

**THIS CIRCULAR IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

In line with the provisions of Practice Note 18 of the Main Market Listing requirements, Bursa Malaysia Securities Berhad has not perused this Circular to Shareholders in relation to the Proposed Amendment to the Constitution of the Company prior to its issuance as the Proposed Amendment falls under the category of Exempt Circular as provided for in the aforementioned practice note.



DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

CIRCULAR TO SHAREHOLDERS

in relation to the

- (I) PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
**(II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE
COMPANY'S CONSTITUTION**

The ordinary and special resolutions in respect of the above proposals will be tabled at the Fifty-Fourth Annual General Meeting of the Company. The Notice of the Fifty-Fourth Annual General Meeting and the Form of Proxy of Dutch Lady Milk Industries Berhad are enclosed in the 2016 Annual Report dispatched together with this Circular. The Fifty-Fourth Annual General Meeting of Dutch Lady Milk Industries Berhad will be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Friday, 28 April 2017 at 9.00 a.m.

You are requested to complete the Form of Proxy and deposit it at the Company's Share Registrar in care of Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not later than forty eight (48) hours before the time set for holding the Meeting (or in the case of a poll, before the time appointed for the taking of poll). The lodging of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 26 April 2017 at 9.00 a.m.
Date and time of Annual General Meeting : Friday, 28 April 2017 at 9.00 a.m.

This Circular is dated 3 April 2017

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

“Act”	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof.
“AGM”	:	Annual General Meeting.
“Bursa Securities”	:	Bursa Malaysia Securities Berhad.
“Constitution”	:	The Constitution of DLMI, as amended from time to time.
“DLMI” or “the Company”	:	Dutch Lady Milk Industries Berhad (5063-V).
“FCA”	:	FrieslandCampina AMEA Pte Ltd, Singapore.
“FCDM”	:	FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands.
“FCF(T)”	:	FrieslandCampina Foremost (Thailand) Plc, Thailand.
“FCCPI”	:	FrieslandCampina CPI Holding B.V, the Netherlands.
“FCN”	:	FrieslandCampina Nederland Holdings B.V., the Netherlands and its subsidiaries.
“FC(S)”	:	FrieslandCampina (Singapore) Pte Ltd, Singapore.
“FCSCAP”	:	FrieslandCampina Service Centre Asia Pacific Sdn Bhd, Malaysia.
“FCV”	:	FrieslandCampina Vietnam, Vietnam
“FFI”	:	P.T. Frisian Flag Indonesia, Indonesia.
“Listing Requirements”	:	The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time.
“Proposed Amendments”	:	Proposed amendments to the Articles of Association of the Company’s Constitution.

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DEFINITIONS (CONT)

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

“Proposals”	:	Collectively, the Proposed Shareholders’ Mandate and the Proposed Amendments.
“Proposed Shareholders’ Mandate”	:	Proposed new and renewal of existing shareholders’ mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.
“Recurrent Related Party Transactions” or “RRPT”	:	Related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for day-to-day operations and are in the ordinary business of DLMI.
“Related Party/Related Parties”	:	A Director, major shareholder or person connected with such Director or major shareholder. For the purpose of this definition, “Director” and “major shareholder” shall have the meaning given in paragraph 10.02 of the Listing Requirements.
“RFC”	:	Royal FrieslandCampina N.V., the Netherlands.
“RFC Affiliated Companies”	:	Subsidiary companies worldwide of RFC where it has direct or indirect shareholdings.
“RFC Group” or “the Group”	:	RFC and its subsidiaries
“RM”	:	Ringgit Malaysia
“2016 Annual Report”	:	Annual Report of DLMI issued for the financial year ended 31 December 2016.

In this Circular, unless there is something in the subject or context inconsistent herewith, the singular includes the plural and references to gender include both genders and the neuter.

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**DUTCH LADY MILK INDUSTRIES
BERHAD (5063-V)**

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MALAYSIA
Tel : 603 79532600
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3 April 2017

Board of Directors:

Dato' Zainal Abidin bin Putih (Chairman / Senior Independent Non-Executive Director)
Saw Chooi Lee (Managing Director)
Piet Johannes Hilarides (Non-Independent Non-Executive Director)
Boey Tak Kong (Independent Non-Executive Director)
Dato' Dr. Mhd. Nordin bin Mohd. Nor (Non-Independent Non-Executive Director)
Foo Swee Leng (Independent Non-Executive Director)
Jaska Marianne de Bakker (Non-Independent Non-Executive Director)

To: The Shareholders of Dutch Lady Milk Industries Berhad

Dear Sir/Madam

- (I) PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**
- (II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF COMPANY'S THE CONSTITUTION ("PROPOSED AMENDMENTS")**

1. INTRODUCTION

At the Fifty-Third AGM held 26 April 2016, the Company obtained a mandate from its shareholders to enter into the RRPT with Related Parties which are necessary for its day to day operation and are in the ordinary course of business based on normal commercial terms which are not more favourable to the Related Parties than those normally available to the public and not to the detriment of minority shareholders ("2016 Shareholders' Mandate").

The 2016 Shareholders' Mandate shall lapse at the conclusion of the forthcoming Fifty-Fourth AGM of the Company scheduled on 28 April 2017 unless a new mandate for RRPT is obtained from the shareholders at the AGM.

The Board of Directors ("Board") of DLMI has on 13 March 2017 announced its intention to seek shareholders' approval for the following:-

- (a) A new shareholders' mandate and renewal of the 2016 Shareholders' Mandate for the Recurrent Related Party Transactions with the Related Parties as set out in Section 2.1.3 of this Circular; and
- (b) Amendments to the Articles of Association of the Company's Constitution to be in line with the Act.

The purpose of this Circular is to provide you with the relevant details of the Proposals and to seek your approval for the resolutions thereto to be tabled at the forthcoming AGM, which will be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Friday, 28 April 2017 at 9.00 a.m.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Shareholders' Mandate

2.1.1 Provisions under the Listing Requirements

Pursuant to paragraph 10.09 of Chapter 10 of the Listing Requirements, the Company may seek a shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the Annual Report of the aggregate value of such transactions conducted pursuant to the shareholders' mandate during the financial year; and
- (iii) in a meeting to obtain shareholders' mandate, the interested Director, interested major shareholder or interested person connected with such Director or major shareholder; and where it involved the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder must comply with the requirements set out in paragraph 10.08(7) of Chapter 10 of the Listing Requirements.

The Proposed Shareholders' Mandate will, if approved by shareholders at the forthcoming AGM, be subject to annual renewal. In this respect any authority conferred by the Proposed Shareholders' Mandate shall only continue to be in force until:

- (a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of DLMI subsequent to the date it is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is earlier.

The Proposed Shareholders' Mandate shall apply in respect of all Recurrent Related Party Transactions to be entered into from the date of the forthcoming AGM to the next AGM as stipulated in the ensuing section.

In making the disclosure of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the 2016 Shareholders' Mandate, the Company has provided a breakdown of the aggregate value of the Recurrent Related Party Transactions entered into during the financial year in the 2016 Annual Report, based on the following information:-

- (i) the type of the Recurrent Related Party Transactions made; and
- (ii) the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationship with the RFC Group.

Shareholders are advised to refer to Note 24 on Related Party Transactions in the financial statements of the Company for the year ended 31 December 2016 enclosed in the 2016 Annual Report.

2.1.2 Business of the Company

DLMI is seeking approval from the shareholders for a new shareholders' mandate and the renewal of the 2016 Shareholders' Mandate for the Recurrent Related Party Transactions that will allow the Company, in their normal course of business, to continue to enter into the categories of Recurrent Related Party Transactions with the Related Parties referred to in the ensuing section.

DLMI manufactures and imports for distribution a wide range of dairy products, such as specialised powders for infant and growing children, liquid milk in different packaging formats and yoghurt. DLMI markets these products under various brand names such as "Dutch Lady", "Dutch Lady PureFarm", "Dutch Baby Langkah 1", "Dutch Baby Langkah 2", "Dutch Lady Curious", "Dutch Lady Explore", "Dutch Lady Create", "Dutch Lady Learn", "Frisolac", "Friso", "Frisomum" and "Friso Comfort".

RFC owns 50.96% equity interest in DLMI through FCCPI and FCDM. RFC is a multinational company with its headquarters located in the Netherlands, that develops, produces and sells a wide range of dairy products and fruit based drinks for the consumer market, professional users and food manufacturers worldwide.

It is anticipated that the Company would, in the ordinary course of business, enter into Recurrent Related Party Transactions that are detailed in Section 2.1.4 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

In view of the time-sensitive, confidentiality and frequent nature of such Recurrent Related Party Transactions, the Board of Directors of DLMI is seeking shareholders' approval for the Proposed Shareholders' Mandate for DLMI to enter into transactions in the normal course of business within the classes of Related Parties set out in Section 2.1.3 below. The Recurrent Related Party Transactions will also be subject to the review procedures set out in Section 2.1.6 below.

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2.1.3 Class of Related Parties

The general transactions entered by DLMI relating to the provision of or the obtaining of products and services to or from the Related Parties in the ordinary course of business are as set out below:-

Related Party	Principal Activity	Relationship
FCN	Manufacture and sale of dairy products, provision of shared and ICT project management services, communication services and owner of all brands within the RFC Group and management support services.	RFC is the ultimate holding company of DLMI with a shareholding of 32,614,800 shares, representing 50.96% equity interest as at 28 February 2017, via its wholly owned subsidiary, FCDM.
FFI	Manufacture and sale of dairy products.	RFC is a multinational company with worldwide operations that is carried out through its subsidiaries where it has direct and indirect shareholdings. This group of companies is referred to as RFC Affiliated Companies.
FCF(T)	Manufacture and sale of dairy products.	
FC(S)	Import, export and sale of dairy and other products.	FCN, FFI, FCF(T), FC(S), FCV, FCSCAP and FCA are all RFC Affiliated Companies.
FCV	Manufacture and sale of dairy products.	
FCDM	Investment holding.	The related parties above, other than FCDM, do not hold any shares in DLMI.
FCSCAP	Provision of shared and ICT project management services.	
FCA	Developing, purchasing, marketing and selling branded consumer dairy products.	

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2.1.4 Nature of Recurrent Related Party Transactions and Estimated Values

The Proposed Shareholders' Mandate will enable DLMI to undertake transactions with the Related Parties. The transactional values of the Proposed Shareholders' Mandate and the actual value of each Recurrent Related Party Transaction from the date on which the 2016 Shareholder's Mandate (which was obtained on 26 April 2016 to 28 February 2017, being the latest practicable date before the printing of the Circular), as disclosed in the Circular to Shareholders dated 3 April 2017, are as follows:-

Related Party	Nature of Transactions	#Estimated values of transactions from 28/4/2017 to the next AGM RM '000	Last mandate transactions as disclosed in the Circular to Shareholders dated 1 April 2016 RM '000	Actual value transacted from 27/4/2016 up to 3/3/2017 RM '000
Purchases by DLMI				
FCN	Purchase of fully packed dairy products and raw materials.	390,000	465,000	244,828
FFI	Purchase of fully packed dairy products and raw materials.	90,000	90,000	57,750
FC(T)	Purchase of fully packed dairy products and raw materials.	50,000	5,000	-
FCA	Purchase of fully packed dairy products and raw materials.	120,000	120,000	82,624
FCV*	Purchase of fully packed dairy products and raw materials.	30,000	-	-
Sales by DLMI				
FC(N)	Sale of fully packed dairy products and raw materials.	20,000	20,000	4,284
FC(S)	Sale of fully packed dairy products.	31,500	31,500	12,283
Services received by DLMI				
FCN	Know-How, trademark license and management support fees.	55,000	50,000	21,410
FCDM	Corporate fees.	155	145	56
FCN	Shared ICT and communication services.	20,000	17,500	13,519
Services provided by DLMI				
FCSCAP	Shared services.	250	350	250

* New Recurrent Related Party Transaction that was not covered in the 2016 Shareholders' Mandate.

#The values are estimates based on the budgets and forecasts prepared by the Company from the conclusion of the forthcoming AGM of the Company to be held on 28 April 2017 until the conclusion of the next AGM of the Company in 2018. Due to the nature of transactions, the actual value of transactions may vary from the estimated value disclosed above and will be disclosed in the Annual Report of the Company in respect of financial years ending 31 December 2017 and 2018 respectively.

None of the actual values of the Recurrent Related Party Transactions has exceeded the estimated value by 10% or more.

2.1.5 Outstanding Amount Due under the Recurrent Related Party Transactions

The breakdown of the principal sum (non-interest bearing) for the total outstanding amount due to the Company under the Recurrent Related Party Transactions which exceeded the credit terms as at 31 December 2016 is as follows:-

No	Related Party	Outstanding Amount (RM'000)			
		1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years
1.	FC(S)	4,143	-	-	-

There are no late payment charges imposed on the outstanding amounts as they are trade in nature. The Company continuously follows up with the debtor for timely settlement of outstanding amounts. The Board of Directors is of the opinion that there is no recoverability issue as the debtor is a related party with a long standing relationship with the Company and has proven to be creditworthy with a good payment record.

2.1.6 Disclosure and Review Procedures for Recurrent Related Party Transactions

There are procedures established by the Company to ensure that Recurrent Related Party Transactions are undertaken on an arms' length basis and on normal commercial terms consistent with the Company's usual business practices and policies and will not be prejudicial to the Company's shareholders. The procedures are as follows:-

- (a) A Related Party Transaction Review Committee ("RPT Review Committee") was established to review all Recurrent Related Party Transactions and, should it arise, any related party transaction, whereby such transactions would be reviewed periodically.
- (b) All Recurrent Related Party Transactions which are entered into pursuant to the shareholders' mandate obtained at the last AGM convened will be recorded by the Company in a register or records maintained by the Company.
- (c) All Recurrent Related Party Transactions will then be reviewed by the Audit Committee. Any member of the Audit Committee may, as he deems fit, request for additional information pertaining to the transaction including from independent sources or advisors.
- (d) Upon direction from the Audit Committee, the annual internal audit plan shall incorporate a review of all Recurrent Related Party Transactions entered into pursuant to the shareholders' mandate obtained to ensure that the relevant approvals have been obtained and any related party transaction and the review procedures in respect of such transactions are adhered to; and
- (e) The Management of the Company will update the Board and the Audit Committee on the status of all Recurrent Related Party Transactions including any related party transaction to ensure that all the review procedures established to monitor Recurrent Related Party Transactions and Related Party Transactions have been complied with.

Wherever practicable and/or possible, at least two other contemporaneous transactions with unrelated third parties for substantially similar products or services and/or quantities will be used as comparison to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties, bearing in mind market forces for the demand and supply of the products or services and its impact on pricing, quality, delivery schedules, preferential terms and conditions, and on the urgency that the goods or services are required.

In the event that quotations or comparative pricing from unrelated third parties cannot be obtained for the proposed transactions, the transaction price will be reviewed by the RPT Review Committee based on their knowledge of industry norms to ensure that the Recurrent Related Party Transactions are not detrimental to the Company.

There is no specific threshold for approval of Recurrent Related Party Transactions. All Recurrent Related Party Transactions are reviewed and/or executed by senior management in the Company, provided always that such individuals have no interest in the transaction and the said transaction has been approved pursuant to the shareholders' mandate obtained at an AGM for Recurrent Related Party Transactions.

The Audit Committee will review and ascertain whether the guidelines and procedures established to monitor related party transactions, including the maintenance of proper records, have been complied to ensure that (i) the related party transactions are conducted at arm's length and on normal commercial terms, and (ii) such transactions are not prejudicial to the interests of the shareholders.

Further, where any Director or person connected with them has an interest (direct or indirect) in any related party transactions, such Director (or his alternate, where applicable) or person connected with them shall abstain from voting on the matter. Where any member of the Audit Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions.

In a meeting to obtain the Proposed Shareholders' Mandate, an interested Director, interested major shareholder or interested persons connected with a Director or major shareholder; where it involves the interest of an interested person connected with a Director, major shareholder or persons connected to them, shall abstain from voting on the resolution approving the transactions.

The Proposed Shareholders' Mandate, if approved at the forthcoming AGM, shall continue to be in force until the next AGM of the Company. Thereafter, shareholders' approval will be sought for the renewal of such mandate at each subsequent AGM, subject to a satisfactory review by the Audit Committee of its continued application to Recurrent Related Party Transactions.

2.1.7 Statement by the Audit Committee

The Audit Committee has the overall responsibility of determining whether the procedures for reviewing all related party transactions are appropriate to ensure that the Recurrent Related Party Transactions are within the limits approved pursuant to the Proposed Mandate. The Audit Committee conducts the review of these procedures at least once a year.

The Audit Committee has reviewed the terms of the Proposed Shareholders' Mandate and is satisfied that the the review procedures for related party transactions, as well as the annual review of all the Recurrent Related Party Transactions made for the financial year ended 31 December 2016 in relation to the 2016 Shareholders' Mandate for Recurrent Related Party Transactions, are sufficient to ensure that related party transactions are monitored, tracked and made at arm's length and in accordance with the Company's

normal commercial terms, and hence, are not prejudicial to the interests of shareholders or disadvantageous to the Company.

2.2. Proposed Amendments

The details of the Proposed Amendments are as set out in Appendix I of this Circular.

3. RATIONALE OF THE PROPOSALS

3.1 Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate will enable the Company to enter into related party transactions described in Section 2.1.4 above with the classes of Related Parties that are in the normal course of the Company's business. As such transactions may occur with some degree of frequency, the Proposed Mandate will eliminate the need for the Company to seek the shareholders' approval as and when potential transactions with the specified classes of Related Parties arise, thereby reducing substantially the administrative time, inconvenience and costs associated with the convening of such meetings without compromising the corporate objectives and adversely affecting the business opportunities available to the Company.

The Recurrent Related Party Transactions, as outlined in Section 2.1.4, are carried out at arm's length basis and on normal commercial terms not prejudicial to the interest of the shareholders and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The Proposed Shareholders' Mandate is vital in ensuring the viability of the Company's business by continuing its association with the RFC Group. In return, the Company has an obligation to the Group to market products using its brands.

The Proposed Shareholders' Mandate is fundamental to DLMI's continuing status as the sole licensee in Malaysia for the use of the RFC Group's highly visible and strong brands such as "Dutch Lady", "Dutch Lady PureFarm", "Dutch Baby Langkah 1", "Dutch Baby Langkah 2", "Dutch Lady Curious", "Dutch Lady Explore", "Dutch Lady Create", "Dutch Lady Learn", "Frisolac", "Friso", "Frisomum" and "Friso Comfort". These brands are synonymous with quality dairy products worldwide.

Since incorporation, DLMI has been given the exclusive use of the RFC Group's trademarks in Malaysia. In addition, DLMI uses the registered trademarks on its advertising and packaging materials, promotional campaigns and printed matter to maximise the values attached to these trademarks. The trade name "Dutch Lady" is also allowed by the RFC Group to be used as the Company's name.

As manufacturers and distributors of a wider range of dairy and dairy-related products, DLMI has to import most of its dairy raw materials from overseas as only a negligible amount of fresh milk is available locally. The RFC Group, being one of the world's largest and most reputable suppliers of dairy ingredients, also supplies raw, semi-finished or finished products to DLMI.

In addition, the RFC Group produces and markets highly proprietary and technically superior dairy products throughout the world. These products are also sold in Malaysia via DLMI by special arrangement, in particular, specialised powders for infant and growing children.

As part of the RFC Group sourcing arrangement and to achieve better economies of scale, the sourcing of dairy raw material as well as fully packed dairy products is centrally arranged by FCN, being the sourcing arm for RFC Group. With this sourcing arrangement, approximately 72% of the total dairy raw and packaging materials as well as fully-packed dairy products purchased by the Company is sourced from the RFC Group.

Likewise for similar reasons, export opportunities to other related Parties are evaluated on a continuing basis and potential transactions with the specified classes of Related Parties are included in this Proposed Shareholders' Mandate.

DLMI has derived considerable commercial benefits from its continuing relationship with the RFC Group, who has helped the Company develop over the years to its present full range of quality dairy products that include infant formula, growing up milk, powdered milk, UHT milk, sterilised milk, pasteurised milk and yoghurts.

This has been possible through the RFC Group's valuable proprietary formulation, technical know-how, innovations and superior research and development relating to the manufacture of dairy products as well as extensive supply chain and commercial experience in the marketing and distributing of such products. This has enabled the Company to continuously improve its production as well as its marketing and selling processes.

In addition, the RFC Group provides full support to DLMI on Business and Marketing development, Trade Marketing, Supply Chain Management, Human Resource Management, Treasury, Food Safety and Dairy Affairs, Quality Control, Internal Audit, Sourcing/ Purchasing Services, Operations Management and ICT.

FCN provides the RFC Group (including DLMI) with shared and ICT project management and communication services for RFC Group's regional SAP and ICT framework via FCSCAP, a Multimedia Super Corridor status company located in Malaysia. The Company, also benefits from ICT and related expertise available from the RFC Group.

DLMI, in turn, provides FCSCAP with shared services support in accounting, human resources, administrative, legal and company secretarial services.

3.2 Proposed Amendments

The proposed deletion of Article 93 (a) to (d) of the Constitution of the Company is to be aligned with the Act, which came into force on 31 January 2017 with no provision on the maximum age limit of 70 years for a director to continue in office, subject to approval of the shareholders at the Company's AGM.

4. FINANCIAL EFFECTS OF THE PROPOSALS

The Proposals will not have any effect on the share capital of DLMI and will not have any financial effects on the gearing, earnings or the net assets of DLMI.

5. CONDITIONS TO THE PROPOSALS

The Proposals are conditional upon the approval of the shareholders of the Company being obtained at the forthcoming AGM to be convened.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

6.1 Proposed Shareholders' Mandate

None of the Directors or major shareholders of DLMI and/or persons connected to them have any interest, direct or indirect, in the Proposed Shareholders' Mandate pertaining to the Recurrent Related Party Transactions, save and except for the following:-

- (i) Piet Johannes Hilarides, Saw Chooi Lee and Jaska Marianne de Bakker are the Board representatives of RFC in DLMI. As such, they are deemed interested in the Proposed Shareholders' Mandate.
- (ii) FCDM, a major shareholder holding 50.96% equity interest in DLMI as at 28 February 2017, is wholly-owned by FCCPI, which in turn is a wholly-owned subsidiary of RFC, is deemed interested in the Proposed Shareholders' Mandate pertaining to the Recurrent Related Party Transactions as stated in Section 2.1.4.

As at 28 February 2017, none of the Directors have any direct or indirect shareholdings in the Company. The direct and indirect shareholdings of the major shareholders and persons connected to them in DLMI as at 28 February 2017 are as follows:-

Name	Direct Interest	%	Indirect Interest	%
Interested Major Shareholder				
FCDM	32,614,800	50.96	-	-
FCCPI	-	-	32,614,800	50.96
RFC			32,614,800	50.96

Piet Johannes Hilarides, Saw Chooi Lee and Jaska Marianne de Bakker are representatives of RFC and are deemed interested by virtue of RFC being the holding company of FCCPI, who in turn is the holding company of FCDM, which is the major shareholder of DLMI, holding 50.96% of the equity interest in DLMI. Accordingly, the interested Directors have and will continue to abstain from Board deliberations pertaining to the Proposed Shareholders' Mandate. In addition, the interested Directors will abstain from voting in respect of their direct and indirect shareholdings, if any, in DLMI on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM of DLMI to be convened. The interested Directors shall undertake to ensure that the persons connected with them shall abstain from voting on their direct and/or indirect shareholdings on the ordinary resolution pertaining to the Recurrent Related Party Transactions at the forthcoming AGM.

FCDM will abstain from voting in respect of its direct shareholdings in DLMI in the ordinary resolution on the Proposed Shareholders' Mandate at the forthcoming AGM. FCDM shall ensure that persons connected with it will abstain from voting on the resolution approving the Recurrent Related Party Transactions.

6.2 Proposed Amendments

None of the Directors or major shareholders of DLMI and/or persons connected to them have any interest, direct or indirect, in the Proposed Amendments.

7. DIRECTORS' RECOMMENDATION

7.1 Proposed Shareholders' Mandate

The Directors (except for Piet Johannes Hilarides, Saw Chooi Lee and Jaska Marianne de Bakker, who are deemed interested in the Proposed Shareholders' Mandate), having considered the rationale and benefits of the Proposed Mandate and after careful deliberation, are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and its shareholders. Accordingly, your Directors, (except for Piet Johannes Hilarides, Saw Chooi Lee and Jaska Marianne de Bakker who are deemed interested in the Proposed Shareholders' Mandate) recommend that you vote in favour of the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM of the Company.

7.2 Proposed Amendments

The Directors having considered the proposed amendment to the Articles of Association of the Company's Constitution and after careful deliberation, are of the opinion that the Proposed Amendments are in the best interest of the Company and its shareholders. Accordingly, your Directors recommend that you vote in favour of the resolution pertaining to the Proposed Amendments to be tabled at the forthcoming AGM of the Company.

8. AGM

The ordinary and special resolutions to vote on the Proposed Shareholders' Mandate and Proposed Amendments are set out in the Notice of AGM contained in DLMI's 2016 Annual Report. The Fifty-Fourth AGM will be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 28 April 2017 at 9.00 a.m.

If you are unable to attend and vote in person at the AGM, you should complete and return the Form of Proxy enclosed in the 2016 Annual Report, in accordance with the instructions printed therein, to the Company's Share Registrars in care of Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor (Helpdesk No 603-78490777, Fax No 603-78418151/8152) not less than forty-eight (48) hours before the time set for the AGM (or in the case of a poll, before the time appointed for the taking of the poll). The completion and lodgement of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so

9. FURTHER INFORMATION

Shareholders are requested to refer to Appendices I and II of this Circular for further information.

Yours faithfully

For and on behalf of the Board of Directors of
DUTCH LADY MILK INDUSTRIES BERHAD

DATO' ZAINAL ABIDIN BIN PUTIH

Chairman and Senior Independent Non-Executive Director

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY'S CONSTITUTION

“THAT the existing Article 93(a) to (d) of the Constitution of the Company as follows be deleted in its entirety and any further reference to Article 93 throughout the Constitution of the Company be deleted thereto in consequence :-

Article 93 – Director attaining the age of 70 years

93(a) Subject to the provision of these Articles, no person shall be capable of being appointed or re-elected a Director of the Company, if, at the time of his appointment or re-election, he has attained the age of 70 years.

93(b) Subject as aforesaid, a Director shall vacate his office at the conclusion of the Annual general Meeting held next after he attains the age of 70 years. Provided that acts done by such Director shall be valid and if, at the meeting at which he retires, the vacancy is not filled, it may be filled as a casual vacancy.

93(c) Notwithstanding anything in these Articles, a person of or over the age of 70 years may be reappointed as a Director of the Company to hold office until the next Annual general Meeting of the Company or be authorized to continue in office as a Director until the next Annual General Meeting of the Company if a majority of not less than three-fourths of the Members so resolve at a general meeting of which no shorter notice than that required to be given to the Members of an Annual General Meeting has been duly given.

93(d) A person when reappointed Director on retiring by virtue of Article 93(c) or appointed in place of a Director retiring by virtue of Article 93(b) shall be treated, for the purpose of determining the time of which he or any other Director is to retire, as if he had become Director on the day on which the retiring Director was last appointed before his retirement. Except as hereinbefore provided the retirement of a Director by virtue of Article 93(b) shall be disregarded in determining when any other Directors are to retire.

THAT subsequent to the deletion of the existing Article 93(a) to (d) of the Company's Constitution, the existing Articles 94 to 160 of the Company's Constitution be re-numbered as Articles 93 to 159.”

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

The Circular has been reviewed and approved by the Directors of DLMI, and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquiries, and to the best of the knowledge and belief, there are no false or misleading statements or other facts, the omission of which could make any statement herein false or misleading.

2. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by DLMI in the two (2) years preceding the date of this Circular.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

DLMI is not engaged either as plaintiff or defendant in any material litigation, claims and arbitration, and the Directors of DLMI do not have any knowledge of any proceeding pending or threatened against DLMI or of any other facts which are likely to give rise to any proceedings which may materially affect the position or business of the Company.

4. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of DLMI at Level 5, Quill 9, Jalan Semangat, 46300 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:-

- (i) Constitution of DLMI; and
- (ii) Audited Financial Statements of DLMI for the two (2) financial years ended 31 December 2015 and 31 December 2016.

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