

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 ensures that RCE Group's business is properly managed to safeguard the Group's assets and shareholders' investment. A brief profile of each Director is set out in the Profile of Directors section of this Annual Report.

The Board's composition of nine (9) members, comprising an Executive Director, three (3) Non-Independent Non-Executive Directors and five (5) Independent 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 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 the Executive Chairman and Chief Executive Officer 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 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.

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.

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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.

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

Name of Director	No. of Meetings Attended
Tan Sri Azman Hashim	4/4
Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan	4/4
Dato' Ab. Halim bin Mohyiddin	3/4
Major General (Rtd) Dato' Haji Fauzi bin Hussain	4/4
Dato' Che Md Nawawi bin Ismail	4/4
Chew Keng Yong	4/4
Soo Kim Wai	4/4
Shalina Azman	3/4
Shahman Azman	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.

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 over 70 years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of 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 in-house seminars on "Leadership Versus Management" and "Budget 2011 – Transformation Toward a Developed and High Income Nation" conducted by external consultants for the Directors and senior management. The Directors also continued to attend and participate in various training programmes, briefings, conferences, 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.

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Some of the conferences, seminars, forums, workshops and trainings attended by the Directors during the financial year ended 31 March 2011 are as follows:

Key Areas	Topics
Corporate Governance & Risk Management	<ul style="list-style-type: none"> • Developing an Anti-Money Laundering Risk Averse Culture Without Affecting Profitability • Securities Commission-Bursa Malaysia Corporate Governance Week 2010: <ul style="list-style-type: none"> - Corporate Governance Roundtable: Towards Corporate Governance Excellence - Engagement versus Activism: Achieving the Right Balance? - The Changing Landscape of Shareholders Activism: The Roles We Play - Independent Directors: Actual versus Perceived Independence - Views from the Boardroom: Challenges Directors Face - CG Best Practices - Corporate Integrity Systems Malaysia - Beyond Governance, Enter Sustainability - Statement on Risk Management and Internal Control - Stoking the Fire of Corporate Governance • Developing High Impact Board • Going Forward: Risk & Reform - Implications for Audit Committee Oversight • IBM IT Risk Management Seminar
Directors' Duties & Obligations	<ul style="list-style-type: none"> • Securities Commission-Bursa Malaysia Corporate Governance Week 2010 <ul style="list-style-type: none"> - Boardroom Ethics - Board Role, Directors Duties and Blind Spots, Biases and Other Pathologies in the Boardroom
Leadership	<ul style="list-style-type: none"> • Perdana Leadership Foundation CEO Forum 2010 • 4th APEC Business Advisory Council (ABAC) Meeting, APEC CEO Summit and ABAC Dialogue with Leaders representing Malaysia • Leadership versus Management
Financial , Taxation & Investment	<ul style="list-style-type: none"> • Capitalising on Malaysia's Islamic Asset Management Opportunity • International Conference on Financial Crime and Terrorism Financing • Asian Institute of Finance/Institute Bank-Bank Malaysia Roundtable Forum: The Experience of Managing Risks during the Global Financial Crisis - the Malaysian Banks Experience • Budget 2011 - Rising Above the Competition • Budget 2011 - Transformation Toward a Developed and High Income Nation • Basel II and The Global Financial Crisis • Off-Balance Sheet Items, Offshore Accounts & Derivatives • Bank Negara Malaysia/ Financial Institutions Directors' Education Programme – Module 1 • Bank Negara Malaysia/ Financial Institutions Directors' Education Programme – Module 2 • Bank Negara Malaysia/ Financial Institutions Directors' Education Programme – Module 3 • Bank Negara Malaysia/ Financial Institutions Directors' Education Programme – Module 4

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Key Areas	Topics
Education & Environment	<ul style="list-style-type: none"> • Impact of Technology on the Future of Higher Education • Malaysia Productivity Corporation Convention on Quality Environment • Biotechnology Forum 2011 - Biotechnology in Malaysia, a Homecoming (Harmonising Past and Present Knowledge for Future Direction)
Business & Economics	<ul style="list-style-type: none"> • Malaysia Japan Economic Association (MAJECA) - Business Mission to Japan • 2nd APEC Business Advisory Council (ABAC) Meeting representing ABAC Malaysia • 17th East Asia Business Council (EABC) Meeting • 3rd APEC Business Advisory Council (ABAC) Meeting • Malaysian Investment Banking Association - Workshop on "Enhancing Competency and Abilities in Regulatory Compliance" • Malaysian Institute of Management - Malaysia Productivity Corporation Launching of Management Capability Index (MCI) Report 2010 • 29th MAJECA-JAMECA Joint Conference • Malaysia Productivity Corporation Conference on Competitiveness 2010 - "Driving Innovation for Competitiveness" • 1st APEC Business Advisory Council (ABAC) Meeting • East Asia Business Council (EABC) Symposium on Expanding Trade & Investment Linkages in East Asia – Building Business without Borders • 19th East Asia Business Council Meeting • Meeting with Minister of Trade & Industry and corporate figures to discuss Strategies To Enhance Domestic Investment • ABAC Malaysia Roundtable Discussion with Government Agencies on Strategies to Promote Entrepreneurship and Microenterprises • How Sustainable Our Business • Leading in an Evolving Environment • Economic Transformation Programme (ETP) • Improving Business Acumen and Decision Making • Nielsen Media Presentation 2010

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.

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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 remuneration of the Directors of the Company for the financial year ended 31 March 2011 are as follows:

- **Aggregate Remuneration**

Category	Executive Director (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	–	240,000	240,000
Other Emoluments	934,000	50,000	984,000
Defined contributions	266,190	–	266,190
Benefits-in-kind	475,895	–	475,895

- **Analysis of Remuneration**

Range of Remuneration	No. of Executive Directors	No. of Non-Executive Directors
RM50,000 & below	–	8
RM1,650,001 – RM1,700,000	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 of Directors' remuneration 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.

WHISTLE BLOWING POLICY

The Group in its effort to enhance corporate governance has put in place a whistle blowing policy to provide an avenue for employees and stakeholders to report genuine concerns about malpractices, unethical behaviour, misconduct or failure to comply with regulatory requirements without fear of reprisal. Any concerns raised will be investigated and a report and update is provided to the Audit Committee.

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.

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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 Director) – Chairman
2. Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan
(Independent Director)
3. Major General (Rtd) Dato' Haji Fauzi bin Hussain
(Independent Director)
4. Dato' Che Md Nawawi bin Ismail
(Independent Director)
5. Chew Keng Yong
(Independent 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.

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. Tan Sri Mohd Zaman Khan @ Hassan bin Rahim Khan
(Independent Director) – Chairman
2. Major General (Rtd) Dato' Haji Fauzi bin Hussain
(Independent Director)
3. Chew Keng Yong
(Independent 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 Chief Executive and senior management as the Committee is designated to consider.

The Nomination & Remuneration Committee meets at least once in a financial year and whenever required. During the financial year, the Nomination & Remuneration Committee held two (2) meetings 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 and the Chief Executive Officer of the Company;
- undertook a review of all Directors who are due for re-election/reappointment at the Company's Fifty-Sixth 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 annual increment and bonus for the Chief Executive Officer.

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

Options Committee

The Options Committee is established to administer the Company's Employees' Share Option Scheme ("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.

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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.

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 27 to 28 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 and provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's business and corporate development.

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 as well as the Company's announcements to Bursa Malaysia are also made available to the public through the Company's website at www.rce.com.my. In addition, investors may raise queries regarding RCE Group via email to corporate@rce.com.my.

Investor Relations

The Group values dialogues with its investors. Occasionally, briefings and open discussions with institutional/prospective investors, local analysts and fund managers are held to update investors on the Group's operations and financial results.

Primary contact for investor relations matters is Mr. Loh Kam Chuin, the Chief Executive Officer. Mr. Loh, aged 44, holds a Bachelor in Business-Banking and Finance from the University of South Australia and has been with the Group since year 1995.

Contact Details

Telephone number: +603-4047 0888

E-mail: IR@rce.com.my