

**RCE Capital Berhad**

Registration No: 195301000151 (2444-M)

Incorporated in Malaysia

Interim Financial Report
for 1st Quarter Ended 30 June 2021**SUMMARY OF KEY FINANCIAL INFORMATION FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000	
1. Revenue	78,035	64,719	78,035	64,719	
2. Profit before tax	47,250	30,586	47,250	30,586	
3. Profit for the financial period	35,387	22,824	35,387	22,824	
4. Profit attributable to ordinary equity holders of the Parent	35,387	22,824	35,387	22,824	
5. Basic earnings per ordinary share (sen)	9.81	6.50	9.81	6.50	
6. Proposed/Declared dividend per share (sen)	-	-	-	-	
		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)		2.18		2.15	
		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000	
8. Gross profit income	2,724	4,289	2,724	4,289	
9. Gross interest expense	69	73	69	73	

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	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 3 MONTHS ENDED	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Profit income	71,569	61,414	71,569	61,414
Other revenue	6,466	3,305	6,466	3,305
Revenue	78,035	64,719	78,035	64,719
Other income	4,595	5,618	4,595	5,618
Profit expense applicable to revenue	(19,835)	(20,994)	(19,835)	(20,994)
Directors' remuneration and staff costs	(6,103)	(5,695)	(6,103)	(5,695)
Allowances for impairment loss on receivables, net	(3,079)	(7,164)	(3,079)	(7,164)
Depreciation of plant and equipment and right-of-use ("ROU") assets	(830)	(770)	(830)	(770)
Other expenses	(5,464)	(5,055)	(5,464)	(5,055)
Finance costs	(69)	(73)	(69)	(73)
Profit before tax	47,250	30,586	47,250	30,586
Income tax expense	(11,863)	(7,762)	(11,863)	(7,762)
Total comprehensive income for the financial period	35,387	22,824	35,387	22,824
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:				
Foreign currency translations	1	(5)	1	(5)
Other comprehensive income/(loss) for the financial period, net of tax	1	(5)	1	(5)
Total comprehensive income for the financial period	35,388	22,819	35,388	22,819
Attributable to:				
Owners of the Parent	35,387	22,824	35,387	22,824
Earnings per ordinary share (sen):				
Basic	9.81	6.50	9.81	6.50
Diluted	9.76	6.48	9.76	6.48

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 2021 and the accompanying explanatory notes attached to the interim financial report.

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	AS AT 30.06.2021 RM'000	AS AT 31.03.2021 RM'000
ASSETS		
Non-Current Assets		
Plant and equipment	7,401	7,316
ROU assets	4,483	4,793
Goodwill on consolidation	47,333	47,333
Financing receivables	1,539,785	1,535,157
Deferred tax assets	42,113	43,181
Total Non-Current Assets	1,641,115	1,637,780
Current Assets		
Financing receivables	190,228	186,023
Trade receivables	55,748	54,207
Other receivables, deposits and prepaid expenses	15,037	14,795
Deposits with licensed financial institutions	639,528	570,983
Cash and bank balances	34,996	26,918
Total Current Assets	935,537	852,926
TOTAL ASSETS	2,576,652	2,490,706
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	191,226	188,026
Treasury shares	(25,911)	(25,911)
Reserves	621,815	611,916
Total Equity	787,130	774,031
Non-Current Liabilities		
Payables and accrued expenses	1,617	1,695
Hire-purchase payables	239	307
Financing liabilities	1,124,076	1,143,782
Lease liabilities	3,422	3,628
Deferred tax liabilities	1,249	1,221
Total Non-Current Liabilities	1,130,603	1,150,633
Current Liabilities		
Dividends payable	25,489	-
Payables and accrued expenses	27,190	29,292
Hire-purchase payables	319	341
Financing liabilities	594,104	526,837
Lease liabilities	804	792
Tax liabilities	11,013	8,780
Total Current Liabilities	658,919	566,042
Total Liabilities	1,789,522	1,716,675
TOTAL EQUITY AND LIABILITIES	2,576,652	2,490,706
NET ASSETS PER SHARE (RM)	2.18	2.15

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 2021 and the accompanying explanatory notes attached to the interim financial report.

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	Share Capital RM'000	Treasury Shares RM'000	← Employees' Share Scheme RM'000	Reserves Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total Reserves RM'000	Total RM'000
As at 1 April 2020	172,238	(25,911)	2,006	1	525,030	527,037	673,364
Total comprehensive (loss)/income	-	-	-	(5)	22,824	22,819	22,819
Transactions with owners							
Dividend declared	-	-	-	-	(21,336)	(21,336)	(21,336)
Issuance of shares pursuant to ESS exercised	5,563	-	(1,046)	-	1,046	-	5,563
Total transactions with owners	5,563	-	(1,046)	-	(20,290)	(21,336)	(15,773)
As at 30 June 2020	177,801	(25,911)	960	(4)	527,564	528,520	680,410
As at 1 April 2021	188,026	(25,911)	2,136	(1)	609,781	611,916	774,031
Total comprehensive income	-	-	-	1	35,387	35,388	35,388
Transaction with owners							
Dividend declared	-	-	-	-	(25,489)	(25,489)	(25,489)
Issuance of shares pursuant to ESS exercised	3,200	-	(487)	-	487	-	3,200
Cancellation of share options	-	-	(3)	-	3	-	-
Total transaction with owners	3,200	-	(490)	-	(24,999)	(25,489)	(22,289)
As at 30 June 2021	191,226	(25,911)	1,646	-	620,169	621,815	787,130

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 2021 and the accompanying explanatory notes attached to the interim financial report.

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	CUMULATIVE QUARTER 30.06.2021 RM'000	CUMULATIVE QUARTER 30.06.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	47,250	30,586
Adjustments for:		
Allowances for impairment loss on receivables, net	3,079	7,164
Depreciation of plant and equipment and ROU assets	830	770
Finance costs	69	73
Profit income from deposits with licensed financial institutions	(2,724)	(4,289)
Gain on disposal of plant and equipment	(54)	-
Lease payment incentive	-	(17)
Operating profit before working capital changes	48,450	34,287
(Increase)/Decrease in working capital:		
Financing receivables	(11,925)	26,239
Trade receivables	(1,528)	604
Other receivables, deposits and prepaid expenses	562	(24,569)
Increase in working capital:		
Payables and accrued expenses	6,508	3,674
Cash generated from operations	42,067	40,235
Taxes paid	(8,664)	(9,265)
Taxes refunded	130	-
Net cash generated from operating activities	33,533	30,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Profit income from deposits with licensed financial institutions received	2,724	4,289
Proceeds from disposal of plant and equipment	54	-
Additions to plant and equipment	(605)	(612)
Net cash generated from investing activities	2,173	3,677

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	CUMULATIVE QUARTER 30.06.2021 RM'000	CUMULATIVE QUARTER 30.06.2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of revolving credits	191,500	30,500
Proceeds from issuance of shares	3,200	5,563
Drawdown of other financing liabilities	1,187	624
Repayment of revolving credits	(109,000)	(197,000)
(Placements)/withdrawal of deposits, cash and bank balances, net:		
- assigned in favour of the trustees	(63,875)	(43,450)
- pledged to licensed financial institutions	3,510	9,081
Redemption of Sukuk Murabahah ("Sukuk")	(25,000)	-
Repayment of term financing/loans	(19,431)	(26,291)
Repayments of:		
- other financing liabilities	(1,187)	(624)
- lease liabilities	(193)	(166)
- hire-purchase payables	(90)	(23)
Finance costs paid	(69)	(73)
Net cash used in financing activities	<u>(19,448)</u>	<u>(221,859)</u>
Net change in cash and cash equivalents	16,258	(187,212)
Cash and cash equivalents at beginning of financial period	30,222	212,667
Cash and cash equivalents at end of financial period	<u><u>46,480</u></u>	<u><u>25,455</u></u>

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

Deposits with licensed financial institutions	639,528	414,720
Cash and bank balances	<u>34,996</u>	<u>52,635</u>
	<u>674,524</u>	467,355
Less: Deposits, cash and bank balances		
- assigned in favour of the trustees	(601,746)	(397,625)
- pledged to licensed financial institutions	<u>(26,298)</u>	<u>(44,275)</u>
	<u><u>46,480</u></u>	<u><u>25,455</u></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 2021 and the accompanying explanatory notes attached to the interim financial report.



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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 ("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 2021.

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 2021, except for the following amendments to published standards which are effective for the financial period commencing 1 April 2021:

Amendments to MFRS 16	Interest Rate Benchmark Reform – Phase 2
	COVID-19 – Related Rent Concessions beyond 30 June 2021

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

3. AUDITORS' REPORT ON PRECEDING ANNUAL AUDITED FINANCIAL

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



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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) Redemption of Sukuk by Al Dzahab Assets Berhad, an indirect and not a legal subsidiary of the Company, as follows:

	CURRENT QUARTER RM'000	CUMULATIVE QUARTER RM'000
Redemption upon maturity	25,000	25,000



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7. DEBT AND EQUITY SECURITIES (CONT'D)

(b) Issuance of shares pursuant to share options exercised under ESS:

The total number of issued shares of the Company was increased from 382,655,236 to 384,130,036 by way of the issuance of 1,474,800 new ordinary shares pursuant to share options exercised under ESS.

As at 30 June 2021, the number of ordinary shares in issue after deducting treasury shares is 361,524,811.

8. DIVIDENDS

No dividend has been recommended by the Board of Directors or paid for the financial period ended 30 June 2021.

9. SEGMENT INFORMATION

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



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10. PROFIT BEFORE TAX

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

	INDIVIDUAL QUARTER 30.06.2021 RM'000	CUMULATIVE QUARTER 30.06.2021 RM'000
Allowances for impairment loss on receivables, net	3,079	3,079
Profit income including profit income from deposits with licensed financial institutions	(74,293)	(74,293)

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, gain or loss on foreign exchange 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

On 8 April 2021, RCE Credit Pte. Ltd., a dormant direct subsidiary of the Company has been struck off and de-registered from the Register of Companies pursuant to Section 344A, Chapter 50 of the Singapore Companies Act.

The strike off has no material financial effect to the Group.



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13. REVIEW OF PERFORMANCE

	INDIVIDUAL/ CUMULATIVE QUARTER		Variance	
	30.06.2021 RM'000	30.06.2020 RM'000	RM'000	%
Revenue	78,035	64,719	13,316	20.6
Profit before tax	47,250	30,586	16,664	54.5
Profit for the financial period	35,387	22,824	12,563	55.0
Profit attributable to ordinary equity holders of the Parent	35,387	22,824	12,563	55.0

The Group posted a higher revenue of RM78.0 million for the current quarter, up from RM64.7 million in the corresponding quarter. This was mainly contributed by higher early settlement and net fee income.

Meanwhile, the Group's pre-tax profit increased to RM47.3 million in the current quarter, representing an increase of 54.5% as compared to corresponding quarter. This was primarily due to higher early settlement, net fee income as well as lower allowances for impairment loss on receivables.

Accordingly, the Group registered a commendable growth in its post-tax profit of RM35.4 million in the current quarter as compared to RM22.8 million in the corresponding quarter.



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

	INDIVIDUAL QUARTER			%
	30.06.2021	31.03.2021	Variance	
	RM'000	RM'000	RM'000	
Revenue	78,035	74,964	3,071	4.1
Profit before tax	47,250	45,800	1,450	3.2
Profit for the financial period	35,387	34,061	1,326	3.9
Profit attributable to ordinary equity holders of the Parent	35,387	34,061	1,326	3.9

For the quarter ended 30 June 2021, the Group's revenue rose to RM78.0 million mainly due to higher early settlement and net fee income.

The Group also recorded a higher pre-tax profit of RM47.3 million in the current quarter, an increase of RM1.5 million from RM45.8 million in the preceding quarter. This was primarily led by higher revenue and lower directors' remuneration and staff costs partially offset with higher allowances for impairment loss on receivables.

Arising thereof, the Group registered a higher post-tax profit of RM35.4 million in the current quarter as compared to RM34.1 million in the preceding quarter.



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15. CURRENT YEAR PROSPECTS

The Group continues to maintain strict adherence to Standard Operating Procedures put in place during the various Movement Control Orders and implementation of National Recovery Plan. In addition, various options and efforts were pursued to encourage all employees to be vaccinated as their safety remains our top priority.

In order to remain competitive in the market, the Group has launched new financing products to boost disbursements. Our transformation journey continues with more manual work processes being digitalised to enhance customer experience.

The Group will closely monitor its portfolio quality in these uncertain times and expect to remain profitable for the financial year ending 31 March 2022.

16. PROFIT FORECAST

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

17. INCOME TAX EXPENSE

	INDIVIDUAL QUARTER 30.06.2021 RM'000	CUMULATIVE QUARTER 30.06.2021 RM'000
Income tax payable:		
Current period	10,767	10,767
Deferred tax:		
Current period	1,096	1,096
	<u>11,863</u>	<u>11,863</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.



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18. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced or pending completion as at the date of this report except for the following:

On 30 June 2021, the Company joined a consortium led by Paramount Corporation Berhad which has submitted an application to Bank Negara Malaysia for a digital banking license pursuant to the Licensing Framework for Digital Banks And Application Procedures For New Licences under Financial Services Act 2013.

The Company will enter into a definitive agreement that sets out the obligations of the consortium partners in due course.

19. FINANCING RECEIVABLES

	←———— As at 30.06.2021 —————→		
	←———— Receivables —————→		
	Financing	Loans	Total
	RM'000	RM'000	RM'000
At amortised cost, gross	1,823,525	29,897	1,853,422
Less: Allowances for impairment	(116,274)	(7,135)	(123,409)
	<u>1,707,251</u>	<u>22,762</u>	<u>1,730,013</u>
Amount receivable within one year	(182,000)	(8,228)	(190,228)
Non-current portion	<u>1,525,251</u>	<u>14,534</u>	<u>1,539,785</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT**19. FINANCING RECEIVABLES (CONT'D)**

Movement in allowances for impairment:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 April 2021	46,402	4,030	73,703	124,135
Changes in the ECL:				
- Transfer to Stage 1	119	(330)	(1,180)	(1,391)
- Transfer to Stage 2	(85)	436	(489)	(138)
- Transfer to Stage 3	(264)	(334)	8,273	7,675
Net adjustment of allowances for impairment	(230)	(228)	6,604	6,146
New financial assets originated or purchased	2,354	-	-	2,354
Financial assets derecognised	(754)	(52)	(1,261)	(2,067)
Changes in risk parameters	(1,859)	(113)	(1,369)	(3,341)
Written off	-	-	(3,818)	(3,818)
Balance as at 30 June 2021	<u>45,913</u>	<u>3,637</u>	<u>73,859</u>	<u>123,409</u>

The Group applied the latest economic scenarios to reflect an unbiased probability-weighted range of possible future outcome and factor in forecasted Real Gross Domestic Product, a forward looking element used for the expected credit loss ("ECL") calculation. Accordingly, the ECL during the financial period has been adjusted to reflect the impact of latest economic conditions.

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

	← As at 30.06.2021 →		
	Short Term RM'000	Long Term RM'000	Total RM'000
At amortised cost			
Secured:			
Conventional			
- Revolving credits	171,358	-	171,358
- Term loans	5,955	11,903	17,858
	177,313	11,903	189,216
Shariah			
- Sukuk	182,985	988,846	1,171,831
- Term financing	74,704	123,327	198,031
- Revolving credits	159,102	-	159,102
	416,791	1,112,173	1,528,964
	594,104	1,124,076	1,718,180

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	← As at 30.06.2020 →		
	Short Term RM'000	Long Term RM'000	Total RM'000
At amortised cost			
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

As at 30 June 2021, the Group's weighted average profit rate by categories of financing liabilities ranges from 3.2% to 5.1% (30.06.2020: 4.7% to 5.4%) per annum.

The Group financing liabilities consist of:

	30.06.2021 RM'000	30.06.2020 RM'000
Fixed rate	1,171,831	1,069,003
Floating rate	546,349	462,227
	1,718,180	1,531,230

As at 30 June 2021, the Group's financing liabilities increased from RM1.53 billion a year ago to RM1.72 billion, representing an increase of RM187.0 million. This was mainly due to issuance of two tranches of Sukuk amounting to RM220.0 million and RM84.1 million net drawdown of other financing liabilities, offset with RM120.0 million redemptions of Sukuk upon maturity.



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21. CAPITAL COMMITMENTS

	30.06.2021
	RM'000
Capital expenditure approved and contracted for	<u><u>1,775</u></u>

22. CHANGES IN CONTINGENT LIABILITIES AND ASSETS

The total letter of credit has decreased from RM0.62 million as at 31 March 2021 to RM0.60 million as at 30 June 2021.

Other than disclosed above, there were no other changes in contingent liabilities or assets since the last financial year ended 31 March 2021.

23. DERIVATIVES AND FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

- (a) There were no derivatives as at 30 June 2021.
- (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.



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25. EARNINGS PER SHARE ("EPS")

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
(a) Basic EPS:					
Profit for the period attributable to ordinary equity holders of the Parent	(RM'000)	35,387	22,824	35,387	22,824
Weighted average number of ordinary shares in issue	(unit'000)	360,872	351,071	360,872	351,071
Basic EPS	(sen)	<u>9.81</u>	<u>6.50</u>	<u>9.81</u>	<u>6.50</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.

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for 1st Quarter Ended 30 June 2021****NOTES TO THE INTERIM FINANCIAL REPORT****25. EPS (CONT'D)**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
(b) Diluted EPS:					
Profit for the period attributable to ordinary equity holders of the Parent	(RM'000)	35,387	22,824	35,387	22,824
Weighted average number of ordinary shares in issue	(unit'000)	360,872	351,071	360,872	351,071
Effects of dilution of ESS	(unit'000)	1,717	1,205	1,717	1,205
Adjusted weighted average number of ordinary shares in issue	(unit'000)	362,589	352,276	362,589	352,276
Diluted EPS	(sen)	9.76	6.48	9.76	6.48

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.



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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:

	30.06.2021	
	Carrying amount RM'000	Fair value RM'000
Financial assets		
Financing receivables	<u>1,730,013</u>	<u>1,749,438</u>
Financial liabilities		
Financing liabilities - Sukuk	<u>1,171,831</u>	<u>1,245,511</u>

BY ORDER OF THE BOARD
JOHNSON YAP CHOON SENG
Company Secretary
12 August 2021