

# Corporate Governance

Guinness Anchor Berhad and its Group of Companies (the Group) has formulated a code of corporate governance based on the Malaysian Code on Corporate Governance (Code) which sets out the principles and best practices to be applied to the Group's operations. The principles are based on the Code, namely those of transparency, integrity and accountability to achieve the ultimate objective of realising long-term shareholder value whilst taking into consideration the interests of other stakeholders.

The Board is pleased to disclose the Group's application of the principles and the extent to which it has complied with the Code. Set out below is a statement of how the Group has applied the principles and complied with the best practice provisions laid down in the Code throughout the twelve months ended 30 June 2004.

## Board of Directors

### The Board

An effective Board leads and controls the Group, and has established terms of reference to assist it in the discharge of this responsibility. All Directors are from

diverse professional backgrounds with a wide range of business and financial experience relevant to lead a fast moving consumer products company and, as such, are able to bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. A brief description of the background of each Director is presented from page 40 to 49.

Where appropriate, the Board has delegated specific responsibilities to Board Committees as well as various sub-committees to assist the Board in the running of the Group. The functions and terms of reference of the Board Committees as well as authority delegated by the Board to these Committees, have been clearly defined by the Board. There are three Board Committees (Audit, Nomination and Remuneration) and the details of their work are set out below. These Committees examine specific issues and report to the Board with their recommendations. The ultimate responsibility for decision-making lies with the Board. In addition to these Committees, there is an Executive Committee (EXCO) that comprises four members of the Board. Description of its responsibilities and details of its meetings are set out below.



*Analysts keeping track of our developments*

# Corporate Governance



• Sharing our success with our shareholders

The Board meets at least four times a year, with additional meetings convened when necessary. During the twelve months ended 30 June 2004, four Board meetings were held and a majority of the Directors attended all the meetings held during the period.

<i>Date</i>	<i>Time</i>	<i>Place</i>
28 August 2003	2.00 pm	Bankers Club, Kuala Lumpur
11 November 2003	9.30 am	Guinness Anchor Berhad
10 February 2004	2.00 pm	Guinness Anchor Berhad
10 May 2004	9.30 am	Guinness Anchor Berhad

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Details of Directors' attendance at the Board Meetings held in the financial year ended 30 June 2004 are as follows:

<i>Name of Director</i>	<i>Date of Appointment</i>	<i>No of Meetings Attended</i>
Tan Sri Saw Huat Lye	24 February 1987	4/4
Tan Sri Dato' Alwi Jantan	24 November 1994	4/4
Chin Yoong Chong	20 February 1995	3/4
Khoo Gaik Bee	13 August 1998	4/4
Dato' Jaffar Bin Ahmad Indot	2 January 1999	4/4
Low Teng Lum	15 August 2001	4/4
Quek Peck Leng	15 November 2002	4/4
David Charles Craig (Resigned on 1 September 2003)	6 January 2003	1/1
Theo A F de Rond	1 June 2003	4/4
John Irving	1 September 2003	2/3

## Board Balance

The Board currently has nine members, comprising six Non-Executive Directors (including the Chairman) and three Executives Directors. Of the six Non-Executive Directors, four are independent. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Managing Director has the principal responsibility of reporting, clarifying and communicating matters to the Board.

There is also proper balance in the Board because of the presence of Independent

Non-Executive Directors of the caliber necessary to carry sufficient weight in Board decisions. Although all Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined with due regard to risk management. The decisions are arrived at after taking into account the long-term interests, not only of the Shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts its business.

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## Supply of Information

A Board report is issued in sufficient time prior to a Board meeting to enable the Directors to review and consider the agenda items to be discussed at the Board meeting. The Board report includes, among others, the following details:

- major operational and financial issues
- product quality measures
- service quality measures
- environmental performance
- market shares and market responses to the Group's strategies
- minutes of meetings of the Management Team
- minutes of all Committees of the Board
- monthly performance report of the Group

In addition, there is a schedule of matters reserved specifically for the Board's decision including the approval of the annual company plan, major acquisitions or disposal of a business or assets and changes to management and control

structure of the Group, key policies, procedures and authority limits.

The Board has also approved a procedure for Directors, whether as a full Board or in their individual capacity, to take independent advice, where necessary, in the furtherance of their duties at the Group's expenses.

All Directors have access to the advice and services of the Company Secretary.

## Nomination Committee

The Code endorses as good practice, a formal procedure for appointments to the Board, with a Nomination Committee to make recommendations to the Board and assessing Directors on an on-going basis. The Code, however, states that this procedure may be performed by the Board as a whole, although as a matter of good practice, it recommends that this responsibility be delegated to a committee.

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All Directors were previously involved in the process of assessing existing Directors and identifying, nominating, recruiting, appointing and orientating new Directors but the Board had reviewed this position and set up a Nomination Committee on 28 May 2001, comprising three Independent Non-Executive Directors and two Non-Independent Directors, as follows:

<i>Independent Non-Executive Directors</i>	<i>Non-Independent Non-Executive Directors</i>
• Tan Sri Saw Huat Lye (Chairman)	• Quek Peck Leng
• Tan Sri Dato' Alwi Jantan	• John Irving (appointed on 1 September 2003)
• Dato' Jaffar Bin Ahmad Indot	

The Nomination Committee recommends to the Board suitable candidates for appointment as Directors and to fill the seats on committees of the Board. In addition, the Nomination Committee assesses the effectiveness of the Board, the committees of the Board and the contribution of each individual Director.

The Board, through the Nomination Committee, reviews annually its required mix of skills, expertise, attributes and core competencies from its Directors and succession plans for members of the Board.

As an integral element of the process of appointing new Directors, the Nomination

Committee will ensure that there is an orientation and education programme for new Directors with respect to the business and management of the Group. Directors will also receive such further training that may be required from time to time to keep them abreast with relevant changes in laws and regulations, and the business environment.

A Nomination Committee meeting was held on 28 August 2003 which was attended by four out of five members.

## Directors' Re-election

In accordance with the Company's Articles of Association (Articles), all Directors who are appointed by the Board are subject to election by Shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting provided always that all Directors, including the Managing Director, shall retire from office at least once every three years but shall be eligible for re-election.

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## Directors' Remuneration

### Level and Make-up

The Group has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

### Procedure

The Remuneration Committee is responsible for recommending to the Board the policy framework on terms of employment of and on all elements of the remuneration of Executive Directors and members of the senior management of the Company. The Remuneration Committee is authorised to review and recommend the annual bonus and salary increment of the Executive Directors and other Members of the senior Management of the Company. Directors' remuneration is decided by the Board with the Director concerned abstaining from deliberations and voting accordingly.

The Remuneration Committee with majority Non-Executive Directors comprises the following:

<i>Independent Non-Executive</i>	<i>Non-Independent Non-Executive</i>	<i>Executive</i>
Tan Sri Saw Huat Lye (Chairman)	Quek Peck Leng	Theo A F de Rond
Dato' Jaffar Bin Ahmad Indot (appointed on 6 August 2004)	John Irving (appointed on 1 September 2003)	

The Remuneration Committee meeting held once during the period, which was attended by all members.

<i>Date</i>	<i>Place</i>
28 August 2003	Bankers Club, Kuala Lumpur

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## Remuneration Package

The remuneration package of Directors is as follows:

**(a) Basic Salary**

The Remuneration Committee recommends to the Board the basic salary (which is inclusive of statutory employer contributions to the Employees Provident Fund) for the Executive Directors after taking into account the performance of the Director, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies.

**(b) Fees**

The Board proposes an aggregate annual fee for Non-Executive Directors to be divided amongst the Non-Executive Directors as the Board may decide and such fee is tabled to the Shareholders of the Company for their approval.

**(c) Bonus Scheme**

The Group sets up a bonus scheme for all employees including the Executive Directors. The criteria for the scheme is

the level of profit achieved from the Company's businesses against targets, together with an assessment of each individual's performance. Bonuses payable to Executive Directors are reviewed by the Remuneration Committee and approved by the Board.

**(d) Benefits in Kind**

Other customary benefits (such as car and medical) are made available to Directors as appropriate.

**(e) Employees Provident Fund**

Contributions are made to the Employees Provident Fund in respect of all Malaysian Executive Directors.

**(f) Notice Period**

The notice period for the termination of the contract of service of Executive Directors by the Company to any Director is three months and by any Director to the Company is three months.

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## Directors' Remuneration

The details of the remuneration of Directors for the financial year ended 30 June 2004 are as follows:

<i>Remuneration</i>	<i>2004</i>		<i>2003</i>	
	<i>Executive Directors</i>	<i>Non-Executive Directors</i>	<i>Executive Directors</i>	<i>Non-Executive Directors</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Fees	-	180	-	180
Benefits in kind**	477	-	369	-
Salary & Other emoluments*	2,284	-	2,246	-
<b>Total</b>	<b>2,761</b>	<b>180</b>	<b>2,615</b>	<b>180</b>

\* Other emoluments include bonuses, incentives, retirement benefits, provisions for leave and allowances.

\*\* Benefits in kind include rental payments, motor vehicle, club membership and personal expenses.

The number of Directors of the Company whose total remuneration fell within the respective ranges were as follows:

<i>Range of Remuneration</i>	<i>Number of Directors</i>			
	<i>2004</i>		<i>2003</i>	
	<i>Executive Directors</i>	<i>Non-Executive Directors</i>	<i>Executive Directors</i>	<i>Non-Executive Directors</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
0 to RM50,000	-	6	-	7
RM50,001 to RM100,000	-	1	1	1
RM100,001 to RM150,000	-	-	-	-
RM150,001 to RM200,000	-	-	-	-
RM200,001 to RM350,000	-	-	-	-

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(continued from previous page)

<i>Range of Remuneration</i>	<i>Number of Directors</i>			
	<i>2004</i>		<i>2003</i>	
	<i>Executive Directors</i>	<i>Non-Executive Directors</i>	<i>Executive Directors</i>	<i>Non-Executive Directors</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
RM350,001 to RM400,000	-	-	-	-
RM400,001 to RM450,000	-	-	-	-
RM450,001 to RM500,000	-	-	-	-
RM500,001 to RM550,000	-	-	-	-
RM550,001 to RM600,000	-	-	1	-
RM600,001 to RM650,000	-	-	1	-
RM650,001 to RM750,000	2	-	-	-
RM750,001 to RM800,000	-	-	-	-
RM800,001 to RM1,050,000	-	-	-	-
RM1,050,001 to RM1,100,000	-	-	-	-
RM1,100,000 to RM1,150,000	-	-	-	-
RM1,150,001 to RM1,200,000	-	-	-	-
RM1,200,001 to RM1,250,000	-	-	-	-
RM1,250,001 to RM1,300,000	-	-	-	-
RM1,300,001 to RM1,350,000	1	-	1	-

## EXCO

The responsibilities of the EXCO are to discuss matters in relation to the business, financial performance and strategy of the Group. They are to make recommendations and suggestions for approval by the Board where appropriate and to make decisions on behalf of the Board where permitted.

The EXCO with majority Non-Executive Directors comprises the following:

<i>Independent Non-Executive</i>	<i>Non-Independent Non-Executive</i>	<i>Executive</i>
Tan Sri Saw Huat Lye (Chairman)	Quek Peck Leng John Irving (appointed on 1 September 2003)	Theo A F de Rond

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The EXCO Committee meeting held twice during the period, was attended by all Members.

<i>Date</i>	<i>Place</i>
10 February 2004	Guinness Anchor Berhad
6 April 2004	Guinness Anchor Berhad

## Shareholders

### *Dialogue between the Company and investors*

The Group recognises the importance of being accountable to its investors and as such has maintained an active and constructive communication policy that enables the Board and Management to communicate effectively with its investors, stakeholders and the public generally.

The Managing Director and Finance Director hold discussions with analysts and Shareholders periodically. Presentations will be made or roadshows undertaken, as appropriate, to explain the Group's strategy, performance and major developments. However, any information that may be regarded as undisclosed material information about the Group will not be given to any single Shareholder or Shareholder group.

### *Annual General Meeting*

At each Annual General Meeting, the Board presents a comprehensive report on the progress and performance of the business and encourages Shareholders to participate in the question and answer session. Executive Directors and, where appropriate, the Chairman of the Board, are available to respond to Shareholders' queries during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered on the spot.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

# Corporate Governance

## Accountability and Audit

### Audit Committee

The Audit Committee of the Board comprises four Independent Non-Executive Directors, one Non-Independent Non-Executive Director and one Executive Director. The composition of the Audit Committee can be found on page 68 of the annual report.

The Audit Committee met five times during the period. During these meetings, the Committee carried out the duties as set out from page 73 to 74 of the annual report.

### Financial Reporting

In presenting the annual Financial Statements and quarterly announcements to shareholders, the Board aims to present a clear, balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive reports and reports to regulators. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 93 of the Financial Statements section of the annual report.

### Internal Control

The Board acknowledges its responsibilities for the Group's systems of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. The systems can therefore only provide

reasonable, and not absolute, assurance against material misstatement or loss.

The Group's internal audit provides independent and objective reports on the Group's management, records, accounting policies and controls to the Audit Committee. The internal audits include evaluation of the processes by which risks are identified, assessed and managed and ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Group's internal audit also ensures that recommendations to improve controls are followed through by Management.

### Relationship with the auditors

The role of the Audit Committee in relation to the external auditors is stated from page 74 of the annual report.

## Compliance with the Code

The Group has complied with the Code throughout the financial year ended 30 June 2004.

### Statement of Directors' Responsibility for Preparing the Financial Statements

As required by the Companies Act, 1965, the Directors are responsible for the preparation of financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group at the end of the financial year. In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently

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- made judgements and estimates that are prudent and reasonable
- ensured that applicable accounting standards have been followed
- prepared the financial statements on the going concern basis, unless they consider that to be inappropriate

The Directors have prepared the annual Financial Statements in compliance with the Companies Act, 1965.

## Other Information

### Share Buybacks

There was no share buyback effected during the financial year.

### Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company in respect of the financial year.

### American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

### Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries by Companies Commission of Malaysia.

### Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year amounted to RM121,000.

### Material Contracts

There was no material contracts (not being

contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries which involved Directors' and major Shareholders' interest either still subsisting at the end of the financial year ended 30 June 2004 or entered into since the end of the previous financial year that have been entered by the Company or its subsidiary companies involving Directors and substantial Shareholders in the past two years preceding the date of this annual report.

### Profit Guarantees

During the year, there were no profit guarantees given by the Company.

### Contracts Relating to Loans

There were no contracts relating to loans by the Company.

### Revaluation of Landed Properties

The Company does not have a revaluation policy on landed properties.

### Status of Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate exercise.

### Recurrent Related Party Transactions (RRPT)

Details of the RRPT conducted during the financial year are set out in the circular to shareholders dated 9 Nov 2004 despatched together with this Annual Report.

### Variance from Profit Forecast

No profit forecast was issued during the financial year.