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**DUTCH LADY MILK INDUSTRIES BERHAD (196301000165 (5063-V))**  
(Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO:**

**PART A**

**THE PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

**PART B**

**PROPOSED ACQUISITION BY THE COMPANY OF THREE (3) PARCELS OF FREEHOLD LAND HELD UNDER GERAN 270934 LOT NO 61320, GERAN 270935 LOT NO 61321 AND GERAN 270936 LOT NO 61322 IN MUKIM OF BANDAR BARU ENSTEK, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN ("LANDS") FROM PELABURAN HARTANAH BERHAD ("VENDOR") FOR A TOTAL CASH SUM OF RM56,790,320 ("PURCHASE CONSIDERATION")**

The ordinary resolutions in respect of the above proposals will be tabled at the Fifty-Seventh Annual General Meeting of the Company. The Notice of the Fifty-Seventh Annual General Meeting and the Form of Proxy of Dutch Lady Milk Industries Berhad are enclosed in the 2019 Annual Report. The Fifty-Seventh Annual General Meeting of Dutch Lady Milk Industries Berhad will be held fully virtual through live streaming and online remote voting from the Broadcast Venue Gallery 3, Level 3, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia on Thursday, 23 July 2020 at 9.00 a.m. Please follow the procedures set out in the Administrative Guide in order to register, participate and vote remotely.

You are requested to complete the Form of Proxy and deposit it at the office of Boardroom Share Registrars Sdn Bhd at 11<sup>th</sup> Floor, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not later than not less than 24 hours before the time appointed for the taking of the poll or by electronic means using the Boardroom Smart Investor Portal at <https://www.boardroomlimited.my> not later than 48 hours before the time set for holding the Meeting or any adjournment thereof. Please refer to the Administrative Guide in the Notice of AGM. The lodging of the Form of Proxy will not preclude you from attending and voting at the Meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 22 July 2020 at 9.00 a.m.

Date and time of Annual General Meeting : Thursday, 23 July 2020 at 9.00 a.m.

## 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
“Board”	: Board of Directors of DLMI
“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 (196301000165 (5063-V))
“FCDM”	: FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands
“FC(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
“FCP”	: FrieslandCampina Engro Pakistan Limited, Pakistan
“FC(S)”	: FrieslandCampina (Singapore) Pte Ltd, Singapore
“FCSCAP”	: FrieslandCampina Service Centre Asia Pacific Sdn Bhd, Malaysia
“FFI”	: P.T. Frisian Flag Indonesia, Indonesia
“Lands”	: Three (3) parcels of freehold industrial land held under Geran 270934 Lot No 61320, Geran 270935 Lot No 61321 and Geran 270936 Lot No 61322 in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan
“Listing Requirements”	: The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time
“Proposed Acquisition”	: Proposed acquisition of the Lands by the Company from the Vendor
“Proposed Shareholders’ Mandate”	: Proposed new and renewal of existing shareholders’ mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature
“Purchase Price”	: Ringgit Malaysia Fifty-Six Million Seven Hundred Ninety Thousand Three Hundred and Twenty Only (RM56,790,320)
“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. or Koninklijke 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
“SPA”	: Conditional sale and purchase agreement dated 18 March 2020 entered into between the Vendor and the Purchaser for the Proposed Acquisition
“Valuation Certificate”	: Valuation certificate on the Lands prepared by PPC International Sdn Bhd dated 1 April 2020 ascribing the market value of the Lands
“Valuation Report”	: Valuation report on the Lands prepared by PPC International Sdn Bhd dated 1 April 2020 ascribing the market value of the Lands
“Valuer”	: PPC International Sdn Bhd
“Vendor”	: Pelaburan Hartanah Berhad
“2019 Annual Report”	: Annual Report of DLMI issued for the financial year ended 31 December 2019

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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**PART A**

**THE PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

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**DUTCH LADY MILK INDUSTRIES BERHAD**  
**Company No 196301000165 (5063-V)**

Level 5, Quill 9  
112 Jalan Prof. Khoo Kay Kim  
46300 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

23 June 2020

Board of Directors:

Dato' Zainal Abidin bin Putih (Chairman/Senior Independent Non-Executive Director)  
Tarang Gupta (Managing Director)  
Datin Seri Sunita Mei-Lin Rajakumar (Independent Non-Executive Director)  
Saw Chooi Lee (Independent Non-Executive Director)  
Bernardus Hermannus Maria Kodden (Non-Independent Non-Executive Director)  
Dato' Dr Rosini Alias (Non-Independent Non-Executive Director)  
Tengku Nurul Azian binti Tengku Shahriman (Independent Non-Executive Director)  
Jean Serge Krol (Non-Independent Non-Executive Director)

To: The Shareholders of Dutch Lady Milk Industries Berhad

Dear Sir/Madam

**PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

**1. INTRODUCTION**

At the Fifty-Sixth AGM held 26 April 2019, 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 ("2019 Shareholders' Mandate").

The 2019 Shareholders' Mandate shall lapse at the conclusion of the forthcoming Fifty-Seventh AGM of the Company scheduled on 23 July 2020 unless a new mandate for RRPT is obtained from the shareholders at the AGM.

The Board of Directors ("Board") of DLMI has on 27 March 2020 announced its intention to seek shareholders' approval for a new shareholders' mandate and renewal of the 2019 Shareholders' Mandate for the Recurrent Related Party Transactions with the Related Parties as set out in Section 2.3 of this Circular.

The purpose of this Circular is to provide you with the relevant details of the Proposed Shareholders Mandate and to seek your approval for the resolution thereto to be tabled at the forthcoming AGM, which will be held at Gallery 3, Level 3, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia on Thursday, 23 July 2020 at 9 a.m.

**2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**

**2.1 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 2019 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 2018 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 21 on Related Party Transactions in the financial statements of the Company for the year ended 31 December 2019 enclosed in the 2019 Annual Report.

## **2.2 Business of the Company**

DLMI is seeking approval from the shareholders for a new shareholders' mandate and the renewal of the 2019 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 Growing Up Milk 123", "Dutch Lady Growing Up Milk 456", "Dutch Lady Growing Up Milk 6+", "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 2.4 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 2.3 below. The Recurrent Related Party Transactions will also be subject to the review procedures set out in Section 2.6 below.

### 2.3 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
RFC	Investment holding	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 2019, via its wholly owned subsidiary, FCDM.
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 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.
FCP	Manufacture and sale of dairy products.	FCN, FFI, FC(T), FC(S), FCP, and FCSCAP are all RFC Affiliated Companies.
FFI	Manufacture and sale of dairy products.	
FC(T)	Manufacture and sale of dairy products.	
FC(S)	Import, export and sale of dairy and other 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.	

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## 2.4 Nature of Recurrent Related Party Transactions and Estimated Values

The Proposed Shareholders' Mandate will enable DLMI to undertake transactions with its related parties. The transactional values of the Proposed Shareholders' Mandate and the actual value of each Recurrent Related Party Transaction from 26 April 2019, to 31 March 2020, (being the latest practicable date before the printing of the Circular), are set out below:-

Related Party	Nature of Transactions	#Estimated values of transactions from 28/5/2020 to the next AGM (RM '000)	Last mandate transactions as disclosed in the preceding Circular to Shareholders (RM '000)	Actual value transacted from 26/4/2019 up to 31/5/2020 (RM '000)
<b>#Note 1</b>				
<b>Purchases by DLMI</b>				
FCN	Purchase of fully packed dairy products and raw materials	400,000	550,000	357,944
FFI	Purchase of fully packed dairy products including products packed in PET bottle and raw materials	250,000	96,250	100,227
FC(T)	Purchase of fully packed dairy products and raw materials	50,000	50,000	156
<b>Sales by DLMI</b>				
FCN	Sale of fully packed dairy products	20,000	20,000	5,278
FC(S)	Sale of fully packed dairy products	31,500	31,500	16,012
FC(T)	Sale of fully packed dairy products	5,000	5,000	-
FCP	Sale of full cream milk powder <sup>@</sup>	-	1,500	4
<b>Services received by DLMI</b>				
FCN	Fees for know-how, trademark license and management support	60,000	55,000	32,829
FCDM	Corporate management fees	155	155	66
FCSCAP	Fees for shared services	6,000	5,000	4,184
FCN	Fees for shared ICT and communication services	20,000	20,000	17,476
RFC	Interest on inter-company credit facility*	2,600	-	-
<b>Services provided by DLMI</b>				
FCSCAP	Fees for shared corporate services	300	250	133

- \* New Recurrent Related Party Transaction that was not covered in 2019 Shareholders' Mandate - DLMI has obtained, in the ordinary course of business, a revolving inter-company credit facility in USD from RFC which will be used to facilitate its operations and activities which are in line with its manufacturing and distribution business. The interest rate payable on the facility is 3 month LIBOR plus 90 basis points. The interest payment is made quarterly on an arms' length basis in the ordinary course of business and on normal commercial terms comparable to commercial interest rates for banking facilities of similar nature
- @ No further mandate required for this Recurrent Related Party Transaction
- # 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 [26 June 2020] until the conclusion of the next AGM of the Company in 2021. 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 year ending 31 December 2020
- ^ The actual value of the Recurrent Related Party Transactions transacted from the date of the AGM held on 26 April 2019 to 31 May 2020, being the latest practicable date prior to the printing of this Circular

**#Note 1:**

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

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## **2.5 Outstanding Amount Due under the Recurrent Related Party Transactions**

There are no outstanding amounts on the Recurrent Related Party Transactions. Accordingly, no late payment charges have been imposed nor have actions been taken to necessitate recovery of any outstanding amounts due.

## **2.6 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.

### **2.7 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 review procedures for related party transactions, as well as the annual review of all the 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.

## **3. RATIONALE OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholders' Mandate will enable the Company to enter into related party transactions described in Section 2.4 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 2.4, 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 Growing Up Milk 123", "Dutch Lady Growing Up Milk 456", "Dutch Lady Growing Up Milk 6+", "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 human resources, administrative, legal and company secretarial services.

#### **4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholders' Mandate 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 PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholder' Mandate is 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**

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) Tarang Gupta, Bernardus Hermannus Maria Kodden and Jean Serge Krol 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, 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 2.4.

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 are as follows:-

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

Tarang Gupta, Bernardus Hermannus Maria Kodden and Jean Serge Krol 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.

## **7. DIRECTORS' RECOMMENDATION**

The Directors (except for Tarang Gupta, Bernardus Hermannus Maria Kodden and Jean Serge Krol, 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 Tarang Gupta, Bernardus Hermannus Maria Kodden and Jean Serge Krol 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.

## **8. AGM**

The ordinary resolution to vote on the Proposed Shareholders' Mandate is set out in the Notice of AGM contained in DLMI's 2019 Annual Report. The Fifty-Seventh AGM will be fully virtual through live streaming and online remote voting from the Broadcast Venue Gallery 3, Level 3, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia on Thursday, 23 July 2020 at 9 a.m.

If you are unable to attend and vote at the virtual AGM, you should complete and return the Form of Proxy enclosed in the 2019 Annual Report, in accordance with the instructions printed therein, to the Company's Share Registrars in care of Boardroom Share Registrars Sdn Bhd at 11<sup>th</sup> Floor, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan (Helpdesk No: +60 3 7890 4700, Fax No: +60 3 7890 4670) not less than twenty-four (24) hours before the time set for the AGM thereof or by electronic means using the Boardroom Smart Investor Portal at <https://www.boardroomlimited.my> not later than 48 hours before the time set for holding the AGM or any adjournment thereof. Please refer to the Administrative Guide in the Notice of AGM.

The completion and lodgement of the Form of Proxy will not preclude you from attending and voting at the virtual AGM should you subsequently wish to do so.

## **9. FURTHER INFORMATION**

Shareholders are requested to refer to Appendix I 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

## **APPENDIX I TO PART A OF THE CIRCULAR TO SHAREHOLDERS**

### **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 save and except for the Sale and Purchase Agreement dated 18 March 2020 for the Company to purchase three (3) parcels of freehold land held under Geran 270934 Lot No 61320, Geran 270935 Lot No 61321 AND Geran 270936 Lot No 61322 in Mukim of Bandar Baru Enstek, District of Seremban from Pelaburan Hartanah Berhad for a total cash sum of RM56,790,320.

#### **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 Prof. Khoo Kay Kim, 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;
- (ii) Audited Financial Statements of DLMI for the two (2) financial years ended 31 December 2018 and 31 December 2019; and
- (iii) The material contract referred to in Section 2 of this Appendix.

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**DUTCH LADY MILK INDUSTRIES BERHAD (196301000165 (5063-V))**  
(Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

**EXTRACT OF ORDINARY RESOLUTION FOR PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE.**

As Special Business

Item 7: Ordinary Resolution No 7

**To consider and, if thought fit, to pass the following as an Ordinary Resolution:**

**PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE.**

**"THAT** approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature as stated in Section 2.4 with the specified classes of Related Parties as stated in Section 2.3 of the Circular to Shareholders dated 23 June 2020 which are necessary for the Company's 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 and are not to the detriment of the minority shareholders; and
- (ii) the aggregate value of such transactions conducted pursuant to the Shareholders' Mandate during the financial year will be disclosed in the Annual Report for the said financial year;

**AND THAT** such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("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 the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("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 resolution passed by the shareholders in a general meeting;

whichever is the earlier.

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

**PART B**

**PROPOSED ACQUISITION BY THE COMPANY OF THREE (3) PARCELS OF FREEHOLD LAND HELD UNDER GERAN 270934 LOT NO 61320, GERAN 270935 LOT NO 61321 AND GERAN 270936 LOT NO 61322 IN MUKIM OF BANDAR BARU ENSTEK, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN ("LANDS") FROM PELABURAN HARTANAH BERHAD ("VENDOR") FOR A TOTAL CASH SUM OF RM56,790,320 ("PURCHASE CONSIDERATION")**

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## **DUTCH LADY MILK INDUSTRIES BERHAD**

**Company No 196301000165 (5063-V)**

Level 5, Quill 9

112 Jalan Prof. Khoo Kay Kim

46300 Petaling Jaya

Selangor Darul Ehsan

Malaysia.

23 June 2020

Board of Directors:

Dato' Zainal Abidin bin Putih (Chairman/Senior Independent Non-Executive Director)

Tarang Gupta (Managing Director)

Datin Seri Sunita Mei-Lin Rajakumar (Independent Non-Executive Director)

Saw Chooi Lee (Independent Non-Executive Director)

Bernardus Hermannus Maria Kodden (Non-Independent Non-Executive Director)

Dato' Dr Rosini Alias (Non-Independent Non-Executive Director)

Tengku Nurul Azian binti Tengku Shahriman (Independent Non-Executive Director)

Jean Serge Krol (Non-Independent Non-Executive Director)

To: The Shareholders of Dutch Lady Milk Industries Berhad

Dear Sir/Madam

**PROPOSED ACQUISITION BY DUTCH LADY MILK INDUSTRIES BERHAD (“DLMI” OR “COMPANY”) OF THREE (3) PARCELS OF FREEHOLD LAND HELD UNDER GERAN 270934 LOT NO 61320, GERAN 270935 LOT NO 61321 AND GERAN 270936 LOT NO 61322 IN MUKIM OF BANDAR BARU ENSTEK, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN MEASURING APPROXIMATELY 40470 SQUARE METERS, 40570 SQUARE METERS AND 50860 SQUARE METRES RESPECTIVELY, (“LANDS”) FROM PELABURAN HARTANAH BERHAD (“VENDOR”) FOR A TOTAL CASH SUM OF RM56,790,320 (“PURCHASE PRICE”)**

### **1. INTRODUCTION**

On 18 March 2020, the Board had announced that the Company had on the same date entered into the SPA with the Vendor for the Proposed Acquisition of the Lands for a total cash consideration of Ringgit Malaysia Fifty-Six Million Seven Hundred Ninety Thousand and Three Hundred Twenty (RM56,790,320).

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED ACQUISITION. WE WILL BE SEEKING YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT OUR FORTHCOMING AGM.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING AGM.**

### **2. DETAILS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition involves the acquisition by the Company of three (3) parcels of freehold industrial land held under Geran 270934 Lot No 61320, Geran 270935 Lot No 61321 AND Geran 270936 Lot No 61322 in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan measuring approximately 40470 square meters, 40570 square meters and 50860 square meters respectively (approximately 32.59 acres in total) (“**the Lands**”) for a total cash consideration of RM56,790,320 million (“**Purchase Price**”). The Lands are sold with freehold title free from encumbrances subject to the existing category of land use, express conditions of title, and restrictions-in-interest affecting the respective documents of title to the Lands.

#### **2.1 Information on the Lands**

The Lands consist of 3 adjoining parcels of vacant industrial land which are free of encumbrances. They are identified as Lot Nos 61320, 61321 and 61322, Jalan Teknologi 4, Techpark Enstek, 71760 Bandar Enstek, Negeri Sembilan Darul Khusus. The title deeds and the “Sistem Maklumat Gunatanah Perancangan Bersepadu (i-Plan)” website of Jabatan Perancangan Bandar dan Desa Malaysia indicates that the Lands are zoned for industrial use.

The Lands are located within the industrial park known as Techpark Enstek, Phase 2, Bandar Enstek (“**Industrial Park**”) which is at the western side of Negeri Sembilan Darul Khusus, about 22 kilometres to the west of Seremban city centre. Kuala Lumpur International Airport and Sepang International Circuit are located within 20 kilometres radius to the north-west of the Lands.

The Location Map of the Lands is as follows:



The Lands are currently vacant and have been cleared, levelled and are ready for development. The Lands are expected to be used for the Company’s future manufacturing activities. The Lands are located in Bandar Enstek which is an integrated township spanning about 5,119 acres of prime land and supported by state-of-the-art facilities, amenities and infrastructure. Bandar Enstek is made up of residential, institutional, commercial and industrial components. Essential public utilities such as water supply, power supply, telecommunications services are available in the neighbourhood.

The Industrial Park has received the “Halal Malaysia” (HALMAS) status from the Halal Industry Development Corporation. HALMAS is an accreditation given to Halal Park Operators who have successfully complied with the requirements and guidelines stipulated under the Halal Development Corporation. Companies which operate in a HALMAS accredited industrial park may be able to enjoy incentives such as tax exemptions and import duty exemptions. JAKIM’s Halal Analysis Centre which provides testing, certification and training for halal-based industries, is also located within the Industrial Park.

Further information on the Lands are as follows:

No	Description of Titles	Area	Land Status and category	Net Book Value (based upon audited financial statements for FY2019) (RM)	Road Frontage	Terrain
1	Geran 270934 Lot 61320, Mukim Bandar Baru Enstek, Daerah Seremban, Negeri Negeri Sembilan	40470 sq. meters 435,615 sq. feet	Freehold Industrial	16,553,370	Dual frontages onto Jalan Teknologi 4 and an unnamed road	Near rectangular in shape, generally flat in terrain that lies about level with the frontage road, Jalan Teknologi 4
2	Geran 270935 Lot 61321, Mukim Bandar Baru Enstek, Daerah Seremban, Negeri Negeri Sembilan	40570 sq. meters 436,692 sq. feet	Freehold Industrial	16,594,296		
3	Geran 270936 Lot 61322, Mukim Bandar Baru Enstek, Daerah Seremban, Negeri Negeri Sembilan	50860 sq. meters 547,452 sq. feet	Freehold Industrial	20,803,176	Another frontage onto Persiaran Teknologi 5 and an unnamed road	
				<b>53,950,842.00</b>		

## 2.2 Basis of Arriving at the Purchase Price

The Purchase Price for the Land was arrived at on a “willing buyer willing seller” basis after taking into consideration DLMI’s internal evaluation of various different locations for its future manufacturing activities. The location of the Lands (Bandar Baru Enstek) were found to be suitable after carrying out an assessment on its accessibility, suitability and the readily available infrastructure for industrial activities such as roads, electricity, water and gas supply. The Lands were then identified as being suitable based upon its size, road frontage and terrain (details are as contained in paragraph 2.1 above).

The Purchase Price of RM56,790,320 for the Lands which is equivalent to RM40 per sq. ft, was arrived at after taking into consideration the following:

- (a) DLMI’s internal market research on previous transactions which had taken place in the same location. Examples of these transactions are as follows:

	Type of Property	Location	Transacted price (RM per sq foot)	Date of transaction
1	Vacant Industrial Land	Techpark Enstek	42.20	February 2018
2	Vacant Industrial Land	Techpark Enstek	40	August 2016
3	Vacant Industrial Land	Techpark Enstek	41	September 2016

- (b) DLMI's market research and evaluation of the offer prices of other plots of land available for sale at the same location at the material time. Examples of such offers are as follows:

	Type of Property	Location	Offer price (RM per sq foot)	Date of offer
1	Vacant Industrial Land	Techpark Enstek	45	August 2019
2	Vacant Industrial Land	Techpark Enstek	50	August 2019
3	Vacant Industrial Land	Techpark Enstek	55	August 2019

- (c) The prospects of the Lands for DLMI's manufacturing facilities whereby the Lands are of a suitable size and in a strategic location within the vicinity of an industrial park with Halal status.

The Purchase Price is further supported by a valuation of the Lands carried out by PPC International Sdn Bhd, an independent valuer registered with the Board of Valuers, Appraisers and Estate Agents Malaysia. For the purposes of the valuation exercise, the material date of valuation is 25 March 2020. The Valuation Report and Valuation Certificate in respect of the Lands have been prepared in compliance with the Malaysian Valuation Standards (5th Edition 2015) issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines issued by the Securities Commission Malaysia. In arriving at the market value, the Valuer adopted the Comparison Approach of valuation and has valued the Lands at RM56,800,000.00. The Valuer only adopted one valuation approach as it is the most appropriate approach to value vacant industrial lands currently without the benefit of any approval or submission for development approval.

The Comparison Approach used in the valuation entails an analysis of comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market condition, size, shape and terrain of land, tenurial interest and restriction (if any), availability of infrastructure and vacant possession, development potential, zoning, approvals (if any) and other relevant characteristics.

The impact of the COVID-19 pandemic on market value of the Lands was also noted in the Valuation Report. It was stated that while the COVID-19 pandemic has disrupted the supply chain of many industrialists, manufacturers and logistic players, multinational companies are more likely to hold better than Small and Medium Enterprises. Techpark Enstek which is an established industrial estate and has attracted over 37 investors both multinational and local. Based on the market sentiments and sales data prior to the pandemic, the number of properties that were placed on the market were relatively small and values remain stable reflecting the overall stability of the market. Sales for the properties in Techpark Enstek have been confined to ownership market and not an investment market. As such the Valuers have stated in the Valuation Report that the pandemic has little or no impact to the value of the Lands.

The Purchase Price of the Lands represents a slight discount (0.02%) to the market value of the Lands as ascribed by the Valuer.

Please refer to Appendix I of this Circular for the Valuation Certificate on the Lands for further information.

## 2.3 Salient Terms of the SPA

Salient terms of the SPA include, amongst others, the following:-

### 2.3.1 Sale and Purchase

The Vendor agrees to sell and DLMI agrees to purchase the Lands on an "as is where is" basis, free from all encumbrances and with vacant possession, at the Purchase Price but subject to the category of land use and all conditions of title whether express or implied contained in the issue documents of title to the Lands and subject to the terms and conditions of the SPA.

The Vendor represents that there are no legal claims adversely affecting the right of the Vendor to vacant possession of the Lands.

### **2.3.2 Conditions Precedent**

The SPA shall be conditional upon the fulfilment of the following:

- (i) DLMI shall obtain written approval from the Ministry of Economic Affairs or any other ministry and/or authority under the government of Malaysia responsible in providing the approval(s) for the acquisition of the Lands by DLMI from the Vendor;
- (ii) DLMI shall obtain the necessary approval from its shareholders with regard to the Proposed Acquisition; and
- (iii) The Vendor shall obtain the consent in writing from the State Authority of Negeri Sembilan for the transfer of the Lands to DLMI.

### **2.3.3 Payment of Purchase Price and completion**

The Purchase Price shall be paid in the following manner:

- (i) the sum of Ringgit Malaysia One Million One Hundred Thirty-Five Thousand Eight Hundred Six and Forty Sen (RM1,135,806.40) only ("Earnest Deposit") representing two percent (2%) of the Purchase Price has been duly paid to the Vendor's solicitors, as the stakeholders on 16 January 2020;
- (ii) the sum of Ringgit Malaysia Four Million Five Hundred Forty-Three Thousand Two Hundred Twenty-Five and Sixty Sen (RM4,543,225.60) only ("Balance Deposit") representing eight percent (8%) of the Purchase Price has been paid by DLMI to the Vendor's solicitors, as the stakeholders, on the date of the execution of the SPA;
- (iii) the balance of the Purchase Price, amounting to Ringgit Malaysia Fifty-One Million One Hundred Eleven Thousand Two Hundred and Eighty-Eight (RM51,111,288.00) only representing ninety percent (90%) of the Purchase Price ("Balance Purchase Price") shall be paid by DLMI to the Vendor's solicitors, as stakeholders, within the Completion Period or the Extended Completion Period of the SPA, as the case may be. The "Completion Period" means the period for payment of the Balance Purchase Price which shall be within three (3) months from the next day after the last of all the Conditions Precedent is fulfilled. The "Extended Completion Period" is the extension of 1 month to the Completion Period in the event that the payment has not been made by the end of the Completion Period for any reason.

### **2.3.4 Termination of SPA**

The SPA shall terminate if the Conditions Precedent are not fulfilled, in which event, all monies paid towards the Purchase Price shall be refunded to DLMI. If the SPA is terminated as a result of a default by DLMI, a sum equivalent to 10% of the Purchase Price shall be forfeited to the Vendor as agreed liquidated damages. If the Vendor is in default of the SPA, DLMI shall be entitled to pursue an action for specific performance of the SPA or DLMI has the option to terminate the SPA whereupon the Vendor shall refund all moneys paid by DLMI toward the Purchase Price, free from interest and shall further pay to DLMI a sum equivalent to ten percent (10%) of the Purchase Price as agreed liquidated damages.

### **2.3.5 Completion Date**

Completion of the sale and purchase of the Lands shall take place pursuant to the following events:

- (a) the receipt by the Vendor's Solicitors of the full Balance Purchase Price;
- (b) the presentation of registration of the memorandum of transfer in favour of DLMI at the Negeri Sembilan land registry, whereupon completion of such registration, DLMI shall become the legal and beneficial owner of the Lands; and
- (c) the release of the Balance Purchase Price by the Vendor's Solicitor to the Vendor within fourteen (14) days from the date of presentation of the memorandum of transfer.



## **2.4 Liabilities to be Assumed**

There are no liabilities (including contingent liabilities and guarantees) to be assumed by the Company arising from the Proposed Acquisition.

## **2.5 Estimated Financial Commitments**

Save for the Purchase Price and the future project capital expenditure costs for the Lands to be financed by DLMI (the exact quantum of which is dependent on the construction plan which has yet to be determined at this juncture), the Board of Directors of DLMI does not foresee any additional financial commitment arising for the Proposed Acquisition.

## **2.6 Source of Funding**

The Proposed Acquisition will be funded by internal funds.

## **3. INFORMATION ON THE VENDOR**

The Vendor, Pelaburan Hartanah Berhad (PHB) is a real estate investment holding company and is a wholly-owned subsidiary of Yayasan Amanah Hartanah Bumiputera. The principal activity of PHB is to strategically acquire and develop properties at prime locations in Malaysia and to share the benefits therefrom via issuance of trust units to the Bumiputera community through its Amanah Hartanah Bumiputera unit trust.

As at the date of this announcement, the directors of PHB are as follows:

<u>Directors</u>	<u>Date of appointment</u>
Tan Sri Md Nor Md Yusof	16 June 2006
Dato' Asri Hamidin @ Hamidon	27 September 2018
Datuk Puteh Rukiah Abd Majid	26 September 2006
Dato' Mohd Shukri Hussin	2 October 2013
Dato' Sulaiman Mustafa	18 July 2006
Datuk Fazlur Rahman Ebrahim	18 July 2006
Dato' Mahmud Fauzi Muda	1 January 2019

## **4. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is for DLMI's future manufacturing activities and business operations and is in line with DLMI's long-term plans of improving its manufacturing capabilities to keep up with the increasing demand for its products and with the new customer trends. DLMI intends to construct manufacturing facilities on the Lands that is expected to strengthen its ability to provide the goodness and nutritional value of milk to its customers. The Lands are of a suitable size and in a strategic location within the vicinity of an Industrial Park with Halal status, all of which are suitable and advantageous for DLMI's future manufacturing activities and can enhance the prospects and earnings of DLMI in the future.

The current location for DLMI's manufacturing activities is at No 13 Jalan Prof. Khoo Kay Kim in Petaling Jaya, Selangor. The manufacturing capabilities of the whole plant is currently at around 75% utilization rate. At this stage, it is too preliminary to ascertain when the construction works for the new manufacturing facilities will commence since multiple scenarios are being evaluated. Subject to finalisation of construction plans for the new manufacturing facilities, it is planned for construction to commence following the completion of the Proposed Acquisition and for construction to be completed around 3 years thereafter.

## **5. PROSPECTS, OUTLOOK AND FUTURE PLANS**

### **5.1 Outlook and Prospects of the Malaysian Economy and the Manufacturing Sector**

Bank Negara Malaysia's (BNM) Quarterly Bulletin, Fourth Quarter 2019, states that Malaysia's economic growth which is measured by the Gross Domestic Product (GDP), decreased to 3.6% in the fourth quarter of 2019 as compared to 4.4% in the third quarter of 2019. This was due to weaker manufacturing and agriculture sectors whilst the growth was supported by stronger private sector expenditure. The country's GDP growth for the year 2019 was 4.3% compared to 4.7% in 2018 which is the weakest since 2009.

Based on the Malaysia Economic Performance Fourth Quarter 2019 report published by the Department of Statistics Malaysia (DOSM), the production side of the services and manufacturing sectors played a major role in the economy of the country. These sectors contributed about 80.7% of total production to the country's gross domestic product (GDP) in the fourth quarter of 2019. This amounted to a contribution of RM216.7 billion and RM81.7 billion from the services and manufacturing sectors respectively.

The report of the National Property Information Centre (NAPIC) indicates an improvement in all segments of the market domestically with regards to the transaction volume and value. A growth of 6.4% (243,201 transactions) and 2.2% (RM103,060.87 million) respectively was recorded during the first three quarters of 2019 as compared to -0.3% (228,867 transactions) and -1.4% (RM100,851.27 million) of the total transaction volume and value respectively during the same period in 2018.

### **5.2 Outlook and Prospects of the Negeri Sembilan Industrial Property Market**

Industrial property transactions in Negeri Sembilan comprised only about 2.2% (306 transactions) from all other sub-sectors in Negeri Sembilan for the first three quarters of 2019. In terms of value, it contributed about 6.3% (RM453.97 million) of the total transaction value for the first three quarters of 2019.

In 2018, Negeri Sembilan recorded 324 transactions of industrial units worth RM711.74 million as compared to 356 transactions worth RM510.82 million in 2017. This represented a decrease of 8.9% and an increase of 39.3% in transaction volume and value respectively.

In the first three quarters of 2019, the total number of industrial property transaction volume increased by 33.62% from 229 units in the same period in 2018 to 306 units. However, total transaction value decreased by 21.24% from RM550.38 million in the first half of 2018 to RM453.96 million in the first three quarters of 2019.

The District of Seremban recorded the highest number of industrial property transactions amongst all other districts in Negeri Sembilan with vacant industrial plots being the highest property type transaction followed by terraced factories/warehouses and semi-detached factories.

The total volume of vacant industrial plots in Negeri Sembilan transacted in 2018 decreased by 23.9% from 167 parcels in 2017 to 127 parcels. However, the value of transactions increased by about 62.9% from RM217.43 million in 2017 to RM354.32 million in 2018. In the first three quarters of 2019, the number of transactions increased by 70.7% from 99 parcels in the first three quarters of 2018 to 169 parcels whilst the value of transactions decreased by 23.75% from RM316.36 million in the same period of 2018 to RM241.22 million in the corresponding period in 2019.

The total number of parcels transacted in 2018 decreased by 15.4% from 123 parcels in 2017 to 104 parcels. Meanwhile, the total value of vacant industrial plot transactions increased by 29.0% from RM206.77 million in 2017 to RM266.78 million in 2018. In the first three quarters of 2019, District of Seremban recorded a decrease in both volume and value of vacant industrial plot transactions by 9.4% from 85 parcels in the first three quarters of 2018 to 77 parcels and by 4.1% from RM230.42 million in the first three quarters of 2018 to RM220.98 million in the same period in 2019.

## Overview of Bandar Enstek Industrial Market

The Lands are situated within the Industrial Park in Bandar Enstek known as Techpark Enstek. The Industrial Park has received HALMAS status which is an accreditation to Halal Park Operators. The Industrial Park provides modern infrastructure with good accessibility to major city centers and ports. It is also popular amongst manufacturers as it is in a strategic location within Malaysia, as well as for regional and global markets. It is strategically located close to Kuala Lumpur International Airport (KLIA), Putrajaya and Cyberjaya. International and local investors such as PureCircle, Coca Cola Bottlers, and JOWAT Manufacturing have shown interest in locating and have located their plants at Techpark Enstek.

Source: Valuation Report

### **5.3 DLMI's Future Plans for the Lands**

DLMI intends to construct manufacturing facilities on the Lands that is expected to strengthen its ability to provide the goodness and nutritional value of milk to its customers. The Lands are of a suitable size and in a strategic location within the vicinity of an Industrial Park which has HALMAS status. All these factors make the Lands suitable and advantageous for DLMI's future manufacturing activities and thus can enhance the prospects and earnings of DLMI in the future.

At this stage, it is too preliminary to ascertain the total construction costs, or the commencement of construction works for the new manufacturing facilities since multiple scenarios are being evaluated.

## **6. EFFECTS OF THE PROPOSED ACQUISITION**

### **6.1 Share capital and Shareholdings of Substantial Shareholders**

The Proposed Acquisition does not involve any issuance of new shares in DLMI and therefore will not have any effect on the share capital and substantial shareholders' shareholding in DLMI.

### **6.2 Earnings and Earnings per share ("EPS")**

The Proposed Acquisition is not expected to have a material impact on earnings or EPS for the financial year ending 31 December 2020. However, it is expected to contribute positively to the future earnings of DLMI.

### **6.3 Net Assets ("NA") and Gearing**

The Proposed Acquisition is not expected to have a material effect on the NA or the gearing of DLMI as the purchase price will be satisfied by internal funds.

## **7. RISK FACTORS**

Some of the risk factors pertaining to the Proposed Acquisition are as follows:

### **7.1 Completion Risks**

The completion of the Proposed Acquisition is subject to the fulfilment of the Conditions Precedent as set out in the SPA and in the event those Conditions Precedent are not met, the Proposed Acquisition will be terminated. The Board endeavours to take reasonable steps to ensure the completion of the Proposed Acquisition.

### **7.2 Compulsory acquisition by the Government**

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960. In such event, the amount of compensation to be awarded is based on the market value of the property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If the Lands or part of the Lands are compulsorily acquired by the Malaysian Government at a point in time when the market value of the Lands is lower than the Purchase Price, the compulsory acquisition could adversely affect the value of the Lands and have a negative effect on the financials of DLMI. Should such circumstances arise, DLMI shall endeavour to seek a fair compensation from the Malaysian Government based on its purchase consideration.

### **7.3 Climate Related Risk**

The Board has considered potential risks arising from the effects of global warming such as rising sea levels, changing weather patterns and extreme weather conditions. The Board has considered that flood risks are low as the Lands are 60 meters above ground level and is not within close proximity of a river. Currently, the Board is not aware of any other specific climate related risk relating to the Lands and shall endeavour to take reasonable steps to address any such risks if they should arise.

### **7.4 COVID-19 Pandemic**

The risks from the COVID-19 pandemic on economic situations and its impact on the market value of the Lands has been addressed in the Valuation Report (please refer to paragraph 2.2 above and the Valuation Certificate attached). The Valuers indicated in the Valuation Report that the pandemic has little or no impact to the market value of the Lands.

## **8. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") is 39.3% based on the latest audited financial statements of the Company for the financial year ended 31 December 2019.

## **9. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of DLMI, after careful deliberation and having considered all aspects and rationale of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of DLMI. Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition.

## **10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

None of the Directors and/or major shareholders of DLMI and/or persons connected with them has any interest, either direct or indirect in the Proposed Acquisition.

## **11. APPROVALS REQUIRED**

The Proposed Acquisition is subject to the following approvals being obtained:

- (a) the approval of the shareholders of DLMI at the forthcoming Annual General Meeting;
- (b) the approval from the Ministry of Economic Affairs;
- (c) the relevant State Consent to transfer the Lands from the Vendor to DLMI; and
- (d) any other relevant authorities/parties, if required.

As of 1 June 2020 (being the last practical date prior to the printing of this Circular), the approvals in paragraph (b) and (c) have not been obtained.

## **12. TENTATIVE TIMETABLE FOR PROPOSED ACQUISITION**

Barring any unforeseen circumstances and subject to the fulfilment of all conditions precedent set out in Section 2.3.2 above, the Proposed Acquisition is expected to be completed in the fourth quarter of 2020. The tentative timetable in relation to the Proposed Acquisition is as follows:

<b>Tentative Date</b>	<b>Event</b>
July 2020	Fulfilment of all conditions precedent for the SPA
October 2020	Completion of the Proposed Acquisition

The relevant announcements on the progress of the Proposed Acquisition will be made in due course.

### **13. OUTSTANDING CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

The Proposed Acquisition is not conditional upon any other corporate proposals undertaken/to be undertaken by the Company.

### **14. AGM**

The Fifty-Seventh AGM will be fully virtual through live streaming and online remote voting from the Broadcast Venue Gallery 3, Level 3, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia on Thursday, 23 July 2020 at 9 a.m.

If you are unable to attend and vote at the virtual AGM, you should complete and return the Form of Proxy enclosed in the 2019 Annual Report, in accordance with the instructions printed therein, to the Company's Share Registrars in care of Boardroom Share Registrars Sdn Bhd at 11<sup>th</sup> Floor, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan (Helpdesk No: +60 3 7890 4700, Fax No: +60 3 7890 4670) not less than twenty-four (24) hours before the time set for the AGM thereof or by electronic means using the Boardroom Smart Investor Portal at <https://www.boardroomlimited.my> not later than 48 hours before the time set for holding the AGM or any adjournment thereof. Please refer to the Administrative Guide in the Notice of AGM.

The completion and lodgement of the Form of Proxy will not preclude you from attending and voting at the virtual AGM should you subsequently wish to do so.

### **15. FURTHER INFORMATION**

Shareholders are requested to refer to the enclosed appendices 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

**APPENDIX I TO PART B OF THE CIRCULAR TO SHAREHOLDERS -  
VALUATION CERTIFICATE ON THE LANDS**



Chartered Surveyors, Registered Valuers & Estate Agents, Project & Property Managers, Development Consultants

8th Floor, Campbell Complex,  
98 Jalan Dang Wangi,  
50100 Kuala Lumpur, Malaysia.  
Tel : (603) 2692 3236 Fax : (603) 2692 6457  
E-mail: admin@ppc.com.my Website: www.ppc.com.my

**VALUATION CERTIFICATE**

Our Ref : PPC/20/V0290

1 April 2020

**Board of Directors**

Dutch Lady Milk Industries Berhad  
(A subsidiary of Royal FrieslandCampina N.V.)  
Level 5, Quill 9  
112 Jalan Prof. Khoo Kay Kim  
46300 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Dear Sirs/Madam,

**REPORT AND VALUATION OF  
GERAN 270934 TO 270936, LOT NOS. 61320 TO 61322 RESPECTIVELY, BANDAR BARU ENSTEK,  
DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN DARUL KHUSUS  
(THREE (3) ADJOINING PARCELS OF VACANT INDUSTRIAL LAND IDENTIFIED AS LOT NOS. 61320  
TO 61322, JALAN TEKNOLOGI 4, TECHPARK ENSTEK, 71760 BANDAR ENSTEK, NEGERI  
SEMBILAN DARUL KHUSUS)**

This valuation certificate has been prepared for submission to Bursa Malaysia Securities Berhad.

We refer to your instructions to carry out a valuation of the freehold interest in the abovementioned property to ascertain the market value for the purpose of submission to Bursa Malaysia Securities Berhad in relation to the proposed acquisition of the property by Dutch Lady Milk Industries Berhad ("DLMI") from Pelaburan Hartanah Berhad ("Proposed Acquisition").

In accordance with your instruction to value the above mentioned property, we have inspected the above mentioned property on 25 March 2020 which is also taken as the material date of valuation. We have also extracted a legal description of the property from the certified true copy of the Document of Titles provided to us by the client.

The Basis of Valuation adopted by us is the "Market Value" which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

Our valuation is on the basis that vacant possession is available and the property is free from all encumbrances.

The valuation was carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

**Directors**

**Sr KAMARUDZAMAN SAAD, AMK**  
B. Sc. (Hons) Land Mgt,  
MRICS, FRISM, MPEPS, MMIPFM, ICVS

**DATUK Sr SIDSAPESAN SITTAMPALAM, (SIDERS)**  
B. Sc. (Est Mgt) U.K., MBA (Real Est) Sydney,  
FRICS, FRISM, FPEPS, FMIPFM, ICVS

**DATO' Sr THIRUSELVAM ARUMUGAM (THIRU)**  
B. Surv. (Hons) Property Mgt,  
MRICS, FRISM, FPEPS, FMIPFM, ICVS

**Sr MARK SAW KHAY LIANG, PJK, PKT**  
B. Sc. (Hons) (Est Mgt) U.K., Dip (Hons) (Rural Est Mgt),  
FRICS, FRISM, FPEPS, FMIPFM, FMIEA

**Associate Directors / Registered Valuers**

**Sr NORAKMAL MOHD SALLEH @ ELIAS**  
B. Sc. (Hons) in Prop Mgt & Valuation, MRISM

**APPENDIX I TO PART B OF THE CIRCULAR TO SHAREHOLDERS -  
VALUATION CERTIFICATE ON THE LANDS**



**VALUATION CERTIFICATE (Cont'd)**

**IDENTIFICATION OF PROPERTY**

Legal Description : Geran 270934 to 270936, Lot Nos. 61320 to 61322 respectively, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan Darul Khusus, shall be referred to as "the Property"

Location : Lot Nos. 61320 to 61322, Jalan Teknologi 4, Techpark Enstek, 71760 Bandar Enstek, Negeri Sembilan Darul Khusus

Property Type : A 32.593-acre comprising three (3) adjoining parcels of vacant industrial lands

Tenure : Freehold

Category of Land Use : "Perusahaan/Perindustrian"

Encumbrance : Nil

Registered Proprietor : Pelaburan Hartanah Berhad

Express Condition : "Tanah ini hendaklah digunakan untuk perindustrian sahaja."

**GENERAL DESCRIPTION**

The property is located within Techpark Enstek, Phase 2, Bandar Enstek, Negeri Sembilan Darul Khusus. Techpark Enstek, Phase 2 which is located approximately 22 kilometres to the west of Seremban city centre. The property is located within the Bandar Enstek, Negeri Sembilan Darul Khusus which is an integrated township comprising residential, commercial, industrial and institutional development. The immediate neighbourhoods of the property comprise terrace houses, detached and semi-detached houses, shoplots, individual designed detached factories, vacant industrial lots, institutional premises, development lands and oil palm estates.

**PROPERTY DESCRIPTION**

The Property comprises three (3) adjoining parcels of vacant industrial land located within Techpark Enstek, Bandar Enstek, Negeri Sembilan Darul Khusus. It is identified as Lot Nos. 61320 To 61322, Jalan Teknologi 4, Techpark Enstek, 71760 Bandar Enstek, Negeri Sembilan Darul Khusus. Jointly, the land is near rectangular in shape, flat in terrain and lies slightly higher than the frontage road, Jalan Teknologi 4. It has a total land area of about 131,900 square metres (1,419,760 square feet / 32.593 acres), made-up as follows:-

Lot No.	Square Metres	Land Area	
		Square Feet	Acres
61320	40,470	435,615	10.000
61321	40,570	436,692	10.025
61322	50,860	547,452	12.568
<b>Total</b>	<b>131,900</b>	<b>1,419,760</b>	<b>32.593</b>

The Property is currently has been cleared, levelled and ready for development. The site boundaries are not demarcated by any form of fencing.

**PLANNING DETAILS**

As indicated in the title deeds, the Property is designated for industrial use. Further, the "Sistem Maklumat Gunatanah Perancangan Bersepadu (i-Plan)", an official website of Jabatan Perancangan Bandar dan Desa, Malaysia, also indicated that the Property is currently zoned for industrial use.

**APPENDIX I TO PART B OF THE CIRCULAR TO SHAREHOLDERS -  
VALUATION CERTIFICATE ON THE LANDS**



**VALUATION CERTIFICATE (Cont'd)**

**METHOD OF VALUATION**

We have adopted the **Comparison Approach** in this valuation and have not considered other approaches simply because the Property comprises three (3) adjoining parcels of vacant industrial lands currently without the benefit of any approval or submission for development approval. Other valuation approaches as a check method will not be appropriate if development assumptions are made.

The **Comparison Approach** - Comparison Method entails comparing the Property with comparable Properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market condition, size, shape and terrain of land, tenurial interest and restriction (if any), availability of infrastructure and vacant possession, development potential, zoning, approvals (if any) and other relevant characteristics.

**Sales Evidences**

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
<b>Photo</b>				
<b>Property</b>	HSD 244352 to 244360, Lot PT Nos. 13885 to 13893 respectively, Bandar Sri Sendayan, District of Seremban, State of Negeri Sembilan Darul Khusus	HSD 224167 and HSD 224168, Lot PT Nos. 876 and 877 respectively, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan Darul Khusus	HSD 247128, Lot PT No. 1402, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan Darul Khusus	HSD 223946 and HSD 227947, Lot PT Nos. 1161 and 1162 respectively, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan Darul Khusus
<b>Address/Location</b>	Lot PT Nos. 13885 to 13893, Jalan Techvalley 2, Bandar Sri Sendayan, Negeri Sembilan Darul Khusus	PT Nos. 876 and 877, Jalan Teknologi 5/1, TechPark Enstek, Bandar Enstek, Negeri Sembilan Darul Khusus	PT No. 1402, Jalan Teknologi 6/1, TechPark Enstek, Bandar Enstek, Negeri Sembilan Darul Khusus	PT Nos. 1161 and 1162, Jalan Teknologi 6/1, TechPark Enstek, Bandar Enstek, Negeri Sembilan Darul Khusus
<b>Property Type</b>	Nine (9) parcels of industrial land	Two (2) parcels of industrial land	A parcel of industrial land	Two (2) parcels of industrial land
<b>Land Area (Sq. M.)</b>	105,499.86	42,563.16	188,660.81	77,110.73
<b>Land Area (Sq. Ft.)</b>	1,135,591	458,146	2,030,728	830,013
<b>Tenure</b>	Freehold	Freehold	Freehold	Freehold
<b>Date of Transaction</b>	15 May 2019	29 March 2019	12 February 2018	28 November 2017
<b>Sales Price (RM)</b>	<b>RM46,542,117.00</b>	<b>RM20,616,571.00</b>	<b>RM81,204,663.00</b>	<b>RM34,030,531.00</b>
<b>Analysed Land Value (PSF)</b>	<b>RM40.98</b>	<b>RM45.00</b>	<b>RM39.99</b>	<b>RM41.00</b>
<b>Vendor</b>	BSS Development Sdn Bhd	Lembaga Tabung Haji	Lembaga Tabung Haji	Lembaga Tabung Haji
<b>Purchaser</b>	Ever Brilliant Sdn Bhd	Buen Biotech Group (M) Sdn Bhd	Ajinomoto (Malaysia) Berhad	Auric Flavour Sdn Bhd
<b>Remarks</b>	-	-	-	-
<b>Adjustments</b>	Downward adjustment made on location	Downward adjustment made on size	-	Downward adjustment made on size, upward adjustment made on time
<b>Adjusted Unit Rate</b>	<b>RM39</b> per square foot	<b>RM41</b> per square foot	<b>RM40</b> per square foot	<b>RM41</b> per square foot
<b>Deviation Rate</b>	<b>5%</b>	<b>10%</b>	<b>0%</b>	<b>10%</b>

Vide a Certified True Copy of the Sale and Purchase Agreement, we noted that the Property is currently being transacted at a consideration of RM56,790,320.00 (RM40 per square foot) dated 18 March 2020, between Pelaburan Hartanah Berhad and Dutch Lady Milk Industries Berhad.



**APPENDIX I TO PART B OF THE CIRCULAR TO SHAREHOLDERS -  
VALUATION CERTIFICATE ON THE LANDS**



**VALUATION CERTIFICATE (Cont'd)**

**Reconciliation of Value**

We have based our opinion of value on Comparison Approach whereby the analysis of comparable sales evidences indicates the value of the Property to range from RM39.00 to RM41.00 per square foot after allowing for the necessary adjustments made to the comparables as shown above.

Based on the analysis, we note that Comparable 3 is the best comparable to be adopted as it indicates the lowest adjustments in relation to its deviation from the Property. Therefore based on comparable 3, we are of the opinion that the Market Value of the Property is RM56,800,000.00 (approximately RM40.00 per square foot).

**COVID-19 PANDEMIC AND ITS IMPACT ON MARKET VALUE**

In light of the Covid-19 pandemic, supply chain of many industrialists, manufacturers and logistic players has been affected. While supply chains may be disrupted by this pandemic, multinational companies are more likely to hold better than Small and Medium Entreprises (SMEs).



We understand the pandemic has caused severe disruption to many areas of economic life, causing a considerable degree of uncertainty and in this respect, we have specifically studied Bandar Enstek and its impact on market value.

The Techpark @ Enstek in Bandar Enstek is an established industrial estate and has attracted over 37 investors both multinational and local companies. In addition, we are aware that based on the market sentiments and sales data prior to the pandemic, the number of properties that were placed on the market were relatively small and values remain stable reflecting the overall stability of the market. Sales for the properties in Bandar Enstek have been confined to ownership market and not an investment market. As such, we are of the opinion the pandemic has little or no impact on the value of the Property currently. Therefore, the value stated in our Report and Valuation remains unchanged.

**OPINION OF VALUE**

Having regard to the foregoing, we are of the opinion that the **Market Value** of the freehold interests in the Property, Geran 270934 to 270936, Lot Nos. 61320 to 61322 respectively, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan Darul Khusus, with vacant possession and free from all encumbrances, as at 25 March 2020, is **RM56,800,000.00 (Ringgit Malaysia : Fifty-Six Million And Eight Hundred Thousand Only).**

For and on behalf of  
**PPC INTERNATIONAL SDN BHD**

**DATUK Sr SIDSAPELAN SITTAMPALAM**  
Managing Director  
B. Sc. (Est. Mgt.) UK, MBA (Real Est.) Sydney  
FRICS, FRISM, ICVS, FPEPS, FMIPFM  
Registered Valuer (V-292)

Date: 1 April 2020

zul/RBB

## **APPENDIX II TO PART B OF THE CIRCULAR TO SHAREHOLDERS**

### **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. CONSENT AND DECLARATION OF CONFLICT OF INTEREST**

The Valuer of the Lands, PPC International Sdn Bhd has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, certificate and all references to them in the form and context in which they appear. PPC International Sdn Bhd confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as the Valuer for the Lands.

#### **3. 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 except for the SPA dated 18 March 2020 for the Proposed Acquisition.

#### **4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the last practicable date prior to the printing of the Circular, there are no material commitment and contingent liabilities incurred or known to be incurred by DLMI which, upon becoming due or enforceable, may have a material impact on the financial position of DLMI.

#### **5. 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 DLMI

#### **6. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Registered Office of DLMI at Level 5, Quill 9, Jalan Prof. Khoo Kay Kim, 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:-

- (a) Constitution of DLMI;
- (b) Audited Financial Statements of DLMI for the two (2) financial years ended 31 December 2018 and 31 December 2019;
- (c) the SPA dated 18 March 2020;
- (d) the Valuation Report and the Valuation Certificate in respect of the Lands prepared by the Valuer both dated 1 April 2020; and
- (e) the Letter of Consent and Declaration referred to in Paragraph 2 above.

**DUTCH LADY MILK INDUSTRIES BERHAD (196301000165 (5063-V))**  
(Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

**EXTRACT OF ORDINARY RESOLUTION FOR PROPOSED ACQUISITION BY THE COMPANY OF THREE (3) PARCELS OF FREEHOLD LAND HELD UNDER GERAN 270934 LOT NO 61320, GERAN 270935 LOT NO 61321 AND GERAN 270936 LOT NO 61322 IN MUKIM OF BANDAR BARU ENSTEK, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN ("LANDS") FROM PELABURAN HARTANAH BERHAD ("VENDOR") FOR A TOTAL CASH SUM OF RM56,790,320 ("PURCHASE PRICE")**

As Special Business

**ORDINARY RESOLUTION - PROPOSED ACQUISITION BY THE COMPANY OF THREE (3) PARCELS OF FREEHOLD LAND HELD UNDER GERAN 270935 LOT NO 61320, GERAN 270935 LOT NO 61321 AND GERAN 270936 LOT NO 61322 IN MUKIM OF BANDAR BARU ENSTEK, DISTRICT OF SEREMBAN, STATE OF NEGERI SEMBILAN ("LANDS") FROM PELABURAN HARTANAH BERHAD ("VENDOR") FOR A TOTAL CASH SUM OF RM56,790,320 ("PURCHASE PRICE")**

Item 9: Ordinary Resolution No 9

**"THAT approval be and is hereby given for the Company to acquire** three (3) parcels of freehold land held under Geran 270935 Lot No 61320, Geran 270935 Lot No 61321 and Geran 270936 Lot No 61322 in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan from Pelaburan Hartanah Berhad for a total cash sum of RM56,790,320 ("Proposed Acquisition") on the terms stipulated in the Sale and Purchase Agreement dated 18 March 2020 entered into between the Company and the Vendor.

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds, things and to execute all necessary documents as they may consider necessary or expedient or in the best interest of the Company to give full effect to the Proposed Acquisition with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by any relevant authorities and to deal with all matters relating thereto or deemed necessary by the Directors, and to take all steps and do all such acts and matters as they may consider necessary or expedient to implement, finalize and give full effect to the Proposed Acquisition."



