

Statement on Corporate Governance

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

The Board is pleased to report on the corporate governance practices of the Company and the manner in which the Company has complied with the principles and best practices as set out in the Malaysian Code on Corporate Governance (Revised 2007) (“Code”).

BOARD OF DIRECTORS

Board Composition and Balance

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

The Board’s composition of nine (9) members, comprising an Executive Director, three (3) Non-Independent Non-Executive Directors and five (5) Independent Non-Executive Directors is in compliance with paragraph 15.02 of Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Listing Requirements”). The independent directors which make up more than half of the Board play a crucial role in the exercise of independent assessment and objective participation in Board deliberations and the decision-making process. The independent directors do not participate in the day-to-day management of the Company and do not engage in any business dealings and are not involved in any other relationship with the Company which could materially interfere with the exercise of their independent judgement.

The role of Executive Chairman, Y. Bhg. Tan Sri Azman Hashim and the Chief Executive Officer, Mr. Loh Kam Chuin, are separate with clear distinction of responsibility between them. The Executive Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Chief Executive Officer leads the executive management and is responsible for the day-to-day running of the business and implementation of Group’s policies and decisions. The Executive Chairman has not previously been a Chief Executive Officer of the Company.

The Board has not identified any independent director as the Senior Independent Non-Executive Director. Any concerns relating to the Group may be conveyed by the stakeholders to any of the independent directors.

The Board through the Nomination & Remuneration Committee conducts an annual review of the performance of the Board to ensure that it is continuously effective. The review is conducted via a set of questionnaires to assist the reviewer in his assessment and is spread over the following three (3) key areas:

- the effectiveness of the Board as a whole;
- Board size, composition and balance; and
- contributions of individual Directors and Chief Executive Officer to the Board.

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Duties and Responsibilities

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

On-going succession planning and training which is aligned to the organisation's objectives are put in place to ensure orderly management transition in the Group.

Board Meetings and Supply of Information

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

The Board and Board Committee meetings are planned in advance prior to the commencement of a new year and the schedule is circulated to the Directors well in advance to enable them to plan ahead. Board members are given at least seven (7) days' notice before any Board meeting is held. The agenda for each Board meeting and papers relating to the matters to be deliberated at the meeting are forwarded to all Directors for perusal prior to the date of the Board meeting. The Board papers are comprehensive covering agenda items to facilitate informed decision-making. In between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions enclosing all relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation at the next Board meeting.

The Board also peruse the decisions deliberated by Board Committees through minutes of these committees. The Chairman of the Board Committees is responsible to inform the Directors at Board meetings of any salient matters noted by the Committees and which require the Board's notice or direction. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of Companies Act, 1965.

There is a schedule of matters reserved specifically for Board's deliberation, such as approval of corporate plans and annual budgets, recommendation of dividends, acquisitions and disposals of undertakings and properties of substantial value.

Where a potential conflict of interest arises, it is mandatory for the Director concerned to declare his interest and abstain from the deliberation and decision-making process.

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

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

All Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries are responsible in ensuring that Board procedures are met and constantly advise the Directors on compliance issues.

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

Name of Director	No. of Meetings Attended
Tan Sri Azman Hashim <i>(Non-Independent Executive Chairman)</i>	4/4
Dato' Ab. Halim bin Mohyiddin <i>(Independent Non-Executive Director) (Appointed on 8 October 2009)</i>	2/2
Major General (Rtd) Dato' Haji Fauzi bin Hussain <i>(Independent Non-Executive Director)</i>	4/4
Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan <i>(Independent Non-Executive Director)</i>	4/4
Dato' Che Md Nawawi bin Ismail <i>(Independent Non-Executive Director)</i>	4/4
Chew Keng Yong <i>(Independent Non-Executive Director)</i>	3/4
Soo Kim Wai <i>(Non-Independent Non-Executive Director)</i>	4/4
Shalina Azman <i>(Non-Independent Non-Executive Director)</i>	3/4
Shahman Azman <i>(Non-Independent Non-Executive Director)</i>	4/4

Appointment to the Board

The proposed appointment of new Board members as well as the proposed re-election of existing Directors who are seeking re-election/re-appointment at the annual general meeting are first considered and evaluated by the Nomination & Remuneration Committee. Upon its evaluation, the Nomination & Remuneration Committee will make recommendations on the proposal(s) to the Board for approval. The Board makes the final decision on the proposed appointment or re-election/re-appointment to be presented to shareholders for approval.

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Re-election of Directors

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

Directors of or over 70 years of age are required to submit themselves for re-appointment annually in accordance with the Section 129(6) of the Companies Act, 1965.

Directors' Training

The Board acknowledges the importance of continuous training in order to broaden one's perspective and to keep abreast with the current and future developments in the industry and global markets, regulatory updates as well as management strategies to enhance the Board's skills and knowledge in discharging their duties. Orientation programme is initiated for newly appointed Directors to familiarise them with the Group's business. All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad.

During the financial year under review, the Company had organised a half-day in-house seminar on "*Tax Budget 2010 Update*" conducted by external consultant for the Directors and senior management. The Directors also continued to attend and participate in various training courses, briefings, conferences, executive workshops and seminars, which they have individually considered as relevant and useful to further enhance their business acumen and professionalism in discharging their stewardship responsibilities.

Some of the conferences, seminars, forums and trainings attended by the Directors during the financial year ended 31 March 2010 are as follows:

Key Areas	Topics
Corporate Governance & Risk Management	<ul style="list-style-type: none">• KPMG Evening Talks - Essential Updates for Directors:<ul style="list-style-type: none">- The Changing Equity Guidelines and Listing Requirements of SC & Bursa Malaysia - Evolution and Opportunities- The Changing Corporate Governance Landscape - Evolution or Devolution• Bursa Malaysia Evening Talks on Corporate Governance - CR Overview and Identifying CR Risks and Opportunity for Companies• Corporate Governance Guide - Towards Boardroom Excellence• Corporate Governance Week 2009<ul style="list-style-type: none">- Launch of CG Week & CG Guide- Forum on CG Guide• Updates on Corporate Governance And Financial Reporting
Leadership	<ul style="list-style-type: none">• 4th APEC Business Advisory Council (ABAC) Meeting, CEO Summit & Leaders Dialogue• Transaction Leaders Forum• Perdana Leadership Foundation Industry Insights Seminar 2009 – "From the Trenches: Insights and Perspectives of Malaysia's Industry Leaders"

Key Areas	Topics
Directors' Duties & Obligations	<ul style="list-style-type: none"> • Bursa Malaysia Evening Talks on Corporate Governance – Directors' Duties
Financial, Taxation & Investment	<ul style="list-style-type: none"> • Financial Institutions Directors' Education Programme • Introduction to Financial Services Education Centre Bhd (FSEC) • Inaugural World Capital Markets Symposium • Bank Negara Malaysia High Level Conference on Financial Stability • FTSE Bursa Malaysia Index Series & Enhancements to the KLCI • Forum on FRS 139 Financial Instruments: Recognition and Measurement • Tax Budget 2010 Update • Institutional Investors Series 2009 • Market Outlook - Green Shoots or Grey Skies? • FRS on Advanced Consolidation Principles • ING Mid Year Market Outlook • Stock Market Mid Year Review and Outlook 2009 • National Accountants Conference 2009 • BDO Tax Seminar 2009 • UBS Global Outlook 2010 by UBS Wealth Management Research • BDO Tax Forum Series - GST: Which Hat Are You Wearing?
Business & Economics	<ul style="list-style-type: none"> • Brainstorming Session with World Bank Experts – “Strategies Towards Higher Growth and Income” • Briefing for Officials from World Bank's Africa Region for the South-South Experience Exchange between Malaysia and Africa on Special Economic Zones and Competitive Clusters • 2nd APEC Business Advisory Council (ABAC) Meeting representing ABAC Malaysia • 14th East Asia Business Council (EABC) Meeting • 15th East Asia Business Council (EABC) Meeting • Malaysia Productivity Corporation National ICC Convention • New Central Bank Bill • 3rd APEC Business Advisory Council (ABAC) Meeting • 16th East Asia Business Council (EABC) Meeting • The Asian Business Summit Meeting • Taipan 2009 – The Making of Asian Giants • Governance Expectations of International Fund Managers • AML/CFT Trend and Typologies Seminar • MICPA-Bursa Malaysia Business Forum 2009 • Sun Tzu Art of War • Vistage CEO Tea Talk - “Managing The New Normal of Tomorrow” • Latest Issues and Challenges Facing Malaysia

The Nomination & Remuneration Committee has reviewed and is satisfied that the Directors have received the necessary training during the financial year under review which enhanced their effectiveness and contribution to the Board.

Directors' Remuneration

All Non-Executive Directors are paid Directors' fees as approved by the shareholders at the annual general meeting based on the recommendation of the Board. The determination of the level of fees for the Non-Executive Directors is a matter decided by the Board as a whole to ensure that it is sufficient to attract and retain the services of the Non-Executive Directors which are vital to the Company. Meetings attendance allowance are paid to Non-Executive Directors in accordance with the number of meetings attended during the financial year. Individual Directors will abstain from participating in the discussion and decision of their own remuneration.

For the Executive Director, the remuneration packages link rewards to individual as well as corporate performance and achievement of key performance indicators, taking into consideration the market and industry practice. Long term incentives are implemented through share option scheme. The Company has in place Directors' and Officers' liability insurance ("D&O") and the Directors are required to contribute jointly to the premium of the D&O policy.

Details of the Directors' remuneration for the financial year ended 31 March 2010 are as follows:

- Aggregate Remuneration**

Category	Executive Director (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	-	225,000	225,000
Other Emoluments	934,000	44,000	978,000
Defined contributions	266,190	-	266,190
Benefits-in-kind	405,399	20,505	425,904

- Analysis of Remuneration**

Range of Remuneration	No. of Executive Directors	No. of Non-Executive Directors
RM50,000 & below	-	7
RM50,001 – RM100,000	-	1
RM1,600,001 – RM1,650,000	1	-

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 11 of the Listing Requirements. The Board is of the opinion that the disclosure through "band disclosure" is sufficient to meet the objectives of the Code. Separate and detailed disclosure of individual Director's remuneration would not add significantly to the understanding of shareholders and other interested persons in this aspect.

BOARD COMMITTEES

The Board has delegated certain responsibilities to the Board Committees which operate within defined terms of reference approved by the Board to assist the Board in discharging its fiduciary duties and responsibilities. The Board Committees include the Audit Committee, Nomination & Remuneration Committee and Options Committee.

The Board Committees exercise transparency and full disclosure in their proceedings. Where necessary, issues deliberated by the Board Committees are presented to the Board with the appropriate recommendations. The ultimate responsibility for the final decision on all matters however, lies with the Board.

The Board Committees in RCE are as follows:

Audit Committee

The Audit Committee comprises six (6) Non-Executive Directors, five (5) of whom are independent and is in compliance with the Listing Requirements. The members of the Audit Committee are as follows:

1. Dato' Ab. Halim bin Mohyiddin
(Independent Non-Executive Director) – Chairman
2. Major General (Rtd) Dato' Haji Fauzi bin Hussain
(Independent Non-Executive Director)
3. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan
(Independent Non-Executive Director)
4. Dato' Che Md Nawawi bin Ismail
(Independent Non-Executive Director)
5. Chew Keng Yong
(Independent Non-Executive Director)
6. Soo Kim Wai
(Non-Independent Non-Executive Director)

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

During the financial year under review, Y. Bhg. Major General (Rtd) Dato' Haji Fauzi bin Hussain has stepped down as Chairman of the Audit Committee and remained as a member of the Audit Committee. Y. Bhg. Dato' Ab. Halim bin Mohyiddin took over the role of Chairman of Audit Committee and he is a member of the Malaysian Institute of Accountants.

The Audit Committee held four (4) meetings during the financial year whereby the external auditors attended two (2) of the meetings and also met with the Committee members without the presence of the management.

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

Nomination & Remuneration Committee

The Nomination & Remuneration Committee comprises entirely of Non-Executive Directors and its members are as follows:

1. Datuk Mohd Zaman Khan @ Hassan bin Rahim Khan
(*Independent Non-Executive Director*) – *Chairman*
2. Major General (Rtd) Dato' Haji Fauzi bin Hussain
(*Independent Non-Executive Director*)
3. Chew Keng Yong
(*Independent Non-Executive Director*)
4. Shalina Azman
(*Non-Independent Non-Executive Director*)

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

(a) Appointment and Evaluation

- (i) To consider and recommend candidates for directorship to the Board and membership to Board Committees based on the following broad criteria:
 - skills, knowledge, expertise and experience;
 - professionalism;
 - integrity; and
 - for independent non-executive directors, the ability to discharge their duties.
- (ii) Reviewing annually the required mix of skills, experience and other qualities, including core competencies, which Directors should bring to the Board.
- (iii) Assessing annually the effectiveness of the Board as a whole, including its size and composition, the committees of the Board and the contribution of each individual director and chief executive officer.
- (iv) Reviewing the training needs of Directors.

(b) Remuneration

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

The Nomination & Remuneration Committee meets at least once in a financial year and whenever required. During the financial year, two (2) meetings were held during which the Committee:

- undertook an evaluation exercise on the effectiveness, composition and balance of the Board as well as effectiveness of the Committees and contribution from each individual Director of the Company;
- undertook a review of all Directors who are due for re-election/re-appointment at the Company's Fifty-Fifth Annual General Meeting to determine whether or not to recommend their re-election/re-appointment;
- reviewed the training courses attended by the Directors;
- reviewed the annual bonus for the Executive Chairman; and
- reviewed the proposed appointment of Mr. Loh Kam Chuin as Chief Executive Officer of the Group and his remuneration package.

The Committee also reviewed the size of the Board and had concluded that it was appropriate.

Options Committee

The Company, with the approval of its shareholders obtained at the Extraordinary General Meeting held on 20 August 2009, had established the Employees' Share Option Scheme ("Scheme") and the Scheme was implemented on 15 September 2009.

The Options Committee was established on 7 November 2009 to administer the Scheme in accordance to the Bylaws governing and constituting the Scheme as approved by the shareholders. The members of the Options Committee are as follows:

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

The Options Committee meets as and when required. The Options Committee met once during the financial year and was attended by all the members.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year. The Directors consider that in preparing the financial statements, the Directors have consistently used and applied the appropriate and relevant accounting policies and made judgements and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Company and the Group keep proper accounting records in accordance with the provisions of the Companies Act, 1965 to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

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Internal Control

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

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out on pages 36 to 37 of this Annual Report.

Audit Committee

The Audit Committee conducts a review of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter adopted by the Group. The minutes of the Audit Committee meetings are tabled to the Board for perusal and for action where appropriate.

Relationship with Auditors

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company's auditors, both internal and external. It is the policy of the Audit Committee to meet the external auditors, Messrs Deloitte KassimChan to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the management at least twice a year and whenever deemed necessary.

The roles of both the internal and external auditors are further described in the Audit Committee Report.

RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Communication with Shareholders

The Board is committed to provide shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities. The Company has regularly communicated with shareholders and investors in conformity with the disclosure requirements.

The Company's annual general meeting remains the principal forum for dialogue and interaction with shareholders. Shareholders are encouraged to participate in the question and answer session and to raise any questions relating to the proposed resolutions as well as Group's business operations and affairs.

The Group ensures that timely disclosures are made to the public with regard to the Group's corporate proposals, financial results and other required announcements.

Corporate and financial information of the Group are also made available to the public through the Group's website at www.rce.com.my