech-driven solutions that are in line with changing consumer trends, disrupting the financial value chain. In light of this, BNM introduced the FinTech Regulatory Sandbox Framework in October 2016 to promote innovation as well as to enhance its regulatory approach in facilitating the development and adoption of innovative FinTech solutions.

While we acknowledge the importance of quality growth as a business entity, we also recognise that staying relevant is equally crucial. Therefore, in an era of increased digitalisation, we will continue to embrace technology to further simplify the way we operate as we endeavour to provide customers with enhanced experience while staying true to our promise in delivering speed and convenience.

Statement on **Corporate Governance**

The Board of Directors of RCE Capital Berhad ("RCE" or "the Company") recognises the importance of safeguarding and promoting the interests of shareholders. The Board remains committed to upholding the value of good corporate governance by continuously advocating transparency, accountability, integrity and responsibility to enhance long term shareholders' values and safeguarding the stakeholders' values.

The Board is pleased to report on the main corporate governance practices of the Company and the manner in which the Company has complied with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("Code").

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Roles and Responsibilities of the Board and Management

The Group is helmed by an effective and experienced Board comprising individuals of calibre and credibility from a diverse professional backgrounds with a wealth of experience, skills and expertise. The Directors together as a team, set the values and standards of the Company and ensure that the Group's business is properly managed to safeguard the Group's assets and shareholders' investment. A brief profile of each Director is set out in the Profile of Directors section of this Annual Report.

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

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

There is a schedule of matters reserved specifically for the Board's deliberation and decision and the requirements for Board's approval on these matters are communicated widely throughout the Management of the Group. These matters include, amongst others, the following:

1. approval of corporate and strategic plans;
2. approval of annual budgets including major capital commitments and capital expenditure budgets;
3. recommendation of dividends;
4. approval of material acquisitions and disposals of undertakings and properties of substantial value;
5. approval of new major ventures;
6. appointment of Board members, Board Committee members, Chief Executives and Company Secretaries; and
7. any other matters which are required to be approved by the Board pursuant to the applicable rules, laws and regulations.

Statement on
Corporate Governance

Board Charter

The Board is guided by a Board Charter ("the Charter") which sets out the role, functions, composition, operation and processes of the Board. The Charter provides guidance to the Board in relation to the Board's role, duties, responsibilities and authorities which are in line with the principles of good corporate governance. The Charter also outlines the processes and procedures for the Board and their Committees to achieve the highest governance standards. It acts as a source of reference for Board members and senior management. The Charter is accessible on the Company's website at www.rce.com.my and are reviewed, as and when required, to ensure that any updates on relevant laws and regulations are duly incorporated.

The key focus areas of the Board during the financial year under review include:

- overseeing the Group's performance in strategy implementation;
- monitoring the Group's operating and cash flow performance, financial position and year-to-date results against budget;
- reviewing business operations and development plans of each business segment;
- improving asset quality and operational efficiencies, e.g. strengthening credit scoring model to further enhance the sustainability of the Group's loans portfolio and implementing Central Credit Reference Information System (CCRIS) to improve overall loan processing turnaround time;
- monitoring the implementation of Management's plan in enhancing the Group's liquidity position;
- evaluating the impact arising from the implementation of the new Malaysian Financial Reporting Standard (MFRS) 9 - Recognition and Measurement of Financial Instruments. External consultant was engaged to assist in ensuring readiness for adoption; and
- monitoring the implementation of risk management and internal control system to address identified risks in relation to the Group's businesses.

Board Committees

To assist the Board in carrying out its responsibilities and functions, it has delegated certain responsibilities to the Board Committees which operate within their own defined terms of reference approved by the Board. The Board Committees include the Audit Committee, Nomination & Remuneration Committee and Employees' Share Scheme Committee.

The Board Committees exercise transparency and full disclosure in their proceedings. Where necessary, issues deliberated by the Board Committees are presented to the Board with the appropriate recommendations. The Board is kept apprised of the activities and the decisions of the Board Committees through the circulation of the minutes of the meetings of the Board Committees and update by the Chairman of the respective Board Committees. The ultimate responsibility for the final decision on all matters however, lies with the Board.

The Board Committees in RCE are as follows:

Audit Committee

The Audit Committee comprises five (5) Non-Executive Directors, four (4) of whom are Independent Directors and is in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The members of the Audit Committee are as follows:

1. Tan Bun Poo – Chairman
   (Independent Director)

2. Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan
   (Independent Director)

3. Dato' Che Md Nawawi bin Ismail
   (Independent Director)

4. Mahadzir bin Azizan
   (Independent Director)

5. Soo Kim Wai
   (Non-Independent Non-Executive Director)

The Audit Committee's principal role is to reduce conflicts of interest particularly between Management and shareholders and to ensure that the Group's assets are utilised efficiently. As part of the Audit Committee's responsibilities, they would review the Company's financial statements, related party transactions and the system of internal controls. They may also consider whether procedures on internal audit are effective at monitoring adherence to the Company's standards and values.

During the financial year, the Audit Committee held four (4) meetings whereby the external auditors attended two (2) of the meetings and also met with the Committee members without the presence of the Management and Chief Executive Officer.

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

Nomination & Remuneration Committee

The Nomination & Remuneration Committee comprises entirely of Non-Executive Directors, a majority of whom are Independent Directors and its members are as follows:

1. Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan – Chairman
   (Independent Director)

2. Dato' Che Md Nawawi bin Ismail
   (Independent Director)

3. Datuk Mohamed Azmi bin Mahmood
   (Independent Director)
   (Appointed on 15 March 2017)

4. Mahadzir bin Azizan
   (Independent Director)

5. Shalina Azman
   (Non-Independent Non-Executive Director)

Statement on **Corporate Governance**

The role of the Nomination & Remuneration Committee, as set out in its terms of reference, includes amongst others, the following:

(a) Appointment and Evaluation

(i) To consider and recommend candidates for directorship to the Board and membership to Board Committees based on the following broad criteria:
- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- for Independent Non-Executive Directors, the ability to discharge such duties/functions as expected from Independent Directors.

(ii) Reviewing annually the required mix of skills, experience and other qualities, including core competencies, which Directors should bring to the Board.

(iii) Assessing annually the effectiveness of the Board as a whole, including its size and composition, the Committees of the Board and the contribution of each individual Director.

(iv) Reviewing annually the terms of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

(v) Reviewing the training needs of Directors.

(b) Remuneration

(i) To recommend to the Board on the framework or broad policy for the remuneration of the Company's or Group's Chief Executive and other senior management as the Committee is designated to consider.

The Nomination & Remuneration Committee meets at least once in a financial year and whenever required. During the financial year, the Nomination & Remuneration Committee had carried out the following activities:

- reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
- reviewed and assessed the performance of each individual Director, the independence of the Independent Directors, and the effectiveness of the Board and the Board Committees;
- reviewed the Directors who are due for re-election/re-appointment at the Company's Sixty-Second Annual General Meeting ("AGM") to determine whether or not to recommend their re-election/re-appointment;
- reviewed and evaluated the performance and recommended the remuneration package of the Chief Executive Officer;
- reviewed the performance of the Audit Committee and each of its members;
- reviewed the training courses attended by the Directors and assessed their training needs; and
- deliberated and recommended the appointment of new Director.

Employees' Share Scheme Committee

The Company, with the approval of its shareholders obtained at the extraordinary general meeting held on 2 September 2015, had on 31 December 2015 established and implemented the Employees' Share Scheme ("ESS").

The ESS Committee was established on 31 December 2015 to administer the ESS in accordance with the By-Laws governing and constituting the ESS as approved by the shareholders. The members of the ESS Committee are as follows:

1. Shahman Azman - Chairman
2. Soo Kim Wai
3. Shalina Azman
4. Loh Kam Chuin
5. Lum Sing Fai

The ESS Committee meets as and when required.

During the financial year, the ESS Committee met twice to consider and recommend the first and second grant of options under the ESS.

Code of Conduct and Ethics

The Board understands the importance of establishing strong ethical values within the Group that emphasise professionalism, support a culture of integrity and enhance the standard of corporate governance. The Directors are guided by a high standard of ethical behaviour in accordance with the Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my. The Code of Ethics covers the principles of responsibility, transparency, integrity and corporate social responsibility in carrying out the roles and responsibilities as Directors of the Company.

In addition, the Company's Code of Ethics for the Executive Directors and employees of the Group set out in the Company's Employee Handbook prescribes the core values and principles, and ethical standards of conduct expected from the employees which include provisions on employment practices, conflict of interest, confidentiality and privacy, commitment and diligence. All employees of the Group are also guided by a range of supporting internal policies and guidelines that apply to all companies within the Group.

The Group in its effort to enhance corporate governance has put in place a whistle blowing policy to provide an avenue for employees and stakeholders to report genuine concerns about malpractices, unethical behaviour, misconduct or failure to comply with regulatory requirements without fear of reprisal, discrimination or adverse consequences. Confidentiality of the matters raised and the identity of the whistle blowers are protected under the policy. Any concerns raised will be investigated and the outcome will be provided to the Audit Committee. If a violation is determined at the conclusion of an investigation, effective remedial action commensurate with the severity of the offence will be taken. Steps will also be implemented to prevent similar situation from arising.

The Internal Audit Function maintains records of the date and content of feedback they receive from different whistle blowing reporting channels and the records are provided to the Audit Committee on a quarterly basis. The complete whistle blowing policy and details of reporting channels can be found on the Company's website at www.rce.com.my.

Statement on **Corporate Governance**

On-going succession planning and training which are aligned to the organisation's objectives are put in place to ensure orderly management transition in the Group. The succession plan covers identification of internal and/or external candidates for leadership and management role so that the Board and Management team comprise high calibre people with the necessary and desirable experience and competencies that best meet the Group's needs. The criteria used to assess potential successors are formulated based on the Company's business strategies, corporate culture as well as diversity. Adequate resources and time will be provided to the selected employees for development and mentoring.

Sustainability and Corporate Social Responsibility

The Board is committed to implementing responsible and sustainable corporate practices for the well-being of stakeholders. The detailed activities in relation to sustainability and corporate social responsibility are set out separately in the relevant sections of this Statement.

Access to Information and Advice

The Board has timely, full and unrestricted access to information relating to the Group's businesses and affairs. The Board may require to be provided with further details on the matters to be considered. Senior Management are invited to attend the Board meetings to brief and provide comprehensive explanation on pertinent issues. Professional advisers appointed by the Company for corporate proposals to be undertaken by the Company would also be invited to render their advice and opinion to the Directors. The Directors, whether collectively as a Board or in their individual capacity, have the liberty to seek external and independent professional advice, if so required by them, in furtherance of their duties at the Company's expense.

The Directors are notified of the impending restriction in dealing in the securities of the Company at least thirty (30) days prior to the targeted release date of the quarterly financial results announcement. They are also apprised of all corporate announcements released to Bursa Securities.

The Board is supported by suitably qualified Company Secretaries in the discharge of its duties and responsibilities. The Company Secretaries, who are experienced, competent and knowledgeable, play an advisory role and are source of information and advice to the Board and its Committees on issues relating to corporate governance matters, compliance with laws, rules, procedures and regulations affecting the Group. All Directors have unrestricted access to the advice and services of the Company Secretaries.

The Company Secretary attends all Board and Board Committees meetings and ensures that Board procedures and policies are met. He is accountable to the Board, through the Chairman, on all matters relating to proper functioning of the Board and work closely with the Chairman to manage the flow of information between the Board, its Committees and Management across the Group. Further details on the role of the Company Secretaries are set out in the Company's Board Charter.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Board Composition and Balance

During the financial year, Datuk Mohamed Azmi bin Mahmood, who has extensive experience in banking industry was appointed as Independent Director to complement the existing Board skill set. The appointment expanded the Board to eight (8) members, comprising three (3) Non-Independent Non-Executive Directors (including the Chairman) and five (5) Independent Directors. The composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements of Bursa Securities. The Chairman of the Board is a Non-Independent Non-Executive Director, in which case in accordance with the Code, Independent Directors should account for more than 50% of the Board members. In this regard, throughout the financial year, there are more than 50% Independent Directors on the Board. The structure of the Board ensures that no single Director is dominant in the decision-making process.

The Directors are professionals in the fields of finance and economics, accounting and audit, banking, legal, business development, corporate planning and strategy, and government and public service. The present Board composition has the appropriate mix of knowledge, skills, expertise and diversity relevant to the Company's operations which are vital to the sustainability and growth of the Group's businesses.

All Independent Directors of the Board are always willing and within reach of the shareholders and thus, the Board does not consider it necessary to appoint a Senior Independent Director to serve as a point of contact for shareholders and other stakeholders to voice their concerns.

Board Diversity

The Group practices non-discrimination in any form whether based on age, gender or ethnicity throughout the organisation and this includes the selection of Board members.

The Board recognises the challenges in achieving the right balance of diversity on the Board. This will be done over time, taking into account the present size of the Board, the valuable knowledge and experience of the present Board members and the evolving challenges faced by the Company. The Board also believes that while it is important to promote gender diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, experience and knowledge in areas identified by the Board should remain a priority and all appointments to the Board should be made on merit so as not to compromise on effectiveness in carrying out the Board's functions and duties. Hence, the Board is committed to ensuring that its composition not only reflects the diversity as recommended by the Code, as best as it can, but also has the right mix of skills and balance to contribute to the achievement of the Company's goal. Nevertheless, female representation will be considered when vacancies arise and suitable candidates are identified. Currently, there is one (1) female Director on the Board.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("N&R Committee") assists the Board in ensuring the existence of the right mix of skills, knowledge, experience, expertise, gender, ethnicity, age and other factors that are relevant and contribute to the effective functioning of the Board. The terms of reference of the N&R Committee is available on the Company's website.

Statement on
Corporate Governance

Annual Assessment

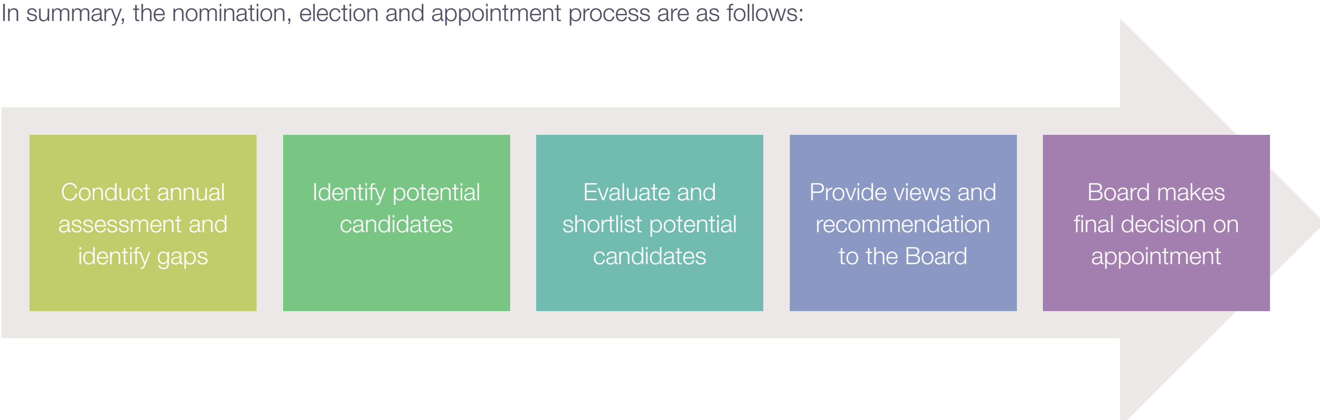
The N&R Committee reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual Directors and Chief Executive Officer. The evaluation involves the Committee members completing evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The Board and its Committees are assessed in the areas of Board mix and balance, composition, compliance and governance, conduct at meeting, business knowledge, skills and competencies, communication and value added contribution, quality of information and decision making, performance management, Board dynamics and relationships. The individual Directors' and Chief Executive Officer's evaluation process involves peer-to-peer assessment and self-assessment (in the case of Independent Directors), where assessment criteria are based on integrity and ethics, governance, strategic perspective, judgement and decision making, teamwork, communication, commitment and independence of the Independent Directors. The results of assessment and Directors' comments will be summarised and discussed at the N&R Committee meeting which will then be reported to the Board for discussion on areas for improvement and identification of actions for improvement. All assessments and evaluations carried out by the N&R Committee in the discharge of its functions are properly documented.

Based on the results of the evaluations for the financial year under review, the Board concluded that the Board as a whole and its Committees have been effective in discharging their oversight responsibilities and there is an appropriate size and mix of skills, experience and core competencies in the composition of the Board, given the Group's businesses and the size of its business operations. Each of the Directors possesses the required competence and has fulfilled their responsibilities and obligations as members of the Board/Board Committees.

Appointment to the Board

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

In summary, the nomination, election and appointment process are as follows:



The appointment of Datuk Mohamed Azmi bin Mahmood on 15 March 2017 followed the above process. The N&R Committee, having reviewed the skillset, expertise and experience possessed by the abovementioned Director, recommended his appointment to the Board.

Re-election and Re-appointment of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors are subject to retirement by rotation at every AGM, provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Directors who are appointed by the Board are subject to re-election by the shareholders at the AGM held following their appointments.

Mr. Soo Kim Wai and Encik Mahadzir bin Azizan shall retire by rotation at the forthcoming 63rd AGM pursuant to Article 106 of the Articles of Association of the Company, whilst Datuk Mohamed Azmi bin Mahmood, the Director appointed during the financial year, will retire at the same AGM pursuant to Article 93 of the Articles of Association of the Company. All of the three (3) Directors, being eligible, have offered themselves for re-election.

Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan, who is over the age of seventy (70) years, retired and was re-appointed as Director at the Company's last AGM held on 24 August 2016 pursuant to Section 129 of the Companies Act, 1965. With the implementation of the Companies Act 2016 on 31 January 2017, there is no longer an age limit for Directors of public companies. However, as his re-appointment at the last AGM was for a term ending at the conclusion of the next AGM, shareholders' approval will be sought at the forthcoming 63rd AGM to enable Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan to continue in office. Subsequent thereof, he will be subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Directors' Remuneration

The objective of the Group's policy on Directors' remuneration is to attract and retain Directors of high calibre who possess the necessary skills and experience commensurate with their responsibilities for the effective management of RCE Group.

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

The various components of the Chief Executive Officer's remuneration are structured so as to link rewards to the corporate and individual performance in order to ensure the achievement of the Group's strategy and business objectives and ultimately, generating satisfactory returns for shareholders. The performance of the Chief Executive Officer is measured based on the achievement of his key performance indicators as well as other non-financial measures which seek to achieve the Group's long term objectives. The N&R Committee is responsible for making recommendations to the Board on the remuneration and terms of employment of the Chief Executive Officer.

In the case of Non-Executive Directors, their remunerations reflect the expertise and level of responsibilities undertaken by the Non-Executive Directors and shall be decided by the Board as a whole to ensure that it is sufficient to attract and retain the services of the Non-Executive Directors which are vital to the Company. Meeting attendance allowances are also paid to Independent Directors in accordance with the number of meetings attended during the financial year. Non-Executive Directors' fees and benefits are subject to the approval of shareholders at the AGM based on the recommendation of the Board.

Statement on
Corporate Governance

Individual Directors will abstain from participating in the discussion and decision of their own remuneration package.

The Company has in place Directors and Officers liability insurance to indemnify the Directors against liability and costs incurred by them in discharging their duties as Directors, to the extent permitted under the Companies Act 2016.

The details of the Directors' remuneration comprising remuneration received from the Company and the Group for the financial year ended 31 March 2017 are as follows:

(a) Aggregate Remuneration

Received from the Company

Company	Category				
	Fees (RM)	Other Emoluments (RM)	Defined Contributions (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors	-	-	-	-	-
Non-Executive Directors	336,000	44,000	-	-	380,000

Received on Group Basis

Group	Category				
	Fees (RM)	Other Emoluments (RM)	Defined Contributions (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors	-	-	-	-	-
Non-Executive Directors	336,000	200,000	29,640	82,208	647,848

(b) Analysis of Remuneration

Range of Remuneration	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,000 & below	-	3	-	2
RM50,001 – RM100,000	-	4	-	4
RM300,001 – RM350,000	-	-	-	1

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 11 of the Listing Requirements of Bursa Securities.

PRINCIPLE 3 – REINFORCE INDEPENDENCE

The Board recognises the importance of independence and objectivity in its decision-making process. The high proportion of Independent Directors which make up more than half of the Board reflects the Board's commitment to maintain strong representation of Independent Directors on the Board to ensure that the interests of minority shareholders, and not only the interest of a particular fraction or group, are taken into account by the Board. They play a crucial role in the exercise of independent assessment, impartial opinion, and objective participation in Board deliberations and the decision-making process and provide for effective check and balance in the functioning of the Board. The Independent Directors do not participate in the day-to-day management of the Company and do not engage in any business dealings and are not involved in any other relationship with the Company (other than in situations permitted by the applicable regulations) which could materially interfere with the exercise of their independent judgement.

Annual Assessment of Directors' Independence

During the financial year, the Board, through the N&R Committee, has assessed the independence of each of its Independent Directors according to same criteria used in the definition of Independent Directors as prescribed in the Listing Requirements of Bursa Securities. In assessing the independence of Independent Directors, the Board, taking into account their skills, experience and contributions, as well as their background, will consider whether the Independent Directors have any relationship with the Company and their ability to exercise independent and objective judgement to the Board's deliberations at all times and to act in the best interests of the Company. The assessment also included self-declaration by the Independent Directors of any involvement or relation with the Group which could interfere with their exercise of independent judgement. The Independent Director appointed during the financial year was also required to confirm and declare his independence by completing a declaration prior to his appointment.

The N&R Committee and the Board have upon their assessment, concluded that all Independent Directors of the Company continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Board was satisfied with the level of independence demonstrated by all Independent Directors.

Tenure of Independent Directors

The Company does not have term limits for Independent Directors as the Board firmly believes that there are significant advantages to be gained from long-serving Independent Directors, who not only possess tremendous insight but also in-depth knowledge of the Company's businesses and affairs. The Board is of the view that the independence of the Independent Directors should not be determined solely by the length of their service on the Board. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his responsibilities in the best interest of the Company should be the predominant factors to determine the ability of a Director to serve effectively as an Independent Director of the Company. Their long service should not affect their independence as they are independent minded and they continue to provide the necessary checks and balances in the best interests of the Company.

Nevertheless, the Board takes cognisance of the recommendation of the Code regarding the tenure of independent directors which shall not exceed a cumulative term of nine (9) years. In line with the recommendation of the Code, the Company had sought its shareholders' approval at the last AGM for the two (2) long-serving Independent Directors, namely Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan and Dato' Che Md Nawawi bin Ismail to continue in office until the conclusion of the forthcoming AGM.

Statement on **Corporate Governance**

Premised on the assessment undertaken by the N&R Committee for the financial year, the Board will seek shareholders' approval at the forthcoming AGM to retain the abovementioned long-serving Independent Directors pursuant to Recommendation 3.3 of the Code based on the following justifications:

(i) They fulfilled the definition of Independent Director under the Listing Requirements of Bursa Securities and being independent, they will be able to function as a check and balance, bringing an element of objectivity to the Board;
(ii) They are free from any conflict of interest with the Company;
(iii) The length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the interest of the Company;
(iv) They actively participated in Board and Board Committees deliberation, judged in an independent and unfettered manner, discharged their duties with reasonable care, skill and diligence; brought independent thought and experience and provided objectivity in decision making;
(v) They have exercised due care and diligence in all undertakings of the Company and have carried out their duties proficiently in the best interest of the Company and the minority shareholders during their tenure as Independent Directors;
(vi) They possess detailed knowledge of the Company's business operations, the challenges faced by the Company, the environment in which it operates and the Company's corporate history. The Board benefits from their experience, who have, over time, gained valuable insights into the Company, its market and the industry;
(vii) Each of the Independent Directors has proven business acumen, professional background and qualifications. Their extensive experience in various fields and industries meet the Company's required mix of skills and Board diversity; and
(viii) They devoted sufficient time and attention to their responsibility as Independent Directors of the Company. Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan has also demonstrated excellent stewardship as Chairman of the N&R Committee.

Separation of Positions of the Chairman and Chief Executive Officer

The Board is chaired by a Non-Independent Non-Executive Chairman whilst the Management of the Company lies with the Chief Executive Officer. The role of the Chairman and Chief Executive Officer are separated with clear distinction of responsibility between them to ensure that there is a balance of power and authority. The Chairman is responsible for the leadership and governance of the Board, ensuring its effectiveness, orderly conduct and working of the Board. The Chief Executive Officer is overall responsible for the day-to-day running and management of the Group's operations and businesses and implementation of Board's policies and decisions. He leads the Management team in carrying out the Company's strategy and meets the Management members regularly to discuss and resolve operational issues. There is no family relationship between the Chairman and the Chief Executive Officer.

PRINCIPLE 4 – FOSTER COMMITMENT

Time Commitment

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

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

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

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

Board Meeting

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

The Board meetings (including Board Committees' meetings) are planned in advance prior to the commencement of a new year and the schedule is circulated to the Directors well in advance to enable them to plan ahead. Board members are given at least seven (7) days' notice before any Board meeting is held. The agenda for each Board meeting and papers relating to the matters to be deliberated at the meeting are forwarded to all Directors for perusal at least four (4) days prior to the date of the Board meeting. The Board papers are comprehensive covering agenda items to facilitate informed decision making.

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

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

The Board also peruses the decisions deliberated by Board Committees through minutes of these Committees. The Chairman of the Board Committees is responsible to inform the Directors at Board meetings of any salient matters noted by the Committees and which require the Board's notice or direction. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of the Companies Act 2016.

Statement on **Corporate Governance**

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

Name of Directors	No. of Meetings Attended
Shahman Azman	4/4
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan	4/4
Dato' Che Md Nawawi bin Ismail	4/4
Datuk Mohamed Azmi bin Mahmood *(Appointed on 15 March 2017)*	N/A*
Tan Bun Poo	4/4
Mahadzir bin Azizan	4/4
Soo Kim Wai	4/4
Shalina Azman	3/4

Note:

* *No Board meeting was held during the period from the date of his appointment to 31 March 2017.*

All Directors have more than adequately complied with the minimum requirements on attendance at Board meetings as stipulated under the Listing Requirements of Bursa Securities (minimum 50% attendance).

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

Directors' Training

The Board acknowledges the importance of continuous education and training in order to broaden one's perspective and to keep abreast with the current and future developments in the industry and global markets, regulatory updates as well as management strategies to enhance the Directors' skills and knowledge in discharging their duties. Orientation programme is initiated for newly appointed Directors to familiarise them with the Group's business. All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. Datuk Mohamed Azmi bin Mahmood who was appointed as Director on 15 March 2017 had completed his Mandatory Accreditation Programme within 4 months from the date of his appointment and has also undergone the orientation programme organised by the Company to familiarise with the Group's businesses and governance process.

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

The Company Secretary keeps Directors informed of relevant external training programmes and all Directors have undergone training programmes during the financial year. All internal and external training programmes attended by Directors are recorded and maintained by the Company Secretary, which will be tabled to the N&R Committee and the Board for notation on a half-yearly basis, to assists the N&R Committee and the Board on the evaluation and determination of the Directors' training needs.

The external conferences/workshops and internally organised programmes attended by the Directors during the financial year ended 31 March 2017 are as follows:

Director	Topics
Shahman Azman	• Board Chairman Series Part 2: Leadership Excellent from the Chair • Post-Brexit Impact on UK Commercial & Residential Investment and Development by British Malaysian Chamber of Commerce • The Malaysian Property Market: Opportunities Amidst Uncertainties • Contract Law • National Budget 2017 Review and Update • CG Breakfast Series with Directors – The Cybersecurity and How Board Should Mitigate the Risks • CG Breakfast Series with Directors: Anti-Corruption & Integrity – Foundation of Corporate Sustainability • Sustainability Engagement Series for Directors/Chief Executive Officers
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan	• Briefing on Companies Act 2016
Dato' Che Md Nawawi bin Ismail	• CG Breakfast Series with Directors: The Strategy, the Leadership, the Stakeholders and the Board • CG Breakfast Series with Directors: Anti-Corruption & Integrity – Foundation of Corporate Sustainability
Datuk Mohamed Azmi bin Mahmood	• 3rd Distinguished Board Leadership Series – Effective Board Evaluation • AICB-Global Banking Conference Discourse Series 2016 – Building a Successful Data Driven Organisation • FinTech: Business Opportunity or Disruptor? • Technology-Based Innovation that Counts • Mandatory Accreditation Programme
Tan Bun Poo	• Sustainability Engagement Series for Directors/Chief Executive Officers • MIA-MICG Roundtable Discussion on Proposed Draft of the Malaysian Code on Corporate Governance 2016 • Companies Bill 2015 – Impact on Directors & Secretaries • FinTech: Business Opportunity or Disruptor? • Forum on Key Audit Matters in Audit Report • Khazanah Megatrends Forum • Sustainability Reporting • Highlights of the New Companies Act 2016 • Cyber Security Awareness by AmBank Group
Mahadzir bin Azizan	• Companies Act 2016: A New Corporate Landscape for Directors

Statement on
Corporate Governance

Director	Topics
Soo Kim Wai	• Linkage 20 Conversations @ Harvard • FinTech: Business Opportunity or Disruptor? • Brexit and Malaysia – A New Opportunity • FIDE Forum - Identify the Right Board Talent • Investment Roundtable with UK Financial Secretary to the Treasury, Jane Ellison MP • Malaysia Investment Forum by Malaysian Investment Development Authority • Post-Brexit Impact on UK Commercial & Residential Investment and Development by British Malaysian Chamber of Commerce • MIA Conference 2016 • Sustainability Reporting • Highlights of the New Companies Act 2016 • Linkage Breakfast Series – Top of Mind: What the world's best CEOs need for the future • Breakfast Talk with ACGA: CG Watch 2016 – Ecosystems Matter • Cyber Security Awareness by AmBank Group • Wealth Insights Series: Back to Basics • Credit Suisse 20th Annual Asian Investment Conference: Beginning of a new era?
Shalina Azman	• Forensic Audit and Forensic Accounting • The Asia Pacific Family Investment Conference 2016 • CG Breakfast Series for Directors: Future of Auditor Reporting – The Game Changer for Boardroom • Malaysian Investor Relations Association Insight: Predicting the Next Cycle • Companies Bill 2015 – Impact on Directors & Secretaries • FT Commodities – Asia Summit 2016 • The Interplay between CG, Non-Financial Information (NFI) and Investment Decision • National Budget 2017 Review and Update • Tax Briefing by Lee Hishammuddin Allen & Gledhill • 2nd Annual Boardroom Agenda • Fraud Risk Management • MIRA Economic Outlook 2017 • MIRA Workshop: The Annual General Meeting – A Practical Insight for all Stakeholders • Strategic Finance for Decision Makers • Breakfast Talk with ACGA: CG Watch 2016 – Ecosystems Matter • Internal Fraud Control Strategies • Sustainability Engagement Series for Directors/Chief Executive Officers

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board endeavours to present a balanced and comprehensive assessment of the Group's financial performance through the annual audited financial statements and quarterly announcement of financial results to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting to ensure compliance with applicable approved accounting standards in Malaysia.

The Audit Committee together with the Management and internal auditors review the Company's financial results on a quarterly basis to ensure the completeness, accuracy and adequacy of the information to be disclosed and that the financial results are well deliberated to provide a true and fair view of the Company's financial position.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year. The Directors consider that in preparing the financial statements, the Directors have consistently used and applied the appropriate and relevant accounting policies and made judgements and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Company and the Group keep proper accounting records in accordance with the provisions of the Companies Act 2016 to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

Assessment of Suitability and Independence of External Auditors

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company's external auditors.

It is the policy of the Audit Committee to meet the external auditors to discuss their audit plan, audit findings and the financial statements. The Audit Committee discusses with the external auditors the nature and scope of the audit, preliminary audit risk assessment and reporting obligations before audit commences. In the course of audit of the Group's financial statements, the external auditors would highlight to the Audit Committee members, matters that require their attention, particularly on audit findings and their views in respect of the integrity of the Company's financial statements, new accounting standards and its financial and disclosure impact, significant adjustments arising from the audit, the going concern assumption, compliance with accounting and financial reporting standards.

The Audit Committee also meets the external auditors at least twice a year without the presence of Management and the Chief Executive Officer to enable exchange of views on issues requiring attention. In addition, the external auditors are invited to attend AGMs of the Company and are available to answer shareholders' questions on the annual audited financial statements of the Company.

The Audit Committee continuously reviews and monitors the suitability and independence of external auditors. During the financial year, the Audit Committee evaluated the performance and independence of the external auditors. The assessment process involved obtaining feedback from the Audit Committee and finance personnel who regularly interacts with the external auditors through the completion of a detailed questionnaire covering the criteria as set out below:

Suitability Assessment

- The engagement partner's qualification, knowledge and experience;
- The level of engagement, communication and interaction with the Audit Committee and whether the external auditors have provided independent views in the discussions with the Audit Committee;
- Level of knowledge, skills, capabilities, experience and quality of works;
- Level of understanding of the nature of business of the Company and the industry in which the Company operates;
- Ability to update/advise the Audit Committee on significant issues concerning the Group, new developments (including the applicability of new and significant accounting standards) and the impacts on the Group;

- Ability to identify risks/potential issues and provide constructive recommendations, observations and implications in areas requiring improvements particularly with regard to the internal control system relating to financial reporting of the Group; and
- Adequacy of audit scope and conduct of audit, effectiveness in planning and coordinating audit efforts, and use of audit resources.

Independence Assessment

- Whether the provision of non-audit services has impaired the independence and objectivity of the external auditors;
- Whether there are indications that the external auditors are significantly dependent on the Company for their fee income; and
- Whether the external auditors had demonstrated unbiased stance when interpreting policies and standards adopted by the Company and are able to maintain independence from Management in order to carry out their functions impartially.

As part of the annual audit exercise, the Company also obtains assurance from the external auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. In compliance with the requirements of Malaysian Institute of Accountants, the external auditors shall rotate their audit partners assigned to the Group every five (5) years, in order to ensure objectivity, independence and integrity of the audit opinions.

The Board through the Audit Committee has considered the nature of the non-audit services rendered by the external auditors and their affiliated companies during the financial year under review and has determined that the provision of such services did not compromise the external auditors' independence and objectivity as the amount of fees paid for the services was not significant when compared to the total fees paid to the external auditors. Details of fees paid for non-audit services are set out on pages 43 to 44 of this Annual Report.

Following the review, the Board was satisfied with the suitability and independence of Messrs Deloitte PLT, the quality and competency of services delivered and sufficiency of the professional staff assigned to the annual audit for the financial year ended 31 March 2017, and recommended the re-appointment of Messrs Deloitte PLT for shareholders' approval at the forthcoming 63rd AGM.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Risk Management and Internal Control

The Board acknowledges its overall responsibility in maintaining a sound system of internal control and risk management that provides reasonable assurance of effective and efficient operations, compliance with laws and regulations, as well as internal procedures and guidelines. However, the Group's system of internal control and risk management is designed to manage and not eliminate the risk of failure to achieve the Group's objectives. Hence it can only provides reasonable and not absolute assurance against the risk of material errors, fraud or loss.

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

The Board seeks regular assurance on the continuity and effectiveness of the risk management and internal control system through independent review by the internal auditors.

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

The Statement on Risk Management and Internal Control, which provides an overview of the management of risks and state of internal control within the Group, is set out on pages 45 to 47 of this Annual Report.

Internal Audit Function

The Company engaged the services of the internal audit department of Amcorp Group Berhad, a major shareholder of the Company, to perform its internal audit function. The Internal Audit Function is independent of the operations of the Group and reports directly to the Audit Committee to ensure independence. It also provides reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively.

The internal auditors conduct independent internal audit reviews based on an agreed plan. The internal audit reports are presented to the Audit Committee for review and deliberation. The Audit Committee is briefed on the audit findings and the recommended corrective measures. The Audit Committee conducts a review of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter adopted by the Group.

The activities of the internal auditors during the financial year are set out in the Audit Committee Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies

The Board acknowledges the importance of timely dissemination of material information to the shareholders, investors and public at large. As such, the Board is committed to providing all stakeholders with accurate, useful and timely information about the Company, its businesses and its activities in conformity with the disclosure requirements.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Apart from observing the Corporate Disclosure Guide issued by Bursa Securities which can be viewed from the website of Bursa Securities at www.bursamalaysia.com, the Board also adheres to and complies with the disclosure requirements of the Listing Requirements of Bursa Securities.

The Board is entrusted to review and approve the relevant financial results and other important announcements to ensure full compliance with regulatory authorities' disclosure requirements. The financial statements and material and price-sensitive information are disseminated and publicly released on a timely basis to ensure effective dissemination of information relating to the Group.

Statement on **Corporate Governance**

Leverage on Information Technology for Effective Dissemination of Information

The Company maintains a corporate website at www.rce.com.my which serves as a key communication channel for the Company to reach its shareholders and general public. The Company's website provides detailed information on the Group's businesses, commitments and latest developments. Corporate and financial information of the Group, press releases, as well as the Company's Annual Reports, circulars to shareholders and announcements released to Bursa Securities are also made available to the public through the Company's website. There is also a section on the website focusing on corporate governance which publishes the Company's Board Charter, Memorandum and Articles of Association, Terms of Reference of Board Committees and whistle blowing policy.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

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

Notice of the AGM, the Form of Proxy and the Annual Report are despatched to the shareholders at least 21 days before the AGM in accordance with the Listing Requirements of Bursa Securities. This allows shareholders sufficient time to make necessary arrangements to attend and participate in person or by proxies.

During the AGM, Management presents a comprehensive review of the Company's financial performance for the financial year and the Group's prospects and strategies. Shareholders are encouraged to participate in the question and answer session on the Group's operations and all resolutions proposed, and are given opportunities to communicate and give constructive feedbacks to the Board. Additionally, the Company's responses to questions raised by the Minority Shareholder Watchdog Group, if any, will be shared with the shareholders during the AGM.

In line with the revised Listing Requirements of Bursa Securities which require all resolutions set out in the notice of any general meeting to be voted by poll instead of show of hands, the Company has at its last AGM held on 24 August 2016 conducted electronic poll voting to facilitate accurate and efficient outcomes of the voting process. An independent scrutineer was appointed to validate the votes cast. The poll results were released to Bursa Securities at the end of the meeting day and summary of key matters discussed at the meeting was also published on the Company's website in compliance with the Listing Requirements of Bursa Securities and for the benefit of all stakeholders.

Effective Communication and Proactive Engagement

The Board also encourages and values dialogues with its investors and other stakeholders as it believes that an effective investor relationship enhances value for its stakeholders. The Company conducts briefing and press interviews to provide the investors and members of the media with opportunities to receive information relating to the Group. Personnel of the Company always look forward to holding discussions with analysts and shareholders from time to time.

Statement on **Corporate Governance**

Investor relations matters may be directed to the following person:

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

SUSTAINABILITY OF BUSINESS

The Board is cognisant of the importance of business sustainability and, in conducting the Group's businesses, the impact on the environment, social and governance are considered. As a responsible lender, we are guided by the Financial Services Act 2013 and lending guidelines issued by Bank Negara Malaysia. At RCE, we strive to provide risk-weighted equitable financing to customers who otherwise may not be eligible for any financial assistance from licensed financial institutions and who therefore may resort to illegal means. To this end, initiatives are undertaken to harness the market's potential for sustainable products and services while minimising sustainability costs and risks. In assessing their eligibility, we take into account of their purpose of financing, credit worthiness and minimum take home pay while instilling in them the values of responsible borrowing.

The Sukuk Murabahah Asset-Backed Securitisation Programme of up to RM900.0 million, established in 2016 via Al Dzahab Assets Berhad, a special purpose vehicle of the Group will ensure that a sustainable funding program is made available to the Group.

In recognition of employees being the most important asset to drive the organisation forward and in acknowledgement of their valuable contribution to the organisation's growth, the Group always endeavours to safeguard the welfare, healthcare, training and career development of its employees. Appointment and employment in the Group are based on merits while considerations are given to gender, ethnicity and age for the diversity policy of its workforce. During the financial year, RCE had invested in employee development initiatives comprising leadership programmes, technical trainings and body, mind, soul initiatives to strengthen the skills and knowledge of our employees.

The Group ensures that waste is re-used or re-cycled as far as possible with the aim of inculcating environmental awareness in its employees and at the same time develop awareness of people around it. Wastage reduction is an area of priority for the Group and departments practise recycling paper, double-sided printing, minimising colour printing and using electronic communications and documents instead of hard copy printouts where possible.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the importance of corporate social responsibility ("CSR") as an integral part of business and strongly pursues its belief of caring for and sharing with people, business associates and the community. In this respect, the Group continues its initiative to strive for a balanced approach in achieving its business profitability and the expectation of its stakeholders and the community thereby creating value to our shareholders and enhancing the long term sustainability of the Group. Our involvement in CSR includes activities and interactions with communities, authorities, regulators, non-governmental organisations, shareholders and our workforce.

Statement on **Corporate Governance**

Staff of RCE and The Department of Standards Malaysia who participated in the complimentary health screening in October 2016

Encik Shahman Azman, Chairman of RCE and Mr Soo Kim Wai, Director of RCE during the cheque presentation ceremony for the 4 new recipients of Amcorp Study Grant

The Group continues to contribute to local charities, voluntary organisations and support numerous charitable causes, both in cash and in kind. During the financial year, RCE extended monetary contributions to Pusat Harian Kanak-Kanak Spastik to support its continuous effort to provide special education, physiotherapy and life skills to the children.

RCE continues its long term partnership with National Kidney Foundation and organised its 10th year consecutive complimentary health screening test at The Accountant General's Department of Malaysia and The Department of Standards Malaysia in May 2016 and October 2016 respectively to inculcate the importance of "Healthy Mind, Healthy Body" while raising awareness of kidney diseases and their prevention for a better quality of life.

The Group held a Glamour (Black & Gold) themed dinner in September 2016 to thank our employees and their spouses for their continued years of service and support to the Group. RCE strongly encourages employee engagement, one of which is through Townhall gatherings, which provided a positive forum for interaction between employees and senior management.

To promote better education of the nation's youth, RCE through Yayasan Azman Hashim, continues to extend study grants to deserving students in the hope to build future generation of exemplary young leaders who possess the ambition to excel in whatever they do. Upon completion of their studies, the talent and knowledge of these young graduates will be put to test in the Group by exposing them to the corporate world. The Group strongly believes that this will allow the next generation to continue to contribute not only to the Group but also to the country. To-date, 19 bright students have benefitted from the study grants.

Two of the post graduates of Amcorp Study Grant participated in a volunteering project where they contributed their time and services to support charitable organisations close to their heart. The charitable causes supported were Pusat Tuisyen Sayang, a non-profit organisation that focuses on providing free education to the less fortunate children of various ages and PAWS Animal Welfare Society, which provides shelter to unwanted cats and dogs fully funded by the generous donations of the public.

A great deal of effort and resources are channelled into the Group's CSR programmes and the top management is directly involved in the Group's CSR efforts. We look upon the giving back to society in the hope of making a difference in the many lives we touch.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 26 May 2017.

Additional Compliance **Information**

1. Material Contracts

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

2. Employees' Share Scheme

The Employees' Share Scheme ("ESS") implemented on 31 December 2015 is the only share scheme of the Company in existence during the financial year ended 31 March 2017. The details of the ESS are as follows:

(a) The total number of options granted, exercised, cancelled and outstanding under the ESS since its commencement up to the financial year ended 31 March 2017 are set out below:

Description	Number of Options	
	Grand Total	Directors and Chief Executive
Granted	16,629,000	800,000
Exercised	9,760,150	400,000
Cancelled	229,000	-
Outstanding	6,639,850	400,000

(b) Percentages of options applicable to Directors and senior management under the ESS during the financial year and since its commencement up to the financial year ended 31 March 2017 are set out below:

Directors and Senior Management	Percentage	
	During the financial year	Since commencement up to 31 March 2017
Aggregate maximum allocation	17.92%	17.92%
Actual options granted	17.92%	17.92%

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

3. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the external auditors and their affiliated companies or firms to the Company and the Group for the financial year ended 31 March 2017 are as follows:

Fees	Company (RM)	Group (RM)
Audit Fees	60,000	240,700
Non-Audit Fees	22,800	129,100
Total	82,800	369,800

Additional Compliance **Information**

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

- Tax related matters;
- Reporting Accountants fee for the issuance of a total of up to RM900.0 million Sukuk Murabahah Asset-Backed Securitisation Programme; and
- Review of the Statement on Risk Management and Internal Control.

4. Utilisation of Proceeds

The net proceeds totalling RM430.0 million from the issuance of RM513.5 million out of a total of up to RM900.0 million Sukuk Murabahah Asset-Backed Securitisation Programme by Al Dzahab Assets Berhad backed by loans and receivables originated by RCE Marketing Sdn Bhd, a wholly-owned subsidiary of the Company during the financial year, were utilised as follows:

Description	**Total (RM'000)**
Proceeds	430,000
Repayment of borrowings	(276,263)
Working capital	(153,737)
Balance as at 31 March 2017	-

5. Recurrent Related Party Transactions

The information on recurrent related party transactions for the financial year is set out in Note 25 to the financial statements.

Statement on Risk Management **and Internal Control**

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

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

The Board is pleased to disclose that:

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

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

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

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

RISK MANAGEMENT

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

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

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

A two pronged risk management approach is adopted where:

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

(b) day-to-day operational risk management by line managers entail:

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

Statement on Risk Management **and Internal Control**

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

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

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

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

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

(a) Abandonment and low productivity of marketing channel;
(b) Dependence on information systems; and
(c) Financial risks including liquidity risks.

The mitigating controls employed by the Group include:

(a) Constant review of incentive programs and recruitment drive;
(b) Engaging expert consultant to perform scenario testing, on-going adherence and review of business continuity plans; and
(c) Active cashflow and debt management including matching maturity profiles of assets and liabilities. During the financial year, the Group established a RM900.0 million Sukuk Murabahah Asset-Backed Securitisation Programme.

INTERNAL CONTROL

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

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

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

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

Statement on Risk Management **and Internal Control**

(v) Operating units have standard operating procedures in which their operations must comply with so as to ensure clear accountabilities. The operating procedures are reviewed and updated as and when necessary to ensure relevance to the Group's operations.

(vi) Corporate values, which emphasise ethical behaviour, quality products and services, are set out in the Group's Employee Handbook. A formal staff performance appraisal system, guided by key performance indicators to evaluate and measure staff performance and their competency is performed once a year to link performance and remuneration in order to create a high performance work culture. Training and development programmes are provided to employees to enhance their knowledge and competency in carrying out their duties and responsibilities towards achieving the Group's objectives.

(vii) The Group also practices Annual Budgeting and monitoring process as follows:

(a) There is an annual budgeting process for each area of business and approval of the annual budget by the Board.
(b) Actual performance is compared with budget monthly, together with explanation of any major variance, while budget for the current year is reviewed at least semi-annually. Action plans are formulated to address any areas of concern.

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

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

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

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control, in accordance with Recommended Practice Guide 5 (Revised 2015) issued by Malaysian Institute of Accountants ("RPG 5 (Revised)"). RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group. Based on the audit procedures performed, nothing has come to their attention that causes them to believe that this statement, in all material respect:

(i) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(ii) is factually inaccurate.

Audit Committee **Report**

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of RCE Capital Berhad consists of:

Name	Designation	Directorship
Tan Bun Poo*	Chairman	Independent Director
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan	Member	Independent Director
Dato' Che Md Nawawi bin Ismail	Member	Independent Director
Mahadzir bin Azizan	Member	Independent Director
Soo Kim Wai*	Member	Non-Independent Non-Executive Director

Note:
** Mr. Tan Bun Poo and Mr. Soo Kim Wai are members of the Malaysian Institute of Accountants.*

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2017, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:

Name	No. of Meetings Attended
Tan Bun Poo	4/4
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan	4/4
Dato' Che Md Nawawi bin Ismail	4/4
Mahadzir bin Azizan	4/4
Soo Kim Wai	4/4

The Audit Committee meetings were conducted in accordance with the requisite quorum as stipulated in the terms of reference of the Audit Committee, which requires at least three (3) members, with the majority of members present must be Independent Directors.

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

The Company Secretary acts as the Secretary of the Audit Committee. The Audit Committee members are provided with the agenda and relevant committee papers before each meeting. Minutes of the Audit Committee Meetings will be distributed to the Board for notation and the Chairman of the Audit Committee shall report key issues discussed to the Board.

TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its terms of reference. The terms of reference are accessible to the public on the Company's corporate website at www.rce.com.my.

SUMMARY OF ACTIVITIES

The key activities undertaken by the Audit Committee in discharging its functions and duties during the financial year were as follows:

- **Financial Results**

  a. Reviewed the Group's unaudited quarterly financial results and draft announcements through detailed discussions with senior personnel from Group Finance Department to ensure compliance with regulatory requirements, before recommending for the Board's approval. Areas of discussion, amongst others, included accounting treatment of significant transactions and the underlying activities that lead to such transactions.

  b. Reviewed the annual audited financial statements of the Group for the financial year ended 31 March 2016 with Management and external auditors prior to submission to the Board for their consideration and approval. The review focused particularly on application of new accounting standards, adjustments arising from the audits, significant matters highlighted including financial reporting issues, significant and unusual events/transactions and how these matters were addressed as well as compliance with applicable approved accounting standards in Malaysia and other legal and regulatory requirements. Upon deliberation, the Audit Committee concluded that the annual audited financial statements of the Group presented a true and fair view of the Group's financial performance for the financial year ended 31 March 2016.

- **Internal Audit**

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

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

  c. Reviewed and approved the internal audit charter to ensure the purpose, authority and responsibility of the Internal Audit Function continue to be adequate to enable the Internal Audit Function to accomplish its purpose.

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

Audit Committee **Report**

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

f. Reviewed the status of audit assignment reported by the internal auditors to ensure that the progress was in line with the approved annual audit plan.

g. Reviewed the resource requirements for the year and assessed the performance and competency of the Internal Audit Function. A formal annual appraisal of the internal auditors was performed on 15 February 2017 where the areas reviewed covered adequacy of scope, functions, competency, resources and authority of the Internal Audit Function. The Audit Committee was satisfied that the internal auditors had discharged their duties effectively during the period under review.

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

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

- **External Audit**

a. Reviewed with the external auditors the audit planning memorandum for the financial year ended 31 March 2017 prior to the commencement of the annual audit, which outlined the audit strategy, audit materiality, scope of work, methodology and timetable, significant risks identified, areas of focus, involvement of component auditors, changes to accounting standards, regulatory requirements and the extent of compliance, as well as the proposed fees for the audit and non-audit services for the financial year under review, at the Audit Committee Meeting held on 3 November 2016. The Audit Committee recommended the proposed audit and non-audit fees for the Board's approval and the same were duly approved by the Board.

b. At the same meeting held on 3 November 2016, discussed with the external auditors on the impact of new accounting standards effective for audit reports for financial statements with financial year ended on or after 15 December 2016, including the new requirements under ISA 701 (Revised), which requires the inclusion of key audit matters in the auditors' report and ISA 720 (Revised) which deals with the auditors' responsibilities relating to other information. The external auditors had upon the Audit Committee's request, presented the preliminary identification of key audit matters based on the audit findings of the financial year ended 31 March 2016 for the Committee's deliberation.

c. Reviewed and deliberated on the external auditors' presentation of the results of their annual audit for the financial year under review and their audit report.

d. Held two (2) discussions with the external auditors without the presence of Management and executive board members on 26 May 2016 and 3 November 2016 respectively, to discuss issues requiring attention/significant matters arising from the audit. At the private sessions, the Audit Committee was informed that there was no major concern from the external auditors during the course of audit.

e. Reviewed the provision of non-audit services rendered by the external auditors to the Group, in circumstances where the auditors were best qualified and suitable to provide the required services given their comprehensive knowledge of the Group's business operations, systems and processes. In considering the nature and scope of the non-audit services, the Audit Committee was satisfied that the services were not likely to create any conflict of interest or impair the external auditors' independence and objectivity.

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

   Following the outcome of the assessment and having satisfied with the external auditors' performance, suitability and independence, the Audit Committee at its meeting held on 26 May 2017 recommended to the Board for approval of the re-appointment of Messrs Deloitte PLT as auditors of the Company. A resolution for their re-appointment will be tabled for shareholders' approval at the forthcoming annual general meeting.

- **Related Party Transactions**

  a. Reviewed the related party transaction entered into by the Group and ensured that the transaction was in the best interest of the Group, fair and reasonable, on normal commercial terms and not detrimental to the interest of the non-controlling shareholders, and that appropriate disclosures have been made in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

- **Risk Management Committee**

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

  b. Reviewed the change in the composition of the Risk Management Committee.

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

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

Audit Committee **Report**

INTERNAL AUDIT FUNCTION

The Company engaged the services of the internal audit department of Amcorp Group Berhad, a major shareholder of the Company, to perform its internal audit function. The Internal Audit Function is independent of the activities it audits and carries out its works through a risk-based approach by focusing on key risk areas. The costs incurred for the Internal Audit Function of the Group for the financial year ended 31 March 2017 was RM160,000.

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

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

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

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

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

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

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

Financial Statements

Directors' **Report**

The directors of **RCE CAPITAL BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

PRINCIPAL ACTIVITIES

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

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary company are disclosed in Note 17 to the financial statements.

FINANCIAL RESULTS

The audited results of the Group and of the Company for the financial year ended 31 March 2017 are as follows:

	The Group RM	The Company RM
Profit for the financial year	78,949,303	132,581,679

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:

	RM
In respect of financial year ended 31 March 2016:	
Final single-tier dividend of 3.50 sen per ordinary share, declared on 24 August 2016 and paid on 15 September 2016	11,477,166

The directors recommend the payment of a final single-tier dividend of 3.00 sen per ordinary share, amounting to RM10,102,197 in respect of the financial year ended 31 March 2017, which is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2018.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Note 30 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year:

(a) the Company completed the:

   (i) capital repayment of RM0.075 for each ordinary share of RM0.10 each upon payment of RM97,459,577 to its shareholders on 6 May 2016; and

   (ii) share consolidation involving the consolidation of every four (4) ordinary shares of RM0.025 each into one (1) ordinary share of RM0.10 each upon listing of and quotation for 340,952,486 ordinary shares of RM0.10 each on 26 April 2016 based on the total number of issued shares of the Company of 1,363,809,945 ordinary shares of RM0.025 each (including treasury shares).

(b) the total number of issued shares of the Company was increased from 340,952,486 to 350,712,636 by way of the issuance of 9,760,150 new ordinary shares pursuant to share options exercised.

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

There was no other issuance of shares or debentures during the financial year.

TREASURY SHARES

During the financial year:

(a) the Company repurchased 10,000 of its ordinary shares listed and quoted on the Main Market of Bursa Malaysia Securities Berhad from the open market at an average buy-back price of RM1.16 per share. The total consideration paid of RM11,685 (including transaction costs) was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act, 2016; and

(b) the Company disposed 2,124,500 units of its treasury shares for a total consideration of RM2,608,704 (including transaction costs) in the open market.

As at 31 March 2017, the number of ordinary shares in issue after the share buy-back is 336,739,911 shares. Further details are disclosed in Note 29 to the financial statements.

EMPLOYEES' SHARE SCHEME ("ESS")

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

Directors' **Report**

ESS (CONT'D)

The salient features of the ESS are disclosed in Note 37 to the financial statements.

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

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

			Number of options over ordinary shares of RM0.10* each				
Grant date	Expiry date	Exercise price per share RM	Balance as at 1.04.2016	Granted	Exercised	Cancelled	Balance as at 31.03.2017
23.06.2016	30.12.2020	0.64	-	7,940,000	(7,347,000)	(137,000)	456,000
3.02.2017	2.02.2019	1.30	-	8,689,000	(2,413,150)	(92,000)	6,183,850
			-	16,629,000	(9,760,150)	(229,000)	6,639,850

* upon effective date of the Companies Act, 2016 on 31 January 2017, the ordinary shares no longer have any par value.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

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

DIRECTORS

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

Shahman Azman
Tan Sri Mohd Zaman Khan @ Hassan Bin Rahim Khan
Dato' Che Md Nawawi Bin Ismail
Tan Bun Poo
Mahadzir bin Azizan
Soo Kim Wai
Shalina Azman
Datuk Mohamed Azmi Bin Mahmood (Appointed on 15 March 2017)

Directors' **Report**

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of directors in office at the end of the financial year in shares and 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 1.04.2016	Share Consolidated	Sold	Allotted/ Acquired	Balance as at 31.03.2017
Shares in the Company:					
Direct interest:					
Shahman Azman	1,350,000	(1,012,500)	(37,500)	-	300,000
Tan Sri Mohd Zaman Khan @ Hassan Bin Rahim Khan	300,000	(225,000)	-	-	75,000
Shalina Azman	1,800,000	(1,350,000)	-	-	450,000
Indirect interest:					
Tan Sri Mohd Zaman Khan @ Hassan Bin Rahim Khan	375,000	(281,250)	-	-	93,750

	Number of ordinary shares of RM0.50* each			
	Balance as at 1.04.2016	Allotted/ Acquired	Sold	Balance as at 31.03.2017
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Shahman Azman	649,200	237,500	-	886,700

	Number of Redeemable Convertible Preference Shares of RM0.50* each			
	Balance as at 1.04.2016	Bought	Converted	Balance as at 31.03.2017
Shares in a related company, Amcorp Properties Berhad				
Direct interest:				
Shahman Azman	475,000	-	(475,000)	-

DIRECTORS' INTERESTS (CONT'D)

	Number of options over ordinary shares of RM0.50* each			
	Balance as at 1.04.2016	Granted	Exercised	Balance as at 31.03.2017
Options in a related company, Amcorp Properties Berhad				
Shahman Azman	480,000	480,000	-	960,000

* upon effective date of the Companies Act, 2016 on 31 January 2017, the ordinary shares and redeemable convertible preference shares no longer have any par value.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of the balances and transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests as disclosed in Note 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 ESS as disclosed in Note 37 to the financial statements.

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

The insurance premium paid by the Group during the financial year amounted to RM23,890.

Directors' **Report**

HOLDING COMPANIES

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

AUDITORS

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 10 to the financial statements.

Signed on behalf of the Board, as approved by the Board in accordance with a resolution of the directors

SHAHMAN AZMAN **SOO KIM WAI**

26 May 2017

Independent Auditors' **Report**

TO THE MEMBERS OF RCE CAPITAL BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **RCE CAPITAL BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 March 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 67 to 141.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as of 31 March 2017 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' **Report**

TO THE MEMBERS OF RCE CAPITAL BERHAD

Key Audit Matters

Allowance for impairment of loans and receivables

Loans and receivables contributed to 83% of the Group's total assets where 7% of it has been impaired via both individual and collective allowances.

The allowance for impairment of loans and receivables is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management.

The Group assesses at each reporting date whether there is any objective evidence that loans and receivables are impaired based on the evaluation of collectability and ageing analysis of accounts and on management's estimate. This involves 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 loans and receivables with similar credit risk characteristics.

Individual assessment allowance is based on certain impairment indicators.

The remaining loans are then assessed for impairment on a collective basis. These loans are monitored through historical delinquency statistics.

Refer to Notes 4.2(b) and 19 to the financial statements for disclosures on allowance for impairment of loans and receivables.

How the Scope of our Audit Responded to the Key Audit Matter

We performed the below procedures to address the key audit matters in the audit:

- Assessed and tested the design and operating effectiveness of control over impairment data and calculation. These controls included those over the identification of which loans and receivables were impaired, the data transfer from the source systems to impairment model and model output to general ledger, and the calculation of impairment provision.
- Tested Information Technology ("IT") controls for impairment system and also tested the entity and business unit level controls over the end to end model processing including in relation to model build, model monitoring, the annual validation process and governance committee.
- Where impairment was individually calculated, we have tested controls over the timely identification of potentially impaired loans and receivables. We have also tested a sample of loans and receivables to ascertain whether the loss event (that is the point at which impairment is recognised) had been identified in timely manner.
- For collective impairment assessment, we involved our own IT specialist to test the aging of loans, accuracy of source data, month in-arrears computation, probability of default rate accurately mapped, loss given default computation, completeness of accounts impaired and recomputation of impairment in the application system using computer assisted audit techniques.
- Reviewed the reasonableness of the assumptions used by management for calculating probability of default (e.g. age buckets and month in-arrears).

Independent Auditors' **Report**

TO THE MEMBERS OF RCE CAPITAL BERHAD

Key Audit Matters	***How the Scope of our Audit Responded to the Key Audit Matter***
Impairment of goodwill on consolidation	
As of 31 March 2017, the Group recognised goodwill amounted to RM47,332,991 as disclosed in Note 18 to the financial statements. Significant judgement is required to determine whether the goodwill is impaired. The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit (as detailed in Note 18 to the financial statements) to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key sources of estimation uncertainty relating to impairment of goodwill are disclosed in Note 4.2(a) to the financial statements.	We performed the below procedures to address the key audit matters in the audit: • Evaluated management's budgeting process by comparing the actual results to previously forecasted results. • Reviewed assumptions used in the cash flow projections and evaluated the reasonableness of these assumptions made by management by comparing it to externally available industry, economic and financial data. • Reviewed the appropriateness of discount rate used by the management to calculate the present value of the cash flow projection. • Compared the value-in-use amount against the carrying amount of the goodwill to determine any impairment allowance required. • Performed sensitivity analyses around the key assumptions used in the cash flow projection.
Liquidity risk management	
As of 31 March 2017, the current liabilities of the Group exceeded the current assets by RM282,222,118 as a result of certain non-current liabilities have turned into current liabilities during the financial year. This gives rise to a risk of the Group's ability to meet its short-term obligations. As of 31 March 2017, the Group recorded deposits, cash and bank balances amounting to RM159,298,610 of which an amount of RM73,465,277 is assigned in favour of the trustees and pledged to licensed financial institutions. The management has prepared a liquidity risk management plan to deal with the above conditions. The Group has made disclosure on its liquidity management on Note 35(c) to the financial statements.	Our audit procedures included, amongst others: • Evaluated management assessment on the Group's ability to meet its short-term obligations. • Identified events or conditions that may cast significant doubt on the Group's ability to meet its short-term obligations. • Reviewed and evaluated the management plan to deal with the liquidity position of the Group. • Reviewed management prepared cash flows forecasts. • Assessed the adequacy of the disclosures relating to management's plan to deal with liquidity position of the Group as disclosed in Note 35(c) to the financial statements.

Independent Auditors' **Report**

TO THE MEMBERS OF RCE CAPITAL BERHAD

Other Information

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

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

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

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

Directors Responsibilities for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

Independent Auditors' **Report**

TO THE MEMBERS OF RCE CAPITAL BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 30(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 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

Deloitte PLT

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

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2019 J
Chartered Accountant

Kuala Lumpur
26 May 2017

Statements of **Comprehensive Income**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		The Group		The Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	5	223,331,499	162,386,379	135,271,657	137,381,689
Other income		9,803,864	11,852,536	262,252	232,041
Interest expense applicable to revenue	6	(61,449,932)	(47,856,048)	-	-
Directors' remuneration	7	(565,640)	(483,140)	(380,000)	(297,500)
Staff costs	8	(20,810,273)	(15,151,726)	(208,000)	-
Depreciation of plant and equipment	15	(3,900,571)	(3,856,829)	-	-
Depreciation of investment properties	16	-	(40,365)	-	-
Other expenses		(44,885,800)	(52,649,306)	(231,304)	(20,916,109)
Finance costs	9	(32,783)	(18,443)	(2,085,494)	(2,634,683)
Profit before tax	10	101,490,364	54,183,058	132,629,111	113,765,438
Income tax expense	11	(22,541,061)	(14,612,270)	(47,432)	(58,731)
Total comprehensive income for the financial year		78,949,303	39,570,788	132,581,679	113,706,707
Attributable to:					
Owners of the Company		78,949,303	39,570,788		
Earnings per ordinary share:					
Basic (sen)	13	23.92	12.33		
Diluted (sen)	13	23.82	12.33		

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

Statements of Financial Position

AS AT 31 MARCH 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
ASSETS					
Non-Current Assets					
Plant and equipment	15	9,311,912	8,367,394	-	-
Investment in subsidiary companies	17	-	-	327,283,211	327,283,211
Goodwill on consolidation	18	47,332,991	47,332,991	-	-
Loans and receivables	19	1,272,512,739	1,108,332,576	-	-
Other investments	21	2	2	2	2
Available-for-sale ("AFS") financial assets	22	-	-	-	-
Deferred tax assets	23	38,668,218	33,031,010	-	-
Total Non-Current Assets		1,367,825,862	1,197,063,973	327,283,213	327,283,213
Current Assets					
Loans and receivables	19	139,048,512	152,109,446	-	-
Trade receivables	20	5,555,777	8,267,167	-	-
Other receivables, deposits and prepaid expenses	24	30,380,130	24,541,385	248,678	269,169
Amount due from a subsidiary company	25	-	-	30,405,226	800,061
Asset held for sale	26	-	1,024,461	-	-
Deposits with licensed financial institutions	27	142,562,550	153,005,473	-	-
Cash and bank balances	27	16,736,060	14,579,930	2,301	629
Total Current Assets		334,283,029	353,527,862	30,656,205	1,069,859
Total Assets		1,702,108,891	1,550,591,835	357,939,418	328,353,072

Statements of Financial Position

AS AT 31 MARCH 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	28	38,063,703	136,380,994	38,063,703	136,380,994
Treasury shares	29	(13,352,618)	(20,166,035)	(13,352,618)	(20,166,035)
Reserves	30	416,650,344	340,321,746	332,754,145	202,793,171
Total Equity		441,361,429	456,536,705	357,465,230	319,008,130
Non-Current Liabilities					
Payables	31	8,932,394	-	-	-
Hire-purchase payables	32	877,340	247,276	-	-
Borrowings	33	633,814,327	511,633,665	-	-
Deferred tax liabilities	23	618,254	1,207,525	-	-
Total Non-Current Liabilities		644,242,315	513,088,466	-	-
Current Liabilities					
Payables and accrued expenses	31	34,660,027	44,012,888	462,652	644,562
Amount due to a subsidiary company	25	-	-	-	8,700,380
Hire-purchase payables	32	307,331	137,181	-	-
Borrowings	33	579,714,336	517,684,247	-	-
Tax liabilities		1,823,453	19,132,348	11,536	-
Total Current Liabilities		616,505,147	580,966,664	474,188	9,344,942
Total Liabilities		1,260,747,462	1,094,055,130	474,188	9,344,942
Total Equity and Liabilities		1,702,108,891	1,550,591,835	357,939,418	328,353,072

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

Statements of **Changes in Equity**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

				Non-Distributable Reserves				Distributable Reserves		
The Group	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Share Premium RM**	**Capital Redemption Reserve RM**	**Employees' Share Option Scheme RM**	**Employees' Share Scheme RM**	**Retained Earnings RM**	**Total Reserves RM**	**Total RM**
Balance as at 1 April 2015		133,400,099	(16,784,544)	63,041,401	30,902,850	5,385,109	-	350,269,339	449,598,699	566,214,254
Total comprehensive income		-	-	-	-	-	-	39,570,788	39,570,788	39,570,788
Transactions with owners										
Dividends	14	-	-	-	-	-	-	(153,918,152)	(153,918,152)	(153,918,152)
Issuance of shares pursuant to Employees' Share option Scheme ("ESOS") exercised		2,980,895	-	5,070,411	-	(3,186,158)	-	3,186,158	5,070,411	8,051,306
Cancellation of share options		-	-	-	-	(2,198,951)	-	2,198,951	-	-
Shares repurchased	29	-	(3,381,491)	-	-	-	-	-	-	(3,381,491)
Total transactions with owners		2,980,895	(3,381,491)	5,070,411	-	(5,385,109)	-	(148,533,043)	(148,847,741)	(149,248,337)
Balance as at 31 March 2016		136,380,994	(20,166,035)	68,111,812	30,902,850	-	-	241,307,084	340,321,746	456,536,705
Balance as at 1 April 2016		136,380,994	(20,166,035)	68,111,812	30,902,850	-	-	241,307,084	340,321,746	456,536,705
Total comprehensive income		-	-	-	-	-	-	78,949,303	78,949,303	78,949,303
Transactions with owners										
Dividends	14	-	-	-	-	-	-	(11,477,166)	(11,477,166)	(11,477,166)
Share options granted under Employees' Share Scheme ("ESS")		-	-	-	-	-	4,375,970	-	4,375,970	4,375,970
Issuance of shares pursuant to ESS exercised		3,968,455	-	3,870,720	-	-	(2,192,270)	2,192,270	3,870,720	7,839,175
Capital repayment		(102,285,746)	4,826,169	-	-	-	-	-	-	(97,459,577)
Cancellation of share options		-	-	-	-	-	(56,390)	56,390	-	-
Shares repurchased	29	-	(11,685)	-	-	-	-	-	-	(11,685)
Resale of treasury shares	29	-	1,998,933	609,771	-	-	-	-	609,771	2,608,704
Total transactions with owners		(98,317,291)	6,813,417	4,480,491	-	-	2,127,310	(9,228,506)	(2,620,705)	(94,124,579)
Balance as at 31 March 2017		38,063,703	(13,352,618)	72,592,303	30,902,850	-	2,127,310	311,027,881	416,650,344	441,361,429

Statements of **Changes in Equity**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

				← Non-Distributable Reserves →				Distributable Reserves		
The Company	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Share Premium RM**	**Capital Redemption Reserve RM**	**Employees' Share Option Scheme RM**	**Employees' Share Scheme RM**	**Retained Earnings RM**	**Total Reserves RM**	**Total RM**
Balance as at 1 April 2015		133,400,099	(16,784,544)	63,041,401	30,902,850	5,385,109	-	138,604,845	237,934,205	354,549,760
Total comprehensive income		-	-	-	-	-	-	113,706,707	113,706,707	113,706,707
Transactions with owners										
Dividends	14	-	-	-	-	-	-	(153,918,152)	(153,918,152)	(153,918,152)
Issuance of shares pursuant to ESOS exercised		2,980,895	-	5,070,411	-	(3,186,158)	-	3,186,158	5,070,411	8,051,306
Cancellation of share options		-	-	-	-	(2,198,951)	-	2,198,951	-	-
Shares repurchased	29	-	(3,381,491)	-	-	-	-	-	-	(3,381,491)
Total transactions with owners		2,980,895	(3,381,491)	5,070,411	-	(5,385,109)	-	(148,533,043)	(148,847,741)	(149,248,337)
Balance as at 31 March 2016		136,380,994	(20,166,035)	68,111,812	30,902,850	-	-	103,778,509	202,793,171	319,008,130
Balance as at 1 April 2016		136,380,994	(20,166,035)	68,111,812	30,902,850	-	-	103,778,509	202,793,171	319,008,130
Total comprehensive income		-	-	-	-	-	-	132,581,679	132,581,679	132,581,679
Transactions with owners										
Dividends	14	-	-	-	-	-	-	(11,477,166)	(11,477,166)	(11,477,166)
Share options granted under ESS		-	-	-	-	-	4,375,970	-	4,375,970	4,375,970
Issuance of shares pursuant to ESS exercised		3,968,455	-	3,870,720	-	-	(2,192,270)	2,192,270	3,870,720	7,839,175
Capital repayment		(102,285,746)	4,826,169	-	-	-	-	-	-	(97,459,577)
Cancellation of share options		-	-	-	-	-	(56,390)	56,390	-	-
Shares repurchased	29	-	(11,685)	-	-	-	-	-	-	(11,685)
Resale of treasury shares	29	-	1,998,933	609,771	-	-	-	-	609,771	2,608,704
Total transactions with owners		(98,317,291)	6,813,417	4,480,491	-	-	2,127,310	(9,228,506)	(2,620,705)	(94,124,579)
Balance as at 31 March 2017		38,063,703	(13,352,618)	72,592,303	30,902,850	-	2,127,310	227,131,682	332,754,145	357,465,230

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

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	101,490,364	54,183,058	132,629,111	113,765,438
Adjustments for:				
Allowances for impairment loss on:				
Receivables, net	27,131,509	30,869,906	-	-
Goodwill on consolidation	-	333,154	-	-
Investment in a subsidiary company	-	-	-	19,952,187
Share options granted under ESS	4,375,970	-	208,000	-
Depreciation of plant and equipment	3,900,571	3,856,829	-	-
Amortisation of discount on medium term notes (“MTNs”)	116,179	294,956	-	-
Finance costs	32,783	18,443	2,085,494	2,634,683
Plant and equipment written off	29,598	3,378	-	-
Depreciation of investment properties	-	40,365	-	-
Investment income	(1,775,614)	(2,131,475)	-	-
Net gain on disposal of:				
Investment property	(748,834)	(1,879,915)	-	-
Plant and equipment	-	(1,058)	-	-
Dividends income	-	-	(135,000,000)	(137,000,000)
Interest income on amounts due from subsidiary companies	-	-	(261,929)	(232,041)
Operating Profit/(Loss) Before Working Capital Changes	134,552,526	85,587,641	(339,324)	(879,733)
(Increase)/Decrease in:				
Loans and receivables	(180,346,847)	(218,918,635)	-	-
Trade receivables	4,807,499	7,141,336	-	-
Other receivables, deposits and prepaid expenses	(9,432,156)	(12,165,045)	9,261	(11,501)
Amounts due from subsidiary companies	-	-	(25,175,266)	7,791,869
(Decrease)/Increase in:				
Payables and accrued expenses	(2,155,535)	17,206,525	(181,910)	308,098
Amount due to a subsidiary company	-	-	(8,700,380)	8,000,380
Net Cash (Used In)/Generated From Operations	(52,574,513)	(121,148,178)	(34,387,619)	15,209,113
Taxes paid	(46,070,561)	(19,540,911)	(24,666)	(403,780)
Taxes refunded	-	583,809	-	77,766
Cash (Used In)/Generated From Operating Activities	(98,645,074)	(140,105,280)	(34,412,285)	14,883,099

Statements of **Cash Flows**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	1,775,614	2,131,475	-	-
Net proceeds from disposal of investment property	1,773,295	3,297,537	-	-
Proceeds from disposal of plant and equipment	-	1,110	-	-
Dividends received	-	-	135,000,000	137,000,000
Additions to plant and equipment	(1,313,396)	(1,060,410)	-	-
Net Cash Generated From Investing Activities	2,235,513	4,369,712	135,000,000	137,000,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of revolving credits	835,200,000	700,961,840	-	-
Issuance of Sukuk Murabahah ("Sukuk")	430,000,000	-	-	-
Drawdown of other borrowings	9,839,941	18,823,434	-	-
Proceeds from issuance of shares	7,839,175	8,051,306	7,839,175	8,051,306
Proceeds from resale of treasury shares	2,608,704	-	2,608,704	-
Drawdown of term loans	-	402,000,000	-	-
Repayment of revolving credits	(971,200,000)	(502,974,913)	-	-
Capital repayment	(97,459,577)	-	(97,459,577)	-
Repayment of term loans	(64,810,680)	(165,887,803)	-	-
Redemption of MTNs	(35,000,000)	(30,000,000)	-	-
Placements of deposits and cash and bank balances, net:				
Assigned in favour of the trustees	(27,188,516)	(230,778)	-	-
Pledged to licensed financial institutions	(495,733)	(17,109,639)	-	-
Repayment of other borrowings	(17,164,375)	(21,765,220)	-	-
Dividends paid	(11,477,166)	(153,918,152)	(11,477,166)	(153,918,152)
Repayment of hire-purchase payables	(208,786)	(157,352)	-	-
Finance costs paid	(32,783)	(18,443)	(2,085,494)	(2,634,683)
Shares repurchased	(11,685)	(3,381,491)	(11,685)	(3,381,491)
Net Cash Generated From/(Used In) Financing Activities	60,438,519	234,392,789	(100,586,043)	(151,883,020)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(35,971,042)	98,657,221	1,672	79
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	121,804,375	23,147,154	629	550
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 27)	85,833,333	121,804,375	2,301	629

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

Notes to the Financial Statements

31 MARCH 2017

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 26 May 2017.

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, 2016 in Malaysia.

These are the Group and the Company's first financial statements prepared in accordance with Companies Act, 2016.

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

2.1 Changes in Accounting Policies

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

Amendments to:

MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception
MFRS 12	Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception
MFRS 101	Presentation of Financial Statements – Disclosure Initiative
MFRS 116	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation
MFRS 127	Separate Financial Statements – Equity Method in Separate Financial Statements
MFRS 138	Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation

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

2.1 Changes in Accounting Policies (Cont'd)

Amendments to MFRSs classified as "Annual Improvements to MFRSs 2012 – 2014 Cycle"

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 Changes in Companies Act, 2016

The Companies Act, 2016 was enacted to replace the Companies Act, 1965 and was passed by Dewan Rakyat (House of Representative) on 4 April 2016. The Companies Act, 2016 was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the Companies Act, 2016, except for section 241 and Division 8 of Part III of the Companies Act, 2016, to be 31 January 2017.

The adoption of Companies Act, 2016 does not have any financial impact on the Group and the Company for the financial year ended 31 March 2017 as any accounting implications will only be applied prospectively. The adoption mainly affects disclosures to the annual report and financial statements for the financial year ended 31 March 2017.

2.3 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[2]
MFRS 15	Revenue from Contracts with Customers[2]
MFRS 16	Leases[3]

Amendments to:

MFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions[2]
MFRS 107	Statement of Cash Flows – Disclosure Initiative[1]
MFRS 112	Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses[1]

Clarifications to:

MFRS 15	Revenue from Contracts with Customers[2]

Amendments to MFRSs classified as "Annual Improvements to MFRSs 2014 – 2016 Cycle"[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

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

2.3 Standards, Amendments and Interpretations Issued But Not Yet Effective (Cont'd)

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.

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 owns 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (Cont'd)

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recognised as goodwill in the statements of financial position (see Note 3.9 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 and fee income from consumer financing, factoring and confirming activities, fee income from processing and administration of payroll collection, income derived from information technology ("IT") support services, rental income and investment income.

Revenue of the Company consists of administrative fees, dividend income from subsidiary companies and investment income.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue Recognition (Cont'd)

(c) Dividend income

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

(d) Fee income from consumer financing

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

(e) Rental income

Rental income is recognised on an accrual basis.

(f) Administrative fees and IT services

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

(g) Investment income

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Plant and Equipment and Depreciation

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

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

Office equipment, furniture and fittings	20%
Motor vehicles	20%
Office renovation	20%
Computers and IT equipment	25% - 50%

Work-in-progress is not depreciated until it is completed and ready for intended use.

At each reporting date, the carrying amount of an item of plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.11(d) on Impairment of Other Non-Financial Assets).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases and Hire-Purchase

(a) Classification

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

(b) Finance lease and hire-purchase

Assets acquired by way of finance 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.

3.10 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Financial Assets (Cont'd)

(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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of Assets (Cont'd)

(b) Loans and receivables (Cont'd)

(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.

(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 Non-Current Assets Classified as Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable, normally expected within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An asset classified as held for sale is not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 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.

3.14 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.

3.15 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)

3.16 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.

3.17 Income Taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 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.

3.19 Employee Benefits

(a) Short term employee benefits

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

(b) Defined contribution plan

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

(c) Share-based compensation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Employee Benefits (Cont'd)

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

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

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

3.20 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.

3.21 Share Capital and Share Issuance Expenses

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Treasury Shares

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

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

3.23 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.

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

4.2 Key Sources of Estimation Uncertainty (Cont'd)

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

(d) Fair value of borrowings

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

Notes to the
Financial Statements

31 MARCH 2017

5. REVENUE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from:				
Consumer financing	188,793,450	156,340,752	-	-
Factoring and confirming	1,010,485	2,018,619	-	-
Deposits with licensed financial institutions	181,129	242,611	-	-
	189,985,064	158,601,982	-	-
Fee income from:				
Consumer financing	28,085,968	-	-	-
Processing and administration of payroll collection	4,927,141	2,909,459	-	-
Factoring and confirming	241,766	568,778	-	-
IT support service	91,560	120,990	-	-
Administrative service to a subsidiary company	-	-	271,657	381,689
Rental income	-	185,170	-	-
Dividends income from subsidiary companies	-	-	135,000,000	137,000,000
	223,331,499	162,386,379	135,271,657	137,381,689

6. INTEREST EXPENSE APPLICABLE TO REVENUE

	The Group	
	2017 RM	2016 RM
Interest expense on:		
Term loans	33,118,202	30,429,939
Revolving credits	16,973,743	12,046,089
Sukuk	9,784,838	-
MTNs	1,343,269	4,911,281
Bank overdrafts	151,570	236,178
Bankers' acceptances	78,310	230,960
Trust receipts	-	1,601
	61,449,932	47,856,048

7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Directors of the Company:				
Non-executive directors				
- Fees	336,000	257,500	336,000	257,500
- Other emoluments	200,000	196,000	44,000	40,000
- Defined contributions	29,640	29,640	-	-
	565,640	483,140	380,000	297,500
Benefits-in-kind	82,208	73,291	-	-
Total directors' remuneration	647,848	556,431	380,000	297,500

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

During the financial year:

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

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

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

	Number of directors			
	The Group		**The Company**	
	2017	**2016**	**2017**	**2016**
Non-executive directors:				
RM50,000 and below	2	9	3	10
RM50,001 - RM100,000	4	-	4	-
RM250,001 - RM300,000	-	1	-	-
RM300,001 - RM350,000	1	-	-	-
	7	10	7	10

Notes to the
Financial Statements

31 MARCH 2017

8. STAFF COSTS

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Salaries	12,524,646	11,356,847	-	-
Share options granted under ESS	4,375,970	-	208,000	-
Defined contributions	1,498,264	1,480,936	-	-
Social security contributions	106,062	84,097	-	-
Others	2,305,331	2,229,846	-	-
	20,810,273	15,151,726	208,000	-

Staff costs include provisions that are accrued and charged to profit or loss based on expected expenditures.

Included in others are RM490,000 (2016: RM490,000) staff costs payable to a related party as disclosed in Note 25(b).

9. FINANCE COSTS

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Interest expense on:				
Hire-purchase payables	32,783	18,443	-	-
Amounts due to subsidiary companies	-	-	2,085,494	2,634,683
	32,783	18,443	2,085,494	2,634,683

10. PROFIT BEFORE TAX

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

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Bad debt recoveries	5,003,390	5,483,659	-	-
Investment income	1,775,614	2,131,475	-	-
Net gain on disposal of:				
Investment property	748,834	1,879,915	-	-
Plant and equipment	-	1,058	-	-
Realised gain on foreign exchange, net	6,973	7,041	-	-
Allowances for impairment loss on:				
Receivables, net	(27,131,509)	(30,869,906)	-	-
Goodwill on consolidation	-	(333,154)	-	-
Investment in a subsidiary company	-	-	-	(19,952,187)

10. PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Rental of:				
Premises	(729,790)	(725,487)	-	-
Warehouse	(58,836)	(41,183)	-	-
Office equipment	(45,705)	(33,042)	-	-
Disaster recovery centre	(36,000)	(36,000)	-	-
Auditors' remuneration:				
Statutory audit				
- Current year	(253,800)	(242,200)	(60,000)	(52,000)
Non-statutory audit				
- Current year	(70,000)	(80,000)	(10,000)	(20,000)
Amortisation of discount on MTNs	(116,179)	(294,956)	-	-
Plant and equipment written off	(29,598)	(3,378)	-	-
Net interest expense on amounts due to subsidiary companies	-	-	(1,823,565)	(2,402,642)

11. INCOME TAX EXPENSE

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Income tax payable:				
Current year	29,971,016	30,774,537	36,202	56,889
(Over)/Under provision in prior years	(1,203,476)	(89,230)	11,230	1,842
	28,767,540	30,685,307	47,432	58,731
Deferred tax (Note 23):				
Current year	(3,041,320)	(15,942,357)	-	-
Over provision in prior years	(3,185,159)	(130,680)	-	-
	(6,226,479)	(16,073,037)	-	-
Income tax expense	22,541,061	14,612,270	47,432	58,731

11. INCOME TAX EXPENSE (CONT'D)

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	101,490,364	54,183,058	132,629,111	113,765,438
Tax at applicable statutory tax rate of 24% (2016: 24%)	24,357,687	13,003,934	31,830,986	27,303,705
Tax effects of:				
Expenses not deductible for tax purposes	3,060,724	4,139,304	605,284	5,633,184
Income not subject to tax	(507,265)	(962,013)	(32,400,068)	(32,880,000)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	579,806	466,424	-	-
Realisation of deferred tax assets not recognised previously	(561,256)	(1,815,469)	-	-
Tax at effective tax rate	26,929,696	14,832,180	36,202	56,889
(Over)/Under provision in prior years	(1,203,476)	(89,230)	11,230	1,842
Over provision of deferred tax in prior years	(3,185,159)	(130,680)	-	-
Income tax expense	22,541,061	14,612,270	47,432	58,731

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the year of assessment 2017. The computation of deferred tax as at 31 March 2017 uses the same statutory tax rate.

12. SEGMENT INFORMATION

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

(i) Consumer financing

This segment in provision of general consumer loan financing.

(ii) Investment holding, management services and others

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

During the financial year, factoring, confirming and industrial hire purchase segment is not disclosed as a reportable segment as it no longer meets the reporting threshold under MFRS 8 Operating Segments. Accordingly, it is included in investment holding, management services and others segment.

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.

Notes to the
Financial Statements

31 MARCH 2017

12. SEGMENT INFORMATION (CONT'D)

The following tables provide segment information for the reportable segments:

The Group 2017	**Consumer financing RM**	**Investment holding, management services and others RM**	**Note**	**Total RM**
Revenue				
Total revenue	221,806,559	136,796,597		358,603,156
Inter-segment revenue	-	(135,271,657)		(135,271,657)
External revenue	221,806,559	1,524,940		223,331,499
Results				
Segment results	100,111,039	1,412,108		101,523,147
Finance costs	(32,783)	-		(32,783)
Profit before tax	100,078,256	1,412,108		101,490,364
Income tax expense	(21,940,007)	(601,054)		(22,541,061)
Profit for the financial year	78,138,249	811,054		78,949,303
Interest income including investment income	190,554,669	1,206,009		191,760,678
Interest expense applicable to revenue	61,083,829	366,103		61,449,932
Depreciation and amortisation	3,651,427	365,323		4,016,750
Other non-cash expenses/(income)	33,224,978	(1,687,901)	A	31,537,077
Other material item of income:				
Net gain on disposal of investment property	-	748,834		748,834
Statements of Financial Position				
Capital additions	4,874,687	-	B	4,874,687
Segment assets	1,646,231,343	55,877,548		1,702,108,891
Segment liabilities	1,259,487,283	1,260,179		1,260,747,462

12. SEGMENT INFORMATION (CONT'D)

The Group 2016	Consumer financing RM	Investment holding, management services and others RM	Note	Total RM
Revenue				
Total revenue	159,250,211	118,528,657		277,778,868
Inter-segment revenue	-	(115,392,489)		(115,392,489)
External revenue	159,250,211	3,136,168		162,386,379
Results				
Segment results	55,963,568	(1,762,067)		54,201,501
Finance costs	(18,443)	-		(18,443)
Profit/(Loss) before tax	55,945,125	(1,762,067)		54,183,058
Income tax expense	(13,373,074)	(1,239,196)		(14,612,270)
Profit/(Loss) for the financial year	42,572,051	(3,001,263)		39,570,788
Interest income including investment income	158,424,537	2,308,920		160,733,457
Interest expense applicable to revenue	47,146,900	709,148		47,856,048
Depreciation and amortisation	3,675,994	516,156		4,192,150
Other non-cash expenses	28,397,175	2,809,263	A	31,206,438
Other material item of income:				
Net gain on disposal of investment property	-	1,879,915		1,879,915
Statements of Financial Position				
Capital additions	1,256,241	44,169	B	1,300,410
Segment assets	1,483,436,365	67,155,470		1,550,591,835
Segment liabilities	1,084,494,848	9,560,282		1,094,055,130

Notes to the
Financial Statements

31 MARCH 2017

12. SEGMENT INFORMATION (CONT'D)

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

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

	2017 RM	2016 RM
Allowance for impairment loss on:		
Receivables, net	27,131,509	30,869,906
Goodwill on consolidation	-	333,154
Share options granted under ESS	4,375,970	-
Plant and equipment written off	29,598	3,378
	31,537,077	31,206,438

B Capital additions consist of:

	2017 RM	2016 RM
Plant and equipment (Note 15)	4,874,687	1,300,410

13. EARNINGS PER ORDINARY SHARE ("EPS")

(a) Basic EPS

	The Group	
	2017 RM	2016 RM
Profit for the financial year attributable to ordinary equity holders of the Company	78,949,303	39,570,788
Weighted average number of ordinary shares in issue:		
Balance net of treasury shares as at beginning of financial year	1,299,461,045	1,279,492,095
Effects of:		
Share consolidation	(974,595,784)	(959,619,071)
Issuance of shares pursuant to:		
ESS exercised	4,116,709	-
ESOS exercised	-	3,217,091
Resale of treasury shares	1,134,793	-
Shares repurchased	(6,247)	(2,075,923)
Balance as at end of financial year	330,110,516	321,014,192
Basic EPS (sen)	23.92	12.33

The basic EPS of the Group is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

13. EPS (CONT'D)

(a) Basic EPS (Cont'd)

The weighted average number of ordinary shares in issue for the financial year take into account the effects of share consolidation completed on 26 April 2016 and net of treasury shares.

The weighted average number of ordinary shares in issue for the previous financial year have been restated to reflect the retrospective adjustments arising from the share consolidation in accordance with MFRS 133, Earnings per Share.

(b) Diluted EPS

	The Group	
	2017 RM	**2016 RM**
Profit for the financial year attributable to ordinary equity holders of the Company	78,949,303	39,570,788
Weighted average number of ordinary shares in issue	330,110,516	321,014,192
Effects of dilution of ESS	1,279,106	-
Adjusted weighted average number of ordinary shares in issue	331,389,622	321,014,192
Diluted EPS (sen)	23.82	12.33

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

The Group had no dilution in its EPS in the previous financial year as there was no outstanding dilutive potential ordinary shares as at 31 March 2016.

14. DIVIDENDS

	Dividends recognised in financial year	
	2017 RM	**2016 RM**
Recognised during the financial year:		
Final dividend for 2015:		
1.50 sen per ordinary share under single-tier system, paid on 8 October 2015	-	19,239,769
Special interim dividend for 2016:		
10.50 sen per ordinary share under single-tier system, paid on 8 October 2015	-	134,678,383
Final dividend for 2016:		
3.50 sen per ordinary share under single-tier system, paid on 15 September 2016	11,477,166	-
	11,477,166	153,918,152

Notes to the
Financial Statements

31 MARCH 2017

14. DIVIDENDS (CONT'D)

The directors recommend the payment of a final single-tier dividend of 3.00 sen per ordinary share, amounting to RM10,102,197 in respect of the financial year ended 31 March 2017, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2018.

15. PLANT AND EQUIPMENT

The Group	Office equipment, furniture and fittings RM	Computers and IT equipment RM	Motor vehicles under hire-purchase RM	Office renovation RM	Work-in-progress RM	Total RM
Cost						
Balance as at 1 April 2015	2,003,724	14,427,874	1,039,541	1,495,324	152,833	19,119,296
Additions	275,902	249,249	262,167	164,505	348,587	1,300,410
Disposals	(45,339)	(175,883)	-	-	-	(221,222)
Write-off	(73,321)	(43,652)	-	-	-	(116,973)
Reclassification	-	92,525	-	-	(92,525)	-
Balance as at 31 March 2016/ 1 April 2016	2,160,966	14,550,113	1,301,708	1,659,829	408,895	20,081,511
Additions	60,690	458,481	1,065,593	120,800	3,169,123	4,874,687
Write-off	(409,280)	(32,792)	-	(378,777)	-	(820,849)
Reclassification	-	72,087	-	-	(72,087)	-
Balance as at 31 March 2017	1,812,376	15,047,889	2,367,301	1,401,852	3,505,931	24,135,349
Accumulated depreciation						
Balance as at 1 April 2015	1,518,893	4,905,844	695,659	1,071,657	-	8,192,053
Charge for the financial year	242,478	3,238,210	186,528	189,613	-	3,856,829
Disposals	(45,287)	(175,883)	-	-	-	(221,170)
Write-off	(69,944)	(43,651)	-	-	-	(113,595)
Balance as at 31 March 2016/ 1 April 2016	1,646,140	7,924,520	882,187	1,261,270	-	11,714,117
Charge for the financial year	225,582	3,239,178	234,279	201,532	-	3,900,571
Write-off	(398,653)	(28,676)	-	(363,922)	-	(791,251)
Balance as at 31 March 2017	1,473,069	11,135,022	1,116,466	1,098,880	-	14,823,437
Carrying amount						
Balance as at 31 March 2016	514,826	6,625,593	419,521	398,559	408,895	8,367,394
Balance as at 31 March 2017	339,307	3,912,867	1,250,835	302,972	3,505,931	9,311,912

15. PLANT AND EQUIPMENT (CONT'D)

During the financial year, the Group acquired plant and equipment at an aggregate cost of RM4,874,687 (2016: RM1,300,410) as follows:

	The Group	
	2017 RM	2016 RM
Acquired via:		
Payables	2,552,291	-
Cash payments	1,313,396	1,060,410
Hire-purchase arrangements	1,009,000	240,000
	4,874,687	1,300,410

16. INVESTMENT PROPERTIES

	The Group Leasehold buildings RM
Cost	
Balance as at 1 April 2015	3,027,390
Disposal	(1,829,190)
Transfer to asset held for sale (Note 26)	(1,198,200)
Balance as at 31 March 2016/2017	-
Accumulated depreciation	
Balance as at 1 April 2015	544,942
Charge for the financial year	40,365
Disposal	(411,568)
Transfer to asset held for sale (Note 26)	(173,739)
Balance as at 31 March 2016/2017	-
Carrying amount	
Balance as at 31 March 2016/2017	-

Notes to the
Financial Statements

31 MARCH 2017

17. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2017 RM	The Company 2016 RM
Unquoted shares, at cost	327,450,041	327,450,041
RCPS	20,000,000	20,000,000
	347,450,041	347,450,041
Less: Allowance for impairment	(20,166,830)	(20,166,830)
	327,283,211	327,283,211

Movement in allowance for impairment:

	The Company 2017 RM	The Company 2016 RM
Balance as at 1 April	20,166,830	214,643
Charge for the financial year	-	19,952,187
Balance as at 31 March	20,166,830	20,166,830

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

	Effective Ownership Interest and Voting Interest 2017 %	Effective Ownership Interest and Voting Interest 2016 %	Principal Activities
Direct subsidiary companies			
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.#	100	100	Investment holding

17. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

	Effective Ownership Interest and Voting Interest 2017 %	2016 %	Principal Activities
Indirect subsidiary companies			
EXP Payment Sdn. Bhd. ^#	100	100	Processing and administration of payroll collection
RCE Equity Sdn. Bhd. π	100	100	Property investment and provision of financial administrative services
RCE Advance Sdn. Bhd. π	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
RCE Commerce Sdn. Bhd. π	100	100	Provision of information technology
RCE Sales Sdn. Bhd. β	100	100	Provision of general loan financing services
RCE Trading Sdn. Bhd. π	100	100	Investment in securities
Tresor Assets Berhad π	100	100	In member's voluntary winding up
Mezzanine Enterprise Sdn. Bhd. *	100	100	Property investment and provision of financial administrative services
RCE Dynamics Sdn. Bhd. π	-	100	De-registered from the Companies Commission of Malaysia
Al Dzahab Assets Berhad π	100	100	A special purpose vehicle established to acquire a pool of eligible receivables from its immediate holding company and to issue Sukuk to fund the purchase of such receivables

Audited by another firm of auditors
^ Held indirectly through Strategi Interaksi Sdn. Bhd.
π Held indirectly through RCE Marketing Sdn. Bhd.
β Held indirectly through RCE Trading Sdn. Bhd.
* Held indirectly through RCE Equity Sdn. Bhd.

18. GOODWILL ON CONSOLIDATION

	The Group	
	2017	**2016**
	RM	**RM**
Goodwill on consolidation, at cost	47,843,974	47,843,974
Less: Allowance for impairment	(510,983)	(510,983)
Carrying amount	47,332,991	47,332,991

Allocation of goodwill to 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) Consumer 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:

	The Group	
	2017	**2016**
	RM	**RM**
Consumer financing	28,343,821	28,343,821
Processing and administration of payroll collection	18,989,170	18,989,170
	47,332,991	47,332,991

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

Key assumptions used in value-in-use calculations

(a) Consumer Financing

The recoverable amount of the CGU is determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculation include quantum of loan disbursements, which is based on RCEM Group's past performance and management's expectation on the growth in loans demand and the availability of funds by RCEM Group. The discount rate applied to the cash flow projections is 6.54% (2016: 6.20%) 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 6.54% (2016: 6.20%) 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

	The Group	
	2017	**2016**
	RM	**RM**
Loans and receivables, gross	1,522,346,181	1,364,626,148
Less: Allowance for impairment		
- Individual assessment	(64,337,703)	(58,520,558)
- Collective assessment	(46,447,227)	(45,663,568)
	(110,784,930)	(104,184,126)
Loans and receivables, net	1,411,561,251	1,260,442,022
Amount receivable within one year	(139,048,512)	(152,109,446)
Non-current portion	1,272,512,739	1,108,332,576

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

	The Group	
	2017	**2016**
	RM	**RM**
Amount receivables:		
Within one to two years	115,166,086	103,862,516
Within two to five years	397,483,654	302,674,955
After five years	759,862,999	701,795,105
	1,272,512,739	1,108,332,576

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 35.

19. LOANS AND RECEIVABLES (CONT'D)

Included in loans and receivables are:

	The Group	
	2017	**2016**
	RM	**RM**
Pledged to financial institutions as securities for borrowings	539,939,067	719,902,754
Held in trust for financial institutions for borrowings	259,956,095	288,777,287
Assigned in favour of trustee for borrowings	456,372,982	-
	1,256,268,144	1,008,680,041

The profile of the loans and receivables is as follows:

	The Group	
	2017	**2016**
	RM	**RM**
Performing	1,162,393,967	953,533,151
1 to 150 days past due but performing	295,614,511	352,572,439
Non-performing	64,337,703	58,520,558
	1,522,346,181	1,364,626,148

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.

19. LOANS AND RECEIVABLES (CONT'D)

Loans and receivables that are non-performing

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

	The Group	
	2017 RM	2016 RM
Loans and receivables, non-performing	64,337,703	58,520,558
Less: Allowance for impairment		
- Individual assessment	(64,337,703)	(58,520,558)
	-	-

The allowance for impairment consists of:

	The Group	
	2017 RM	2016 RM
Performing loans	46,447,227	45,663,568
Non-performing loans	64,337,703	58,520,558
	110,784,930	104,184,126

Movement in allowance for impairment:

	The Group	
	2017 RM	2016 RM
Individual assessment:		
Balance as at 1 April	58,520,558	60,199,534
Charge for the financial year	41,703,291	36,078,145
Reversal/Written back	(19,298,223)	(21,367,913)
Reclassified from collective assessment	6,038,891	5,968,677
Written off	(22,626,814)	(22,357,885)
Balance as at 31 March	64,337,703	58,520,558
Collective assessment:		
Balance as at 1 April	45,663,568	37,948,664
Charge for the financial year	6,822,550	13,683,581
Reclassified to individual assessment	(6,038,891)	(5,968,677)
Balance as at 31 March	46,447,227	45,663,568

20. TRADE RECEIVABLES

	The Group	
	2017 RM	2016 RM
Confirming receivables	4,778,003	8,851,653
Factoring receivables	4,431,814	5,890,754
	9,209,817	14,742,407
Less: Allowance for impairment	(3,654,040)	(6,475,240)
Trade receivables, net	5,555,777	8,267,167

The credit period granted by the Group ranges from 60 to 150 (2016: 60 to 150) days. The effective interest rate is at 11.54% (2016: 11.63%) per annum.

As at the reporting date, there are significant concentration of credit risk arising from the amounts due from two (2) (2016: four (4)) major customers amounting to 85.65% (2016: 71.76%) 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:

	The Group	
	2017 RM	2016 RM
Performing	5,185,911	8,244,005
Past due but performing:		
More than 90 days	369,866	23,162
Non-performing	3,654,040	6,475,240
	9,209,817	14,742,407

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 at the reporting date that the debtors will not meet their payment obligations.

None of these have been renegotiated during the financial year.

20. TRADE RECEIVABLES (CONT'D)

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 as at the reporting date are as follows:

	Individually impaired	
	2017	**2016**
	RM	**RM**
Trade receivables, non-performing	3,654,040	6,475,240
Less: Allowance for impairment	(3,654,040)	(6,475,240)
	-	-

Movement in allowance for impairment:

	The Group	
	2017	**2016**
	RM	**RM**
Balance as at 1 April	6,475,240	4,413,030
Charge for the financial year	9,232	5,443,244
Written back	(2,105,341)	(2,967,151)
Written off	(725,091)	(413,883)
Balance as at 31 March	3,654,040	6,475,240

21. OTHER INVESTMENTS

	The Group and The Company 2017 RM	2016 RM
Investments, at cost:		
Association memberships	2	2

22. AFS FINANCIAL ASSETS

	The Group 2017 RM	2016 RM
Unquoted corporate bonds, at cost	8,000,000	8,000,000
Less: Accumulated impairment losses	(8,000,000)	(8,000,000)
	-	-

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 2017 and 31 March 2016 respectively.

23. DEFERRED TAX

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

	The Group 2017 RM	2016 RM
Balance as at 1 April	31,823,485	15,750,448
Recognised in profit or loss (Note 11)	6,226,479	16,073,037
Balance as at 31 March	38,049,964	31,823,485

23. DEFERRED TAX (CONT'D)

Presented after appropriate offsetting as follows:

	The Group	
	2017	**2016**
	RM	**RM**
Deferred tax assets	38,668,218	33,031,010
Deferred tax liabilities	(618,254)	(1,207,525)
	38,049,964	31,823,485

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

Deferred tax assets of the Group:

	Loans and receivables RM	**Payables RM**	**Other temporary differences RM**	**Total RM**
Balance as at 1 April 2015	16,806,607	-	853,861	17,660,468
Recognised in profit or loss	12,216,294	2,976,378	177,870	15,370,542
Balance as at 31 March 2016	29,022,901	2,976,378	1,031,731	33,031,010
Balance as at 1 April 2016	29,022,901	2,976,378	1,031,731	33,031,010
Recognised in profit or loss	4,623,499	643,233	370,476	5,637,208
Balance as at 31 March 2017	33,646,400	3,619,611	1,402,207	38,668,218

Deferred tax liabilities of the Group:

	Plant and equipment RM
Balance as at 1 April 2015	(1,910,020)
Recognised in profit or loss	702,495
Balance as at 31 March 2016	(1,207,525)
Balance as at 1 April 2016	(1,207,525)
Recognised in profit or loss	589,271
Balance as at 31 March 2017	(618,254)

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:

	The Group	
	2017 RM	2016 RM
Unused tax losses	2,203,877	2,253,372
Unabsorbed capital allowances	4,981,290	4,854,503
	7,185,167	7,107,875

24. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	28,101,664	22,212,385	37	37
Prepaid expenses	1,568,296	1,605,662	2,250	11,511
Tax recoverable	417,552	423,426	246,391	257,621
Refundable deposits	292,618	299,912	-	-
	30,380,130	24,541,385	248,678	269,169

Included in other receivables of the Group are collections in transit from various cooperatives and corporations of RM23,599,330 (2016: RM17,290,026).

Included in refundable deposits of the Group are RM156,132 (2016: RM185,736) 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:

	The Company	
	2017 RM	2016 RM
Amounts due from/(to):		
A subsidiary company	30,405,226	800,061
A subsidiary company	-	(8,700,380)

25. RELATED PARTY TRANSACTIONS (CONT'D)

The amount due from a subsidiary company arose mainly from advances given, are unsecured, bear interest rate at 1.75% (2016: 2.78%) 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, was unsecured, bore interest rate at nil (2016: 5.57%) per annum, repayable on demand and to be settled in cash, except otherwise stated.

(a) Identities of related parties

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

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

(b) Related party disclosures

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

Name of related parties	Relationship
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
Living Development Sdn. Bhd. ("LDSB")	Subsidiary company of Amcorp Properties Berhad, a related company of the Company
AmMetLife Insurance Berhad ("ALIB")	A company in which a deemed substantial shareholder of the Company has directorship and indirect interest
AmInvestment Bank Berhad ("AIBB")	A company in which a deemed substantial shareholder and a director of the Company have substantial interest or directorship
AON Insurance Brokers (M) Sdn. Bhd. ("AIBM")	A company in which certain directors of the Company have directorship

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:

	The Company	
	2017	2016
	RM	RM
Direct subsidiary companies:		
Administrative fees receivable from:		
RCE Marketing Sdn. Bhd.	271,657	381,689
Net interest (expense)/income on amounts due (to)/from:		
RCE Marketing Sdn. Bhd.	(1,823,701)	(2,404,123)
RCE Factoring Sdn. Bhd.	136	2,199
Indirect subsidiary company:		
Interest expense on amount due to:		
Mezzanine Enterprise Sdn. Bhd.	-	718

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other related parties:				
Fees payable to AIBB:				
Placement fee	1,119,375	-	-	-
Arranger fee	300,000	-	-	-
Advisory fee	-	242,070	-	242,070
Fees payable to CVSB:				
Management fee	720,000	720,000	-	-
Staff costs	490,000	490,000	-	-
Internal audit fees	160,000	160,000	20,000	20,000
Rental payable to:				
ALIB	716,490	706,735	-	-
CVSB	36,000	36,000	-	-
Marketing expenses incurred arising from:				
Purchase of travel package from HTSB	556,842	93,256	-	-

25. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party disclosures (Cont'd)

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other related parties (Cont'd):				
Insurance premium payable to AIBM	352,177	327,135	-	-
Disposal of an investment property to LDSB	-	3,300,000	-	-
Interest expense payable to FCSB	-	1,909,918	-	-

(c) Compensation of key management personnel

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term employees' benefits	2,716,088	2,439,894	380,000	297,500
Share options granted under ESS	582,400	-	208,000	-
Defined contribution plan	321,390	304,888	-	-
	3,619,878	2,744,782	588,000	297,500

26. ASSET HELD FOR SALE

	The Group	
	2017 RM	2016 RM
Balance as at 1 April	1,024,461	-
Transfer from investment properties (Note 16)	-	1,024,461
Disposal	(1,024,461)	-
Balance as at 31 March	-	1,024,461

Mezzanine Enterprise Sdn. Bhd., a subsidiary company, entered into a Sale and Purchase Agreement with a third party purchaser for the disposal of its leasehold building for a total cash consideration of RM1,800,000 in the previous financial year.

During the financial year, the disposal is completed with a net gain of RM748,834.

Notes to the Financial Statements

31 MARCH 2017

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits with licensed financial institutions	142,562,550	153,005,473	-	-
Cash and bank balances	16,736,060	14,579,930	2,301	629
	159,298,610	167,585,403	2,301	629
Less: Deposits and cash and bank balances				
- Assigned in favour of the trustees	(44,861,941)	(17,673,425)	-	-
- Pledged to licensed financial institutions	(28,603,336)	(28,107,603)	-	-
	(73,465,277)	(45,781,028)	-	-
	85,833,333	121,804,375	2,301	629

Deposits with licensed financial institutions of the Group have a weighted average remaining maturity period of 45 (2016: 12) days. The information on weighted average effective interest rate is disclosed in Note 35.

28. SHARE CAPITAL

	The Group and The Company			
	2017	2016	2017	2016
	No. of shares of RM0.10* each		RM	RM
Issued and fully paid:				
Ordinary shares				
Balance as at 1 April	1,363,809,945	1,334,000,995	136,380,994	133,400,099
Capital repayment	(1,022,857,459)	-	(102,285,746)	-
Issuance of shares pursuant to:				
ESS exercised	9,760,150	-	3,968,455	-
ESOS exercised	-	29,808,950	-	2,980,895
Balance as at 31 March	350,712,636	1,363,809,945	38,063,703	136,380,994

* upon effective date of the Companies Act, 2016 on 31 January 2017, the ordinary shares no longer have any par value.

28. SHARE CAPITAL (CONT'D)

During the financial year:

(a) the Company completed the:

(i) capital repayment of RM0.075 for each ordinary share of RM0.10 each upon payment of RM97,459,577 to its shareholders on 6 May 2016; and

(ii) share consolidation involving the consolidation of every four (4) ordinary shares of RM0.025 each into one (1) ordinary share of RM0.10 each upon listing of and quotation for 340,952,486 ordinary shares of RM0.10 each on 26 April 2016 based on the total number of issued shares of the Company of 1,363,809,945 ordinary shares of RM0.025 each (including treasury shares).

(b) the total number of issued shares of the Company was increased from 340,952,486 to 350,712,636 by way of the issuance of 9,760,150 new ordinary shares pursuant to share options exercised.

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

In the previous financial year, the issued and paid-up shares capital of the Company was increased from RM133,400,099 to RM136,380,994 by way of the issuance of 29,808,950 ordinary shares of RM0.10 each pursuant to share options exercised.

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

29. TREASURY SHARES

The shareholders of the Company, by a resolution passed at an annual general meeting held on 24 August 2016, 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:

(a) the Company repurchased 10,000 of its issued ordinary shares from the open market. The total consideration paid of RM11,685 (including transaction costs) was financed by internally generated funds; and

(b) the Company disposed 2,124,500 units of its treasury shares for a total consideration of RM2,608,704 (including transaction costs) in the open market.

The shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

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

As at 31 March 2017, the number of ordinary shares in issue after the share buy-back is 336,739,911 shares.

Notes to the Financial Statements

31 MARCH 2017

30. RESERVES

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Non-distributable:				
Share premium	72,592,303	68,111,812	72,592,303	68,111,812
Capital redemption reserve	30,902,850	30,902,850	30,902,850	30,902,850
ESS	2,127,310	-	2,127,310	-
	105,622,463	99,014,662	105,622,463	99,014,662
Distributable:				
Retained earnings	311,027,881	241,307,084	227,131,682	103,778,509
	416,650,344	340,321,746	332,754,145	202,793,171

(a) Non-distributable:

(i) Share premium arose from the following:

	The Group and The Company 2017 RM	The Group and The Company 2016 RM
Balance as at 1 April	68,111,812	63,041,401
Issuance of shares pursuant to exercised of:		
ESS	3,870,720	-
ESOS	-	5,070,411
Resale of treasury shares	609,771	-
Balance as at 31 March	72,592,303	68,111,812

(ii) Capital redemption reserve arose from the following:

	The Group and The Company 2017 RM	The Group and The Company 2016 RM
Balance as at 1 April/31 March	30,902,850	30,902,850

30. RESERVES (CONT'D)

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

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

Subsequent to the transitional period ending 31 January 2019, any amount standing to the credit of the Group and the Company's share premium and capital redemption reserve shall be recognised as part of the Group and the Company's share capital.

(iii) ESS:

The ESS reserve represents the equity settled share options granted to eligible directors and employees. This reserve is made up of the cumulative value of services received from eligible directors and employees recorded on the grant date of share options. Details of ESS granted to eligible directors and employees are disclosed in Note 37.

(b) Distributable:

Retained earnings:

Distributable reserves are those available for distribution as dividends.

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

(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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Total retained earnings				
- Realised	272,977,917	209,483,599	227,131,682	103,778,509
- Unrealised	38,049,964	31,823,485	-	-
	311,027,881	241,307,084	227,131,682	103,778,509

Notes to the
Financial Statements

31 MARCH 2017

31. PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current				
Payables	23,078,574	36,076,510	-	-
Accrued expenses	10,433,786	6,758,711	462,652	644,562
Deposits	1,147,667	1,177,667	-	-
	34,660,027	44,012,888	462,652	644,562
Non-Current				
Payables	8,932,394	-	-	-
	43,592,421	44,012,888	462,652	644,562

Included in payables of the Group are:

(i) amount payable of RM13,127,083 (2016: RM11,743,982) in respect of certain incentive programmes entered into with corporations;

(ii) advance payments from customers amounting to RM7,284,126 (2016: RM5,930,965); and

(iii) collections received of RM1,729,470 (2016: RM8,878,108) on behalf of various cooperatives and corporations by subsidiary companies in their capacity as the collection and payment agents.

32. HIRE-PURCHASE PAYABLES

	The Group	
	2017	2016
	RM	RM
Total outstanding	1,305,115	414,372
Less: Future finance charges	(120,444)	(29,915)
Principal outstanding	1,184,671	384,457
Less: Amounts due within one year	(307,331)	(137,181)
Non-current portion	877,340	247,276

32. HIRE-PURCHASE PAYABLES (CONT'D)

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

	The Group	
	2017 RM	2016 RM
Financial years ending 31 March:		
2018	-	120,345
2019	257,376	61,536
2020	257,121	52,006
2021	228,218	13,389
2022	134,625	-
	877,340	247,276

The interest rates implicit in these hire-purchase arrangements of the Group range from 4.37% to 4.83% (2016: 4.37% to 4.72%) per annum. The Group's hire-purchase payables are secured by a charge over the assets under hire-purchase.

33. BORROWINGS

		The Group	
	Note	2017 RM	2016 RM
At amortised cost			
Secured			
Current			
Fixed rate MTNs	(a)	-	35,710,621
Term loans	(b)	306,429,391	66,363,007
Revolving credits	(c)	271,322,487	407,675,072
Bank overdrafts	(d)	-	5,486,434
Sukuk	(e)	1,351,096	-
		579,102,974	515,235,134
Non-Current			
Term loans	(b)	207,685,914	511,633,665
Sukuk	(e)	426,128,413	-
		633,814,327	511,633,665
		1,212,917,301	1,026,868,799

Notes to the **Financial Statements**

31 MARCH 2017

33. BORROWINGS (CONT'D)

	Note	The Group 2017 RM	The Group 2016 RM
Unsecured			
Current			
Bankers' acceptances	(f)	611,362	2,449,113
		1,213,528,663	1,029,317,912
Disclosed in the statements of financial position as:			
Current		579,714,336	517,684,247
Non-current		633,814,327	511,633,665
		1,213,528,663	1,029,317,912

The maturity profile of the borrowings is as follows:

	The Group 2017 RM	The Group 2016 RM
On demand or within one year	579,714,336	517,684,247
More than 1 year and less than 2 years	51,862,502	304,028,059
More than 2 years and less than 5 years	371,242,760	149,858,201
More than 5 years	210,709,065	57,747,405
	1,213,528,663	1,029,317,912

(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, nil (2016: RM40 million) out of the total RM420 million MTNs were subscribed by a subsidiary company, RCE Equity Sdn. Bhd. ("RCEE"). All outstanding MTNs have been fully redeemed during the financial year. Accordingly, the entire RM420 million MTNs Programme has been cancelled following the full redemption.

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 were as follows:

(i) The maximum issue size of the RM420 million MTNs comprised:

- RM240 million Class A MTNs;
- RM120 million Class B MTNs; and
- RM60 million Class C MTNs.

33. 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:

Tranches	Class A MTNs issue size RM'000	Class B MTNs issue size RM'000	Class C MTNs issue size RM'000	Total issue size RM'000
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
Total	240,000	120,000	60,000	420,000

(iii) Each Tranche of MTNs was sub-divided into twelve (12) series ("Series") which were 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 were set out as below:

Series	Tenure Years	Class A MTNs RM'000	Class B MTNs RM'000	Class C MTNs RM'000
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
		40,000	20,000	10,000

33. 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 bore a fixed coupon rates ranging from 6.25% to 9.00% per annum, payable semi-annually in arrears with the last coupon payment made on the respective maturity dates; and

(vii) The Class C MTNs bore 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 was 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 were 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 by the Company.

(b) Term loan 1 (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. RCEM was further granted another RM100 million facility in the financial year ended 31 March 2015.

33. BORROWINGS (CONT'D)

(b) Term loan 2 (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 33(c), for working capital purposes.

Term loans 1 and 2 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% (2016: 5.45% to 6.00%) 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 3 (Secured)

In the previous financial year, a term loan facility of RM300 million was granted to RCEM for financing its working capital purpose.

The term loan is secured against the following:

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

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

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

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

(v) An irrevocable corporate guarantee by the Company.

The said term loan bears interest rate at 6.37% (2016: 6.48%) per annum for a tenure of seven (7) years from the date of the first disbursement of term loan.

(c) Revolving credit 1 (Secured)

During the financial year ended 31 March 2009, RCEM obtained a revolving credit facility of RM30 million from a licensed financial institution for the purpose of financing the working capital of RCEM. This revolving credit facility 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. The facility limit was revised to RM27.5 million in the previous financial year and subsequently cancelled during the financial year.

33. BORROWINGS (CONT'D)

(c) Revolving credit 3 (Secured)

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

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 4.67% to 4.96% (2016: 4.85% to 5.00%) per annum.

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 2 as disclosed in Note 33(b) was granted to RCEM for the purpose of working capital. This facility limit was revised to RM50 million during the financial year ended 31 March 2014.

Revolving credit 5 and 6 (Secured)

In the previous financial year, RCEM was granted another two revolving credit facilities of RM100 million each by licensed financial institutions for working capital purposes.

Revolving credit 4 to 6 are secured against the following:

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

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

Revolving credit 5 is further secured against an irrevocable corporate guarantee by the Company.

The revolving credits bear interest at rates ranging from 4.58% to 4.83% (2016: 4.71% to 5.04%) per annum.

33. BORROWINGS (CONT'D)

(c) Revolving credit 7 (Secured)

During the financial year, a revolving credit facility of RM200 million was granted to RCEM for financing its working capital purpose.

The revolving credit is secured against the following:

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

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

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

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

(v) An irrevocable corporate guarantee by the Company.

The said revolving credit bears interest rate at 6.37% per annum.

Revolving credit 8 (Unsecured)

All revolving credit facilities of RCE Factoring Sdn. Bhd. ("RCEF") amounting to RM11.5 million (2016: RM12.5 million) are secured against a corporate guarantee by the Company. The revolving credits bear interest rate at 5.43% (2016: 5.33% to 5.50%) per annum.

(d) Bank overdraft 1 (Unsecured)

The bank overdraft facilities of RCEF amounting to RM1.7 million (2016: RM2.2 million) is secured against an irrevocable corporate guarantee by the Company.

Bank overdraft 2 (Secured)

The bank overdraft facility of RCE Synergy Sdn. Bhd. amounting to RM5.5 million was guaranteed by the Company and secured by deposits pledged with the licensed financial institution. The facility has been cancelled during the financial year.

The bank overdraft facilities bore interest rate at 4.15% (2016: 4.15%) per annum.

33. BORROWINGS (CONT'D)

(e) Sukuk (Secured)

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

During the financial year ended 31 March 2017, ADA issued three (3) tranches of Sukuk amounting to RM513.5 million, out of which RM83.5 million were subscribed by a subsidiary company, RCE Trading Sdn. Bhd.

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

The main features of the Sukuk are as follows:

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

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

(iii) Each series of the Sukuk under Class A and Class B bear fixed coupon rates ranging from 4.70% to 11.00% (2016: nil) per annum, payable semi-annually in arrears with the last coupon payment to be made on the respective maturity dates; and

(iv) The Class C Sukuk bear fixed coupon rates ranging from 18.00% to 35.00% (2016: nil) per annum and payable in full or in part upon the full redemption of Class A and Class B.

The Sukuk are secured against the following:

(i) A debenture incorporating a first fixed and floating charge over the entire undertaking, property, assets and rights, both present and future of ADA;

(ii) A first legal charge by the share trustee, over the entire issued and paid-up share capital of ADA;

(iii) An assignment of the rights, titles, benefits and interests under the eligible loans and receivables purchased by ADA; and

(iv) An assignment and charge over the designated accounts and all monies standing to the credit of the accounts of ADA.

33. BORROWINGS (CONT'D)

(f) Others (Unsecured)

All bankers' acceptances, trust receipts and bills payable amounting to RM12 million (2016: RM19 million) are secured against an irrevocable corporate guarantee by the Company.

The bankers' acceptances facilities bear interest at rates ranging from 4.86% to 5.50% (2016: 4.95% to 5.80%) per annum.

34. COMMITMENTS

(a) Capital commitments

	The Group	
	2017 RM	2016 RM
Capital expenditure in respect of plant and equipment not provided for:		
Approved and contracted for	7,929,896	484,543

(b) Operating lease commitments – as lessor

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

	The Group	
	2017 RM	2016 RM
Within one year	3,600	300
More than 1 year and less than 5 years	300	-
	3,900	300

(c) Operating lease commitments – as lessee

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

	The Group	
	2017 RM	2016 RM
Within one year	48,080	28,440
More than 1 year and less than 5 years	127,500	71,230
	175,580	99,670

35. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

The operations of the Group are subject to a variety of financial risks, including interest rate (both fair value and cash flow), credit and liquidity risks. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

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

(a) Interest rate risk

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

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

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

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

(b) Credit risk

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

(i) Consumer financing services:

The Group manages this risk by exercising adequate credit evaluation measures in its lending criteria and stringent monitoring of repayment. Exposure to credit risk is mitigated through an ongoing monitoring procedure on the repayment via salary deduction from its loans and receivables.

The Group does not have any significant concentration of credit risk due to its large number of underlying borrowers. The maximum exposure to credit risk of the Group is represented by the carrying amount of each financial asset.

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

(ii) Factoring and confirming:

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The information on significant concentration of credit risk are disclosed in Note 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.

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Irrevocable loan commitments issued on behalf of customers	1,219,680	645,161	-	-
Financial guarantee to a trustee for MTNs facility granted to a subsidiary company	-	-	-	420,000,000
Financial guarantees to licensed financial institutions for borrowing facilities granted to subsidiary companies	-	-	742,200,000	597,700,000
	1,219,680	645,161	742,200,000	1,017,700,000

As at the reporting date, the fair value of the financial guarantees are nil (2016: nil), determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

(i) The likelihood of the guaranteed party defaulting within the guaranteed period;

(ii) The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and

(iii) The estimated loss exposure if the party guaranteed were to default.

The counterparties to the financial guarantee contracts do not have a right to demand for settlement as no default events have arisen. Accordingly, financial guarantee contracts under the scope of MFRS 7 Financial Instruments: Disclosures are not included in the following interest rate and liquidity risk's maturity profile.

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

Collaterals

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

(i) Consumer financing - loans by cooperatives or corporations to their members and assignment of collection proceeds in the designated account by cooperatives

(ii) Factoring and confirming - 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 91.04% (2016: 89.65%).

(c) Liquidity risk

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

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

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

In addition, the Group plans to match its assets by converting the current into non-current liabilities in order to meet its short term obligations as and when they fall due, including raising funds from the market as evidenced from the establishment of Sukuk Programme. During the financial year, the Group successfully issued three (3) tranches of Sukuk amounting to RM513.5 million as mentioned in Note 33(e) with unutilised limit of RM386.5 million as at the reporting date.

The Group also manages its liquidity risk by maintaining a portion of its resources in deposits and balances with financial institutions amounting to RM159,298,610 as disclosed in Note 27 to meet estimated commitments arising from its financial liabilities.

35. 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 of the Company's financial instruments that are exposed to interest rate risk:

				← Maturity profile →		
The Group	**Note**	**WAEIR %**	**Total RM**	**Within 1 year RM**	**2-5 years RM**	**After 5 years RM**
2017						
Fixed rate						
Loans and receivables	19	15.36	1,411,561,251	139,048,512	512,649,740	759,862,999
Trade receivables	20	11.54	5,555,777	5,555,777	-	-
Hire-purchase payables	32	4.63	1,184,671	307,331	877,340	-
Term loans (secured)	33	5.61	280,035,158	259,663,165	20,371,993	-
Sukuk	33	5.68	427,479,509	1,351,096	232,198,543	193,929,870
Floating rate						
Deposits with licensed financial institutions	27	2.83	142,562,550	142,562,550	-	-
Term loan (secured)	33	6.37	234,080,147	46,766,226	170,534,726	16,779,195
Revolving credits	33	4.73	271,322,487	271,322,487	-	-
Other bank borrowings *	33	5.50	611,362	611,362	-	-
2016						
Fixed rate						
Loans and receivables	19	14.23	1,260,442,022	152,109,446	406,537,471	701,795,105
Trade receivables	20	11.63	8,267,167	8,267,167	-	-
Hire-purchase payables	32	4.57	384,457	137,181	247,276	-
Fixed rate MTNs	33	10.12	35,710,621	35,710,621	-	-
Term loans (secured)	33	5.62	302,545,330	24,051,406	278,493,924	-
Floating rate						
Deposits with licensed financial institutions	27	2.89	153,005,473	153,005,473	-	-
Term loan (secured)	33	6.48	275,451,342	42,311,601	175,392,336	57,747,405
Revolving credits	33	4.91	407,675,072	407,675,072	-	-
Other bank borrowings *	33	4.49	7,935,547	7,935,547	-	-

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

Notes to the
Financial Statements

31 MARCH 2017

35. FINANCIAL INSTRUMENTS (CONT'D)

(c) Interest rate and liquidity risk tables (Cont'd)

Analysis of financial instruments 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 →
2017				
Fixed rate				
Hire-purchase payables	1,305,115	355,403	949,712	-
Term loans (secured)	292,221,146	270,168,055	22,053,091	-
Sukuk	567,494,260	26,313,581	313,670,826	227,509,853
Floating rate				
Term loans (secured)	275,751,064	61,331,883	197,346,328	17,072,853
Revolving credits	271,322,487	271,322,487	-	-
Other bank borrowings *	611,362	611,362	-	-
2016				
Fixed rate				
Hire-purchase payables	414,372	151,944	262,428	-
Fixed rate MTNs	37,117,724	37,117,724	-	-
Term loans (secured)	312,945,740	30,271,524	282,674,216	-
Floating rate				
Term loans (secured)	335,780,903	60,161,779	214,852,456	60,766,668
Revolving credits	407,675,072	407,675,072	-	-
Other bank borrowings *	7,935,547	7,935,547	-	-

* 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 RM1,931,964 (2016: RM1,578,658) arising mainly as a result of a lower/higher interest expense on floating rate borrowings.

35. 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	2017 Carrying amount RM	2017 Fair value RM	2016 Carrying amount RM	2016 Fair value RM
Financial asset					
Loans and receivables	19	1,411,561,251	1,420,569,403	1,260,442,022	1,268,657,000
Financial liabilities					
Borrowings					
- Sukuk	33	427,479,509	445,629,980	-	-
- Fixed rate MTNs	33	-	-	35,710,621	36,138,484

35. 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) Short term financial instruments

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

(v) Sukuk

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

35. 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).

The Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
31 March 2017				
Financial asset				
Loans and receivables	-	-	1,420,569,403	1,420,569,403
Financial liabilities				
Borrowings				
- Sukuk	-	445,629,980	-	445,629,980
31 March 2016				
Financial asset				
Loans and receivables	-	-	1,268,657,000	1,268,657,000
Financial liabilities				
Borrowings				
- Fixed rate MTNs	-	36,138,484	-	36,138,484

36. CAPITAL MANAGEMENT

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

The Group monitors capital using a gearing ratio, which is net borrowings divided by total equity. Net borrowings are calculated as total borrowings less deposits and cash and bank balances. Total equity is calculated as share capital plus reserves as shown in the statements of financial position.

36. CAPITAL MANAGEMENT (CONT'D)

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total borrowings	1,213,528,663	1,029,317,912	-	-
Less: Deposits and cash and bank balances	(159,298,610)	(167,585,403)	(2,301)	(629)
Net borrowings	1,054,230,053	861,732,509	(2,301)	(629)
Total equity	441,361,429	456,536,705	357,465,230	319,008,130
Gearing ratio (times)	2.39	1.89	-	-

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 2017.

37. ESS

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

The salient features of the ESS are as follows:

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

(b) Not more than 10% of the total number of shares to be issued under the ESS shall be allocated to any executive director or employee, who either singly or collectively through persons connected with the executive director or employee, holds 20% or more of the issued and paid-up share capital of the Company;

(c) The eligible persons are executive directors and employees who have attained the age of 18 years, not an undischarged bankrupt and has not served a notice of resignation or received a notice of termination or subject to any disciplinary proceeding; and

(d) The option price shall be at a discount of not more than 10% of the 5 days weighted average market price of the Company's shares immediately preceding the date of offer.

37. ESS (CONT'D)

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

			Number of options over ordinary shares of RM0.10* each				
Grant date	**Expiry date**	**Exercise price per share RM**	**Balance as at 1.04.2016**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31.03.2017**
23.06.2016	30.12.2020	0.64	-	7,940,000	(7,347,000)	(137,000)	456,000
3.02.2017	2.02.2019	1.30	-	8,689,000	(2,413,150)	(92,000)	6,183,850
			-	16,629,000	(9,760,150)	(229,000)	6,639,850
Weighted average exercise price			(RM)	0.98	0.80	0.91	1.25
Weighted average share price			(RM)		1.25		
Weighted average of remaining contractual life			(days)				721

* upon effective date of the Companies Act, 2016 on 31 January 2017, the ordinary shares no longer have any par value.

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

		Grant date	
		23.06.2016	**3.02.2017**
Fair value of share options at grant dates	(RM)	0.190	0.330
Grant date share price	(RM)	0.710	1.445
Exercise price	(RM)	0.640	1.300
Expected volatility	(%)	32.94	31.06
Expected life	(days)	1,652	730
Risk free rate	(%)	3.703	3.572
Expected dividend yield	(%)	4.760	2.455

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

Statement by **Directors**

The directors of **RCE CAPITAL BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 67 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 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 30(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

26 May 2017

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 67 to 141 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 26th day of May 2017.

YAP CHOON SENG

Before me

PESURUHJAYA SUMPAH
No. : W 624
Nama : ZAHIR B. GHAZALI
MALAYSIA

6.03C, 6th Floor,
Menara Keck Seng
203, Jalan Bukit Bintang
55100 Kuala Lumpur

COMMISSIONER FOR OATHS

Analysis of **Shareholdings**

as at 30 June 2017

Issued Shares : 354,350,636 ordinary shares
Voting Rights : One (1) vote per ordinary share on a poll or one (1) vote per shareholder on show of hands

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	636	8.59	21,090	0.01
100 to 1,000	1,004	13.56	623,466	0.18
1,001 to 10,000	4,026	54.36	16,893,192	4.96
10,001 to 100,000	1,571	21.21	44,674,351	13.12
100,001 to less than 5% of issued shares	166	2.24	71,156,258	20.91
5% and above of issued shares	3	0.04	207,009,554	60.82
Total	**7,406**	**100.00**	**340,377,911**	**100.00**

THIRTY LARGEST REGISTERED SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	CEMPAKA EMPAYAR SDN BHD	130,134,554	38.23
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB FOR CEMPAKA EMPAYAR SDN BHD (PB)	56,250,000	16.53
3.	BBL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CEMPAKA EMPAYAR SDN BHD	20,625,000	6.06
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - NATIONAL TRUST FUND (I FM KENANGA)	5,704,500	1.68
5.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	3,682,700	1.08
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	2,364,800	0.69
7.	HSBC NOMINEES (ASING) SDN BHD - HSBC-FS I FOR SAMSUNG ASEAN SECURITIES MASTER INVESTMENT TRUST	2,300,000	0.68
8.	B-OK SDN BHD	2,140,000	0.63
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KNGA SML CAP FD)	1,684,700	0.49
10.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	1,574,000	0.46

Analysis of
Shareholdings
as at 30 June 2017

THIRTY LARGEST REGISTERED SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
11.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD - SSBT FUND RCEN FOR GEORGETOWN EMERGING MARKETS FUND SPC, LTD.	1,512,500	0.44
12.	YAP PHAIK KWAI	1,500,000	0.44
13.	LIEW SZE FOOK	1,315,000	0.39
14.	CHOO SHIOW CHARN	1,277,000	0.37
15.	HLB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WONG SIU CHUNG	1,148,000	0.34
16.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - CIMB COMMERCE TRUSTEE BERHAD – KENANGA MALAYSIAN INC FUND	1,128,000	0.33
17.	LOH KAM CHUIN	1,000,000	0.29
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WONG SIEW CHAN	923,400	0.27
19.	KHOO BOON CHONG	915,800	0.27
20.	THZEW BEE CHOO	900,000	0.26
21.	TENG SWEE LAN @ FONG SWEE LAN	870,000	0.26
22.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	770,000	0.23
23.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHUA MENG KEAT	758,900	0.22
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR FOO YUK WAI	757,300	0.22
25.	AZMAN BIN HASHIM	750,000	0.22
26.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR RONIE TAN CHOO SENG (MARGIN)	750,000	0.22
27.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB BANK FOR RONIE TAN CHOO SENG (MY0690)	700,000	0.21
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MYBK AM SC E)	700,000	0.21
29.	HONG WENG HWA	601,687	0.18
30.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB BANK FOR ANG KOK SEONG (M55015)	574,300	0.17
	Total	**245,312,141**	**72.07**

Analysis of **Shareholdings**
as at 30 June 2017

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
Cempaka Empayar Sdn Bhd	207,009,554	60.82	-	-
Amcorp Group Berhad	-	-	207,009,554[(1)]	60.82
Clear Goal Sdn Bhd	-	-	207,009,554[(1)]	60.82
Tan Sri Azman Hashim	750,000	0.22	207,009,554[(1)]	60.82

Note:

[(1)] *Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through shareholdings in Cempaka Empayar Sdn Bhd.*

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AND OPTIONS HELD UNDER THE EMPLOYEES' SHARE SCHEME OF THE COMPANY

Name of Directors and Chief Executive Officer	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%	No. of Options Held
Shahman Azman	300,000	0.09	-	-	-
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan	75,000	0.02	93,750[(1)]	0.03	-
Dato' Che Md Nawawi bin Ismail	-	-	-	-	-
Datuk Mohamed Azmi bin Mahmood	-	-	-	-	-
Tan Bun Poo	-	-	-	-	-
Mahadzir bin Azizan	-	-	-	-	-
Soo Kim Wai	-	-	-	-	-
Shalina Azman	450,000	0.13	-	-	-
Loh Kam Chuin (Chief Executive Officer)	1,000,000	0.29	-	-	-

Note:

[(1)] *Deemed interested by virtue of Section 59(11)(c) of the Companies Act 2016 through his son's shareholding.*

Note:
The analysis of shareholdings is based on the Record of Depositors as at 30 June 2017, net of 13,972,725 treasury shares.

DIRECTORS' SHAREHOLDINGS AND OPTIONS HELD UNDER THE EMPLOYEES' SHARE SCHEME IN AMCORP PROPERTIES BERHAD, A RELATED COMPANY

Name of Directors	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%	No. of Options Held
Shahman Azman					
- Ordinary Shares	886,700	0.15	-	-	960,000

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixty-Third Annual General Meeting of RCE Capital Berhad will be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor, Malaysia on Tuesday, 29 August 2017 at 10.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2017 together with the Reports of the Directors and Auditors thereon.

2. To declare a final single-tier dividend of 3 sen per ordinary share for the financial year ended 31 March 2017. **Resolution 1**

3. To approve the payment of Directors' fees of RM336,000 for the financial year ended 31 March 2017. **Resolution 2**

4. To approve the Directors' benefits to the Non-Executive Directors of the Company for the period from 31 January 2017 until the next Annual General Meeting of the Company to be held in 2018. **Resolution 3**

5. To re-elect the following Directors who retire pursuant to Article 106 of the Company's Articles of Association:

   (i) Mr. Soo Kim Wai **Resolution 4**

   (ii) Encik Mahadzir bin Azizan **Resolution 5**

6. To re-elect Datuk Mohamed Azmi bin Mahmood who retires pursuant to Article 93 of the Company's Articles of Association. **Resolution 6**

7. To re-appoint Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan who retires at the conclusion of the Sixty-Third Annual General Meeting of the Company as Director of the Company. **Resolution 7**

8. To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

Notice of
Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions, with or without modifications:

9. **Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

"THAT subject always to the Companies Act 2016, provisions of the Company's Articles of Association and the approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 9**

10. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.2 of the Circular to Shareholders dated 21 July 2017, provided that the transactions are in the ordinary course of business which are necessary for day-to-day operations and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company and that the aggregate value of such transactions conducted pursuant to the shareholders' mandate during the financial year be disclosed in the annual report of the Company; **Resolution 10**

AND THAT such authority conferred shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

11. **Proposed Renewal of Share Buy-Back Authority**

"THAT subject to the Companies Act 2016 ("Act"), provisions of the Articles of Association of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and any other relevant authorities, approval be and is hereby given for the Company to purchase ordinary shares in the Company as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may in their absolute discretion deem fit and expedient in the interest of the Company ("Share Buy-Back Mandate") provided that: **Resolution 11**

(i) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company at any point of time pursuant to the Share Buy-Back Mandate shall not exceed ten per centum (10%) of the total number of issued ordinary shares of the Company for the time being;

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own ordinary shares shall not exceed the retained profits of the Company based on the audited financial statements for the financial year ended 31 March 2017 of RM227,131,682;

(iii) the authority conferred by this resolution will be effective immediately upon the passing of this ordinary resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at the general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders in general meeting,

whichever is the earlier;

(iv) the shares so purchased by the Company pursuant to the Share Buy-Back Mandate be retained as treasury shares which may be distributed as dividends and/or resold on Bursa Securities and/or cancelled and/or dealt with by the Directors in the manners allowed by the Act;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as they may consider expedient or necessary to implement and give effect to the Share Buy-Back Mandate."

12. **Retention of Dato' Che Md Nawawi bin Ismail as Independent Director**

"THAT approval be and is hereby given to Dato' Che Md Nawawi bin Ismail, who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company until the conclusion of the next Annual General Meeting." **Resolution 12**

Notice of
Annual General Meeting

13. **Retention of Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan as Independent Director**

    "THAT subject to the passing of Resolution 7, approval be and is hereby given to Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan, who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company until the conclusion of the next Annual General Meeting." **Resolution 13**

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final single-tier dividend of 3 sen per ordinary share for the financial year ended 31 March 2017, if approved by the shareholders, will be paid on 20 September 2017 to depositors who are registered in the Record of Depositors at the close of business on 7 September 2017.

A depositor shall qualify for entitlement only in respect of:

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 7 September 2017 in respect of transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

JOHNSON YAP CHOON SENG (MIA 20766)
SEOW FEI SAN (MAICSA 7009732)
Secretaries

Petaling Jaya
21 July 2017

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 22 August 2017 shall be eligible to attend, speak and vote at the Sixty-Third Annual General Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy.

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

4. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of the attorney.

7. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

Explanatory Notes:

(i) The Audited Financial Statements under Agenda 1 are meant for discussion only in accordance with Section 340(1)(a) of the Companies Act 2016 and do not require shareholders' approval. Hence, this Agenda will not be put forward for voting.

(ii) **Resolution 3 - Directors' Benefits**

Pursuant to Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017, fees and benefits payable to the Directors of the Company shall be approved at a general meeting.

The proposed Resolution 3 is to seek shareholders' approval for the payment of Directors' benefits for the period from 31 January 2017 until the next Annual General Meeting of the Company to be held in 2018 ("Relevant Period"). The Directors' benefits comprise allowances and other emoluments payable to the Non-Executive Chairman and Non-Executive Directors of the Company, and the estimated total amount of Directors' benefits for the Relevant Period is expected to come up to approximately RM855,067, which is derived on the following basis:

Description	Non-Executive Chairman	Non-Executive Directors
Monthly fixed allowance	RM13,000	Not Applicable
Defined Contribution	19% of monthly fixed allowance	
Benefits-in-kind	RM23,133 per month	
Other Benefits	Directors' Liability Insurance	Directors' Liability Insurance
Meeting allowance (Independent Directors only): • Board • Board Committees	**Chairman (per meeting)** RM2,000 RM2,000	**Member (per meeting)** RM1,000 RM1,000

The monthly fixed allowance, benefits-in-kind and other emoluments are given to the Chairman of the Company in recognition of the significant roles in leadership and oversight, and the scope of responsibilities expected of him.

In determining the estimated total Directors' benefits for the Relevant Period, the size of the Board and Board Committees and the number of meetings estimated to be held during the Relevant Period based on the above remuneration structure were taken into consideration.

(iii) **Resolution 7 - Re-appointment of Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan as Director of the Company**

Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan who is above the age of 70, was re-appointed as Director of the Company at the last Annual General Meeting ("AGM") held on 24 August 2016 pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of this AGM. The Companies Act 2016 which came into force on 31 January 2017 does not have a provision on the maximum age limit of 70 years. The proposed Resolution 7, if passed, will enable Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan to continue in office as Director of the Company. He will thereafter be subject to retirement by rotation.

Notice of
Annual General Meeting

(iv) **Resolution 9 - Authority to Issue Shares Pursuant to Section 75 of the Companies Act 2016**

The Ordinary Resolution proposed under item 9 is for the purpose of seeking a renewal of the general mandate ("General Mandate") and if passed, will empower the Directors of the Company pursuant to Section 75 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new share in the Company was issued pursuant to the mandate granted to the Directors at the Sixty-Second AGM of the Company held on 24 August 2016.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to funding future investment, working capital, acquisitions or such other purposes as the Directors consider would be in the best interest of the Company.

(v) **Resolution 10 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Ordinary Resolution proposed under item 10, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to paragraph 10.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(vi) **Resolution 11 - Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution proposed under item 11, if passed, will allow the Company to purchase up to 10% of the total number of issued ordinary shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(vii) **Resolution 12 and Resolution 13 – Retention of Dato' Che Md Nawawi bin Ismail and Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan as Independent Directors**

The Ordinary Resolutions proposed under items 12 and 13, if passed, will allow Dato' Che Md Nawawi bin Ismail and Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan to be retained and to continue to act as Independent Directors of the Company. The Nomination & Remuneration ("N&R") Committee of the Company has assessed the independence of all Independent Directors including the abovenamed Directors and recommended to retain them as Independent Directors of the Company. The Board endorsed the N&R Committee's recommendation and is of the view that their retention as Independent Directors of the Company is in the best interest of the Company. Details of the Board's justification and recommendation for the retention of Dato' Che Md Nawawi and Tan Sri Mohd Zaman Khan as Independent Directors are set out in the Statement on Corporate Governance in the Annual Report 2017 on page 32.

Further information on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and the Proposed Renewal of Share Buy-Back Authority are set out in the Circular/Statement to Shareholders dated 21 July 2017 which is despatched together with the Company's Annual Report 2017.

RCE

RCE CAPITAL BERHAD
(2444-M)

FORM OF PROXY

I/We ______________________ NRIC No./Company No.: ______________________

of ______________________

being a member/members of **RCE CAPITAL BERHAD**, hereby appoint ______________________

______________________ NRIC No.: ______________________

of ______________________

or failing him/her, ______________________ NRIC No.: ______________________

of ______________________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Sixty-Third Annual General Meeting of the Company to be held at Ballroom 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor, Malaysia on Tuesday, 29 August 2017 at 10.30 a.m. and at any adjournment thereof, in the manner as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	To declare a final single-tier dividend of 3 sen per ordinary share for the financial year ended 31 March 2017.		
2.	To approve the payment of Directors' fees.		
3.	To approve the Directors' benefits.		
4.	To re-elect Mr. Soo Kim Wai as Director.		
5.	To re-elect Encik Mahadzir bin Azizan as Director.		
6.	To re-elect Datuk Mohamed Azmi bin Mahmood as Director.		
7.	To re-appoint Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan as Director.		
8.	To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	Authority to issue shares pursuant to Section 75 of the Companies Act 2016.		
10.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
11.	Proposed Renewal of Share Buy-Back Authority.		
12.	Retention of Dato' Che Md Nawawi bin Ismail as Independent Director.		
13.	Retention of Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan as Independent Director.		

Please indicate with an "X" in the spaces provided above as to how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this __________ day of ______________________, 2017.

____
Signature of Shareholder/Common Seal

Tel No. (During office hours): ______________________

No. of Shares Held		
CDS Account No.		
Proportion of holdings to be represented by each proxy	Proxy 1 %	Proxy 2 %

Notes:
1. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 22 August 2017 shall be eligible to attend, speak and vote at the Sixty-Third Annual General Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy.
3. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. A member who is an exempt authorised nominee is entitled to appoint multiple proxies for each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of the attorney.
7. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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STAMP

The Company Secretary
RCE CAPITAL BERHAD
802, 8th Floor, Block C
Kelana Square
17 Jalan SS 7/26
47301 Petaling Jaya
Selangor, Malaysia

Please fold here

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