



Statement of Corporate Governance

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

To this end, the Board continues to implement the recommendations of the Malaysian Code of Corporate Governance ("Code"), which sets out the principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

COMPLIANCE STATEMENT

The Group has not complied with the Principle and Best Practice of the Code set out in the schedule below throughout the year. The reason for non-compliance is specified accordingly.

Provision of the code	Details	Reasons
AA.VII	Nomination of a Senior Independent Non-Executive Director to whom concerns may be conveyed.	Given the current composition of the Board, in particular its strong and independent element, the Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director.
B.III	Disclosure of details of the remuneration of each director	<p>The Board has considered this Principle against the backdrop of compliance with a related disclosure required under the Kuala Lumpur Stock Exchange Rules, i.e. that of disclosure of an analysis of Directors' Remuneration by applicable bands of RM50,000 (refer to Note 7 to the accounts).</p> <p>The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the 'band disclosure' made.</p>

Statement of Corporate Governance (contd.)

The statement in the ensuing paragraphs describes how the Group has applied the principles and best practices of the Code.

A. DIRECTORS

I. The Board

An effective Board leads and controls the Group whereby collective decision and/or close monitoring is conducted on issues relating to strategy, performance, resources, standards of conduct and financial matters.

During the year ended 31 December 2002, 6 Board Meetings were held. The following is the record of attendance of the Board Members :-

Directors	No. of meetings attended
Michael Luul (resigned on 18.11.2002)	5/6
Dato' Jorgen Bornhoft	6/6
Chan Hua Eng	6/6
Jen (B) Tan Sri Dato' Mohd Ghazali bin Dato' Mohd. Seth	6/6
Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar	4/6
Tan Sri Datuk Asmat bin Kamaludin	5/6
Mogens Thomsen	6/6
Paul Assar Bergqvist (appointed on 18.11.2002)	-
Bjorn Sondenskov (appointed on 1.4.2003)	-
Chin Voon Loong (appointed on 1.4.2003)	-

The Board intends to meet at least 4 times a year, with additional meetings convened where necessary.

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board decisions are obtained via circular resolutions which are attached with sufficient information required for an informed decision.

The Board has delegated specific responsibilities to the following Board Committees :-

1. Audit Committee

The Audit Committee was established on 15 April 1994. Please refer to the Audit Committee Report on page 38.

2. Nomination Committee

The Nomination Committee was established on 1 October 2001. The Committee had 2 meetings during the year ended 31 December 2002.



**Members**

Tan Sri Datuk Asmat bin Kamaludin - Chairman (Independent Non-Executive Director)

Chan Hua Eng (Independent Non-Executive Director)

Dato' Jorgen Bornhoft (Executive Chairman*)

Key responsibilities

- Reviewing the Board composition and recommending new nominees to the Board as well as Board committees for the Directors' consideration.
- Assessing the effectiveness of the Board, Board Committees and each Director every year, taking into consideration the required mix of skills and experience and other requisite qualities including core competencies contributed by Non-Executive Directors.

3. Remuneration Committee

The Remuneration Committee, which was established on 18 August 2001, had 3 meetings during the year ended 31 December 2002.

Members

Chan Hua Eng - Chairman (Independent Non-Executive Director)

Tan Sri Datuk Asmat bin Kamaludin (Independent Non-Executive Director)

Dato' Jorgen Bornhoft (Executive Chairman*)

Key responsibilities

- Recommending the level of the Executive Directors' remuneration package.
- Evaluating the remuneration packages of senior management executives.

4. ESOS Committee

The ESOS Committee was set up on 30 April 1998. Meetings of the ESOS Committee are held when necessary. During the year ended 31 December 2002, no meeting was held.

Members

Dato' Jorgen Bornhoft (Executive Chairman*)

Chan Hua Eng (Independent Non-Executive Director)

Key responsibilities

Administering the Carlsberg Employees' Share Option Scheme in accordance with the objectives and regulations as stated in the Bye-Laws which include :-

- Recommending to establish, amend and revoke any rules or arrangement relating to the ESOS where necessary.
- Determining all questions of policy and expediency that may arise in the administration of the ESOS and exercising such powers and performing such acts where necessary.

Note: Dato' Jorgen Bornhoft, who was previously the Managing Director, was appointed as Executive Chairman on 18.11.2002. On 1.4.2003, he stepped down as Executive Chairman but remains as Chairman.*

Statement of Corporate Governance (contd.)

II. Board Balance

Upon the internal restructuring of CBMB's major shareholder, Carlsberg Asia Pte Ltd, the then Chairman of CBMB, Michael Luul, resigned on 18 November 2002 and for the purposes of continuity, Dato' Jorgen Bornhoft was appointed as the Executive Chairman which combined the roles of Chairman and Managing Director. The strong independent element of the Board, whereby more than 50% were independent, ensured a balance of power and authority at this time.

On 1 April 2003, upon the change in Dato' Jorgen Bornhoft's Board position from Executive Chairman to Chairman, and the appointment of Bjorn Sondenskov as Managing Director, the roles and responsibilities of the Chairman and Managing Director are made clearly distinct to further enhance the existing balance of power and authority. The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Managing Director oversees the running of the Group and the implementation of the Board's decisions and policies.

During the year, the Board had 7 members, comprising 6 Non-Executive Directors and 1 Managing Director/ Executive Chairman. Out of the 7 Directors, 4 were Independent Directors, which was in excess of the statutory requirement of one-third. From 1 April 2003 onwards, the Board has 9 members consisting of 7 Non-Executive Directors and 2 Executive Directors. Out of the 9 Directors, 4 are Independent Directors, which still exceeds the one-third statutory requirement. Collectively, the Directors bring a wide range of business, legal, financial and technical experience relevant to the Group. The profile of each Director is summarised under pages 5 to 7.

The presence of Independent Non-Executive Directors ensures that issues of strategies, performance and resources proposed by the management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, suppliers and other communities in which the Group conducts its business. The relatively large number of Independent Directors also ensure that the investment of minority shareholders is fairly reflected through Board representation.

III. Supply of Information

All Directors are furnished with a comprehensive Board File including the meeting agenda usually at least 2 weeks before each Board meeting. Sufficient time is given to enable the Directors to solicit further explanations and/or information, where necessary, so that deliberations at the meeting are focused and constructive.

The Board File includes, amongst others, sales and marketing development and strategies, financial results and forecasts, status of major projects, minutes of meetings of Board Committees and other major operational, financial and legal issues. In addition, there is a schedule of matters reserved specifically for the Board's decision.

All Directors have access to the advice and services of the Company Secretary as well as to all information within the Group. There is also a formal procedure sanctioned by the Board of Directors, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.





IV. Appointments to the Board

The Malaysian Code on Corporate Governance endorses, as good practice, the setting up of a Nomination Committee to formalise procedures for appointments to the Board. Although the Code states that this procedure may be performed by the Board as a whole, as a matter of best practice, it recommends that this responsibility be delegated to a committee.

To this end, the Nomination Committee is charged with the responsibility of, amongst others, recommending the appointment of new Directors to the Board.

Carlsberg has an induction and education programme for new Board members, which includes a visit to the brewery and meetings with the Chairman and department heads to better understand the operations and business of the Group, which will allow the Director to contribute effectively from the outset of the appointment.

In addition, a formal schedule of matters requiring Board's approval is furnished to the new Director which includes, amongst others, material acquisitions and disposals of assets, authority levels, treasury policies, risk management policies and corporate plans and budget.

V. Re-election

In accordance with the Company's Articles of Association, all Directors are subject to election at the first Annual General Meeting after their appointment.

The Articles also provide that at least one third of the Directors be subject to re-election by rotation at each Annual General Meeting. Directors over 70 years of age are required to submit themselves for re-appointment at every Annual General Meeting in accordance with Section 129(6) of the Companies Act, 1965.

B. DIRECTORS' REMUNERATION

I. Remuneration Policy

The objective of the Group's remuneration policy is to attract and retain the Directors required to lead and control the Group effectively. In the case of Executive Directors, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

II. Remuneration Procedure

The Remuneration Committee recommends for the Board's approval, the framework of executive remuneration and its cost level of the Executive Directors' remuneration package.

Non-Executive Directors' fees are determined by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his fee.

The fees payable to Directors are subject to the approval of shareholders.

III. Details of Remuneration

Details of the number of Executive and Non-Executive Directors in remuneration bands of RM50,000 for the year ended 31 December 2002 are disclosed in the Statutory Accounts as Note 7 of the Notes to the Accounts.

Statement of Corporate Governance (contd.)

C. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board recognises the importance of an effective communications channel between the Board, shareholders and general public.

The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

The Annual General Meeting represents the principal forum for dialogue and interaction with shareholders. At every meeting, the Board sets out the progress and performance of the Group since the last meeting held. Shareholders are encouraged to participate in the subsequent question and answer session wherein Directors, Heads of Department as well as the Group's Auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

Each item of special business included in the notice of meeting will be accompanied by a full explanation of the effects of a proposed resolution.

During the year, the Chairman and/or key management personnel also hold discussions with the press and analysts when necessary, to provide information on the Group's strategy, performance and major developments. A press briefing is also held after each Annual General Meeting.

In addition, the Group maintains a website at www.carlsberg.com.my for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance, frequently-asked questions (FAQs) and updates on its various sponsorships and promotions.

D. ACCOUNTABILITY AND AUDIT

I. Financial Reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Board takes responsibility in conveying a balanced and understandable assessment of the Group's position and prospects.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 43 of this Annual Report.

II. Internal Controls

The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable, and not absolute, assurance against material misstatement, loss or fraud.

Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and adequately resourced internal audit function as well as the management team. The findings of the internal audit function are regularly reported to the Audit Committee.

III. Relationship with Auditors

The role of the Audit Committee in relation to the external auditors is described on pages 41 to 42.





Statement on Internal Control

Responsibility

The Board is committed to the continuous improvement to internal controls and risk management practices within the Group to meet its business objectives. The Board affirms its overall responsibility for the effectiveness of the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of these systems. However, such systems, by their nature, can only provide reasonable, and not absolute, assurance against material misstatement, loss and fraud. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives of the Group.

Risk Management Framework

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. This is an on-going process, subject to regular review by the Board, and accords with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies". The key elements of the Group's Risk Management Framework are described below :-

- **Structure**

The Group adopts a decentralised approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is overseen by the Heads of Department.

A working group, the Risk Management Working Committee ("RMWC"), was established in 2002 to provide risk management support to Management for the Group as a whole. The role of the RMWC includes periodic reporting of the status of risk mitigation actions, new risks identified and risks that have changed characteristics. The RMWC comprising key persons from all departments, submits its reports to both the Management and the Audit Committee. The Audit Committee reports to the Board any significant changes in the business and external environment which affect key risks.

During the year, the RMWC took part in a one-day workshop together with other middle and senior management to review the key risks faced by the Group and their corresponding controls. In 2003, the RMWC has been meeting, and will continue to meet at the least, on a bi-monthly basis.

During the year, the Group formalised the Risk Management Framework and Risk Management Policy, which will continue to be reviewed periodically by the RMWC with objective feedback furnished to Management and the Board through the Audit Committee. During 2002, the RMWC submitted a report to the Audit Committee and the Board on the identified key risks faced by the Group and their corresponding controls.

- **Risk Assessment**

During the year, a major project to formally identify and assess key risks and corresponding controls with the assistance of an external consultant was carried out. The key risks and controls specific to the Group were categorised as follows :-

- Strategic, which are risks that affect the overall direction of the business
- Operational, which are risks that impact the delivery of the Group's products and services
- Financial, which are risks associated with financial processes and reporting
- Knowledge, which are risks associated with intellectual property and information resources

The identified risks were prioritised according to the degree of impact and likelihood of occurrence. Existing corresponding controls were assessed for adequacy, taking into account the level of risk involved and where necessary and feasible, additional controls were identified for implementation.

The Group maintains a database of key risks together with their corresponding controls.

Statement on Internal Control (contd.)

Internal Control System

The key elements of the Group's internal control system are described below :-

- **Control Environment**

The importance of a proper control environment is emphasised throughout the organisation. Focus is directed towards the quality and abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Such training also includes internal briefings and external seminars for selected employees to enhance the level of awareness and knowledge on matters relating to risk management and internal controls.

- **Control Structure**

The Board and Management have established an organisation structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of Board committees and various management levels, including authorisation levels for all aspects of the business.

The key elements of the Group's control structure are as follows:

Management

- Management has introduced well-established standard operating procedures that cover all key aspects of the Group's various business processes. These policies and procedures deal with, amongst others, control issues for financial accounting and reporting, treasury management, asset security, information technology, health and safety, etc. The procedures are subject to regular reviews to cater for process changes, changing risks or further improvements.
- Aside from the standard operating procedures, changes in internal control procedures are also communicated via circulars and internal memos. Such circulars and memos are properly authorized by the relevant members of senior management.
- Regular visits by the head office personnel to branch depots.
- Regular meetings with the heads of sections/sales areas which provide a sound platform for the members of the sections/sales areas to communicate with and provide feedback to Management.

Internal Audit

The Group has an Internal Audit Department which independently carries out its functions and provides the Audit Committee and the Board with the assurance on the adequacy and integrity of the system of internal controls.

The Internal Audit Department reports to the Audit Committee on a quarterly basis.

The Audit Committee Report set out on pages 38 to 42 of this Annual Report contains further details on the principal responsibilities and activities of the Internal Audit Department in 2002.

Audit Committee

The Audit Committee, on behalf of the Board, regularly reviews the measures undertaken on internal control issues identified by the RMWC, Internal Audit, external auditors and Management. During the year, 46 reports were issued by the Internal Audit Department to the Audit Committee for their review.

The Audit Committee Report set out on pages 38 to 42 of this Annual Report contains further details on the activities undertaken by the Audit Committee in 2002.



**Board**

The Board holds regular discussions with the Audit Committee, Management, Internal Audit Department and external auditors and considers their reports on matters relating to internal controls and deliberates on their recommendations for implementation.

- **Reporting and Information**

Business plans are prepared by Management, which form the basis for detailed budgets, which are prepared by business operating units and reviewed and approved by Management and the Board.

The monitoring of results against budget is conducted every quarter, with major variances followed up and management action taken, where necessary. Management also ensures that it has the knowledge of key market information in respect of the Group's products and takes pro-active measures as appropriate in the best interests of the Group.

Regular and comprehensive information is provided to Management, covering financial performance and key business indicators, key operating statistics/indicators, key business risks, legal, environmental and regulatory matters. Weekly meetings attended by Management, which includes the Executive Chairman/Managing Director, are held to discuss the various aspects of the financial and operational performance of the Group. Key matters affecting the Group are brought to the attention of the Audit Committee and are reported to the Board on a regular basis.

- **Monitoring and Review**

There are processes for monitoring the system of internal controls and reporting any significant weaknesses together with details of corrective action.

The system is subject to ongoing review by the Board, Audit Committee, Management, Finance Department and Internal Audit Department. Responsibility for monitoring compliance with policies, procedures and guidelines rests principally with the Internal Audit Department, which reports directly to the Audit Committee as described above. Heads of Department are also actively involved in continually improving the control processes within their respective departments.

During the year, the Group had engaged external consultants to conduct a detailed study of the internal controls within its key business processes. Various initiatives had been identified to further enhance the overall internal control system. Responsibilities and timeframe for implementation of such initiatives were outlined with the status reviewed on a regular basis.

Review of Effectiveness

The Directors have taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements.

The Directors believe that the system of internal controls is considered appropriate to business operations, and that the risks taken are at an acceptable level within the context of the business environment of the Group.

During the year, a number of improvements to internal controls were identified and addressed. There have been no significant weaknesses noted which have resulted in any material losses.

This Statement on Internal Control does not deal with the associated company as the Group does not have management control over its operations. However, during the year the associated company of the Group had also undertaken a Risk Assessment project through an external consultant. The detailed report on the key risks identified and their corresponding controls was submitted to the Group for review.

This statement is made in accordance with a resolution of the Board of Directors dated 20 February 2003.

Audit Committee Report

MEMBERSHIP AND MEETINGS

The Audit Committee had 4 meetings during the year ended 31 December 2002. The members of the Audit Committee and the record of their attendance are as follows :-

Membership	No. of meetings attended
Chan Hua Eng (Chairman/Independent Non-Executive Director)	4/4
Jen (B) Tan Sri Dato' Mohd Ghazali bin Dato' Mohd. Seth (Member/Independent Non-Executive Director)	4/4
Y.A.M. Tunku Naquiyuddin ibni Tuanku Ja'afar (Member/Independent Non-Executive Director)	2/4
Dato' Jorgen Bornhoft (Member/Executive Chairman*)	4/4

Note: Dato' Jorgen Bornhoft, who was previously the Managing Director, was appointed as Executive Chairman on 18.11.2002. On 1.4.2003, he stepped down as Executive Chairman but remains as Chairman.*

The Heads of the Finance and Internal Audit Departments were invited to attend the meetings for the purpose of briefing the Audit Committee on the activities involving their areas of responsibilities. The Audit Committee was also briefed by the external auditor on the findings of the external audit.

TERMS OF REFERENCE

• Terms of membership

1. The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than 3 members with the majority being Independent Directors.
2. The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Non-Executive Director.
3. At least 1 member of the Audit Committee must be or have the following :-
 - a member of the Malaysian Institute of Accountants; or
 - at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - a degree/masters/doctorate in accounting or finance with at least 3 years' post qualification experience in accounting or finance; or
 - at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.





4. In the event of any vacancy in the Audit Committee, the Board shall within 3 months of that event, appoint such new members to make up the minimum number of 3 members.
5. No alternate director can be appointed as a member of the Audit Committee.
6. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once in every 3 years.

- **Authority**

The Audit Committee is authorised by the Board to perform the following :-

1. To investigate any matter within its terms of reference. It shall have full and unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. It shall have the resources required to perform its duties.
2. To obtain external legal or other professional advice and secure the attendance of outsiders with relevant experience to attend, if necessary.
3. To promptly report to the Kuala Lumpur Stock Exchange, any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the KLSE Listing Requirements.

- **Functions**

The functions of the Audit Committee shall be :

1. to review the following and report the same to the Board of Directors :-
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report, including his management letter and management's response;
 - (d) with the external auditor, any other matter he may wish to discuss (in the absence of management where necessary);
 - (e) the assistance given by the Company's officers to the external auditor;
 - (f) the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (g) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (h) any appraisal or assessment of the performance of members of the internal audit function;
 - (i) any appointment or termination of senior staff members of the internal audit function;
 - (j) any resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

Audit Committee Report (contd.)

- (k) the quarterly results and year end financial statements of the Company and of the Group, prior to the approval by the Board, focusing particularly on :-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) compliance with accounting standards and other legal requirements;
 - (iv) significant adjustments arising from the audit;
 - (v) going concern assumption;
 - (l) any related party transaction and/or conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (m) any major findings of internal investigations and management's response;
 - (n) the quarterly reports relating to Risk Assessment and the effectiveness and appropriateness of the Risk Management Framework; and
2. to recommend and consider the nomination and appointment of a person or persons as external auditors, the audit fees and any questions of resignation or dismissal; and
 3. to consider any other functions as may be agreed to by the Audit Committee and the Board of Directors.
- **Meetings**
 1. Meetings shall be held not less than 4 times a year.
 2. The quorum for each meeting shall be two independent Members of the Audit Committee.
 3. The Chief Financial Officer, the Head of Internal Audit and the external auditor shall normally attend meetings. Other Board members and employees may attend meetings only upon the invitation of the Audit Committee.
 4. At least once a year, the Audit Committee shall meet with the external auditor without executive board members present. The external auditor may also request a meeting if they consider that one is necessary.
 5. The Company Secretary shall be the Secretary of the Audit Committee.

- **Reporting Procedures**

The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.





SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION AND THE AUDIT COMMITTEE DURING THE YEAR ENDED 31 DECEMBER 2002

- **Internal Audit Function**

Carlsberg has an Internal Audit Department which principal responsibility is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate effectively and efficiently.

In attaining such objectives, the following activities were carried out by the Internal Audit Department in 2002 :

1. ascertained the extent of compliance with established policies, procedures and statutory requirements;
2. carried out investigations and special reviews;
3. appraised the reliability and usefulness of the information developed within the Group for Management;
4. recommended improvements to the existing system of controls by way of issuing audit reports to the appropriate level of management capable of achieving satisfactory results and ensured corrective actions were taken;
5. assisted the various Departments within the Group in establishing revised "Guidelines on Internal Controls" (written procedures) and ensured adherence to the same; and
6. identified opportunities to improve the operations of and processes within the Group.

- **Summary of Activities of the Audit Committee**

During the year ended 31 December 2002, the Audit Committee performed its duties as set out in its terms of reference.

The main activities undertaken by the Audit Committee were as follows :-

- Reviewed the external auditors' scope of work and audit plans for the year.
- Reviewed the results of the external audit, the audit report and the management letter, including Management's response.
- Considered and recommended to the Board for approval of the audit fees payable.
- Considered the independence and objectivity of the external auditors and the services provided, including non-audit services. Non-audit services totalling RM10,000 were payable to the external auditors during the year for tax advisory services.

Audit Committee Report (contd.)

- Reviewed the Internal Audit Department's resources requirements, programmes and plan for the year under review and the annual assessment of the Department's performance.
- Reviewed the internal audit reports, recommendations and Management's response. Discussed actions taken with Management to improve the internal controls system based on internal audit findings.
- Reviewed the Risk Management Framework and reports summarising the findings from work performed on the identification and assessment of enterprise-wide key risks.
- Reviewed the annual report and audited financial statements of the Company and the Group prior to the submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards approved by MASB.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Chief Financial Officer.
- Reviewed the Company's compliance with the Listing Requirements of the KLSE, MASB and other relevant legal and regulatory requirements.
- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group which included enhancement and further investment in existing products, cost rationalisation measures and human resource development.
- Reviewed the significant related party transactions entered into by the Group.
- Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of the Corporate Governance Statement pursuant to the KLSE Listing Requirements.





Responsibility Statement

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statement for the Group and the Company, the Directors are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of the KLSE.

It is the responsibility of the Directors to ensure that financial statements for each financial year present a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2002, the Directors have applied appropriate and relevant accounting policies consistently and in accordance with applicable accounting standards and made judgments and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.

Ten-Year Financial Summary

PROFIT AND LOSS ACCOUNT (RM - MILLION)										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Revenue	407.0	461.3	525.5	609.6	685.9	707.8	771.4	852.0	841.1	838.8
Profit Before Tax	68.1	88.0	108.1	129.0	160.0	151.9	137.9	152.2	161.7	126.8
Taxation	20.4	25.8	31.1	37.3	44.2	37.4	-	42.2	35.7	25.0
Profit After Tax	47.7	62.2	77.0	91.7	115.8	114.5	137.9	110.0	126.0	101.8
Transfer from Revenue Reserves	-	-	-	-	-	1.2	-	-	-	-
	47.7	62.2	77.0	91.7	115.8	115.7	137.9	110.0	126.0	101.8
Dividends	21.9	27.8	28.0	43.4	65.8	115.7	109.3	82.0	82.0	103.6
Retained Earnings	25.8	34.4	49.0	48.3	50.0	0.0	28.6	28.0	44.0	(1.8)

BALANCE SHEETS (RM - MILLION)										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Issued and Paid-up Share Capital	81.6	102.0	102.0	102.0	153.0	153.0	153.0	153.0	153.0	153.7
Retained Earnings	100.0	114.0	163.0	211.4	210.3	209.1	237.7	265.8	380.8	379.0
Treasury Shares	-	-	-	-	-	-	-	(12.0)	(12.0)	(12.0)
General Reserves	5.8	5.5	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Non-Distributable Reserves	10.5	10.5	10.5	10.5	10.5	13.0	11.9	11.4	9.3	13.3
Shareholders' Funds	197.9	232.3	281.3	329.7	379.6	380.9	396.4	424.0	536.9	539.8
Deferred Taxation	9.8	10.8	10.8	12.0	12.0	12.0	12.0	12.8	14.0	14.4
	207.7	243.1	292.1	341.7	391.6	392.9	408.4	436.8	550.9	554.2
Property, Plant and Equipment (Net Book Value)	153.9	144.6	144.6	158.9	157.8	176.4	200.9	195.5	211.6	200.8
Investment in Associated Company	-	-	-	11.0	11.0	14.1	13.3	13.4	8.3	13.6
Long Term Investment	-	-	-	-	-	1.7	1.7	1.7	1.7	1.7
Net Current Assets	53.8	98.5	147.5	171.8	222.8	200.7	192.5	226.2	329.3	338.1
	207.7	243.1	292.1	341.7	391.6	392.9	408.4	436.8	550.9	554.2

FINANCIAL RATIOS										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Pre-Tax Earnings per Share (RM)*	0.45	0.58	0.71	0.84	1.05	0.99	0.91	1.00	1.06	0.83
Post-Tax Earnings per Share (RM)*	0.31	0.41	0.50	0.60	0.76	0.75	0.91	0.72	0.83	0.67
Net Dividend per Ordinary Share (RM)	0.14	0.18	0.18	0.28	0.43	0.76	0.72	0.54	0.54	0.68
Net Assets Backing per Share (RM)**	1.29	1.52	1.84	2.15	2.48	2.49	2.61	2.79	3.54	3.54
Dividend Cover, No. of Times (Based on post-tax earnings)	2.2	2.2	2.8	2.1	1.8	1.0	1.3	1.3	1.54	0.98
Return on Shareholders' Funds (%)	24.1	26.8	27.4	27.8	30.5	30.1	34.8	25.9	23.5	18.9
Current Ratio	1.6	1.9	2.3	2.2	2.2	1.9	2.0	2.2	3.8	4.3
KLSE Price at 31 December (RM) (After adjustment for all bonus issues till 1997)	6.51	7.33	7.93	12.47	12.50	10.90	11.70	11.00	10.80	10.70

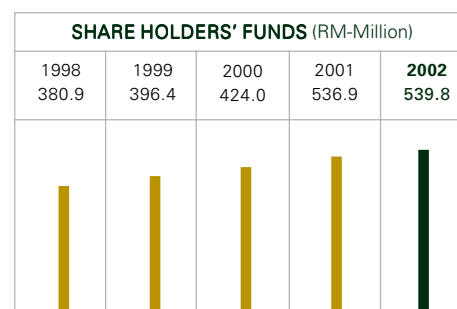
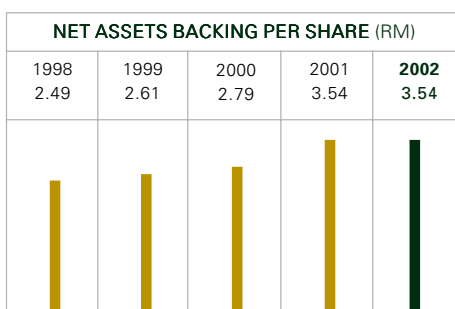
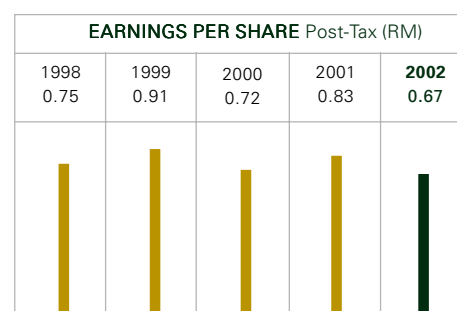
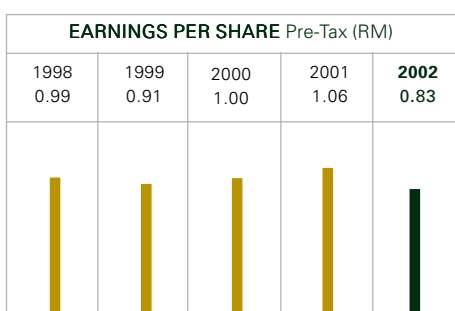
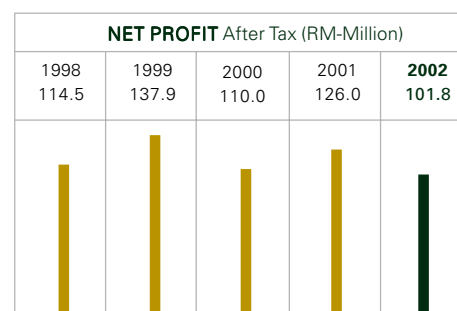
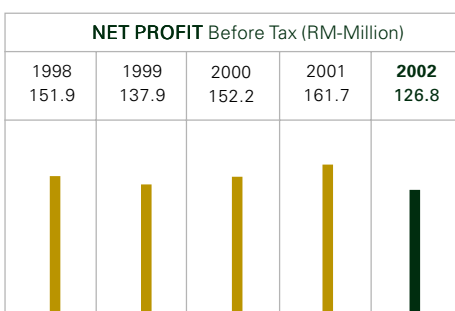
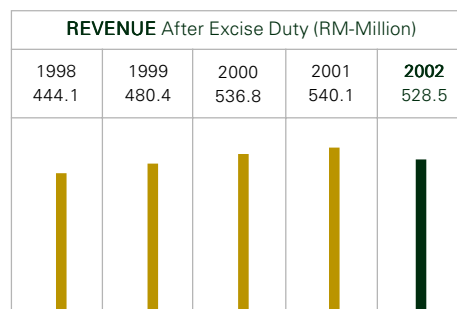
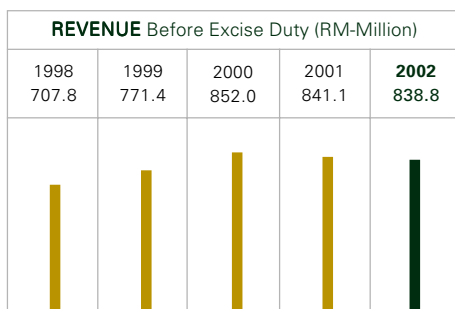
* For 1998 and prior, figure are calculated based on 153 million ordinary shares. 1999 figures are based on weighted average number of shares issued during the year while 2000 and 2001 figures are based on number of shares net of treasury shares.

** 1999, 2000 and 2001 figures based on number of shares net of treasury shares.





Financial Highlights



	2001	2002
1. Excise Duties	35.8%	37.0%
2. Sales, Distribution & Administration Costs	27.3%	31.0%
3. Profit after Taxation	15.0%	12.1%
4. Raw Materials & Packaging Costs	10.1%	9.4%
5. Employees' Costs	4.3%	4.2%
6. Depreciation	3.3%	3.3%
7. Taxation	4.2%	3.0%

