

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**SUMMARY OF KEY FINANCIAL INFORMATION FOR THE FINANCIAL PERIOD  
ENDED 30 JUNE 2020**

|  | INDIVIDUAL QUARTER   |   | CUMULATIVE QUARTER                                |                      |
|--|----------------------|---|---|----------------------|
|  | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000                        | 30.06.2020<br>RM'000                              | 30.06.2019<br>RM'000 |
| 1. Revenue   | <b>64,719</b>        | 66,938                                      | <b>64,719</b>                                     | 66,938               |
| 2. Profit before tax   | <b>30,586</b>        | 33,285                                      | <b>30,586</b>                                     | 33,285               |
| 3. Profit for the financial period   | <b>22,824</b>        | 24,119                                      | <b>22,824</b>                                     | 24,119               |
| 4. Profit attributable to<br>ordinary equity holders<br>of the Parent                    | <b>22,824</b>        | 24,119                                      | <b>22,824</b>                                     | 24,119               |
| 5. Basic earnings per<br>ordinary share (sen)  | <b>6.50</b>          | 7.03  | <b>6.50</b>                                       | 7.03                 |
| 6. Proposed/Declared dividend<br>per share (sen)   | -                    | -   | -   | -                    |
|  |                      | <b>AS AT END OF<br/>CURRENT<br/>QUARTER</b> | <b>AS AT PRECEDING<br/>FINANCIAL<br/>YEAR END</b> |                      |
| 7. Net assets per share attributable<br>to ordinary equity holders of<br>the Parent (RM) |                      | <b>1.92</b>                                 |   | 1.92                 |
|  |                      | <b>INDIVIDUAL QUARTER</b>                   | <b>CUMULATIVE QUARTER</b>                         |                      |
|  | <b>30.06.2020</b>    | 30.06.2019                                  | <b>30.06.2020</b>                                 | 30.06.2019           |
|  | <b>RM'000</b>        | RM'000                                      | <b>RM'000</b>                                     | RM'000               |
| 8. Gross interest/profit income  | <b>4,289</b>         | 2,807                                       | <b>4,289</b>                                      | 2,807                |
| 9. Gross interest expense  | <b>73</b>            | 13  | <b>73</b>   | 13                   |

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Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

|  | INDIVIDUAL QUARTER<br>3 MONTHS ENDED |                      | CUMULATIVE QUARTER<br>3 MONTHS ENDED |                      |
|--|--------------------------------------|----------------------|--------------------------------------|----------------------|
|  | 30.06.2020<br>RM'000                 | 30.06.2019<br>RM'000 | 30.06.2020<br>RM'000                 | 30.06.2019<br>RM'000 |
| Interest/profit income   | 61,414                               | 61,567               | 61,414                               | 61,567               |
| Other revenue  | 3,305                                | 5,371                | 3,305                                | 5,371                |
| Revenue  | 64,719                               | 66,938               | 64,719                               | 66,938               |
| Other income   | 5,618                                | 4,836                | 5,618                                | 4,836                |
| Interest/profit expense applicable to revenue  | (20,994)                             | (20,353)             | (20,994)                             | (20,353)             |
| Directors' remuneration and staff costs  | (5,695)                              | (7,529)              | (5,695)                              | (7,529)              |
| Allowances for impairment loss on<br>receivables, net  | (7,164)                              | (4,515)              | (7,164)                              | (4,515)              |
| Depreciation of plant and equipment and<br>right-of-use ("ROU") assets                           | (770)                                | (416)                | (770)                                | (416)                |
| Other expenses   | (5,055)                              | (5,663)              | (5,055)                              | (5,663)              |
| Finance costs  | (73)                                 | (13)                 | (73)                                 | (13)                 |
| <b>Profit before tax</b>   | <b>30,586</b>                        | <b>33,285</b>        | <b>30,586</b>                        | <b>33,285</b>        |
| Income tax expense   | (7,762)                              | (9,166)              | (7,762)                              | (9,166)              |
| <b>Total comprehensive income<br/>for the financial period</b>                                   | <b>22,824</b>                        | <b>24,119</b>        | <b>22,824</b>                        | <b>24,119</b>        |
| <b>Other comprehensive loss that<br/>may be reclassified subsequently<br/>to profit or loss:</b> |                                      |                      |                                      |                      |
| Foreign currency translations  | (5)                                  | (4)                  | (5)                                  | (4)                  |
| Other comprehensive loss for<br>the financial period, net of tax                                 | (5)                                  | (4)                  | (5)                                  | (4)                  |
| <b>Total comprehensive income<br/>for the financial period</b>                                   | <b>22,819</b>                        | <b>24,115</b>        | <b>22,819</b>                        | <b>24,115</b>        |
| <b>Attributable to:</b>  |                                      |                      |                                      |                      |
| Owners of the Parent   | 22,824                               | 24,119               | 22,824                               | 24,119               |
| <b>Earnings per ordinary share (sen):</b>  |                                      |                      |                                      |                      |
| Basic  | 6.50                                 | 7.03                 | 6.50                                 | 7.03                 |
| Diluted  | 6.48                                 | 7.00                 | 6.48                                 | 7.00                 |

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 2020 and the accompanying explanatory notes attached to the interim financial report.

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Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**CONDENSED STATEMENT OF FINANCIAL POSITION**

|  | AS AT<br>30.06.2020<br>RM'000 | AS AT<br>31.03.2020<br>RM'000 |
|--|-------------------------------|-------------------------------|
| <b>ASSETS</b>                                      |                               |                               |
| <b>Non-Current Assets</b>                          |                               |                               |
| Plant and equipment                                | 7,450                         | 7,299                         |
| ROU assets   | 5,518                         | 5,827                         |
| Goodwill on consolidation                          | 47,333                        | 47,333                        |
| Financing and loans receivables                    | 1,483,336                     | 1,520,055                     |
| Deferred tax assets                                | 44,282                        | 45,400                        |
| <b>Total Non-Current Assets</b>                    | <b>1,587,919</b>              | <b>1,625,914</b>              |
| <b>Current Assets</b>                              |                               |                               |
| Financing and loans receivables                    | 173,151                       | 169,860                       |
| Trade receivables                                  | 2,432                         | 3,011                         |
| Other receivables, deposits and prepaid expenses   | 38,863                        | 12,049                        |
| Deposits with licensed financial institutions      | 414,720                       | 360,739                       |
| Cash and bank balances                             | 52,635                        | 259,459                       |
| <b>Total Current Assets</b>                        | <b>681,801</b>                | <b>805,118</b>                |
| <b>TOTAL ASSETS</b>                                | <b>2,269,720</b>              | <b>2,431,032</b>              |
| <b>EQUITY AND LIABILITIES</b>                      |                               |                               |
| <b>Equity attributable to owners of the Parent</b> |                               |                               |
| Share capital                                      | 177,801                       | 172,238                       |
| Treasury shares                                    | (25,911)                      | (25,911)                      |
| Reserves   | 528,520                       | 527,037                       |
| <b>Total Equity</b>                                | <b>680,410</b>                | <b>673,364</b>                |
| <b>Non-Current Liabilities</b>                     |                               |                               |
| Payables   | 780                           | 780                           |
| Hire-purchase payables                             | 430                           | 366                           |
| Borrowings   | 1,043,744                     | 1,082,931                     |
| Lease liabilities                                  | 4,222                         | 4,416                         |
| Deferred tax liabilities                           | 1,481                         | 1,476                         |
| <b>Total Non-Current Liabilities</b>               | <b>1,050,657</b>              | <b>1,089,969</b>              |
| <b>Current Liabilities</b>                         |                               |                               |
| Dividends payable                                  | 21,336                        | -                             |
| Payables and accrued expenses                      | 25,114                        | 30,204                        |
| Hire-purchase payables                             | 261                           | 348                           |
| Borrowings   | 487,486                       | 631,467                       |
| Lease liabilities                                  | 759                           | 749                           |
| Tax liabilities                                    | 3,697                         | 4,931                         |
| <b>Total Current Liabilities</b>                   | <b>538,653</b>                | <b>667,699</b>                |
| <b>Total Liabilities</b>                           | <b>1,589,310</b>              | <b>1,757,668</b>              |
| <b>TOTAL EQUITY AND LIABILITIES</b>                | <b>2,269,720</b>              | <b>2,431,032</b>              |
| <b>NET ASSETS PER SHARE (RM)</b>                   | <b>1.92</b>                   | <b>1.92</b>                   |

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 2020 and the accompanying explanatory notes attached to the interim financial report.



**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

|   | Share<br>Capital<br>RM'000 | Treasury<br>Shares<br>RM'000 | Share<br>Premium<br>RM'000 | Capital<br>Redemption<br>Reserve<br>RM'000 | Reserves<br>Employees'<br>Share<br>Scheme<br>RM'000 | Exchange<br>Translation<br>Reserve<br>RM'000 | Retained<br>Earnings<br>RM'000 | Total<br>Reserves<br>RM'000 | Total<br>RM'000 |
|---|----------------------------|------------------------------|----------------------------|--|---|--|--------------------------------|-----------------------------|-----------------|
| <b>As at 1 April 2019</b>                                   | 154,454                    | (19,945)                     | -                          | -  | 4,060   | 1  | 444,946                        | 449,007                     | 583,516         |
| <b>Total comprehensive income</b>                           | -                          | -                            | -                          | -  | -   | (4)  | 24,119                         | 24,115                      | 24,115          |
| <b>Transactions with owners</b>                             |                            |                              |                            |  |   |  |                                |                             |                 |
| Share options granted under Employees' Share Scheme ("ESS") | -                          | -                            | -                          | -  | 2,326   | -  | -                              | 2,326                       | 2,326           |
| Issuance of shares pursuant to ESS exercised                | 5,579                      | -                            | -                          | -  | (1,259)   | -  | 1,259                          | -                           | 5,579           |
| Cancellation of share options                               | -                          | -                            | -                          | -  | (34)  | -  | 34                             | -                           | -               |
| Shares repurchased  | -                          | (1,616)                      | -                          | -  | -   | -  | -                              | -                           | (1,616)         |
| <b>Total transactions with owners</b>                       | 5,579                      | (1,616)                      | -                          | -  | 1,033   | -  | 1,293                          | 2,326                       | 6,289           |
| <b>As at 30 June 2019</b>                                   | 160,033                    | (21,561)                     | -                          | -  | 5,093   | (3)  | 470,358                        | 475,448                     | 613,920         |
| <b>As at 1 April 2020</b>                                   | 172,238                    | (25,911)                     | -                          | -  | 2,006   | 1  | 525,030                        | 527,037                     | 673,364         |
| <b>Total comprehensive income</b>                           | -                          | -                            | -                          | -  | -   | (5)  | 22,824                         | 22,819                      | 22,819          |
| <b>Transaction with owners</b>                              |                            |                              |                            |  |   |  |                                |                             |                 |
| Dividends payable   | -                          | -                            | -                          | -  | -   | -  | (21,336)                       | (21,336)                    | (21,336)        |
| Issuance of shares pursuant to ESS exercised                | 5,563                      | -                            | -                          | -  | (1,046)   | -  | 1,046                          | -                           | 5,563           |
| <b>Total transaction with owners</b>                        | 5,563                      | -                            | -                          | -  | (1,046)   | -  | (20,290)                       | (21,336)                    | (15,773)        |
| <b>As at 30 June 2020</b>                                   | 177,801                    | (25,911)                     | -                          | -  | 960   | (4)  | 527,564                        | 528,520                     | 680,410         |

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 2020 and the accompanying explanatory notes attached to the interim financial report.

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**CONDENSED STATEMENT OF CASH FLOWS**

|  | CUMULATIVE<br>QUARTER<br>30.06.2020<br>RM'000 | CUMULATIVE<br>QUARTER<br>30.06.2019<br>RM'000 |
|--|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |   |
| Profit before tax  | 30,586  | 33,285  |
| Adjustments for:   |   |   |
| Allowances for impairment loss on receivables, net                                 | 7,164   | 4,515   |
| Depreciation of plant and equipment and ROU assets                                 | 770   | 416   |
| Finance costs  | 73  | 13  |
| Share options granted under ESS  | -   | 2,326   |
| Interest/profit income from deposits with licensed financial institutions          | (4,289)                                       | (2,807)                                       |
| Lease payment incentive  | (17)  | -   |
| Net gain on disposal of plant and equipment  | -   | (1)   |
| Operating profit before working capital changes                                    | <u>34,287</u>                                 | <u>37,747</u>                                 |
| Decrease/(Increase) in working capital:  |   |   |
| Financing and loans receivables  | 26,239  | (28,303)                                      |
| Trade receivables  | 604   | 204   |
| Other receivables, deposits and prepaid expenses                                   | (24,569)                                      | 1,650   |
| Increase in working capital:   |   |   |
| Payables and accrued expenses  | 3,674   | 3,556   |
| Cash generated from operations   | <u>40,235</u>                                 | <u>14,854</u>                                 |
| Taxes paid   | (9,265)                                       | (9,212)                                       |
| Taxes refunded   | -   | 91  |
| Net cash generated from operating activities                                       | <u>30,970</u>                                 | <u>5,733</u>                                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |   |
| Interest/profit income from deposits with licensed financial institutions received | 4,289   | 2,807   |
| Net proceeds from disposal of plant and equipment                                  | -   | 1   |
| Additions to plant and equipment   | (612)   | (315)   |
| Net cash generated from investing activities                                       | <u>3,677</u>                                  | <u>2,493</u>                                  |

**CONDENSED STATEMENT OF CASH FLOWS (CONT'D)**

|   | CUMULATIVE<br>QUARTER<br>30.06.2020<br>RM'000 | CUMULATIVE<br>QUARTER<br>30.06.2019<br>RM'000 |
|---|---|---|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |   |   |
| Drawdown of revolving credits   | 30,500  | 194,500                                       |
| Proceeds from issuance of shares  | 5,563   | 5,579   |
| Drawdown of other borrowings  | 624   | -   |
| Repayment of revolving credits  | (197,000)                                     | (272,500)                                     |
| Repayment of term loans/financing   | (26,291)                                      | (34,223)                                      |
| Redemption of Sukuk Murabahah ("Sukuk")   | -   | (50,000)                                      |
| Drawdown of term loans/financing<br>(Placements)/withdrawal of deposits, cash and bank balances, net: | -   | 11,500  |
| - assigned in favour of the trustees  | (43,450)                                      | (8,406)                                       |
| - pledged to licensed financial institutions  | 9,081   | 6,001   |
| Shares repurchased  | -   | (1,616)                                       |
| Repayments of:  |   |   |
| - other borrowings  | (624)   | -   |
| - hire-purchase payables  | (23)  | (91)  |
| - lease liabilities   | (166)   | (4)   |
| Finance costs paid  | (73)  | (13)  |
| Net cash used in financing activities   | <u>(221,859)</u>                              | <u>(149,273)</u>                              |
| Net change in cash and cash equivalents   | (187,212)                                     | (141,047)                                     |
| Cash and cash equivalents at beginning of financial period  | 212,667                                       | 159,751                                       |
| Cash and cash equivalents at end of financial period  | <u>25,455</u>                                 | <u>18,704</u>                                 |
| <b>CASH AND CASH EQUIVALENTS AS AT END OF FINANCIAL PERIOD COMPRISE THE FOLLOWING:</b>                |   |   |
| Deposits with licensed financial institutions   | 414,720                                       | 309,347                                       |
| Cash and bank balances  | <u>52,635</u>                                 | <u>44,389</u>                                 |
|   | 467,355                                       | 353,736                                       |
| Less: Deposits, cash and bank balances  |   |   |
| - assigned in favour of the trustees  | (397,625)                                     | (292,956)                                     |
| - pledged to licensed financial institutions  | <u>(44,275)</u>                               | <u>(42,076)</u>                               |
|   | <u>25,455</u>                                 | <u>18,704</u>                                 |

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 2020 and the accompanying explanatory notes attached to the interim financial report.



**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

**Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**

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## **NOTES TO THE INTERIM FINANCIAL REPORT**

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### **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 ("Bursa"). It also complies with IAS 34 (Interim Financial Reporting) issued by the International Accounting Standards Board and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2020.

### **2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by the Group in this interim financial report are consistent with those of the annual audited financial statements for the financial year ended 31 March 2020, except for the following amendments to published standards which are effective for the financial period commencing 1 April 2010:

|  |                          |
|--|--------------------------|
| Revised Conceptual Framework for Financial Reporting |                          |
| Amendments to MFRS 3                                 | Definition of a Business |
| Amendments to MFRS 101<br>and MFRS 108               | Definition of Material   |

In addition, the Group has early adopted Amendments to MFRS 16 - *Leases - COVID-19 - Related Rent Concessions* in the current financial year which is effective for the financial period commencing 1 April 2021.

Adoption of the above amendments did not have any material effect to the Group.



**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

**Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**

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## **NOTES TO THE INTERIM FINANCIAL REPORT**

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### **3. AUDITORS' REPORT ON PRECEDING ANNUAL AUDITED FINANCIAL**

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 issuance of shares pursuant to share options exercised under ESS.

During the financial period ended 30 June 2020, the total number of issued shares of the Company was increased from 372,938,136 to 376,835,136 by way of the issuance of 3,897,000 new ordinary shares pursuant to share options exercised under ESS.

### **8. DIVIDENDS**

No dividend has been recommended by the Board of Directors or paid for the financial period ended 30 June 2020.





## RCE Capital Berhad

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020

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### NOTES TO THE INTERIM FINANCIAL REPORT

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#### 9. SEGMENT INFORMATION

Segmental reporting is not presented as the Group is primarily engaged in the provision of general consumer financing.

#### 10. PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at the profit before tax:

|   | <b>INDIVIDUAL<br/>QUARTER<br/>30.06.2020<br/>RM'000</b> | <b>CUMULATIVE<br/>QUARTER<br/>30.06.2020<br/>RM'000</b> |
|---|---|---|
| Allowances for impairment loss on receivables, net  | 7,164   | 7,164   |
| Profit/interest income including profit/interest income<br>from deposits with licensed financial institutions | (65,703)  | (65,703)  |
| Gain on foreign exchange, net:  |   |   |
| - Realised  | (1)   | (1)   |
| - Unrealised  | (5)   | (5)   |

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.



**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

**Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**

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**NOTES TO THE INTERIM FINANCIAL REPORT**

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**13. REVIEW OF PERFORMANCE**

|   | INDIVIDUAL/<br>CUMULATIVE<br>QUARTER |                      | Variance |       |
|---|--------------------------------------|----------------------|----------|-------|
|   | 30.06.2020<br>RM'000                 | 30.06.2019<br>RM'000 | RM'000   | %     |
| Revenue   | 64,719                               | 66,938               | (2,219)  | (3.3) |
| Profit before tax   | 30,586                               | 33,285               | (2,699)  | (8.1) |
| Profit for the financial period                                 | 22,824                               | 24,119               | (1,295)  | (5.4) |
| Profit attributable to ordinary<br>equity holders of the Parent | 22,824                               | 24,119               | (1,295)  | (5.4) |

The Group registered revenue of RM64.7 million for the current quarter as compared to corresponding quarter of RM66.9 million. The drop in revenue was primarily due to lower RM2.1m and RM1.6m net fee and early settlement profit income respectively given the restricted business activities since the Movement Control Order ("MCO") on 18 March 2020. Notwithstanding that, the drop was mitigated by the increase in profit income generated from its underlying financing base of RM1.79 billion.

Meanwhile, an additional RM2.6m allowances for impairment charge was recognised in the current quarter, taking into account the unfavourable impact arising from the further contraction of the forecasted Real Gross Domestic Product ("RGDP"), a forward looking variable used for the expected credit loss ("ECL") calculation. Accordingly, the Group posted a lower pre-tax profit of RM30.6 million in the current quarter from RM33.3 million in the corresponding quarter.

Following the above, the Group recorded a post-tax profit of RM22.8 million in the current quarter as compared to RM24.1 million in the corresponding quarter.



## RCE Capital Berhad

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020

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### NOTES TO THE INTERIM FINANCIAL REPORT

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

|  | INDIVIDUAL QUARTER |            |          | %      |
|--|--------------------|------------|----------|--------|
|  | 30.06.2020         | 31.03.2020 | Variance |        |
|  | RM'000             | RM'000     | RM'000   |        |
| Revenue  | 64,719             | 72,993     | (8,274)  | (11.3) |
| Profit before tax  | 30,586             | 37,845     | (7,259)  | (19.2) |
| Profit for the financial period                              | 22,824             | 28,324     | (5,500)  | (19.4) |
| Profit attributable to ordinary equity holders of the Parent | 22,824             | 28,324     | (5,500)  | (19.4) |

The Group generated lower revenue of RM64.7 million as compared to RM73.0 million in the preceding quarter. This was mainly due to RM4.4 million and RM2.9 million lower early settlement profit and net fee income respectively as a result of restricted business activities experienced during the current quarter.

Correspondingly, this led to a decrease in pre-tax profit from RM37.8 million in the preceding quarter to RM30.6 million in current quarter.

Overall, the Group posted a lower post-tax profit of RM22.8 million in the current quarter as compared to RM28.3 million in the preceding quarter.

#### 15. CURRENT YEAR PROSPECTS

The Group has launched sales and marketing initiatives to boost disbursements since the Recovery MCO and are encouraged by the demand in financing applications. This is complemented by other operational measures such as close monitoring of collections, customers and employees' safety as well as active cost management.

The Group will continue to recalibrate its business strategy and operations to ensure sustainability of its core business in these uncertain times. Barring any unforeseen circumstances, we expect to remain profitable for the financial year ending 31 March 2021.

#### 16. PROFIT FORECAST

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



## RCE Capital Berhad

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020

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### NOTES TO THE INTERIM FINANCIAL REPORT

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#### 17. INCOME TAX EXPENSE

|                     | INDIVIDUAL<br>QUARTER<br>30.06.2020<br>RM'000 | CUMULATIVE<br>QUARTER<br>30.06.2020<br>RM'000 |
|---------------------|---|---|
| Income tax payable: |   |   |
| Current period      | 6,639   | 6,639   |
| Deferred tax:       |   |   |
| Current period      | 1,123   | 1,123   |
|                     | <u>7,762</u>                                  | <u>7,762</u>                                  |

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 except on 16 June 2020, the Company announced its proposal to establish a new employees' share scheme comprising:

- i) an employees' share option scheme which will entitle eligible persons, upon exercise, to subscribe for new and/or existing ordinary shares in RCE ("Shares") at a specified future date at a pre-determined price; and
- ii) a restricted share grant plan which entitles eligible persons to receive new and/or existing Shares at no consideration and/or the equivalent cash value of such Shares or combination thereof, based on certain vesting conditions or performance targets to be met

collectively, of up to fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) at any point of time.

Barring any unforeseen circumstances, the Company expects to complete the proposal by the fourth quarter of the financial year ending 31 March 2021.

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**NOTES TO THE INTERIM FINANCIAL REPORT****19. FINANCING AND LOANS RECEIVABLES**

|                                   | ← As at 30.06.2020 → |               |                  |
|-----------------------------------|----------------------|---------------|------------------|
|                                   | ← Receivables →      |               |                  |
|                                   | <b>Financing</b>     | <b>Loans</b>  | <b>Total</b>     |
|                                   | <b>RM'000</b>        | <b>RM'000</b> | <b>RM'000</b>    |
| At amortised cost, gross          | 1,746,010            | 42,227        | 1,788,237        |
| Less: Allowances for impairment   | (122,077)            | (9,673)       | (131,750)        |
|                                   | <u>1,623,933</u>     | <u>32,554</u> | <u>1,656,487</u> |
| Amount receivable within one year | (160,913)            | (12,238)      | (173,151)        |
| Non-current portion               | <u>1,463,020</u>     | <u>20,316</u> | <u>1,483,336</u> |

During the financial period, there was no transaction with related parties in relation to the Group's financing and loans receivables.

Movement in allowances for impairment:

|  | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>   |
|--|----------------|----------------|----------------|----------------|
|  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| Balance as at 1 April 2020                   | 49,546         | 5,397          | 75,269         | 130,212        |
| Changes in the ECL:                          |                |                |                |                |
| - Transfer to Stage 1                        | 153            | (455)          | (964)          | (1,266)        |
| - Transfer to Stage 2                        | (256)          | 1,057          | (425)          | 376            |
| - Transfer to Stage 3                        | (460)          | (869)          | 11,595         | 10,266         |
| Net adjustment of allowances for impairment  | <u>(563)</u>   | <u>(267)</u>   | <u>10,206</u>  | <u>9,376</u>   |
| New financial assets originated or purchased | 742            | -              | -              | 742            |
| Financial assets derecognised                | (181)          | (12)           | (539)          | (732)          |
| Changes in risk parameters                   | (1,015)        | (109)          | (1,073)        | (2,197)        |
| Written off                                  | -              | -              | (5,651)        | (5,651)        |
| Balance as at 30 June 2020                   | <u>48,529</u>  | <u>5,009</u>   | <u>78,212</u>  | <u>131,750</u> |

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**NOTES TO THE INTERIM FINANCIAL REPORT****19. FINANCING AND LOANS RECEIVABLES (CONT'D)**

Forward looking adjustment incorporated into ECL:

The Group has applied the latest economic scenarios to reflect an unbiased probability-weighted range of possible future outcome and contraction of forecasted RGDP, a forward looking variable used for the ECL calculation. Accordingly, the ECL as at the end of the financial period has been adjusted to reflect the unfavourable impact and uncertainties arising from COVID-19.

**20. GROUP BORROWINGS AND DEBT SECURITIES**

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

|                          | ← As at 30.06.2020 →             |                                 |                         |
|--------------------------|----------------------------------|---------------------------------|-------------------------|
|                          | <b>Short<br/>Term<br/>RM'000</b> | <b>Long<br/>Term<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
| <b>At amortised cost</b> |                                  |                                 |                         |
| Secured:                 |                                  |                                 |                         |
| Conventional             |                                  |                                 |                         |
| - Revolving credits      | 144,148                          | -                               | 144,148                 |
| - Term loans             | 43,530                           | 17,852                          | 61,382                  |
|                          | 187,678                          | 17,852                          | 205,530                 |
| Shariah                  |                                  |                                 |                         |
| - Sukuk                  | 135,784                          | 933,219                         | 1,069,003               |
| - Revolving credits      | 112,252                          | -                               | 112,252                 |
| - Term financing         | 51,772                           | 92,673                          | 144,445                 |
|                          | 299,808                          | 1,025,892                       | 1,325,700               |
|                          | 487,486                          | 1,043,744                       | 1,531,230               |

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**NOTES TO THE INTERIM FINANCIAL REPORT****20. GROUP BORROWINGS AND DEBT SECURITIES (CONT'D)**

|                          | ← As at 30.06.2019 →    |                        |                 |
|--------------------------|-------------------------|------------------------|-----------------|
|                          | Short<br>Term<br>RM'000 | Long<br>Term<br>RM'000 | Total<br>RM'000 |
| <b>At amortised cost</b> |                         |                        |                 |
| Secured:                 |                         |                        |                 |
| Conventional             |                         |                        |                 |
| - Revolving credits      | 175,708                 | -                      | 175,708         |
| - Term loans             | 52,343                  | 46,498                 | 98,841          |
|                          | 228,051                 | 46,498                 | 274,549         |
| Shariah                  |                         |                        |                 |
| - Sukuk                  | 133,218                 | 832,684                | 965,902         |
| - Term financing         | 66,404                  | 130,858                | 197,262         |
| - Revolving credits      | 25,952                  | -                      | 25,952          |
|                          | 225,574                 | 963,542                | 1,189,116       |
|                          | 453,625                 | 1,010,040              | 1,463,665       |

The weighted average interest rate of the Group borrowing categories as at 30 June 2020 ranges from 3.7% to 5.4% (30.06.2019: 4.8% to 6.0%) per annum.

The Group borrowings consist of:

|               | 30.06.2020 | 30.06.2019 |
|---------------|------------|------------|
|               | RM'000     | RM'000     |
| Fixed rate    | 1,069,003  | 983,710    |
| Floating rate | 462,227    | 479,955    |
|               | 1,531,230  | 1,463,665  |

Group borrowing increased from RM1.46 billion a year ago to RM1.53 billion, representing an increase of RM67.6 million. The increase was primarily due to issuance of two tranches of Sukuk amounting to RM220.0 million, partially offset with RM120.0 million redemptions of Sukuk upon maturity and RM35.5 million net repayments in other borrowings.



**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

**Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**

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## **NOTES TO THE INTERIM FINANCIAL REPORT**

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### **21. CAPITAL COMMITMENTS**

|   | <b>30.06.2020</b> |
|---|-------------------|
|   | <b>RM'000</b>     |
| Capital expenditure approved and contracted for | <u>1,780</u>      |

### **22. CHANGES IN CONTINGENT LIABILITIES AND ASSETS**

The total letter of credit has decreased from RM1.2 million as at 31 March 2020 to RM0.6 million as at 30 June 2020.

Other than disclosed above, there were no other changes in contingent liabilities or assets since the last financial year ended 31 March 2020.

### **23. DERIVATIVES AND FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

- (a) There were no derivatives as at 30 June 2020.
- (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.





**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020

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**NOTES TO THE INTERIM FINANCIAL REPORT**

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**25. EARNINGS PER SHARE ("EPS")**

|  |            | INDIVIDUAL<br>QUARTER |             | CUMULATIVE<br>QUARTER |             |
|--|------------|-----------------------|-------------|-----------------------|-------------|
|  |            | 30.06.2020            | 30.06.2019  | 30.06.2020            | 30.06.2019  |
| <b>(a) Basic EPS:</b>  |            |                       |             |                       |             |
| Profit for the<br>period attributable to<br>ordinary equity holders<br>of the Parent | (RM'000)   | 22,824                | 24,119      | 22,824                | 24,119      |
| Weighted average<br>number of ordinary<br>shares in issue                            | (unit'000) | 351,071               | 342,966     | 351,071               | 342,966     |
| Basic EPS  | (sen)      | <u>6.50</u>           | <u>7.03</u> | <u>6.50</u>           | <u>7.03</u> |

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.

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**NOTES TO THE INTERIM FINANCIAL REPORT****25. EPS (CONT'D)**

|  |            | INDIVIDUAL<br>QUARTER |            | CUMULATIVE<br>QUARTER |            |
|--|------------|-----------------------|------------|-----------------------|------------|
|  |            | 30.06.2020            | 30.06.2019 | 30.06.2020            | 30.06.2019 |
| <b>(b) Diluted EPS:</b>  |            |                       |            |                       |            |
| Profit for the period<br>attributable to ordinary<br>equity holders of the<br>Parent | (RM'000)   | 22,824                | 24,119     | 22,824                | 24,119     |
| Weighted average<br>number of ordinary<br>shares in issue                            | (unit'000) | 351,071               | 342,966    | 351,071               | 342,966    |
| Effects of dilution of ESS   | (unit'000) | 1,205                 | 1,820      | 1,205                 | 1,820      |
| Adjusted weighted average<br>number of ordinary shares<br>in issue                   | (unit'000) | 352,276               | 344,786    | 352,276               | 344,786    |
| Diluted EPS  | (sen)      | 6.48                  | 7.00       | 6.48                  | 7.00       |

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.



**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

**Interim Financial Report  
for 1<sup>st</sup> Quarter Ended 30 June 2020**

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**NOTES TO THE INTERIM FINANCIAL REPORT**

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**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:

|                                 | <b>30.06.2020</b>                     |                              |
|---------------------------------|---------------------------------------|------------------------------|
|                                 | <b>Carrying<br/>amount<br/>RM'000</b> | <b>Fair value<br/>RM'000</b> |
| <b>Financial assets</b>         |                                       |                              |
| Financing and loans receivables | <u>1,656,487</u>                      | <u>1,680,631</u>             |
| <b>Financial liabilities</b>    |                                       |                              |
| Borrowings - Sukuk              | <u>1,069,003</u>                      | <u>1,152,102</u>             |

**BY ORDER OF THE BOARD  
JOHNSON YAP CHOON SENG  
Company Secretary  
18 August 2020**