



TOGETHERNESS BREWED BY CARLSBERG

JOIN A WORLD OF FRIENDS. COME UP.

Come up to www.carlsberg.com.sg/mbilly

Carlsberg



- 1 "Join a World of Friends" Campaign
- 2 New International Green Label Can
- 3 Carl's Revolutionary "UV" Look
- 4 Jolly Shandy's New Look
- 5 New Carlsberg "POS" Logo

2003 OVERVIEW

INNOVATIVE - IN FINDING NEW WAYS...

Being a supplier at the forefront by providing a wide product selection and imaginative new products, materials, concepts and services.

"JOIN A WORLD OF FRIENDS" CAMPAIGN

A campaign entitled "Join a World of Friends" was launched in April 2003 to further augment the positioning of Carlsberg Green Label, by keeping pace with changing consumer trends. This campaign, which signifies a global look for Carlsberg in over 140 markets worldwide, is aimed at building on the brand's strength with a more cosmopolitan and social dimension.

NEW INTERNATIONAL GREEN LABEL CAN

Carlsberg Malaysia pioneered a new international look for its Green Label can design in December 2003 within the Carlsberg Breweries A/S Group. The new design, with its vibrant green background, is a strong representation of Carlsberg's core values - cosmopolitan, contemporary, witty and a passion for excellence. While the new international look takes the spotlight, some things do not and will never change - Green Label's consistent, trusted quality and definitive beer taste.

CARL'S REVOLUTIONARY "UV" LOOK

Carl's Signature Lager pint was re-launched in September 2003 in a newly dressed "No Label Look" bottle that uses a UV logotype. Unrestrained by conservative borders generally found in other beer packaging throughout the world, this new revolutionary look is designed to appeal to the cool, hip and happening young drinkers of today. To celebrate Carl's new look, a dance celebration called CARL'S UV-lution was organised at clubs throughout the country. There is no change in the taste of Carl's Signature Lager itself - it still retains the same great, smooth and refreshing taste.

JOLLY SHANDY'S NEW LOOK

Jolly Shandy's new look for cans was introduced in December 2003 for clearer branding and a more refreshing look. New secondary packaging for trays and multipacks and POS materials were designed to further drive the Jolly Shandy brand.

NEW CARLSBERG POINT-OF-SALES ("POS") LOGO AND INNOVATIVE POS MATERIALS

To mark its new global contemporary positioning, Carlsberg Malaysia unveiled a bold Carlsberg logo on its POS materials. Innovative POS materials were introduced, namely the thermal tulip glass, revolutionary globe signage incorporating newly imported technology and an award-winning design draught beer tap from the United Kingdom.



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NATIONAL SALES CONFERENCE
25TH & 26TH APRIL 2003
RENAISSANCE KUALA LUMPUR



2

NATIONAL SALES CONFERENCE
25TH & 26TH APRIL 2003
RENAISSANCE KUALA LUMPUR



2

NATIONAL SALES CONFERENCE
25TH & 26TH APRIL 2003
RENAISSANCE KUALA LUMPUR



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- 1 Carlsberg Beer Cuisine
- 2 Carlsberg Sales Conference
- 3 Elite Promotion Girls Team
- 4 Carlsberg-Nanyang Top Ten

2003 OVERVIEW (contd.)

CARLSBERG BEER CUISINE

The Carlsberg Beer Cuisine held in conjunction with the KL International Gourmet Festival, which also had Carlsberg as the official beer, provided food and beer lovers with a large offering of fine cuisine at 34 participating hotels and restaurants in the Klang Valley, Penang and Johor Baru in September 2003. New concepts and fresh approaches to cooking styles with beer allowed the diners the rare opportunity to encounter some of the most innovative recipes ever to be produced in fine dining establishments.

CARLSBERG SALES CONFERENCE - "LEADERSHIP THROUGH INNOVATION"

The National Sales Conference 2003 - "Leadership Through Innovation" was attended by all sales and marketing employees to foster an even closer and united spirit and to continue to be armed with innovative solutions and practices to face today's changing market place.

ELITE PROMOTION GIRLS TEAM

An elite team comprising young, attractive, outgoing and articulate girls was set up to promote and drive on-premise beer and stout consumption, with a special focus on pubs, clubs, special events and functions. The team works in Kuala Lumpur, Johor Baru and Penang. The team complements and adds support to the existing team of Carlsberg promotion girls.

GOOD CORPORATE CITIZEN - IN OUR DEEDS...

Being dedicated in giving to the community in the areas of education, sports and music.

EDUCATION

ANOTHER RECORD-BREAKING FEAT FOR THE CARLSBERG-NANYANG TOP TEN

The Carlsberg-Nanyang Top Ten Charity Show organised by Carlsberg Malaysia was named the Longest Running Charity Show in aid of Education by the Malaysian Book of Records. It further exceeded its outstanding record by raising more than RM223 million since its historic debut in 1987. Over 400 Chinese primary schools, Chinese independent secondary schools and institutions of higher learning throughout Malaysia have benefited from generous donations raised at the Charity Shows. Furthermore, a number of talented local artistes were discovered through this programme.

SCHOLARSHIP FUND FOR THE EWRF

Carlsberg Malaysia continued to contribute towards the Education, Welfare and Research Foundation of Malaysia ("EWRF") to support the education of Indian students from the low-income group. EWRF was established in 1979 with the objective of uplifting the socio-economically weaker section of the Indian community in the country.



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- 1 Carlsberg Malaysian Open
- 2 Cobra Invitational Rugby 10s
- 3 Carlsberg Golf Classic
- 4 Carlsberg Hottracks Musicfest

2003 OVERVIEW (contd.)

SPORTS

CARLSBERG MALAYSIAN OPEN

More than 50 million viewers from across 6 continents viewed the 42nd edition of the Carlsberg Malaysian Open held from February 20 to 23, 2003. Since Carlsberg took over as the title sponsor of this event in 2001, the Carlsberg Malaysian Open has grown further in stature and prestige. This US\$1.1 million championship, being Asia's richest National Golf Open, fielded 150 players. Amongst a field of star players such as Retief Goosen, Padraig Harrington, Paul McGinley and Zhang Lian-wei, the Open was won by Arjun Atwal. As part of Carlsberg's efforts to support the development of Malaysian golfers, a wild card was extended to the leading Malaysian finisher to play in the Nordic Open in Copenhagen.

COBRA INVITATIONAL RUGBY 10s

Red Rock Club of Fiji won the thrilling Cup final of the Cobra Invitational Rugby 10s held in September 2003 which featured Carlsberg Malaysia as the main sponsor of this event.

CARLSBERG GOLF CLASSIC

The National Finals of the Carlsberg Golf Classic 2003 was held in December 2003 and included 92 finalists. Funds raised from participating golfers were channelled to 5 charities. These charities which were awarded RM15,000 each, were Desa Amal Jireh, Yayasan Strategik Sosial, Persatuan Orang-orang Cacat Anggota Malaysia, Handicapped and Disabled Children's Association of Klang and Handicapped Children's Welfare Association, Perak.

MUSIC

CARLSBERG HOTTRACKS MUSICFEST

Carlsberg's continued commitment in sponsoring the Carlsberg Hottracks Musicfest held in July 2003 is to encourage the development of the local music scene and to present a musical feast for its consumers who enjoy a wide variety of music with a world of friends in pubs, clubs and hotels.

SUNRISE CARLSBERG JAZZ FESTIVAL

Jazz music lovers had a treat when the Sunrise Carlsberg Jazz Festival kicked off at Plaza Mont' Kiara. The festival featured 12 top-notch bands with accompanying vocalists, which showcased the best and most eclectic talents that jazz music had to offer in a festive live atmosphere. The annual jazz festival was in its fourth year and proved to be a great success.

2003 OVERVIEW (contd.)

HERITAGE - BUILDING ON A TRADITION OF CONSISTENT HIGH QUALITY...

Carrying on the tradition of Carlsberg Copenhagen's continuous improvement in the quality of products.

NEW WATER DEAERATION PLANT

Carlsberg installed a new 300 hl/h Water Deaeration Plant to meet the increasing capacity and high quality demands for deaerated carbonated water, more commonly known as DCW or gravity liquor. The fully automatic Alfa Laval ALDOX plant guarantees a very low level of dissolved oxygen left in the water. The usage of very low oxygen DCW in the process ensures a lower oxygen content in the finished products which helps to improve flavour stability by preventing oxidation and stale flavours.



RESPONSIBLE - IN OUR ACTIONS...

Being a responsible, reliable and trustworthy company.



KLSE CORPORATE MERIT AWARD 2003 (NOW KNOWN AS MSEB)

For the second consecutive year, Carlsberg Malaysia was awarded the KLSE Corporate Merit Award under the Consumer Products Sector - Main Board category. The KLSE Corporate Awards recognise listed companies which have shown exemplary corporate conduct in complying with the Listing Requirements. In addition, the Awards recognise listed companies which have demonstrated high standards of corporate governance, disclosure and transparency coupled with proactive investor relations efforts.



Our Brands at a Glance

TEN-YEAR FINANCIAL SUMMARY

INCOME STATEMENTS (RM - MILLION)										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenue	461.3	525.5	609.6	685.9	707.8	771.4	852.0	841.1	838.8	876.0
Profit Before Tax	88.0	108.1	129.0	160.0	151.9	137.9	152.2	161.7	126.7	106.7
Taxation	25.8	31.1	37.3	44.2	37.4	-	42.2	35.7	31.3	25.5
Profit After Tax	62.2	77.0	91.7	115.8	114.5	137.9	110.0	126.0	95.4	81.2
Transfer from Revenue Reserves	-	-	-	-	1.2	-	-	-	-	-
	62.2	77.0	91.7	115.8	115.7	137.9	110.0	126.0	95.4	81.2
Dividends	27.8	28.0	43.4	65.8	115.7	109.3	82.0	82.0	103.6	103.9
Retained Earnings	34.4	49.0	48.3	50.0	0.0	28.6	28.0	44.0	(8.2)	(22.7)

BALANCE SHEETS (RM - MILLION)										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Issued and Paid-up Share Capital	102.0	102.0	102.0	153.0	153.0	153.0	153.0	153.0	153.7	154.0
Retained Earnings	114.0	163.0	211.4	210.3	209.1	237.7	265.8	380.8	378.4	355.7
Treasury Shares	-	-	-	-	-	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)
General Reserves	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	13.0	11.9	11.4	9.3	11.4	14.0
Shareholders' Funds	232.3	281.3	329.7	379.6	380.9	396.4	424.0	536.9	531.5	511.7
Deferred Taxation	10.8	10.8	12.0	12.0	12.0	12.0	12.8	14.0	21.0	22.5
	243.1	292.1	341.7	391.6	392.9	408.4	436.8	550.9	552.5	534.2
Property, Plant and Equipment (Net Book Value)	144.6	144.6	158.9	157.8	176.4	200.9	195.5	211.6	200.8	185.5
Investment in Associated Company	-	-	11.0	11.0	14.1	13.3	13.4	8.3	13.6	15.0
Long Term Investment	-	-	-	-	1.7	1.7	1.7	1.7	1.7	1.7
Net Current Assets	98.5	147.5	171.8	222.8	200.7	192.5	226.2	329.3	336.4	332.0
	243.1	292.1	341.7	391.6	392.9	408.4	436.8	550.9	552.5	534.2

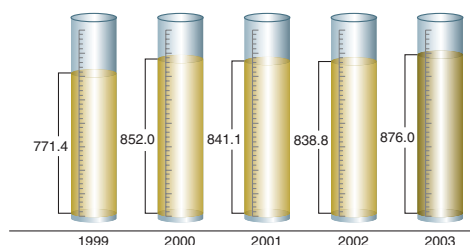
FINANCIAL RATIOS										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Pre-Tax Earnings per Share (RM)*	0.58	0.71	0.84	1.05	0.99	0.91	1.00	1.06	0.83	0.70
Post-Tax Earnings per Share (RM)*	0.41	0.50	0.60	0.76	0.75	0.91	0.72	0.83	0.63	0.53
Net Dividend per Ordinary Share (RM)	0.18	0.18	0.28	0.43	0.76	0.72	0.54	0.54	0.68	0.68
Net Assets Backing per Share (RM)**	1.52	1.84	2.15	2.48	2.49	2.61	2.79	3.54	3.48	3.35
Dividend Cover, No. of Times (Based on post-tax earnings)	2.2	2.8	2.1	1.8	1.0	1.3	1.3	1.54	0.92	0.78
Return on Shareholders' Funds (%)	26.8	27.4	27.8	30.5	30.1	34.8	25.9	23.5	18.0	15.9
Current Ratio	1.9	2.3	2.2	2.2	1.9	2.0	2.2	3.8	4.3	4.8
KLSE Price at 31 December (RM) (After adjustment for all bonus issues till 1997)	7.33	7.93	12.47	12.50	10.90	11.70	11.00	10.80	10.70	11.00

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

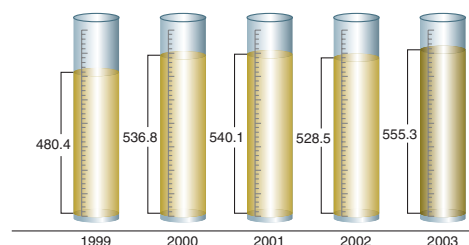
** The figures for 1999 onwards are based on number of shares net of treasury shares.

FINANCIAL HIGHLIGHTS

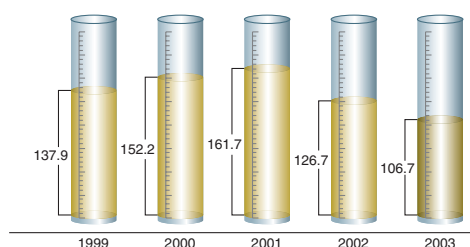
REVENUE Before Excise Duty (RM-Million)



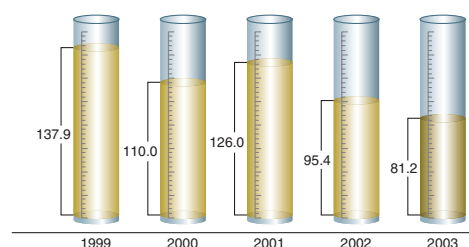
REVENUE After Excise Duty (RM-Million)



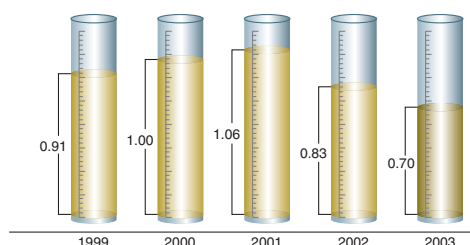
NET PROFIT Before Tax (RM-Million)



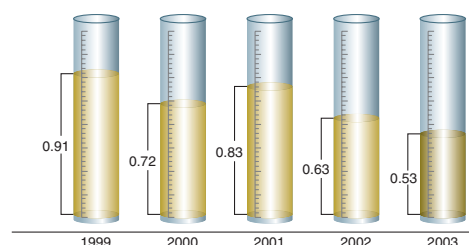
NET PROFIT After Tax (RM-Million)



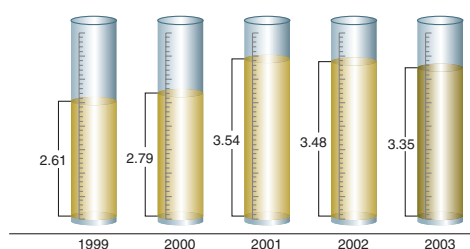
EARNINGS PER SHARE Pre-Tax (RM)



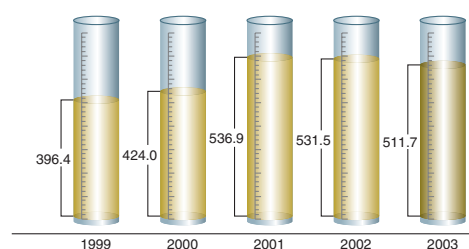
EARNINGS PER SHARE Post-Tax (RM)



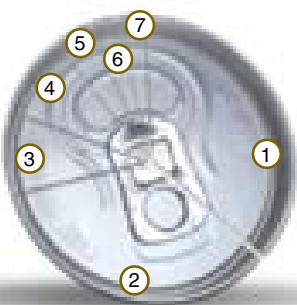
NET ASSETS BACKING PER SHARE (RM)



SHAREHOLDERS' FUNDS (RM-Million)



ANALYSIS OF 2003 GROUP REVENUE



	2002	2003
1. Excise Duties	37.0%	36.6%
2. Sales, Distribution & Administration Costs	31.0%	34.7%
3. Profit after Taxation	11.4%	9.3%
4. Raw Materials & Packaging Costs	9.4%	9.4%
5. Employees' Costs	4.2%	4.4%
6. Taxation	3.7%	2.9%
7. Depreciation	3.3%	2.7%

DEVELOPMENT OF INVESTMENT IN CARLSBERG BREWERY MALAYSIA BERHAD SHARES

Year	Particulars	New shares issued to a shareholder #	Cumulative number of shares held by a shareholder	Cost of investment
1971	Initial subscription		1,000	RM1,000
1973	Rights issue : 1 for 2	500	1,500	RM500
1978	Bonus issue : 1 for 2	750	2,250	
1981	Bonus issue : 1 for 2	1,125	3,375	
1988	Bonus issue : 1 for 3	1,125	4,500	
1990	Bonus issue : 1 for 2	2,250	6,750	
1992	Bonus issue : 1 for 3	2,250	9,000	
1994	Bonus issue : 1 for 4	2,250	11,250	
1997	Bonus issue : 1 for 2	5,625	16,875	
			Current investment of a shareholder	Initial investment of a shareholder
Total number of shares held			16,875	1,500
Closing market price as at 01.03.2004			RM11.60	
Market value of shares held			RM195,750	RM1,500
Cumulative gross dividends received (1971 – 2003)			RM124,050	

Assumption of issue of exact lots for illustrative purposes only

DIVIDEND PAYMENT HISTORY

Year	Total dividend RM'000	Dividend rate Gross	Dividend rate Net	Year	Total dividend RM'000	Dividend rate Gross	Dividend rate Net
1977	1,440	20.0%	12.0%	1991	16,065	35.0%	26.3%
1978	1,800	21.7%	13.0%	1992	17,391	35.0%	26.3%
1979	2,786	25.8%	15.5%	1993	21,624	35.0%	26.5%
1980	2,700	25.0%	15.0%	1994	23,419	35.0%	27.0%
1981	3,240	25.0%	15.0%	1995	28,050	35.0%	27.5%
1982	4,050	25.0%	15.0%	1996	28,050	35.0%	27.5%
1983	4,590	25.0%	15.0%	1997	46,920	50.0%	42.5%
1984	4,590	25.0%	15.0%	1998	66,096	60.0%	43.2%
1985	4,590	25.0%	15.0%	1999	115,584	105.0%	75.6%
1986	4,590	25.0%	15.0%	2000	109,321	100.0%	72.0%
1987	4,590	25.0%	15.0%	2001	81,991	75.0%	54.0%
1988	5,202	25.0%	15.0%	2002	103,604	75.0%	68.0%
1989	6,630	25.0%	16.3%	2003	103,859	75.0%	68.0%
1990	12,036	35.0%	26.3%				

FIVE-YEAR DIVIDEND PAYOUT AS % OF PROFIT AFTER TAX

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Net Dividend amount	115,584	109,321	81,991	103,604	103,859
Group profit after tax	137,935	110,008	125,970	95,402	81,155
Net Dividend amount as % of profit after tax	83.8%	99.4%	65.1%	108.6%	128.0%

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 the 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.	The Board has considered this Principle against the backdrop of compliance with a related disclosure required under the Listing Requirements of Malaysia Securities Exchange Berhad, i.e. that of disclosure of an analysis of Directors' Remuneration by applicable bands of RM50,000 (refer to Note 7 to the financial statements). 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.

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

STATEMENT OF CORPORATE GOVERNANCE (contd.)

A. DIRECTORS

I. The Board

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

During the year ended 31 December 2003, 4 Board Meetings were held. The following is the record of attendance of the Board Members :-

Directors	No. of meetings attended
Dato' Jorgen Bornhoft	4/4
Chan Hua Eng	4/4
Jen (B) Tan Sri Dato' Mohd Ghazali bin Dato' Mohd. Seth	4/4
Tan Sri Datuk Asmat bin Kamaludin	3/4
Dato' Lim Say Chong (appointed on 21.5.2003)	2/2
Jesper B. Madsen (appointed on 21.5.2003)	2/2
Bjorn Sondenskov (appointed on 1.4.2003)	3/3
Chin Voon Loong (appointed on 1.4.2003)	3/3
Y.A.M Tunku Naquiyuddin ibni Tuanku Ja'afar (resigned on 16.5.2003)	1/1
Paul Assar Bergqvist (resigned on 19.5.2003)	1/1
Mogens Thomsen (resigned on 20.5.2003)	1/1

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 to which are attached sufficient information required for an informed decision.

STATEMENT OF CORPORATE GOVERNANCE (contd.)

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 pages 44 to 47.

2. Nomination Committee

The Nomination Committee was established on 1 October 2001. The Committee had 3 meetings during the year ended 31 December 2003.

Members

Tan Sri Datuk Asmat bin Kamaludin - Chairman (Independent Non-Executive Director)
Chan Hua Eng (Independent Non-Executive Director)
Bjorn Sondenskov (Managing Director)

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 2 meetings during the year ended 31 December 2003.

Members

Chan Hua Eng - Chairman (Independent Non-Executive Director)
Tan Sri Datuk Asmat bin Kamaludin (Independent Non-Executive Director)
Dato' Jorgen Bornhoft (Non-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 were held where necessary. During the year ended 31 December 2003, no meeting was held. The Carlsberg Employees' Share Option Scheme expired on 25 October 2003.

Members

Dato' Jorgen Bornhoft (Non-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.

STATEMENT OF CORPORATE GOVERNANCE (contd.)

II. Board Balance

Upon the internal restructuring of Carlsberg Malaysia's holding company, Carlsberg Asia Pte Ltd, the then Chairman of Carlsberg Malaysia, Michael Luul, resigned on 18 November 2002. For the purposes of continuity, Dato' Jorgen Bornhoft, the then Managing Director of Carlsberg Malaysia, 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 during 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 were 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.

The Board has 8 members, comprising 6 Non-Executive Directors and 2 Executive Directors. Out of the 8 Directors, 4 are Independent Directors, which is in excess of the statutory requirement of one-third. 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 the Audit Committee 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 Code 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, the majority of whom are Non-Executive Directors, 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 discussions with the Managing Director, Department Heads and Key Section Heads to better understand the operations, business and policies of the Group, which will allow the Director to contribute effectively from the outset of the appointment.

STATEMENT OF CORPORATE GOVERNANCE (contd.)

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 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 2003 are disclosed in the Statutory Accounts as Note 7 of the Notes to the financial statements.

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 external 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 Managing Director 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.

STATEMENT OF CORPORATE GOVERNANCE (contd.)

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 48 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 44 to 47.

STATEMENT ON INTERNAL CONTROL

Responsibility

The Board is committed to the continuous improvement of 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 to safeguard shareholders' investment, customers' interests and the Group's assets. 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 ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. This is a continuous 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 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"), provides 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, and corresponding controls. 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 on any significant changes in the business and external environment which affect key risks.

In 2003, the RMWC met 5 times wherein discussions and reviews were conducted on key risks faced by the Group and their corresponding controls. The RMWC's feedback was reported to the Management and the Audit Committee on a regular basis.

- **Risk Assessment**

The Group maintains a database of key risks specific to the Group together with their corresponding controls, which are 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

During the year, the database of key risks and corresponding controls was reviewed for completeness and adequacy. 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.

Internal Controls System

The key elements of the Group's internal controls 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.

STATEMENT ON INTERNAL CONTROL (contd.)

- **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 authorised by the relevant members of senior management.
- Regular visits by the head office personnel to sales 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 carries out its functions independently 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 is solely responsible for planning, implementing and reporting the audits. For this purpose, each year, the Department :

- Prepares a detailed Annual Audit Plan after discussion with the Managing Director for submission to the Audit Committee for approval;
- Carries out all activities to conduct the audits in an effective, professional and timely manner;
- Reports to the auditee upon completion of each audit; and
- Submits quarterly reports to the Audit Committee.

The Audit Committee Report set out on pages 44 to 47 of this Annual Report contains further details on the principal responsibilities and activities of the Internal Audit Department in 2003.

- **Audit Committee**

The Audit Committee, on behalf of the Board, regularly reviews the measures undertaken on internal control issues identified by the RMWC, internal auditors, external auditors and Management. During the year, 53 reports were issued by the Internal Audit Department to the Audit Committee for their review.

The Audit Committee Report set out on pages 44 to 47 of this Annual Report contains further details on the activities undertaken by the Audit Committee in 2003.

- **Board**

The Board holds regular discussions with the Audit Committee and Management 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, the Board and the holding company.

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.

STATEMENT ON INTERNAL CONTROL (contd.)

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 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 (through the 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.

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 control 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.

This statement is made in accordance with a resolution of the Board of Directors dated 18 February 2004.

AUDIT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Audit Committee had 4 meetings during the year ended 31 December 2003. 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
Dato' Lim Say Chong (appointed on 21.5.2003) (Member/Independent Non-Executive Director)	2/2
Chin Voon Loong (appointed on 6.5.2003) (Member/Executive Director)	3/3
Y.A.M Tunku Naquiyuddin ibni Tuanku Ja'afar (resigned on 16.5.2003) (Member/Independent Non-Executive Director)	1/1
Dato' Jorgen Bornhoft (resigned on 5.5.2003) (Member/Chairman)	1/1

The Heads of the Finance and Internal Audit Departments attended 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.

AUDIT COMMITTEE REPORT (contd.)

- **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 Malaysia Securities Exchange Berhad ("MSEB"), any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the MSEB 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;
 - (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.

AUDIT COMMITTEE REPORT (contd.)

- **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 Accountant, 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 2003

- **Internal Audit Function**

Carlsberg has an established Internal Audit Department which assists the Audit Committee in the discharge of its duties and responsibilities. The Department's role 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 2003 :

1. ascertained the extent of compliance with established policies, procedures and statutory requirements;
2. carried out investigations and special reviews;
3. assessed the effectiveness of the controls that are intended to safeguard the assets of the Group and verified their existence;
4. appraised the reliability and usefulness of the information developed within the Group for Management;
5. appraised the policies, procedures and management controls of Carlsberg to ensure that the activities were properly managed and to promote controls which could potentially create financial benefits to the Group;
6. identified opportunities to improve the operations of, and processes within, the Group; and
7. recommended improvements to the existing system of controls to minimise wastage, extravagance and fraud and to enhance efficiencies by way of issuing audit reports to the appropriate level of management capable of achieving satisfactory results and ensured corrective actions were taken.

AUDIT COMMITTEE REPORT (contd.)

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

During the year ended 31 December 2003, 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 RM27,000 were payable to the external auditors during the year.
- Reviewed the Internal Audit Department's resource 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 announcements of the unaudited financial results 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 MSEC, 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 Statement of Corporate Governance pursuant to the MSEC Listing Requirements.

RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of 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 Malaysia Securities Exchange Berhad.

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 2003, 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.