

# Corporate Governance

The Board is pleased to disclose herein the Group's application of the underlying principles set out in the Malaysian Code on Corporate Governance (the Code) and the extent to which it has complied with the Code throughout the financial year ended 30 June 2005.

## 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 independent judgement on issues of strategy, performance, resources and standards of conduct. A brief description of the background of each Director is set out on pages 59 to 68 of the Annual Report.

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 four Board Committees namely the Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee 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.

The Board meets at least four times a year, with additional meetings convened when necessary. During the financial year ended 30 June 2005, four Board meetings were held and the details of attendance of the Directors are as follows:

Name of Director	No of Board meetings attended
Tan Sri Saw Huat Lye	4 out of 4 meetings
Theo A F de Rond	4 out of 4 meetings
Tan Sri Dato' Alwi Jantan	4 out of 4 meetings
Chin Yoong Chong	4 out of 4 meetings
Dato' Jaffar bin Ahmad Indot	4 out of 4 meetings
Khoo Gaik Bee	4 out of 4 meetings
Low Teng Lum	4 out of 4 meetings
Quek Peck Leng	4 out of 4 meetings
John Irving	3 out of 4 meetings

## corporate governance

### Board Balance

The Board currently has nine members of whom three are Executive Directors and four out of the six Non-Executive Directors (including the Chairman) 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 an effective check and balance within the Board with the presence of two-thirds of the Board members being Non-Executive and two-thirds of the Non-Executive being independent. 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.

### Supply of Information

The agenda together with Management reports are circulated on a timely manner prior to Board meetings to enable the Directors to review and consider matters to be deliberated at the Board meetings. The Management reports include, among others, the following details:

- \* major operational and financial issues
- \* product and service quality measures

- \* monthly performance report of the Group
- \* environmental performance
- \* significant developments on human resources
- \* market share and market responses to the Group's strategies
- \* minutes of meetings of the Management Team
- \* minutes of meetings of the Board Committees
- \* circular resolutions passed

In addition, there is a schedule of matters reserved specifically for the Board's decision including the approval of quarterly financial statements, the annual operating 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.

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

The Board has also approved a procedure for Directors, whether as a full Board or in their individual capacity, to obtain independent professional advice at the Company's expense, where necessary, to enable them to discharge their responsibilities.

### 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.

## corporate governance

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. It comprises three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors, as follows:

- \* Tan Sri Saw Huat Lye (Chairman, Independent Non-Executive Director)
- \* Tan Sri Dato' Alwi Jantan (Senior Independent Non-Executive Director)
- \* Dato' Jaffar bin Ahmad Indot (Independent Non-Executive Director)
- \* Quek Peck Leng (Non-Independent Non-Executive Director)
- \* John Irving (Non-Independent Non-Executive Director)

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.

Meetings of the Nomination Committee are held as and when required, and at least once a year. During the financial year ended 30 June 2005, one meeting was held on 6 August 2004 which was attended by all Members of the Nomination Committee.

### Re-election of Directors

In accordance with the Company's Articles of Association (Articles), all new Directors who are appointed by the Board are subject to re-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.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

## DIRECTORS' REMUNERATION

### Level and Make-up of Remuneration

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

## corporate governance

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 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 the majority being Non-Executive Directors comprises the following Members:

- \* Tan Sri Saw Huat Lye (Chairman, Independent Non-Executive Director)
- \* Theo A F de Rond (Non-Independent Executive Director)
- \* Dato' Jaffar bin Ahmad Indot (Independent Non-Executive Director)
- \* Quek Peck Leng (Non-Independent Non-Executive Director)
- \* John Irving (Non-Independent Non-Executive Director)

Meetings of the Remuneration Committee are held as and when required and at least once a year. During the financial year ended 30 June 2005, two meetings were held and the details of attendance of the Members of the Remuneration Committee are as follows:

Name of Member	No of Remuneration Committee meetings attended
Tan Sri Saw Huat Lye	2 out of 2 meetings
Theo A F de Rond	2 out of 2 meetings
Dato' Jaffar bin Ahmad Indot	2 out of 2 meetings
Quek Peck Leng	2 out of 2 meetings
John Irving	1 out of 2 meetings

## corporate governance

### Remuneration Package

The remuneration package for 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 Executive Directors, 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. Attendance allowances for Board meetings and Board Committees meetings are paid to Non-Executive Directors.
- (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 Executive Directors as appropriate.
- (e) **Contribution to 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 termination of contract of service of Executive Directors by either the Company or the Executive Directors is three months written notice.

corporate governance

Directors' Remuneration

The details of the remuneration paid to Directors for the financial years ended 30 June 2004 and 2005 are as follows:

Remuneration	2005		2004	
	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	-	340	-	180
Benefits-in-kind*	435	-	477	-
Salary & Other emoluments**	2,594	-	2,284	-
<b>Total</b>	<b>3,029</b>	<b>340</b>	<b>2,761</b>	<b>180</b>

Notes:

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

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

## corporate governance

The number of Directors of the Company whose total remuneration including benefits-in-kind for the financial year ended 30 June 2005 which fall within the required disclosure bands are as follows:

Range of Remuneration	Number of	
	Executive Directors	Non-Executive Directors
0 to RM50,000	-	5
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	1
RM150,001 to RM650,000	-	-
RM650,001 to RM700,000	1	-
RM700,001 to RM750,000	-	-
RM750,001 to RM800,000	1	-
RM800,001 to RM1,550,000	-	-
RM1,550,001 to RM1,600,000	1	-

### EXECUTIVE COMMITTEE (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 the majority being Non-Executive Directors comprises the following Members:

- \* Tan Sri Saw Huat Lye (Chairman, Independent Non-Executive Director)
- \* Theo A F de Rond (Non-Independent Executive Director)
- \* Quek Peck Leng (Non-Independent Non-Executive Director)
- \* John Irving (Non-Independent Non-Executive Director)

## corporate governance

During the financial year ended 30 June 2005, five EXCO meetings were held and the details of attendance of the Members of the EXCO are as follows:

Name of Member	No of EXCO meetings attended
Tan Sri Saw Huat Lye	5 out of 5 meetings
Theo A F de Rond	5 out of 5 meetings
Quek Peck Leng	5 out of 5 meetings
John Irving	4 out of 5 meetings

### 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 road shows 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 and the primary responsibilities of the Audit Committee are set out in the Report of the Audit Committee on pages 84 to 90 of the Annual Report.

The Audit Committee met five times during the financial year ended 30 June 2005. The activities carried out by the Audit Committee during this period are set out in the said Report of the Audit Committee.

#### Financial Reporting

In presenting the quarterly and annual financial statements to shareholders and investors, 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 113 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 any 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 External Auditors

The role of the Audit Committee in relation to the external auditors is stated on pages 84 to 90 of the Annual Report.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS**

As required by the Companies Act, 1965 the Directors are responsible for ensuring that the financial statements of the Group are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia, provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad, and give a true and fair view of the state of affairs of the Group at the end of the financial year.

The Directors are satisfied that in preparing the financial statements for the financial year ended 30 June 2005, the Group has:

- \* adopted appropriate accounting policies and applied them consistently
- \* 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