RCE

RCE Capital Berhad (Company No. 2444-M)
Incorporated in Malaysia

Interim Financial Report
for 2nd Quarter Ended 30 September 2018

SUMMARY OF KEY FINANCIAL INFORMATION FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	RM'000	RM'000	**RM'000**	RM'000
1. Revenue	**64,964**	61,565	**128,199**	118,667
2. Profit before tax	**31,256**	29,931	**62,366**	57,313
3. Profit for the financial period	**23,452**	21,815	**46,651**	42,743
4. Profit attributable to ordinary equity holders of the Parent	**23,452**	21,815	**46,651**	42,743
5. Basic earnings per ordinary share (sen)	**6.90**	6.40	**13.71**	12.58
6. Proposed/Declared dividend per share (sen)	**4.00**	3.00	**4.00**	3.00

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7. Net assets per share attributable to ordinary equity holders of the Parent (RM)	1.60	1.52

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	RM'000	RM'000	**RM'000**	RM'000
8. Gross interest income	**2,043**	1,030	**3,785**	2,475
9. Gross interest expense	**15**	13	**29**	26

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 6 MONTHS ENDED	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	RM'000	RM'000	**RM'000**	RM'000
Revenue	**64,964**	61,565	**128,199**	118,667
Other income	**3,876**	4,141	**7,525**	7,007
Interest expense applicable to revenue	**(19,391)**	(16,935)	**(37,917)**	(34,267)
Staff costs and directors' remuneration	**(5,799)**	(7,424)	**(10,844)**	(11,564)
Depreciation of plant and equipment	**(745)**	(1,152)	**(1,478)**	(2,073)
Other expenses	**(11,634)**	(10,251)	**(23,090)**	(20,431)
Finance costs	**(15)**	(13)	**(29)**	(26)
Profit before tax	**31,256**	29,931	**62,366**	57,313
Taxation	**(7,804)**	(8,116)	**(15,715)**	(14,570)
Total comprehensive income for the financial period	**23,452**	21,815	**46,651**	42,743
Attributable to:				
Owners of the Parent	**23,452**	21,815	**46,651**	42,743
Earnings per ordinary share (sen):				
Basic	**6.90**	6.40	**13.71**	12.58
Diluted	**6.86**	6.38	**13.68**	12.54

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED STATEMENT OF FINANCIAL POSITION

	AS AT 30.09.2018 RM'000	AS AT 31.03.2018 RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	**5,054**	6,212
Goodwill on consolidation	**47,333**	47,333
Loans and receivables	**1,422,165**	1,384,993
Deferred tax assets	**42,595**	39,482
Total Non-Current Assets	**1,517,147**	1,478,020
Current Assets		
Loans and receivables	**146,946**	139,714
Trade receivables	**3,125**	3,795
Other receivables, deposits and prepaid expenses	**40,693**	40,045
Deposits with licensed financial institutions	**250,512**	169,581
Cash and bank balances	**40,977**	27,635
Total Current Assets	**482,253**	380,770
TOTAL ASSETS	**1,999,400**	1,858,790
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	**48,267**	44,676
Treasury shares	**(17,596)**	(13,353)
Reserves	**517,266**	487,950
Total Equity	**547,937**	519,273
Non-Current Liabilities		
Hire-purchase payables	**902**	959
Borrowings	**924,395**	981,608
Deferred tax liabilities	**281**	325
Total Non-Current Liabilities	**925,578**	982,892
Current Liabilities		
Dividends payable	**13,659**	-
Payables and accrued expenses	**28,992**	33,019
Hire-purchase payables	**364**	329
Borrowings	**472,033**	316,882
Tax liabilities	**10,837**	6,395
Total Current Liabilities	**525,885**	356,625
Total Liabilities	**1,451,463**	1,339,517
TOTAL EQUITY AND LIABILITIES	**1,999,400**	1,858,790
NET ASSETS PER SHARE (RM)	**1.60**	1.52

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Treasury Shares RM'000	Reserves: Share Premium RM'000	Reserves: Capital Redemption Reserve RM'000	Reserves: Employees' Share Scheme RM'000	Reserves: Retained Earnings RM'000	Total Reserves RM'000	Total RM'000
As at 1 April 2017	38,064	(13,353)	72,592	30,903	2,127	311,028	416,650	441,361
Total comprehensive income	-	-	-	-	-	42,743	42,743	42,743
Transactions with owners								
Dividends	-	-	-	-	-	(10,228)	(10,228)	(10,228)
Share options granted under Employees' Share Scheme ("ESS")	-	-	-	-	3,107	-	3,107	3,107
Issuance of shares pursuant to ESS exercised	5,743	-	-	-	(1,463)	1,463	-	5,743
Cancellation of share options	-	-	-	-	(3)	3	-	-
Total transactions with owners	5,743	-	-	-	1,641	(8,762)	(7,121)	(1,378)
As at 30 September 2017	43,807	(13,353)	72,592	30,903	3,768	345,009	452,272	482,726
As at 1 April 2018	44,676	(13,353)	72,592	30,903	3,476	380,979	487,950	519,273
Effects of adopting MFRS 9	-	-	-	-	-	(6,146)	(6,146)	(6,146)
Restated as at 1 April 2018	44,676	(13,353)	72,592	30,903	3,476	374,833	481,804	513,127
Total comprehensive income	-	-	-	-	-	46,651	46,651	46,651
Transaction with owners								
Dividends	-	-	-	-	-	(13,659)	(13,659)	(13,659)
Share options granted under ESS	-	-	-	-	2,470	-	2,470	2,470
Issuance of shares pursuant to ESS exercised	3,591	-	-	-	(826)	826	-	3,591
Cancellation of share options	-	-	-	-	(228)	228	-	-
Shares repurchased	-	(4,243)	-	-	-	-	-	(4,243)
Total transaction with owners	3,591	(4,243)	-	-	1,416	(12,605)	(11,189)	(11,841)
As at 30 September 2018	48,267	(17,596)	72,592	30,903	4,892	408,879	517,266	547,937

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER 30.09.2018 RM'000	CUMULATIVE QUARTER 30.09.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**62,366**	57,313
Adjustments for:		
Allowance for impairment loss on receivables, net	**13,662**	13,562
Share options granted	**2,470**	3,107
Depreciation of plant and equipment	**1,478**	2,073
Finance costs	**29**	26
Interest income from deposits with licensed financial institutions	**(3,785)**	(2,475)
Operating profit before working capital changes	**76,220**	73,606
(Increase)/Decrease in working capital:		
Loans and receivables	**(66,264)**	(58,684)
Trade receivables	**781**	1,491
Other receivables, deposits and prepaid expenses	**(569)**	(2,905)
(Decrease)/Increase in working capital:		
Payables and accrued expenses	**(1,994)**	500
Cash generated from operations	**8,174**	14,008
Taxes paid	**(12,514)**	(17,966)
Taxes refunded	**35**	319
Net cash used in operating activities	**(4,305)**	(3,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income from deposits with licensed financial institutions	**3,785**	2,475
Additions to plant and equipment	**(173)**	(3,828)
Net cash generated from/(used in) investing activities	**3,612**	(1,353)

CONDENSED STATEMENT OF CASH FLOWS (CONT'D)

	CUMULATIVE QUARTER 30.09.2018 RM'000	CUMULATIVE QUARTER 30.09.2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of revolving credits	**199,600**	281,000
Drawdown of term loans	**120,000**	-
Proceeds from issuance of shares	**3,591**	5,743
Drawdown of other borrowings	**1,148**	1,488
Issuance of Sukuk Murabahah ("Sukuk")	**-**	160,000
Repayment of revolving credits	**(175,600)**	(387,000)
(Placements)/Withdrawal of deposits, cash and bank balances, net:		
- assigned in favour of the trustees	**(65,421)**	(45,316)
- pledged to licensed financial institutions	**(6,992)**	3,136
Repayment of term loans	**(48,184)**	(67,623)
Shares repurchased	**(4,243)**	-
Repayment of other borrowings	**(1,148)**	(2,100)
Repayment of hire-purchase payables	**(169)**	(164)
Finance costs paid	**(29)**	(26)
Dividends paid	**-**	(10,228)
Net cash generated from/(used in) financing activities	**22,553**	(61,090)
Net change in cash and cash equivalents	**21,860**	(66,082)
Cash and cash equivalents at beginning of financial period	**14,204**	85,834
Cash and cash equivalents at end of financial period	**36,064**	19,752

CASH AND CASH EQUIVALENTS AS AT END OF FINANCIAL PERIOD COMPRISE THE FOLLOWING:

Deposits with licensed financial institutions	**250,512**	118,824
Cash and bank balances	**40,977**	16,573
	291,489	135,397
Less: Deposits, cash and bank balances		
- assigned in favour of the trustees	**(209,813)**	(90,178)
- pledged to licensed financial institutions	**(45,612)**	(25,467)
	36,064	19,752

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

1 BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report also complies with IAS 34 (Interim Financial Reporting) issued by the International Accounting Standards Board. The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2018.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 March 2018, except for the adoption of the following standards, amendments to published standards and interpretation to existing standards which are effective for the financial period commencing 1 April 2018:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments to:

MFRS 2	Share-based Payment - Classification and Measurement of Share-based Payment Transactions

Clarifications to:

MFRS 15	Revenue from Contracts with Customers

NOTES TO THE INTERIM FINANCIAL REPORT

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

MFRS 9 replaces MFRS 139 and introduces new requirements for classification and measurement of financial instruments, impairment and disclosure requirements. Retrospective application is required, but restatement of comparative information is not compulsory.

(i) Classification and measurement of financial instruments:

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

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

The application of the classification and measurement requirements is not expected to have any impact on the financial instruments, other than reclassification of certain financial assets of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) MFRS 9 (Cont'd)

(ii) Impairment:

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

For trade receivables, the Group applies the simplified approach under MFRS 9 which requires expected lifetime losses to be recognised from initial recognition.

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

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

- Stage 1: 12-months ECL - not credit impaired

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

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) MFRS 9 (Cont'd)

(ii) Impairment (Cont'd):

- Stage 2: Lifetime ECL - not credit impaired

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

- Stage 3: Lifetime ECL - credit impaired

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

(iii) Disclosure:

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

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) MFRS 9 (Cont'd)

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

Financial assets	**Original measurement category under MFRS 139**	**New measurement category under MFRS 9**
Loans and receivables	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost

The following table summarises the financial effects as at 1 April 2018:

		Effects of MFRS 9 adoption		
	As at 1 April 2018 RM'000	Reclassification and remeasurement RM'000	Impairment RM'000	Restated as at 1 April 2018 RM'000
Effects on:				
Loans and receivables	1,524,707	-	(8,019)	1,516,688
Trade receivables	3,795	-	(68)	3,727
Deferred tax assets	39,482	-	1,941	41,423
Effects on:				
Retained earnings	380,979	-	(6,146)	374,833

NOTES TO THE INTERIM FINANCIAL REPORT

3 AUDITORS' REPORT ON PRECEDING ANNUAL AUDITED FINANCIAL STATEMENTS

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

4 SEASONAL OR CYCLICAL FACTORS

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

5 UNUSUAL ITEMS

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

6 CHANGES IN ESTIMATES

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

7 DEBT AND EQUITY SECURITIES

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

(a) ESS and issuance of shares pursuant to ESS exercised

(i) the Company granted 8,516,000 options to its eligible employees of the Group at an option price of RM1.37 per share in accordance with the Bylaws of the ESS; and

(ii) the total number of issued shares of the Company was increased from 355,994,636 to 358,584,536 by way of the issuance of 2,589,900 new ordinary shares pursuant to share options exercised.

(b) Treasury shares

During the financial period ended 30 September 2018, the Company repurchased 3,143,200 of its issued ordinary shares from the open market. The total consideration paid of RM4,242,858 (including transaction costs) was financed by internally generated funds and the shares repurchased were held as treasury shares. The Company has the right to cancel, resell and/or distribute the treasury shares as dividends and/or transfer the treasury shares for the purpose of an ESS or as purchase consideration at a later date.

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

As at 30 September 2018, the number of ordinary shares in issue after new ordinary shares issued and deducting the treasury shares is 341,468,611 shares.

8 DIVIDENDS

	30.09.2018 RM'000	30.09.2017 RM'000
Recognised during the financial period:		
- Final dividend for 2017:		
3.00 sen per ordinary share under single-tier system, paid on 20 September 2017 to shareholders whose names appeared in the record of depositors on 7 September 2017	-	10,228
- Final dividend for 2018:		
4.00 sen per ordinary share under single-tier system, paid on 4 October 2018 to shareholders whose names appeared in the record of depositors on 18 September 2018	13,659	-
	13,659	10,228

On 14 November 2018, an interim single-tier dividend of 4.00 sen per ordinary share, amounting to RM13,658,744 in respect of the financial year ending 31 March 2019 was approved by the directors, payable on 13 December 2018 to shareholders whose names appeared in the record of depositors on 29 November 2018.

NOTES TO THE INTERIM FINANCIAL REPORT

9 SEGMENT INFORMATION

Segmental revenue and results for the financial period were as follows:

	Consumer Financing RM'000	Investment Holding, Management Services & Others RM'000	Group RM'000
Segment Revenue			
Total revenue	127,869	595	128,464
Inter-segment revenue	-	(265)	(265)
External revenue	127,869	330	128,199
Segment Results			
Segment results	62,896	(501)	62,395
Finance costs	(29)	-	(29)
Profit/(loss) before tax	62,867	(501)	62,366
Taxation	(15,441)	(274)	(15,715)
Profit/(loss) for the financial period	47,426	(775)	46,651
Interest income including interest income from deposits with licensed financial institutions	117,524	286	117,810
Interest expense applicable to revenue	37,914	3	37,917
Segment assets	1,945,343	54,057	1,999,400
Segment liabilities	1,437,310	14,153	1,451,463

NOTES TO THE INTERIM FINANCIAL REPORT

10 PROFIT BEFORE TAX

	INDIVIDUAL QUARTER 30.09.2018 RM'000	CUMULATIVE QUARTER 30.09.2018 RM'000
Interest income including interest income from deposits with licensed financial institutions	59,629	117,810
Allowance for impairment loss on receivables, net	7,361	13,662
Gain on foreign exchange, net:		
- Realised	-	1
- Unrealised	-	-

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

11 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

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

12 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period.

NOTES TO THE INTERIM FINANCIAL REPORT

13 REVIEW OF PERFORMANCE

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.09.2018	30.09.2017	Variance		30.09.2018	30.09.2017	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	64,964	61,565	3,399	5.5	128,199	118,667	9,532	8.0
Profit before tax	31,256	29,931	1,325	4.4	62,366	57,313	5,053	8.8
Profit for the financial period	23,452	21,815	1,637	7.5	46,651	42,743	3,908	9.1
Profit attributable to ordinary equity holders of the Parent	23,452	21,815	1,637	7.5	46,651	42,743	3,908	9.1

The Group registered a higher revenue of RM65.0 million in the current quarter as compared to RM61.6 million in the corresponding quarter, primarily contributed by higher interest income underpinned by steady growth of quality loans portfolio from its consumer financing segment.

In addition, the Group continued to record increased pre-tax profit from RM29.9 million in the corresponding quarter to RM31.3 million in the current quarter. This was mainly due to higher net interest income, lower staff costs and depreciation, partially offset by lower fee income and higher operating expenses.

Arising thereof, the Group registered a post-tax profit of RM23.5 million in the current quarter, an increase of RM1.6 million or 7.5% as compared to RM21.8 million in the corresponding quarter.

For the 6 months ended 30 September 2018, the Group also recorded a higher pre-tax profit of RM62.4 million, representing a steady growth of 8.8% from corresponding period of RM57.3 million.

NOTES TO THE INTERIM FINANCIAL REPORT

13 REVIEW OF PERFORMANCE (CONT'D)

The performance review of the respective operating business segments for the financial period ended 30 September 2018 as compared to corresponding period was as follows:

Consumer financing segment

This segment recorded an 11.0% increase in its pre-tax profit from RM56.7 million in the corresponding period to RM62.9 million, mainly driven by RM5.7 million higher net interest income in the current financial period.

Investment holding, management services and others segment

This segment recorded a pre-tax loss of RM0.5 million in the current financial period as compared to pre-tax profit of RM0.7 million in the corresponding period, which took into account of a RM1.3 million net write back of allowance for impairment loss on receivables in relation to a factoring business.

14 MATERIAL CHANGE IN RESULTS OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

	INDIVIDUAL QUARTER			
	30.09.2018	30.06.2018	Variance	
	RM'000	RM'000	RM'000	%
Revenue	64,964	63,235	1,729	2.7
Profit before tax	31,256	31,110	146	0.5
Profit for the financial period	23,452	23,199	253	1.1
Profit attributable to ordinary equity holders of the Parent	23,452	23,199	253	1.1

The Group registered a higher revenue of RM65.0 million in the current quarter, an increase of RM1.7 million from the preceding quarter of RM63.2 million. This was mainly led by higher interest and fee income from its consumer financing segment, backed by RM1.7 billion quality loans portfolio as at 30 September 2018.

NOTES TO THE INTERIM FINANCIAL REPORT

15 CURRENT YEAR PROSPECTS

We remain committed to operational efficiency, maintaining our fast turnaround time in processing applications as we tap into innovative technologies and practices to further streamline internal processes. All these are done without compromising the quality of the loans portfolio with the support of a robust credit scoring model.

In addition, RAM Ratings Services Berhad ("RAM"), the rating agency for the Group's Sukuk Murabahah Asset-Backed Securitisation Programme of RM900.0 million via a special purpose vehicle, Al Dzahab Assets Berhad, has recently upgraded the rating for Tranches 1 to 4 Class B Sukuk to AAA, from the range of AA1 to AA3 previously. Meanwhile, Tranche 5 Class B Sukuk was also upgraded to AA1 from the original grading of AA3. The upgrading by RAM was on the premise that our securitised loans portfolio is showing a better than assumed default performance, which translated into better credit support. It also reiterates our strength in the active management of our loans portfolio as we continue to emphasise on quality and responsible lending.

Following the above, the Group expects financial year ending 31 March 2019 to be profitable while being vigilant in our pursuit to sustain solid revenue stream in this challenging market.

16 PROFIT FORECAST

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

NOTES TO THE INTERIM FINANCIAL REPORT

17 TAXATION

	INDIVIDUAL QUARTER 30.09.2018 RM'000	CUMULATIVE QUARTER 30.09.2018 RM'000
Taxation:		
Current period	9,354	16,931
Deferred taxation:		
Current period	(1,550)	(1,216)
	7,804	15,715

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

18 STATUS OF CORPORATE PROPOSAL

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

NOTES TO THE INTERIM FINANCIAL REPORT

19 LOANS AND RECEIVABLES

	30.09.2018 RM'000
Loans and receivables, gross	1,701,219
Less: Allowance for impairment	(132,108)
Loans and receivables, net	1,569,111
Amount receivable within one year	(146,946)
Non-current portion	1,422,165

The profile of loans and receivables of the Group is as follows:

	30.09.2018 RM'000
Performing	1,265,001
1 to 150 days past due but performing	363,868
Non-performing	72,350
	1,701,219

NOTES TO THE INTERIM FINANCIAL REPORT

19 LOANS AND RECEIVABLES (CONT'D)

Loans and receivables that are performing

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

None of these have been renegotiated during the financial period.

Loans and receivables that are past due but performing

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

Loans and receivables that are non-performing

The Group's loans and receivables that are non-performing are as follows:

	30.09.2018
	RM'000
Loans and receivables, non-performing	72,350
Less: Allowance for impairment	(72,350)
	-

There are no loans and receivables arising from transaction with related parties during the financial period.

NOTES TO THE INTERIM FINANCIAL REPORT

19 LOANS AND RECEIVABLES (CONT'D)

Movement in allowance for impairment:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Collective assessment RM'000	Individual assessment RM'000	Total RM'000
Balance as at 1 April 2018	-	-	-	52,003	66,679	118,682
Restated for adoption of MFRS 9	46,904	5,099	66,679	(52,003)	(66,679)	-
Effects of adopting MFRS 9	4,022	3,997	-	-	-	8,019
Restated as at 1 April 2018	50,926	9,096	66,679	-	-	126,701
Changes in the ECL:						
- Transfer to stage 1	642	(1,864)	(4,263)	-	-	(5,485)
- Transfer to stage 2	(440)	2,461	(2,239)	-	-	(218)
- Transfer to stage 3	(824)	(1,398)	23,425	-	-	21,203
Net adjustment of allowance for impairment	(622)	(801)	16,923	-	-	15,500
New financial assets originated or purchased	3,665	-	-	-	-	3,665
Financial assets derecognised	(229)	(56)	(686)	-	-	(971)
Changes in risk parameters	(945)	(1,276)	(2,132)	-	-	(4,353)
Written off	-	-	(8,434)	-	-	(8,434)
Balance as at 30 September 2018	52,795	6,963	72,350	-	-	132,108

20 GROUP BORROWINGS AND DEBT SECURITIES

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

	As at 30.09.2018		
	Short Term RM'000	Long Term RM'000	Total RM'000
At amortised cost			
Secured:			
- Sukuk	102,892	665,173	768,065
- Term loans	115,902	259,222	375,124
- Revolving credits	253,239	-	253,239
	472,033	924,395	1,396,428

	As at 30.09.2017		
	Short Term RM'000	Long Term RM'000	Total RM'000
At amortised cost			
Secured:			
- Sukuk	1,838	585,354	587,192
- Term loans	268,774	177,421	446,195
- Revolving credits	165,319	-	165,319
	435,931	762,775	1,198,706

20 GROUP BORROWINGS AND DEBT SECURITIES (CONT'D)

The weighted average interest rate of the Group borrowing categories as at 30 September 2018 ranges from 5.2% to 6.3% (30.09.2017: 4.8% to 6.0%) per annum.

The Group borrowings consist of:

	30.09.2018 RM'000	30.09.2017 RM'000
Fixed rate	787,477	826,570
Floating rate	608,951	372,136
	1,396,428	1,198,706

As at 30 September 2018, the Group borrowings stood at RM1.4 billion, which included the entire five Sukuk issuances amounting to RM770.0 million, comprising 55.1% of its total facilities drawn.

The proceeds from the Sukuk issuances were previously utilised for working capital purposes and repayment of short term borrowings.

Meanwhile, the Group borrowings increased by RM197.7 million from RM1.2 billion a year ago, mainly due to net drawdown in borrowings for working capital purposes.

NOTES TO THE INTERIM FINANCIAL REPORT

21 CAPITAL COMMITMENTS

	30.09.2018 RM'000
Capital expenditure in respect of plant and equipment not provided for:	
Approved and contracted for	4,888

22 CHANGES IN CONTINGENT LIABILITIES AND ASSETS

There were no changes in contingent liabilities and assets since the last financial year ended 31 March 2018.

23 DERIVATIVES AND FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

(a) There were no derivatives as at 30 September 2018.

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

24 CHANGES IN MATERIAL LITIGATION

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

NOTES TO THE INTERIM FINANCIAL REPORT

25 EARNINGS PER SHARE ("EPS")

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.09.2018	**30.09.2017**	**30.09.2018**	**30.09.2017**
(a) Basic EPS:					
Profit for the period attributable to ordinary equity holders of the Parent	(RM'000)	23,452	21,815	46,651	42,743
Weighted average number of ordinary shares in issue	(unit'000)	340,009	340,806	340,229	339,675
Basic EPS	(sen)	6.90	6.40	13.71	12.58

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

25 EPS (CONT'D)

(b) Diluted EPS:

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.09.2018	**30.09.2017**	**30.09.2018**	**30.09.2017**
Profit for the period attributable to ordinary equity holders of the Parent	(RM'000)	23,452	21,815	46,651	42,743
Weighted average number of ordinary shares in issue	(unit'000)	340,009	340,806	340,229	339,675
Effects of dilution of ESS	(unit'000)	2,017	1,049	837	1,197
Adjusted weighted average number of ordinary shares in issue	(unit'000)	342,026	341,855	341,066	340,872
Diluted EPS	(sen)	6.86	6.38	13.68	12.54

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

NOTES TO THE INTERIM FINANCIAL REPORT

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	30.09.2018 Carrying amount RM'000	30.09.2018 Fair value RM'000
Financial assets		
Loans and receivables	1,569,111	1,593,720
Financial liabilities		
Borrowings - Sukuk	768,065	804,914

BY ORDER OF THE BOARD
JOHNSON YAP CHOON SENG
Company Secretary
14 November 2018