

## Business Review / *Kajian Semula Perniagaan*

### General comments

Following the good results achieved in 2001, in a modest economic environment, the Group was optimistic that the progressive trend would continue in 2002 with the expectation that the economy would gain momentum.

The first quarter of 2002 measured up to our expectations, as the economy showed positive signs of recovery, including an increase in the GDP, which boosted consumer demand. However, the Q1 performance could not be sustained due to the increase in prices of some important raw materials, which reached historical highs. Despite the reduction in some commodities costs, this was not sufficient to compensate for increased costs of other raw materials. Price increases were kept to a minimum so as not to burden our consumers and to protect our market shares.

Another major factor, which affected the business in 2002, was the unforeseen decrease in consumer base, which resulted in high inventories at the trade and distributors. Immediate remedial action was taken to reduce the inventory levels but the market situation did not improve and the Group experienced the impact of decreased consumer demand and slow sales throughput.

To help revive the market situation, the Group focused on marketing and consumer activities, which helped to consolidate our position and improve market share for our products in the packaged food categories.

### Profitability

Net profit declined by 10.5% from RM203.9 Million in 2001 to 182.6 Million in 2002. The decrease in profits were due to slower market demand which impacted on margin generation and costs absorption.

The increase in cocoa prices (+36%), Crude palm oil (more than +40%), fuel, etc. could not offset the benefits derived from the reduction in price for milk solids (-25%). The weakness of the US dollar vs major currencies in the last quarter had a negative impact in the cost of imported goods.

The Group also had to absorb the investment amount of RM32.4 million for the GLOBE project, which included the implementation of a new business excellence system, training and development as well as investment in the IT infrastructure.

The confirmation of the AAA rating for the CP/MTN programme has allowed the Group to borrow at competitive rates as all issues are regularly over-subscribed.

### Marketing

Riding on the success of 2001, the Group continued to remain innovative, with focus on nutrition and wellness, and introduced more than twenty new products into the market in 2002. Some of the newly launched products are highlighted under the respective categories:

#### Beverages

MILO®, Malaysians' favourite beverage, is improved with innovative ACTIGEN-E™, a unique combination of vitamins and minerals for optimum release of energy from the food we eat.

NESCAFÉ® has seen its market leadership consolidated with the extension of a decaffeinated range and the single serve unit. The double-digit growth of the delicate premium coffees shows an ever-discerning taste of the Malaysian consumer. NESCAFÉ® 3-in-1, the leading coffee mix, continues to further capitalize on its new, unique and easy-open stick pack design.

#### Food

This category remains strong with MAGGI®, our culinary brand, dominating market shares. Deserving special attention with the creative communication campaign on Cup Noodles is the MAGGI® Hot Cup, which placed the product to the number one position.

Consolidating the sauces range, MAGGI® ventured into the value added segment with launches of the Shitake Mushroom Vegetarian Oyster flavoured sauce, Thai Chili and the SALSA™ sauces.

Our cooking aids continue to create taste enjoyment and convenience with the MAGGI® Stock and "Hari-Hari Favourites™" new exciting recipes extension.

#### Infant food & Nutrition

The introduction of NESTLÉ® Infant Cereals with PREBIO 1™ that helps keep the digestion system healthy and allows for optimal absorption of nutrients strengthens the current range.

There is also a special focus to grow the Clinical Nutrition range under NUTREN™ and the entry into special food for diabetics, a nutritionally balanced diet, with fibre-blend designed for diabetic patients, to facilitate the normalization of blood glucose.

### Ice cream

Another milestone was reached in 2002 with Nestlé ice cream achieving RM100 Million in sales. This represents the fourth year of double-digit growth leading to a further increase in our market leadership position. No doubt indulgence is a reward for many Malaysians and innovative products coupled with availability, guarantees more magical moments with NESTLÉ® Ice Cream.

LA CREMERIA™, a premium ice cream has pleased many Malaysians because of its outstanding taste and creamy texture. DRUMSTICK™ Coffee Exotic is the ultimate indulgence for all coffee lovers. The innovation of MAT KOOL® Lidah Jeli had kids going crazy-fascinated with the wriggling jelly on an ice cream stick. The connectible ice cream sticks offered endless hours of creative sessions as kids collect the sticks to build Kool toys.

### New Categories

The Group added new categories into its product portfolio with the introduction of POWERBAR™ – a range comprising of Performance Bar, Gel and Protein Plus, which are suitable for athletic activity.

Our entry into sports and energy foods, which is categorized as performance nutrition, is in response to Malaysia's growing attention to sports science, nutrition and professional sports.

### Sales

Our Route to Market strategy has been developed in 2002 based on depth of information, which has allowed the Group to ensure the ability to drive the Distributors to optimal performance.

A new focus on Sales Channel specific strategies to capitalize on the particular opportunities available in the various channels was implemented in 2002. This strategy allows for a better understanding of consumer trends and also optimization of distribution throughout the various categories of retail and modern trade.

The Sales organization was re-structured to support this strategy and the continuous focus on Sales Execution performance has supported the consistent Market Share gains again in 2002. Trade spend levels for 2002 have been held at 2001 levels.

### Production

After the completion of the industrial restructuring exercise, 2002 was a year of consolidation of operations, with focus on improvements. As a result, significant savings in cost of production were achieved.

Nestlé Malaysia has gained "Best in Class" status amongst other companies in the Group for various

activities in the field of production and this will continue to contribute towards improved performance.

### Capital expenditures

The capital investment amounted to RM79.1 million in 2002, much lower in comparison to 2001, which was RM127.4 million which included the consolidation of the industrial restructuring. 2002 was a year of substantial investments in IT linked to the GLOBE project and the installation of new IT infrastructure and processes.

### Exports

The completion of the industrial structure has moved the Group into the exporting activity, most to affiliated companies. Exports represent now 13.0% of total sales. The increase over the past two years more than doubled, from RM149.5 Million in 2000 to RM325 Million in 2002. The increase in 2002 alone is a respectable 44.0%. The capacity utilization, as a consequence, is improving and this will bring about more efficiencies as the business grows.

### GLOBE

2002 is also the year where Nestlé Malaysia embarked as the first company in the Nestlé Group to successfully implement project GLOBE, which is not only a new and complex system (SAP based) but introduced a change in processes and a new way of doing business, using Nestlé's best practices and tools called Business Excellence. This programme will unleash the potential of the Group, giving better control as well as improved and "real time" information. A better-informed Group has the ability to react and respond to an ever-increasing competitive environment. No doubt that such an investment, at RM32.4 million, will bring about opportunities in the coming years that shall elevate your Group to a new level and maintain our leadership position in the food industry.

### Human Resources

The main 2002 HR focus was on resourcing for the GLOBE project implementation and training for the GLOBE "Go Live".

Career development continues to be given emphasis with the appropriate learning and development programme implemented throughout the year. A total of 18 Malaysian expatriates are on overseas assignment either at our Head Office in Switzerland or in other countries where Nestlé operates. In addition to local training, 44 employees have attended various courses abroad as part of their career and competency development. The Group initiative in people development is an on-going process.

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### Environment

The Group is committed to the protection of the environment and abides by good manufacturing to minimize the effects on the environment. 2002 saw the re-affirmation of our environmental commitment with the launch of our brochure "A Commitment to Preserve the Environment". In implementing this commitment, we are actively developing new approaches to significantly reduce the environmental impact of our operations, such as:

- Implementation of our Nestlé Environmental Management System, which systematically achieves continuous improvement in environmental performance.
- Solid waste recovery and recycling, where we have been working closely with a SMI Group to implement recovery techniques that reduce the volume of solid waste being disposed in landfills.
- Air emission reduction through use of alternative cleaner fuels. This also has the advantage of reducing reliance on foreign exchange.
- Packaging Source Reduction, where sustained efforts in this area resulted in a significant weight reduction of more than 600 metric tons of our packaging materials.

A critical part of this commitment is the active participation in the efforts of organizations, such as the Business Council for Sustainable Development; and support for NGO activities that serve to develop environmental awareness in Malaysia, such as the Prime Minister's Hibiscus Award.

### Prospects for 2003

2003 will start from a relatively slow base after the protracted numbers of 2002. The effects of the consumer base reduction are considered to be behind us and the market should progressively start to show signs of renewed activity.

The positive economic forecast calls for a 4-5 % GDP growth, which should trigger a consolidation of consumer confidence. However, the economy is still very dependent on the overall world economic development and any slowdown or temporary events could have an impact on the overall performance on the Group.

### Ulasan Umum

Bermula dari pencapaian keputusan yang memuaskan dalam persekitaran ekonomi yang mencatatkan pertumbuhan sederhana pada tahun 2001, Kumpulan yakin bahawa arah aliran progresif ini akan berterusan pada tahun 2002 mengikut arus pertumbuhan ekonomi yang dijangka akan pulih kembali.

Suku pertama 2002 mencatatkan pertumbuhan seperti yang dijangka kerana ia menunjukkan tanda-tanda pemulihan ekonomi yang positif, termasuk peningkatan kepada KDNK yang meningkatkan permintaan pengguna. Walau bagaimanapun, pencapaian suku pertama tidak mampu diteruskan disebabkan kenaikan harga beberapa bahan mentah utama yang melonjak kepada tahap paling tinggi dalam sejarah. Sungguhpun sesetengah komoditi mencatatkan pengurangan harga, namun perbezaan harga ini tidak memadai untuk menampung peningkatan kos bahan mentah utama ini. Kenaikan harga dikekalkan di paras minimum supaya ia tidak membebankan para pengguna kita dan untuk mengaja penguasaan pasaran.

Satu lagi aspek di luar jangkaan yang menurunkan pencapaian adalah pengurangan asas pelanggan yang mengakibatkan pegangan paras inventori yang tinggi di pasaran dan oleh rakan-rakan dagangan dan pengedar. Tindakan pembetulan segera telah diambil untuk mengurangkan paras inventori tetapi keadaan di pasaran tidak berubah dan Kumpulan mengalami kesan berganda iaitu pengurangan permintaan pengguna dan kelembapan jualan secara menyeluruh.

Untuk memulihkan situasi di pasaran, Kumpulan memfokus tumpuannya kepada aktiviti pemasaran dan aktiviti pengguna dan langkah ini telah membantu mengukuhkan lagi kedudukan serta mempertingkatkan bahagian pasaran produk kita dalam kategori makanan dalam bungkusan.

### Tahap Keuntungan

Keuntungan bersih susut sebanyak 10.5%, daripada RM203.9 juta pada tahun 2001 kepada RM182.6 juta pada tahun 2002. Pengurangan keuntungan ini adalah disebabkan oleh kelembapan permintaan pasaran yang membawa kesan kepada penajaan margin dan penyerapan kos.

Kenaikan harga koko (+36%), minyak sawit mentah (lebih daripada +40%), kos bahanapi dan lain-lain tidak mampu ditampung oleh manfaat yang diperolehi daripada pengurangan harga bahan susu (-25%). Kelemahan dolar Amerika Syarikat berbanding matawang utama dunia yang lain pada suku terakhir tahun ini membawa kesan negatif kepada kos barangan import.

Kumpulan juga terpaksa menyerap pelaburan sebanyak RM32.4 juta bagi projek GLOBE yang antara lain meliputi pelaksanaan sebuah sistem perniagaan baru, latihan dan pembangunan serta pelaburan dalam infrastruktur IT.

Pengesahan pentarafan AAA bagi program CP/MTN telah membolehkan Kumpulan meminjam pada kadar faedah yang rendah kerana semua terbitan modal yang dibuat biasanya menikmati lebih langganan.

### Pemasaran

Berdasarkan kejayaan yang dicapai pada tahun 2001, Kumpulan telah mengekalkan daya inovatifnya dengan memberi tumpuan kepada khasiat pemakanan dan kesihatan serta memperkenalkan lebih dua puluh buah produk baru ke dalam pasaran pada tahun 2002. Antara produk baru yang dilancarkan adalah dalam kategori berikut:

#### Minuman

MILO<sup>®</sup>, minuman kegemaran rakyat Malaysia telah dipertingkatkan dengan pengenalan inovatif ACTIGEN-E<sup>™</sup>, iaitu kombinasi unik vitamin dan mineral. Ini membolehkan seseorang itu mencapai tahap pelepasan tenaga yang optimum daripada makanan.

Kedudukan NESCAFÉ<sup>®</sup> sebagai pendahulu pasaran diperkukuhkan lagi dengan peluasan jenis kopi tanpa kafein dan unit tuang tunggal. Pertumbuhan dua angka yang dinikmati oleh kopi premium yang enak ini membuktikan citarasa unggul pengguna Malaysia. NESCAFÉ<sup>®</sup> 3-in-1, iaitu campuran kopi yang terkemuka di pasaran, terus memanfaatkan rekabentuk pek barunya yang unik menggunakan pelekat mudah dibuka.

#### Makanan

Categori ini kekal teguh dengan MAGGI<sup>®</sup>, jenama sajian yang terkenal, menguasai sebahagian besar pasaran. MAGGI<sup>®</sup> Hot Cup yang mendapat perhatian istimewa berikutan kempen komunikasinya yang kreatif berjaya meletakkan produk ini di kedudukan nombor satu.

Bagi mengukuhkan lagi kedudukan beraneka jenis sosnya, MAGGI<sup>®</sup> telah memasuki segmen tambah nilai melalui beberapa pelancaran sos berperisa Tiram Sayur-sayuran Cendawan Shitake, sos Thai Chilli dan SALS<sup>™</sup>.

Bahagian "Bantuan Masakan" kita berjaya mencipta citarasa yang enak serta mudah disediakan melalui sambungan program resipi baru yang menarik, iaitu MAGGI<sup>®</sup> Stock dan "Hari-Hari Favourites<sup>™</sup>".

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### Makanan Bayi & Pemakanan

Pengenalan Bijirin Bayi NESTLÉ® dengan PREBIO 1™ yang membantu mengekalkan sistem penghadaman yang sihat serta membolehkan penyerapan makanan optimum telah mengukuhkan jenis produk kita yang sedia ada.

Kumpulan turut memberi tumpuan utama untuk mengembangkan jenis Pemakanan Klinikal di bawah jenama NUTREN™ serta menceburi dalam makanan khas untuk pesakit diabetes iaitu sejenis diet seimbang yang mengandungi adunan fiber bagi membantu menstabilkan glukosa dalam darah seperti sedia kala.

### Ais Krim

Kejayaan ais krim Nestlé mencatat jualan sebanyak RM100 juta pada tahun 2002 menandakan satu lagi pencapaian cemerlang pada tahun ini. Ia merupakan pertumbuhan dua angka bagi tahun keempat yang telah membolehkannya mendaki ke kedudukan yang lebih tinggi sebagai pemimpin di pasaran. Memang tidak syak lagi, Indulgence adalah seperti satu ganjaran bagi kebanyakan rakyat Malaysia yang boleh dibeli di merata tempat dan ianya menjanjikan detik-detik ajaib bersama Ais Krim NESTLÉ®.

LA CREMERIA™, sejenis ais krim bertaraf premium telah berjaya menambat citarasa ramai warga Malaysia kerana mempunyai jalinan berkrim yang sangat lazat. DRUMSTICK™ Coffee Exotic pula menawarkan keseronokan kepada semua penggemar kopi. Inovasi MAT KOOL® Lidah Jeli pula telah menyebabkan kanak-kanak menjadi terpesona dengan jeli menggeliang-geliut pada batang ais krim. Batang ais krim yang boleh disambungkan ini menyeronokkan kanak-kanak kerana ianya boleh dikumpulkan untuk dijadikan mainan Kool secara kreatif.

### Kategori Baru

Kumpulan telah menambah beberapa kategori baru ke dalam portfolio produknya dengan pengenalan POWERBAR™ – mengandungi Performance Bar, Gel dan Protein Plus yang sesuai untuk aktiviti sukan lasak.

Menceburi ke dalam makanan sukan dan tenaga yang dikategorikan sebagai pemakanan prestasi adalah selaras dengan tumpuan semakin besar yang diberikan oleh Malaysia terhadap sains sukan, pemakanan dan sukan profesional.

### Jualan

Laluan ke Strategi Pasaran pada tahun 2002 adalah berdasarkan kepada pengumpulan maklumat secara mendalam. Ia bertujuan untuk membolehkan Kumpulan memastikan keupayaannya bagi mendorong para Pengedar mencapai prestasi optimum.

Pada tahun 2002, Kumpulan telah memfokus untuk mengatur strategi khusus pada saluran jualan bagi merebut peluang tertentu yang ada di pelbagai saluran. Strategi ini membolehkan kita mendapatkan pemahaman yang lebih baik tentang arah aliran pengguna dan mengoptimum pengedaran berbagai kategori runcit dan perdagangan moden secara menyeluruh.

Organisasi jualan telah disusun semula bagi menyokong strategi ini dan fokus berterusan yang ditumpukan kepada prestasi pelaksanaan jualan telah sekali lagi membantu mempertingkatkan bahagian pasaran secara konsisten pada tahun 2002. Perbelanjaan perdagangan pada tahun 2002 telah dapat dikekalkan pada tahap yang sama seperti pada tahun 2001.

### Pengeluaran

Selepas selesai menjalankan langkah penyusunan semula perindustrian, tahun 2002 pula merupakan satu tahun penyatuan operasi yang menumpukan perhatian kepada usaha mempertingkatkan taraf operasi. Usaha ini telah membolehkan Kumpulan menikmati penjimatan kos pengeluaran dengan ketara.

Nestlé Malaysia juga berjaya meraih status “Terbaik dalam Kelas” bagi berbagai aktiviti dalam bidang pengeluaran di kalangan syarikat-syarikat dalam Kumpulan. Pencapaian ini akan membolehkannya menyumbang ke arah peningkatan prestasi secara berterusan.

### Perbelanjaan Modal

Pelaburan modal melibatkan perbelanjaan sebanyak RM79.1 juta berbanding dengan RM127.4 juta yang dibelanjakan pada tahun 2001 termasuk perbelanjaan penyusunan semula perindustrian. Tahun 2002 juga merupakan tahun dimana penumpuan di buat kepada infrastruktur and proses-proses bersangkutan dengan GLOBE and IT.

### Eksport

Penyelesaian langkah penyusunan semula struktur Penyelesaian langkah penyusunan semula struktur perindustrian telah mendorong Kumpulan memesatkan aktiviti eksport di mana sebahagian besar daripadanya dijalankan dengan syarikat-syarikat bersekutu. Kini, eksport mewakili 13.0% daripada jumlah jualan. Penambahan eksport melonjak melebihi sekali ganda sepanjang 2 tahun lepas, iaitu daripada RM149.5 juta pada tahun 2000 kepada RM325 juta pada tahun 2002. Jumlah eksport Kumpulan pada tahun 2002 mencatatkan peningkatan membanggakan sebanyak 44.0%. Hasilnya, penggunaan kapasiti semakin bertambah baik dan ini akan membawa kepada pencapaian yang lebih baik apabila perniagaan berkembang.



### GLOBE

Tahun 2002, merupakan tahun dimana Nestlé Malaysia merintis dan berjaya melaksanakan projek GLOBE sebagai syarikat perintis, di peringkat Kumpulan Nestlé keseluruhannya. Projek ini, bukan sahaja menggunakan sistem baru dan kompleks (Berasaskan SAP) malah turut memperkenalkan satu perubahan dalam proses serta cara baru pengendalian perniagaan, menggunakan amalan dan alat terbaik yang dikenali sebagai Business Excellence. Program ini akan memantau potensi Kumpulan sambil membantu memudahkan kawalan dalaman serta pengumpulan maklumat yang "tepat pada masanya". Sebuah syarikat yang termaklum mempunyai keupayaan untuk memberi reaksi dan tindak balas secara lebih berkesan kepada persekitaran di pasaran yang semakin berdaya-saing. Oleh sebab itu, pelaburan sebanyak RM32.4 juta yang dibelanjakan, dijangkakan akan membuka banyak peluang untuk meletakkan Kumpulan ke satu tahap pencapaian baru dalam industri makanan dalam tempoh beberapa tahun akan datang.

### Sumber Manusia

Pada tahun 2002, Sumber Manusia memfokus tumpuannya untuk mengatur sumber bagi melaksanakan projek GLOBE dan latihan untuk GLOBE "Go Live".

Pembangunan kerjaya turut diberikan penekanan berterusan melalui program pembelajaran dan pembangunan yang dilaksanakan sepanjang tahun. Seramai 18 orang pegawai dari Malaysia telah ditugaskan ke luar negara; sama ada di Ibu Pejabat di Switzerland atau di beberapa negara lain di mana Nestlé beroperasi. Selain menyediakan latihan tempatan, seramai 44 orang kakitangan telah menghadiri pelbagai kursus di luar negara sebagai usaha untuk membangunkan kerjaya dan meningkatkan tahap kecekapan. Usaha Kumpulan mempertingkatkan tenaga manusianya masih dijalankan secara berterusan.

### Alam Sekitar

Kumpulan berpegang teguh pada aspek perlindungan alam sekitar dan mematuhi amalan pengilangan yang terbaik bagi mengurangkan kesannya kepada alam sekitar. Pada tahun 2002, Kumpulan telah mengukuhkan lagi komitmennya terhadap alam sekitar melalui pelancaran risalah "Komitmen untuk melindungi alam sekitar". Untuk melaksanakan komitmen ini dengan berkesan, Kumpulan secara aktif membangunkan beberapa pendekatan baru untuk mengurangkan kesan operasinya kepada alam sekitar. Antara pendekatan tersebut termasuk:

- Pelaksanaan Sistem Pengurusan Alam Sekitar Nestlé yang menyumbang kepada peningkatan prestasi alam sekitar secara sistematik
- Pemulihan dan kitaran semula bahan buangan pejal. Kumpulan telah bekerjasama erat dengan sebuah syarikat IKS untuk melaksanakan teknik pemulihan semula yang mengurangkan volum bahan buangan pejal yang dibuang ke dalam timbunan sampah timbus.
- Pengurangan pencemaran udara melalui penggunaan bahanapi alternatif yang lebih bersih. Ini juga memberi kelebihan keatas penukaran matawang asing.
- Pengurangan sumber bungkusan di mana usaha berterusan dalam bidang ini membawa kepada pengurangan ketara penggunaan bahan bungkusan kita sebanyak lebih 600 tan metrik.

Perkara penting yang menentukan keberkesanan pelaksanaan komitmen ini ialah penyertaan secara aktif dalam berbagai organisasi, umpamanya "Majlis Perniagaan bagi Pembangunan Mapan" dan sokongan terhadap berbagai aktiviti yang dijalankan oleh NGO yang bertujuan untuk mewujudkan kesedaran di kalangan warga Malaysia; seperti Anugerah Bunga Raya Perdana Menteri.

### Prospek Bagi Tahun 2003

Tahun 2003 dijangka akan bermula pada asas yang agak lembab setelah mengalami pencapaian prestasi yang menyusut pada tahun 2002. Kesan pengurangan asas pengguna kini boleh dianggap sudah berlalu dan pasaran dijangka akan mula menunjukkan pemulihan secara progresif.

Ramalan ekonomi yang positif ini dengan pertumbuhan KDNK sebanyak 4 – 5% dijangka akan mengukuhkan keyakinan pengguna. Walau bagaimanapun, ekonomi negara sangat bergantung kepada perkembangan ekonomi dunia secara keseluruhan dan sebarang kelembapan atau apa jua kejadian yang berlaku boleh membawa kesan kepada prestasi keseluruhan Kumpulan.

## 5 Years' Statistics for the year ended 31 December 2002

	2002 RM'000	2001 RM'000	2000 RM'000	1999 RM'000	1998 RM'000
<b>Turnover</b>	2,479,649	2,585,708	2,202,451	1,952,571	1,981,219
<b>Earnings / Cash Flow</b>					
Profit before tax	234,204	264,702	254,991	242,702	135,322
% of turnover	9.4%	10.2%	11.6%	12.4%	6.8%
Profit after tax and minority interest	182,585	203,949	202,452	240,659	125,391
% of turnover	7.4%	7.9%	9.2%	12.3%	6.3%
Dividends paid & proposed (net)	191,352	195,854	192,477	222,775	126,161
Depreciation of fixed assets	73,984	70,291	71,447	55,347	55,860
Cash flow (net profit + depreciation + amortisation)	264,040	285,275	280,384	296,006	181,251
% of turnover	10.6%	11.0%	12.7%	15.2%	9.1%
Capital expenditure	80,888	127,418	65,636	40,194	124,715
<b>Employment of Assets</b>					
Fixed assets (net)	578,911	573,523	518,971	555,546	473,138
Associated companies	1,871	1,518	1,243	17,644	19,620
Intangible Assets	98,204	85,713	94,895	100,194	9,749
Net current assets	(120,524)	(28,688)	(3,940)	(302,599)	(157,360)
<b>Total</b>	<b>558,462</b>	<b>632,066</b>	<b>611,169</b>	<b>370,785</b>	<b>345,147</b>
<b>Financed by</b>					
Share capital	234,500	234,500	234,500	234,500	234,500
Reserves	225,334	265,991	256,054	100,877	82,993
Total shareholders' funds	459,834	500,491	490,554	335,377	317,493
Deferred Taxation	46,163	28,627	16,975	29,803	27,654
Minority Interest	2,465	2,394	2,334	5,605	-
Borrowings	50,000	100,554	101,306	-	-
<b>Total</b>	<b>558,462</b>	<b>632,066</b>	<b>611,169</b>	<b>370,785</b>	<b>345,147</b>
<b>Per Share</b>					
Market price (RM)	19.70	20.50	21.0	16.40	15.20
Earnings (sen)	77.86	86.97	86.33	102.6	53.5
Price earnings ratio	25.30	23.57	24.32	15.98	28.4
Dividend (net) (sen)	81.6	83.5	82.1	95.0	53.8
Dividend yield (%)	4.1	4.1	3.9	5.8	3.5
Dividend cover (no.)	0.9	1.0	1.1	1.1	1.0
Shareholders' funds (RM)	1.96	2.13	2.09	1.43	1.35
Net tangible assets (RM)	1.54	1.77	1.69	1.00	1.31
<b>Personnel</b> (no.)	<b>3,478</b>	<b>3,281</b>	<b>3,183</b>	<b>3,489</b>	<b>3,312</b>
<b>Factories</b> (no.)	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>6</b>

## Notes:

1. Earning per share and dividend cover are based on profit after tax.
2. Net tangible assets consists of issued share capital plus reserves less intangible assets.
3. The market price represents last done price of the shares quoted on the last trading day of December.

## Perangkaan 5 Tahun bagi tahun Berakhir 31 Disember 2002

	2002 RM'000	2001 RM'000	2000 RM'000	1999 RM'000	1998 RM'000
<b>Jumlah Jualan</b>	2,479,649	2,585,708	2,202,451	1,952,571	1,981,219
<b>Perolehan / Aliran Tunai</b>					
Untung sebelum cukai	234,204	264,702	254,991	242,702	135,322
% jumlah jualan	9.4%	10.2%	11.6%	12.4%	6.8%
Untung selepas cukai dan kepentingan minoriti	182,585	203,949	202,452	240,659	125,391
% jumlah jualan	7.4%	7.9%	9.2%	12.3%	6.3%
Dividen dibayar & dicadangkan (bersih)	191,352	195,854	192,477	222,775	126,161
Susut nilai harga tetap	73,984	70,291	71,447	55,347	55,860
Aliran tunai (keuntungan + susut nilai + pelunasan)	264,040	285,275	280,384	296,006	181,251
% jumlah jualan	10.6%	11.0%	12.7%	15.2%	9.1%
Perbelanjaan modal	80,888	127,418	65,636	40,194	124,715
<b>Harta Digunakan</b>					
Harga tetap (bersih)	578,911	573,523	518,971	555,546	473,138
Syarikat bersekutu	1,871	1,518	1,243	17,644	19,620
Harga tidak ketara	98,204	85,713	94,895	100,194	9,749
Harga semasa bersih	(120,524)	(28,688)	(3,940)	(302,599)	(157,360)
<b>Jumlah</b>	558,462	632,066	611,169	370,785	345,147
<b>Dibiayai Oleh</b>					
Modal saham	234,500	234,500	234,500	234,500	234,500
Rizab	225,334	265,991	256,054	100,877	82,993
<b>Jumlah dana pemegang saham</b>	459,834	500,491	490,554	335,377	317,493
Cukai tertunda	46,163	28,627	16,975	29,803	27,654
Kepentingan Minoriti	2,465	2,394	2,334	5,605	-
Pinjaman	50,000	100,554	101,306	-	-
<b>Jumlah</b>	558,462	632,066	611,169	370,785	345,147
<b>Sesaham</b>					
Harga pasaran (RM)	19.70	20.50	21.0	16.40	15.20
Perolehan Sesaham (sen)	77.86	86.97	86.33	102.6	53.5
Nisbah harga perolehan	25.30	23.57	24.32	15.98	28.4
Dividen (bersih) (sen)	81.6	83.5	82.1	95.0	53.8
Kadar hasil dividen (%)	4.1	4.1	3.9	5.8	3.5
Lindungan dividen (bil.)	0.9	1.0	1.1	1.1	1.0
Dana pemegang saham (RM)	1.96	2.13	2.09	1.43	1.35
Harta ketara bersih (RM)	1.54	1.77	1.69	1.00	1.31
<b>Personel</b> (bil.)	3,478	3,281	3,183	3,489	3,312
<b>Kilang</b> (bil.)	7	7	7	7	6

Nota:

1. Perolehan sesaham dan lindungan dividen adalah berdasarkan keuntungan selepas cukai.
2. Harta ketara bersih meliputi modal saham campur rizab tolak harta tak ketara.
3. Harga pasaran adalah berdasarkan harga saham pada hari urusaniaga terakhir dalam bulan Disember.



## Corporate Governance Statement

### Introduction

The Company is committed to adopt and implement high standards of Corporate Governance. The Directors are accountable to the Company's shareholders for good governance. The Company has adopted and implemented the Corporate Governance Principles of its parent company, Nestlé S.A. which cover the following:

- The rights and responsibilities of shareholders;
- The equitable treatment of shareholders;
- The duties and responsibilities of Directors; and
- Disclosure and transparency.

The Corporate Governance Principles comply with Parts 1 and Parts 2 of the Malaysian Code on Corporate Governance and Kuala Lumpur Stock Exchange Listing Requirements.

### Compliance statement

The Company has transacted its business in line with the Best Practices of the Malaysian Code on Corporate Governance throughout the year. The exceptions were as follows:

### Nomination & Remuneration Committee

Provision of MCGG/KLSE	Details	Justification
AAVIII	The Board of every company should appoint a committee of directors composed exclusively of non-executive directors, a majority of whom are independent, with the responsibility for proposing new nominees for the Board and for assessing directors on an ongoing basis.	As a subsidiary of a multinational company, these 2 committees do not give any practical advantage. Policies and methods of nomination of directors and the remuneration of directors are discussed at the Board level and nominations for key functions also follow deliberation with its parent company, Nestlé S.A.
AAXXIV	The Board should appoint a remuneration committee, consisting wholly or mainly of non-executive directors.	

**Audit Committee**

<b>Provision of MCGG/KLSE</b>	<b>Details</b>	<b>Justification</b>
BBI	The Board should establish an audit committee of at least 3 directors, a majority of whom must be independent.	There are 5 members of the Audit Committee, consisting of 2 Independent Non-Executive Directors, 2 Non-Independent, Non-Executive Directors and 1 Executive Director. In order to achieve the independency of the Audit Committee, in the event that a vote is to be taken at the Audit Committee, one of the Non-Independent, Non-Executive Directors, Mr. Jimmy Tan @ Tan Meng Kow and the Executive Director, Mr. Pierre Francois Streit will abstain from voting.

**Composition of Board of Directors**

<b>Provision of MCGG/KLSE</b>	<b>Details</b>	<b>Justification</b>
AAVI and KLSE LR 15.02	A listed issuer must ensure that at least 2 directors or 1/3 of the Board of Directors of a listed issuer, whichever is the higher are independent directors.	A member of the Board of Directors, Mr. Jimmy Tan @ Tan Meng Kow has been re-classified as a Non-Independent director. The Company will appoint a new independent director by 31 March 2003.

## Corporate Governance Statement

### A. Board of Directors

The Directors are equally accountable under the law for the proper handling of the Company's affairs. Particular attention is given to ensure that the long-term strategies proposed by the Management of the Company are fully discussed and critically examined by the Directors. Beyond the long-term interest of the shareholders, the Directors also give proper consideration to such strategies that take into account the interest of the employees, customers, consumers, suppliers, the social environment and communities in which the Company operates.

There is a procedure put in place for any Director to obtain independent professional advice at the expense of the Company in the performance of their mandate as directors. Directors have full and timely access to all relevant information pertaining to the Company's business. The Directors meet at least four times a year and in between those times, there are ample occasions in which the Directors interact with each other to discuss and deliberate on the progress of the Company's business.

Amongst the matters specially reserved for Board decision are Capital Investment, Acquisition/Divestment, changes in Financing, review of the company structure and review of compliance with the legal environment at large for reporting purposes.

Before the meetings, the Board receives comprehensive documentation relative to the deliberations and performance review of the Company.

### Meetings and attendance

In 2002, the Board of Directors met four times and the record of their attendance are as follows:

Name of Director	Attendance
– General (R) Tan Sri Dato' Mohd Ghazali Seth	4/4
– Tan Sri Dato' Ernest Zulliger	3/4
– YAM Dato' Seri Syed Anwar Jamalullail	3/4
– Mr. Jimmy Tan @ Tan Meng Kow	4/4
– Mr. Michael W. Garrett (by Alternate Director, Mr. Faïçal Krichane)	3/4
– Mr. José Lopez Y. Vargas	4/4
– Mr. Pierre Francois Streit	4/4
– Mr. Faïçal Krichane (Alternate Director to Mr. Michael W. Garrett)	3/4

### Audit Committee

The risks of the Company in relation to its long-term strategy are identified, evaluated and managed according to a predefined process. The effectiveness of this process is subject to review by the Audit Committee. The Audit Committee comprises 4 non-executive and one executive Director. In particular, the following aspects are examined by the Audit Committee:

- Assessment of risk by reviewing evidence of risk assessment activity either by Management or via a report from Internal Audit; and
- Systems of internal control primarily through reviewing the scope of the internal audit programme and its findings, review of annual and interim financial statements and a review of the nature and scope of external audit.

### Strategy

The Group's strategic direction is subject to regular review at the Board level. The Executive Management has in place a process for such reviews. Annual operating plans and Market Business Strategy (MBS) are established and reviewed as well as the setting of measurable and objective Key Performance Indicators (KPIs).

The processes to manage and identify key risks are an integral part of the internal control environment and day-to-day management operations. Such processes, which are constantly reviewed and benchmarked against best practices, include the long term planning, controlling and monitoring of the performance, capital expenditures, promotional investments as well as quality, safety and health environment.

### Delegation

The management of the financial and long-term objectives, as agreed by the Board is delegated to the Managing Director, Executive Directors and other Senior Managers of the Company. They are accountable for the conduct, performance and profitability of the Company within the agreed strategy, limits and policies deliberated by the Board.

### Reporting

Businesses or functions are responsible to report within a defined timetable and in compliance of the instructions and guidelines. The Executive Management team receives monthly reports on the financial and operational situation from each business area and function. The quarterly reports and financial information are based on a standardised process. Such information is discussed at the Board level to ensure adequate level of information and discuss deviation or accelerations of projects, capital appropriations or other items of relevance.

### Principles of Conduct

The Company is committed to high ethical standards and regard them as a key success factor to the performance of the Company. The Basic Nestlé Management and Leadership Principles and the Corporate Business Principles have been applied within Malaysia and have been communicated to every employee with respect to his/her function.

### Board Composition

The Board of Directors currently comprises the Chairman, the Managing Director, an Executive Director and four non-Executive Directors (one being a General Manager of Nestlé S.A. representing the General Management of Nestlé S.A.). They come from various backgrounds that demonstrate a range of business, financial and global experience, vital to the successful direction of a leading food Company. Two of the Non-Executive Directors are independent directors. The composition of the Board of Directors is balanced both in numerical terms and in experience.

### Appointments to the Board and Re-election

Appointments to the Board are on a rotating basis of maximum 3 years before retirement and proposal for re-election. The current Chairman of the Board is to stand for re-election every year.

### Directors' Training

All Board members are chosen according to their experience, knowledge and career achievement. Decisions about new Board members are therefore carefully weighed with regards to the above criteria, as this determines the success of the Company. There is no formal training of Board members, however a regular update regarding new legislation and about Company policies, guidelines and procedures is conducted in writing.

All Board members have attended the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (RIIAM).

## Corporate Governance Statement

### Financial Instruments: Policy and Strategy (MASB 24)

The Company has communicated its policies and strategies with regards to MASB 24 to the Board of Directors to create awareness on the use of financial instruments. The Company is committed to hedging strategies of non-speculative nature, not looking for financial gains but to safeguard the assets of the Company to allow for competitive and non-fluctuating pricing of its products. The use of hedging instruments exceeding a 6 month period is furthermore discussed with advisers from Nestec S.A. (a subsidiary company of Nestlé S.A., tasked to provide technical assistance). A formal process in the form of a worldwide practice of obtaining permission by way of a "Financial Note" is strictly followed, in accordance to guidelines issued by Nestlé S.A./Nestec S.A.

### B. Directors' Remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Company are as follows:

Name of Directors	Basic salary RM	Bonus RM	Fees RM	Other benefits RM	Total RM
<b>Non-Executive</b>					
– General (R) Tan Sri Dato' Mohd Ghazali Seth			30,000	4,000	34,000
– Tan Sri Dato' Ernest Zulliger			15,000	3,000	18,000
– YAM Dato' Seri Syed Anwar Jamalullail			15,000	3,000	18,000
– Mr. Jimmy Tan @ Tan Meng Kow			15,000	3,000	18,000
– Mr. Michael W. Garrett			15,000		15,000
<b>Executive</b>					
– Mr. José Lopez Y. Vargas	791,115	222,662		457,239	1,471,016
– Mr. Pierre Francois Streit	502,147	62,860		273,296	838,303
– Mr. Faïçal Krichane	529,866	154,458		290,197	974,521
	1,823,128	439,980	90,000	1,033,732	3,386,840

Bonuses are performance based and related to individual and Company achievement of specific goals. Non-executive Directors do not receive any performance related remuneration.

### C. Shareholders, Investors and Financial Community

The Company regards regular communication to the public (shareholders and investing public) as key. The Company performance is reported quarterly to the Kuala Lumpur Stock Exchange and the yearly business review is disclosed in the Annual Report. Dialogue between shareholders and the Company is fostered at the Annual General Meeting and Extraordinary General Meeting, where each individual shareholder can raise questions or concerns with regards to the Company as a whole. The Chairman of the Board, the Executive Management Team and the Audit Committee members are available to respond to questions during the Annual General Meeting and/or the Extraordinary General Meeting

Following the quarterly reporting, the Company confers with the investment community and discloses its performance via business presentations.

All communication at the Annual General Meeting and to the financial community are in strict compliance with the Listing Requirements of the Kuala Lumpur Stock Exchange and any other applicable laws and regulations.

The Company has also established a website ([www.nestle.com.my](http://www.nestle.com.my)) for shareholders and the general public to access corporate information and news events related to the Company and its products.

### D. Accountability and Audit

#### Directors' responsibility statement in respect of the preparation of the audited financial statement

The Directors are responsible for securing the accuracy of the profit & loss statement, the balance sheet, the cash flow statement and all other financial disclosure. Applicable Accounting Standards (MASB) and legislation are the basis for the disclosure of the Company's affairs. The financial disclosure follows the principles of true and fair view, prudence and transparency.

In addition and in line with Financial Reporting Policy of the Nestlé group of companies worldwide, the Company has ensured that its external auditors are fully independent, in that they are not involved in any other consulting activity.



## Audit Committee Report

### Membership and Meetings

The members of the Audit Committee, attendance at Audit Committee Meetings in 2002 and their respective status are as follows:

Name	Membership	Status	Attendance
– General (R) Tan Sri Dato' Mohd Ghazali Seth	Chairman	Independent, Non-Executive Director	4/4
– Tan Sri Dato' Ernest Zulliger	Member	Independent, Non-Executive Director	3/4
– YAM Dato' Seri Syed Anwar Jamalullail	Member	Non-Independent, Non-Executive Director	3/4
– Mr. Jimmy Tan @ Tan Meng Kow	Member	Non-Independent, Non-Executive Director	3/3
– Mr. Pierre Francois Streit	Member	Executive Director	3/3

Mr. Jimmy Tan @ Tan Meng Kow was elected as an Independent, Non-Executive Audit Committee member in 2002, after the resignation of Dato' Haji Badroddin bin Kassim. Due to his directorship in various Long Term Distributors doing business with the Company, his status has been reclassified to that of a Non-Independent Non-Executive Audit Committee member. Proper action will be undertaken to ensure the independence of the Audit Committee in 2003.

In 2002, a quorum, established by the presence of the Chairman and at least 2 members, was always present. When there is an absence of consensus on any issue arising in the Audit Committee, Mr. Jimmy Tan @ Tan Meng Kow as a Non-Independent, Non-Executive Audit Committee member and Mr. Pierre Francois Streit as the Non-Independent, Executive Audit Committee member will withdraw their participation in the decision-making process, so as to ensure the independence of Audit Committee in making any decision.

The Internal Audit Department has conducted 10 (ten) audits in the year 2002. The reports covered all types of units of the Company, ranging from factories, sales branches and distribution units to Head Office functions. In addition, according to management request 2 (two) ad-hoc audits on specific subjects were conducted by the Internal Audit Department and 1 (one) by another firm of Public Accountants. All meetings of the Audit Committee have been fully attended by the Internal Audit Manager, the External Auditors and partially by the Group Accounting Department Manager.

### Summary of the activities during the financial year

In the financial year 2002, the Audit Committee has undertaken the following activities:

#### Activities with regards to external audit:

- Review of external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan;
- Review of external audit results, audit reports, Management letter and the response from Management;

#### Activities with regards to Internal Audit:

- Review of Internal Audit's resource requirements;
- Review of Internal Audit's plan and programmes;
- Review of the Internal Audit Department's performance appraisals;
- Review of Internal Audit reports, recommendations and Management responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with Management;
- Review of implementation of these recommendations through follow up audit reports; and
- Suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

#### Activities with regards to financial statements:

- Review of the Annual Report and the audited financial statements of the Company prior to submission to the Board of Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 1965 and the applicable approved accounting standards as per the MASB;
- Review of the Company's compliance with the KLSE Listing Requirements, MASB and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements; and
- Review of the unaudited financial results announcements before recommending them for the approval of the Board of Directors.

#### Other activities:

- Review of related party transactions and extraordinary and ordinary dividend payments; and
- Review of compliance to the Malaysian Code on Corporate Governance.

#### Internal Audit Function:

The Internal Audit Function, though reporting to the Executive Finance Director and also to the Audit Committee, is an independent institution within the Company. Its main role is to undertake independent and systematic reviews of the processes and guidelines of the Company and to report on their application and compliance.

The individual assessments are to be objectively reported to management and to the Audit Committee. Further details on the Internal Audit Department are set out in the Statement on Internal Controls.

## Terms of Reference of the Audit Committee

### Objectives

The Audit Committee is an independent committee that assists the Board in the discharge of its responsibilities for corporate governance, corporate control and financial reporting. The Committee acts on behalf of the Board to ensure that:

- the Internal Audit function is operating effectively and in accordance with the Standards for the Professional Practice of Internal Auditing;
- adequate attention is paid to the effectiveness, efficiency and economy of the Company operations;
- the quarterly results and year end financial statements are reviewed prior to the approval by the Board of Directors;
- adequate systems of internal control are in operation so as to produce accurate and meaningful management information; and
- appropriate and timely action is taken by the relevant managers to rectify the major areas of concern.

To report at least quarterly to the Board of Directors on matters falling within the Audit Committee terms of reference.

### Duties and Responsibilities

The Audit Committee is responsible for, in particular to:

#### Risk and Control

- assess if adequate risk assessment processes and measures to minimise any risk exposures, including fraud, are in place;
- review and evaluate, with the external and internal auditors, management procedures, which are designed to provide assurance of compliance with laws, regulations, policies and codes of practice or conduct;
- monitor systems and procedures, with external and internal auditors, which are designed to provide a satisfactory and effective level of internal control, asset protection and management information; and
- monitor the Company operations via appropriate Internal Audit reviews, to ascertain if adequate attention is paid to attributes of efficiency, effectiveness and economy.

#### Internal Audit

- review the Internal Audit reports of major audits, which were undertaken;
- review the extent to which Internal Audit recommendations are implemented and the timeliness of responses received; and

- review Internal Audit performance and effectiveness to ensure consistency with the approved plans, the Internal Audit Charter, and relevant professional standards.

#### External Audit

- review management's responses to the external auditors' interim reports, annual report and management letter;
- monitor developments in the external audit field and standards issued by professional bodies and other regulatory authorities; and
- oversee external audit arrangements in place at the various controlled entities/subsidiaries.

#### Reporting

- review the quarter and annual final draft of the annual financial statements (prior to the meeting of Board to approve the financial statements), receiving explanations for significant variations from the prior year and from budget and refer issues to the Board, as necessary;
- monitor compliance with statutory requirements for financial reporting, with focus on significant changes in accounting policies and practices, together with significant adjustments recommended by external audit; and
- review compliance with all related-party disclosures required by the Accounting Standards.

#### Others

- review as necessary any matters arising from the Company financial operations; and
- commission such investigations or reviews relevant to its role as it sees fit.

#### Authority

The Audit Committee in the course of discharging its duties, is authorised to:

- require any officer of the Company or any subsidiary to supply such information and explanations as may be needed;
- have discussions with line managers and employees of the Company and subsidiaries at any reasonable time; and
- draw assistance from qualified external party to advise on issues, where the members require expert input.

## Statement on Internal Control

### Introduction

Paragraph 15.27 (b) of the Listing Requirements of the Kuala Lumpur Stock Exchange requires the Board of Directors of publicly listed companies to include a “statement about the state of internal control of the listed issuer as a group” in its Annual Report.

The Board of Directors and Management are highly committed to maintaining a sound system of internal control and are pleased to provide the following statement, which outlines the nature and scope of internal control for the year 2002.

### Board responsibility

The Board of Directors and Management are responsible and accountable for all internal control systems. This includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Any system of internal control, due to its inherent limitations, are only designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The Board of Directors regards this as a duty that Management has to perform and therefore delegates the monitoring of these systems to Management.

Accompanying this constant review and evaluation of internal control systems is an ongoing process for identifying, evaluating and managing significant risks faced by the Group that has been in place throughout the year. This process is subject to regular review by the Board of Directors.

### Risk Management Framework and Enterprise Risk Management

The Board of Directors fully support the contents of the publication known as “Statement on Internal Control: Guidance for Directors of Public Listed Companies (“the Internal Control Guidance”) and, with input from the Internal Audit Department, in close consultation with related companies, have put in place several internal control measures, risk management guidelines and processes. These internal control measures are continuously reported to the Audit Committee and thereafter to the Board of Directors for further deliberation.

In addition to the above, Management has embarked in early 2002 on the establishment of a formal Enterprise Risk Management Review. This process will help the Company to identify, structure, measure and mitigate risk even more effectively.

### Internal Audit Function

The Company is supported by an Internal Audit Department which reviews all processes of the Company. There was a change at the helm of Internal Audit in 2002. The new Internal Audit Manager comes from the Corporate Internal Audit Department of Nestec S.A., and the incumbent re-integrated into the Company operations as the Controller of the Ice Cream Operations.

The Internal Audit Department provides the Board of Directors with independent reviews of the processes, risk exposures and systems of internal control of the Company. The specific areas of focus covered by the Internal Audit Department are as follows:

- Giving assurance services with regards to effectiveness of the internal control systems;
- Assessment of the operational efficiency of the Company and identification of saving potentials;
- Assessing the reliability of system and reporting information; and
- Ensuring compliance with Company standards/ guidelines and legislation.

All businesses and functional units are to be audited on the basis of a two-year cycle. The results of audit reviews are reported on a quarterly basis to the Audit Committee and then via the Chairman to the Board of Directors. Management's responses and action plans are regularly reviewed and followed up by the Internal Audit Department and the Audit Committee.

In the current year, based on internal audit's ratings, the system of internal controls was generally satisfactory. The focus of review was, amongst others, in the area of managing trade funds, a follow-up at National Distribution Centre and relationships with third party service providers. In addition to the above, the Company commissioned a firm of Chartered Accountants, to conduct a review of its Engineering Operations.

## Statement on Internal Control

### Other Risk and Control Processes

The organisational structure and formally defined processes through Company Standing Instructions already play a major part in risk mitigation. The hierarchical reporting structure provides a very well documented and auditable trail of accountability. In addition, procedures and policies are also available in a number of other areas. Major policies and procedures, including those on health and safety, training and development, equality of opportunity, staff performance and serious misconduct are also published in the Employee Handbook. These procedures are established across the whole organisation. The Internal Audit Department reviews the full application of these procedures and reporting structures as well as the systems of internal control. A follow-up procedure has been developed for both internal audit recommendations and management improvement actions. The Managing Director also reports to the Board of Directors on significant changes in the business and the external environment, which affects significant risks. Financial information, key performance and risk indicators are reported quarterly by the Executive Director, Finance & Control to the Board of Directors. Recommendations for improvement by the Audit Committee and the Management are considered by the Board of Directors.

Besides risk management, internal audit, the risk mitigating set up of the organisation and processes of the Company and the constant training and revision of the Company's policies, Code of Conduct / Ethics and guidelines, yet another dimension in risk mitigation has been implemented. This is due to the new system platform, the GLOBE / SAP platform, which the Company has embarked on. As this environment will allow for real time information, better transparency and better decision-making, controls need to be even more proactive. The Group has established an Internal Assurance function to review system accesses, authorities and role allocations, together with best practices and internal control requirements, to establish and design controls and structures efficiently and effectively.

The implementation of GLOBE was, as expected, an enormous task and the Group used a structured approach, assisted by consultants and the parent company. The project was staffed by experienced personnel. Various checkpoints and reviews were conducted before going live. As with other large systems implementations, the process of fine tuning the system is ongoing.

## Group Financial Highlights / Maklumat Kewangan Kumpulan

		2002	2001	+ / (-)
<b>Turnover / Jumlah Jualan</b>	<b>(RM'000)</b>	<b>2,479,649</b>	<b>2,585,708</b>	<b>(4.1%)</b>
<b>Earnings / Cash Flow / Perolehan / Aliran Tunai</b>				
Profit before tax / <i>Untung sebelum cukai</i>	(RM'000)	234,204	264,702	(11.5%)
% of turnover / % <i>jumlah jualan</i>		9.4%	10.2%	
Profit after tax and minority interest / <i>Untung selepas cukai dan kepentingan minoriti</i>	(RM'000)	182,585	203,949	(10.5%)
% of turnover / % <i>jumlah jualan</i>		7.4%	7.9%	
Dividends paid & proposed (net) / <i>Dividen dibayar &amp; dicadangkan (bersih)</i>	(RM'000)	191,352	195,854	(2.3%)
Depreciation of fixed assets / <i>Susut nilai harta tetap</i>	(RM'000)	73,984	70,291	
Cash flow (net profit + depreciation + amortisation) / <i>Aliran tunai (untung + susut nilai + pelunasan)</i>	(RM'000)	264,040	285,275	
Capital expenditure / <i>Perbelanjaan modal</i>	(RM'000)	80,888	127,418	
Shareholders' funds / <i>Dana pemegang saham</i>	(RM'000)	459,834	500,491	
Personnel / <i>Personel</i>	(no.) / (bil.)	3,478	3,281	
Factories / <i>Kilang-kilang</i>	(no.) / (bil.)	7	7	
<b>Per Share / Sesaham</b>				
Market price / <i>Harga pasaran</i>	(RM)	19.70	20.50	
Earnings per share / <i>Perolehan sesaham</i>	(sen)	77.86	86.97	
Price earning ratio / <i>Nisbah harga perolehan</i>		25.30	23.57	
Dividend (net) / <i>Dividen (bersih)</i>	(sen)	81.6	83.5	
Dividend yield / <i>Kadar hasil dividen</i>	(%)	4.1	4.1	
Dividend cover / <i>Lindungan dividen</i>	(no.) / (bil.)	0.9	1.0	
Shareholders' funds / <i>Dana pemegang saham</i>	(RM)	1.96	2.13	
Net tangible assets / <i>Harta ketara bersih</i>	(RM)	1.54	1.77	

### Notes:

1. Earnings per share and dividend cover are based on profit after tax.
2. Net tangible assets consist of share capital plus reserves less intangible assets.
3. The market price represents last done price of the shares quoted on the last trading day of December.

### Nota:

1. Perolehan sesaham dan lindungan dividen adalah berdasarkan keuntungan selepas cukai.
2. Harta ketara bersih meliputi modal saham campur rizab tolak harta tak ketara.
3. Harga pasaran adalah berdasarkan harga saham pada hari urusan terakhir dalam bulan Disember.