

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)
(Incorporated in Malaysia)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 June 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	6 months TO DATE	6 months TO DATE
	30/06/19 (Unaudited) RM'000	30/06/18 (Unaudited) RM'000	30/06/19 (Unaudited) RM'000	30/06/18 (Unaudited) RM'000
Revenue	243,606	254,248	508,592	520,362
Cost of Sales	<u>(152,393)</u>	<u>(161,268)</u>	<u>(309,171)</u>	<u>(318,962)</u>
Gross Profit	91,213	92,980	199,421	201,400
Other Income	734	5,698	1,839	2,233
Distribution Expenses	(41,130)	(36,558)	(80,864)	(73,248)
Administrative Expenses	(7,642)	(7,369)	(15,741)	(15,276)
Other Operating Expenses	(17,145)	(13,792)	(34,639)	(27,356)
Results from Operating Activities	<u>26,030</u>	<u>40,959</u>	<u>70,016</u>	<u>87,753</u>
Finance Costs	(923)	(864)	(1,706)	(1,437)
Interest Income	54	333	115	569
Profit Before Taxation	<u>25,161</u>	<u>40,428</u>	<u>68,425</u>	<u>86,885</u>
Income Tax Expenses	(7,971)	(9,726)	(17,339)	(21,953)
Profit After Taxation	<u>17,190</u>	<u>30,702</u>	<u>51,086</u>	<u>64,932</u>
Profit for the period/Total comprehensive income for the period	<u>17,190</u>	<u>30,702</u>	<u>51,086</u>	<u>64,932</u>
Profit Attributable to:				
Equity holders of the Company	17,190	30,702	51,086	64,932
Non-controlling interest	-	-	-	-
	<u>17,190</u>	<u>30,702</u>	<u>51,086</u>	<u>64,932</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>26.90</u>	<u>48.00</u>	<u>79.80</u>	<u>101.50</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 30 June 2019

	AS AT 30/06/19 RM'000 (Unaudited)	AS AT 31/12/18 RM'000 (Audited)
ASSETS		
Property, plant and equipment	124,951	122,297
Intangible assets	2,249	2,956
TOTAL NON-CURRENT ASSETS	127,200	125,253
Inventories	151,851	131,050
Trade and other receivables	102,028	112,381
Prepayments	1,108	3,819
Derivatives financial assets	1,004	190
Cash and cash equivalents	30,204	32,109
TOTAL CURRENT ASSETS	286,195	279,549
TOTAL ASSETS	<u>413,395</u>	<u>404,802</u>
EQUITY		
Share capital	64,000	64,000
Retained profits	60,545	41,459
Attributable to equity holders of the Company	124,545	105,459
TOTAL EQUITY	124,545	105,459
LIABILITIES		
Deferred tax liabilities	6,689	6,539
TOTAL NON-CURRENT LIABILITIES	6,689	6,539
Trade and other payables	257,821	266,388
Provision	197	191
Derivatives financial liabilities	34	1,059
Current tax liabilities	9,149	9,994
Bank overdraft	14,960	15,172
CURRENT LIABILITIES	282,161	292,804
TOTAL LIABILITIES	288,850	299,343
TOTAL EQUITY AND LIABILITIES	<u>413,395</u>	<u>404,802</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.95</u>	<u>1.65</u>

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITYFor the financial quarter ended 30 June 2019
(The figures have not been audited)

	Share Capital RM'000	Distributable Retained profits RM'000	Attributable to equity holders of the Company RM'000	Total RM'000
6 months ended 30 June 2019				
Balance at beginning of period	64,000	41,459	105,459	105,459
Movements during the period	-	51,086	51,086	51,086
Dividend payable	-	-	-	-
Dividends paid	-	(32,000)	(32,000)	(32,000)
Balance at end of period	<u>64,000</u>	<u>60,545</u>	<u>124,545</u>	<u>124,545</u>
6 months ended 30 June 2018				
Balance at beginning of period	64,000	40,010	104,010	104,010
Movements during the period	-	64,932	64,932	64,932
Dividend payable	-	-	-	-
Dividends paid	-	(70,400)	(70,400)	(70,400)
Balance at end of period	<u>64,000</u>	<u>34,542</u>	<u>98,542</u>	<u>98,542</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOW

For the financial quarter ended 30 June 2019

	6 months TO DATE	6 months TO DATE
	30/06/19 (Unaudited) RM'000	30/06/18 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	523,495	516,707
Cash paid to suppliers and employees	(461,705)	(474,605)
Cash generated from operations	61,790	42,102
Income tax paid	(18,033)	(19,378)
Net cash generated from/(used in) operating activities	43,757	22,724
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(11,802)	(6,262)
Additions of intangible assets	(57)	11
Interest received	115	569
Net cash (used in)/generated from investing activities	(11,744)	(5,682)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,706)	(1,437)
Dividends paid	(32,000)	(70,400)
Net cash used in financing activities	(33,706)	(71,837)
Net increase/(decrease) in cash and cash equivalents	(1,693)	(54,795)
Cash and cash equivalents brought forward	16,937	61,339
Cash and cash equivalents carried forward	15,244	6,544
Cash and cash equivalents consist of:		
Cash and bank balances	30,204	46,498
Bank overdraft	(14,960)	(39,954)
	15,244	6,544

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)
(Incorporated in Malaysia)

NOTES

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, 'Interim Financial Reporting' in Malaysia and with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent audited financial statements of the Company as at and for the year ended 31 December 2018.

The accounting policies and methods of computation are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2018 except for the newly issued Malaysia Financial Reporting Standards (MFRS), interpretations and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2019:

- MFRS 16: Leases
- IC Interpretation 23: Uncertainty over Income Tax Treatments
- Amendments to MFRS 112: Income Taxes

Other than MFRS 16, the adoption of the above did not have any significant effect on the interim financial statements upon their initial application. The Company has adopted the standards retrospectively from 1 January 2019, with the practical expedients permitted under the standards. Comparatives for 2018 are not restated.

The effect from the adoption of MFRS 16 is stated in Note 12.

2. Auditors' Report of Preceding Annual Financial Statements

The auditors' report of the Company in respect of the annual audited financial statements for the year ended 31 December 2018 was not subject to any audit qualification.

3. Seasonal and Cyclical Factors

The dairy and dairy related business can be influenced by the weather and major festivals.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

5. Changes in Estimates

There were no changes in estimates of amounts reported in the current quarter or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

6. Changes in Debt and Equity

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review.

7. Dividends

	Quarter ended 30/06/19 RM'000	Quarter ended 30/06/18 RM'000	Year to-date 30/06/19 RM'000	Year to-date 30/06/18 RM'000
In respect of the financial year ending 30 June 2019				
Single tier first interim dividend paid:				
- 50.00 sen (2018: 50.00 sen) per RM 1.00 ordinary share	32,000	32,000	32,000	32,000
Single tier first special interim dividend paid:				
- Nil (2018: 60.00 sen) per RM 1.00 ordinary share	-	38,400	-	38,400
	<hr/> 32,000	<hr/> 70,400	<hr/> 32,000	<hr/> 70,400
Net dividend per share (sen)	50.00	110.00	50.00	110.00

8. Segmental Analysis

The Company operates principally in Malaysia and in one major business segment. As such, only one reportable segment analysis is prepared. The Company's Board of Directors (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

	Quarter ended 30/06/19 RM'000	Quarter ended 30/06/18 RM'000
Segment profit		
Revenue	243,606	254,248
Profit After Taxation	17,190	30,702

9. Capital Commitments

	As at 30/06/19 RM'000	As at 30/06/18 RM'000
Property, plant and equipment		
Authorised but not contracted for	9,812	9,107
Contracted but not provided for	2,814	15,890

10. Subsequent Events

There were no material subsequent events that will affect the financial results of the financial period under review.

11. Changes in Composition of the Company

There were no changes in the composition of the Company during the financial period under review.

12. Operating Lease

As of 1 January 2019 the Company has recognised right-of-use assets of RM3.7 million and a corresponding lease liability of RM3.7 million in respect of land and buildings and plant and equipment. The Company adopted MFRS 16: Leases accounting policy as of 1 January 2019 applying the simplified transition approach, and did not restate comparative amounts for the year prior to first adoption of the standard.

13. Related Party Transactions

The following are significant related party transactions:-

	Quarter ended 30/06/19 RM'000	Quarter ended 30/06/18 RM'000
Sales to related parties	5,338	5,441
Purchases from related parties	119,277	86,488
Know-how, Trademark License and Management Support fees	7,521	6,235
Shared services from related parties	5,860	4,555

These transactions have been entered into in the normal course of business and have been established under negotiated terms. The significant increase in related party purchases is driven by the purchase of fully packed dairy products and raw materials.

14. Review of Results (Against preceding year corresponding period)

RM '000	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	6 Months To Date	6 Months To Date	Changes TY vs LY
	30/06/19	30/06/18	%	30/06/19	30/06/18	%
Revenue	243,606	254,248	-4.2%	508,592	520,362	-2.3%
Operating Profit	26,030	40,959	-36.4%	70,016	87,752	-20.2%
Profit Before Interest and Tax	25,107	40,095	-37.4%	68,310	86,315	-20.9%
Profit Before Taxation	25,161	40,428	-37.8%	68,425	86,884	-21.2%
Profit After Taxation	17,190	30,702	-44.0%	51,086	64,932	-21.3%
Attributable to Ordinary Equity Holders of the parent	17,190	30,702	-44.0%	51,086	64,932	-21.3%

DLMI is active in Infant and Toddler Formula Category and Liquid Market Category. There is a decline in the Infant and Toddler Formula market and the impact to DLMI revenue was accentuated in Q2 2019. The impact was partially offset by Liquid Market Category. DLMI continues to ensure affordability by strategic pricing and as a market leader DLMI continues to invest in the Dairy Market.

Current quarter Profit Before Tax decreased by 37.8% mainly driven by Category product mix changes (2% volume growth and 4.2% revenue decline), coupled with increase of raw material prices, negative exchange rate impact, investment in advertising and promotional spend, and impact of SST on local and imported services.

15. Comments on Material Changes in Profit Before Taxation (Against immediate preceding quarter)

RM '000	Current Quarter	Preceding Quarter	Changes Q1 vs Q4
	30/06/19	31/03/19	%
Revenue	243,606	264,986	-8.1%
Operating Profit	26,030	43,986	-40.8%
Profit Before Interest and Tax	25,107	43,203	-41.9%
Profit Before Taxation	25,161	43,265	-41.8%
Profit After Taxation	17,190	33,897	-49.3%
Attributable to Ordinary Equity Holders of the parent	17,190	33,897	-49.3%

Current quarter Profit Before Tax declined by 41.8% driven by lower Revenue, due to Category product mix changes, coupled with strategic pricing, increase of raw material prices, negative exchange rate impact, and investment in advertising and promotional spend.

16. Business Prospects

A. 2019 Prospects

The Company continues to focus on growth, increasing the consumption of milk among consumers. There is a decline in the Infant & Toddler Formula market but growth of Liquid Milk market, mainly driven by consumer pattern changes and innovations launched by DLMI. In the Infant & Toddler Formula market, DLMI continues to focus on winning in the market through affordability.

DLMI will continue investing in long term growth and will drive efficiencies to mitigate impact of higher raw material prices and weaker Malaysian Ringgit versus USD. Over the long term, the outlook for the company remains positive due to the strength of its brands and the increasing need and recognition of the goodness and nutritional value of milk and its complementing dairy products amongst Malaysians.

B. Progress and steps to achieve financial estimate, forecast, projection and internal targets previously announced. Not applicable.

17. Statement of the Board of Directors' Opinion on Achievability of Financial Estimate, Forecast, Projection and Internal Targets Previously Announced

Not applicable.

18. Financial Estimate, Forecast or Projection / Profit Guarantee

There was no financial estimate, forecast or projection and profit guarantee issued by the Company.

19. Taxation

Taxation is made up as follows: -

	Quarter ended 30/06/19 RM'000	Quarter ended 30/06/18 RM'000
Income tax for current period	5,837	11,305
Deferred tax for current period	2,134	(1,579)
Total taxation	<u>7,971</u>	<u>9,726</u>

The effective tax rate for the period under review is higher than the statutory tax rate mainly due to certain expenses incurred that was disallowed for tax purposes.

20. Deferred Tax Liabilities

	As At 30/06/19 RM'000	As At 30/06/18 RM'000
At 1 January	6,539	6,608
Recognised in the statement of comprehensive income	150	(950)
At period end	<u>6,689</u>	<u>5,658</u>

21. **Corporate Proposals**

There were no corporate proposals announced during the financial period under review.

22. **Company Borrowings**

	As at 30/06/19 RM'000	As at 30/06/18 RM'000
Unsecured short term borrowing		
Bank overdraft	14,960	39,954

The Company has drawn down on short term banking facilities to manage seasonal fluctuations of working capital.

23. **Material Litigation**

There were no material litigations against the Company during the financial period under review.

24. **Financial Instruments**

Derivatives

The foreign exchange contracts which have been entered into by the Company are as follows:

Forward exchange contracts	As At 30/06/19 RM'000	As At 30/06/18 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	137,076	98,478
Assets	1,004	3,398
Liabilities	34	5

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currencies of the Company's entity. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

25. Earnings Per Share

	Quarter ended 30/06/19	Quarter ended 30/06/18
Basic earnings per share		
Profit for the period (RM'000)	17,190	30,702
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	26.90	48.00

The Company does not have in issue any financial instrument or other contract that may entitle its holders to ordinary shares and therefore dilute its basic earnings per share.

26. Notes to the Condensed Statement of Comprehensive Income

	Year to-date 30/06/19 RM'000	Year to-date 30/06/18 RM'000
Interest income	115	569
Finance costs	(1,706)	(1,437)
Depreciation of property, plant and equipment	(7,772)	(6,038)
Depreciation of rights-of-use assets	(1,377)	-
Amortisation of intangible assets	(763)	(786)
Write back/(down) of inventories	(679)	(2,109)
Gain/(Loss) on disposal of property, plant & equipment	-	-
Net gain/(loss) on derivatives	1,839	6,574
Net foreign exchange gain/(loss)		
- Realised	(3,205)	(4,312)
- Unrealised	(235)	(89)

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
27 August 2019

