



FrieslandCampina since 1896



# NURTURING THE FUTURE

ANNUAL  
REPORT  
2019



Dutch Lady Milk Industries Berhad



# **OUR PURPOSE**

**NOURISHING  
MALAYSIANS WITH  
QUALITY DAIRY  
NUTRITION TO  
HELP THEM MOVE  
FORWARD IN LIFE**





## NURTURING THE FUTURE

At Dutch Lady Milk Industries Berhad ("DLMI") we are proud of producing great milk. This year's dynamic and positive cover captures an aspirational feel of nurturing better futures for diverse target groups such as the growing children, young adults and healthy families. The images and theme are projected against the clear blue sky to show DLMI's unlimited confidence in fortifying optimum nutrition in every one of our products.

Throughout our dairy value chain, we invest in research and development to innovate our processes, technology and expand the possibilities of dairy nutrition. This has helped us grow a trusted repute and nurture a better future for all!



# NO.1

**DAIRY  
COMPANY  
IN MALAYSIA**

## HIGHLIGHTS



ESTABLISHED IN

# 1963



MORE THAN

# ~600

EMPLOYEES



# RM137.6

MILLION

2019 PROFIT



REV:

# >RM1.07

BILLION

MKT CAP:

# RM3.01

BILLION



# MILLIONS

OF CONSUMERS

DAILY



# HALAL PRODUCER

>50 YEARS &

IMPLEMENTED

HALAL ASSURANCE  
SYSTEM SINCE

1963



**85%**  
PACKAGING  
RECYCLABLE &  
CIRCULAR



FARMER2FARMER  
PROGRAMME HELPS  
**300**  
FARMERS  
NATIONALLY



DDP PRODUCED  
**87 MILLION**  
PACKS SINCE  
2013



**68 MILLION**  
PACKS,  
**2 MILLION**  
STUDENTS

**DRINK  
MOVE  
BE STRONG**

OVER  
**700,000**  
STUDENT  
PARTICIPATIONS

**HIGHLIGHTS**



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**FrieslandCampina**

Dutch Lady Milk Industries Berhad is a subsidiary of Royal FrieslandCampina N.V.

[www.frieslandcampina.com](http://www.frieslandcampina.com)



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Soft copy version of Dutch Lady Malaysia Annual Report 2019

# Winning in the Market

Our winning market position is made possible with our WIN-WIN way of working by acting like an owner, putting our customers and consumers first and always keeping our purpose in mind.



# OUR BRAND'S PORTFOLIO







TRUSTED BY  
GENERATIONS  
FOR OVER  
**140**  
YEARS



**17**

PRODUCTS WITH  
HEALTHIER  
CHOICE LOGO

\* HCL membantu pengguna mengenal  
pasti produk yang lebih sehat dalam  
kategori yang sama





We are  
**Purpose**  
driven



Dutch Lady Milk Industries Berhad's purpose is to provide better nutrition for Malaysians and realise a good living for our farmers. We act to realise this today and for generations to come.



We aim for  
**Commercially**  
obsessed



Our customers and consumers come first in all we do and drive us to do better everyday. We focus on making all our products market leaders and move with speed and decisiveness when opportunities open up.



We possess an  
**Owners'**  
mindset



Every Dutch Lady Milk Industries Berhad employee practices accountability and responsibility in our actions – ensuring we make the right investments to fulfil our purpose. At the same time, we are prudent on costs and sustainability.

# Natural Nutrient\* Easy Digestion for Stronger Inside



\*Refers to essential nutrient found in milk protein



# Friso GOLD®

## 100% from Holland



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### CHAIRMAN

#### Dato' Zainal Abidin bin Putih

Senior Independent Non-Executive Director  
(appointed 27.05.2009)

### DIRECTORS

#### Tarang Gupta

Non-Independent Executive Director  
Managing Director  
(appointed 1.01.2018)

#### Saw Chooi Lee

Independent Non-Executive Director  
(appointed 1.01.2014)  
Re-designated from Non-Independent  
Non-Executive Director to Independent  
Non-Executive Director on 15.01.2020

#### Bernardus Hermannus Maria Kodden

Non-Independent Non-Executive Director  
(appointed 1.01.2018)

#### Dato' Dr Rosini binti Alias

Non-Independent Non-Executive Director  
(appointed 16.03.2018)

#### Tengku Nurul Azian binti Tengku Shahrman

Independent Non-Executive Director  
(appointed 25.06.2018)

#### Datin Seri Sunita Mei-Lin Rajakumar

Independent Non-Executive Director  
(appointed 27.02.2019)

#### Jean Serge Krol

Non-Independent Non-Executive Director  
(appointed 19.07.2019)

## COMPANY SECRETARY

#### Katina Nurani binti Abd Rahim

Licensed Secretary  
(L.S. No. 9652)

## AUDIT COMMITTEE

### CHAIRMAN

#### Datin Seri Sunita Mei-Lin Rajakumar

### MEMBERS

Dato' Zainal Abidin bin Putih  
Dato' Dr Rosini binti Alias  
Tengku Nurul Azian binti Tengku  
Shahrman  
Jean Serge Krol

## NOMINATING & REMUNERATION COMMITTEE

### CHAIRMAN

#### Dato' Zainal Abidin bin Putih

### MEMBERS

Saw Chooi Lee  
Bernardus Hermannus Maria Kodden  
Tengku Nurul Azian binti Tengku  
Shahrman  
Datin Seri Sunita Mei-Lin Rajakumar

## REGISTERED OFFICE

Level 5, Quill 9  
112, Jalan Prof. Khoo Kay Kim  
46300 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7953 2600  
Fax : 03-7953 2700

## REGISTRAR

### BOARDROOM SHARE REGISTRARS SDN BHD

12<sup>th</sup> Floor, Menara Symphony  
No 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7890 4800  
Fax : 03-7841 8151

## WEBSITE

[www.dutchlady.com.my](http://www.dutchlady.com.my)

## INVESTOR RELATIONS & ENQUIRIES

### Jurian Duijvestijn

Finance Director  
[finance.dept@frieslandcampina.com](mailto:finance.dept@frieslandcampina.com)

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Code: DLADY 3026

## AUDITORS

### PRICEWATERHOUSECOOPERS PLT

(LLP0014401-LCA & AF 1146)  
Chartered Accountants  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
50706 Kuala Lumpur, Malaysia

## PRINCIPAL BANKERS

### PUBLIC BANK BERHAD

12, Jalan 14/14  
46100 Petaling Jaya  
Selangor Darul Ehsan

### CITIBANK BERHAD

Level 45, Menara Citibank  
No 165 Jalan Ampang  
50450 Kuala Lumpur

### MALAYAN BANKING BERHAD

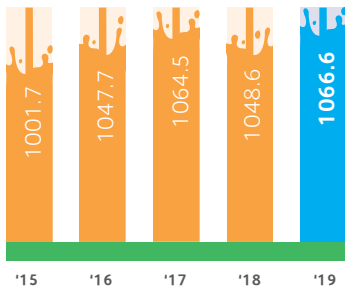
18A, Jalan 14/14  
46100 Petaling Jaya  
Selangor Darul Ehsan



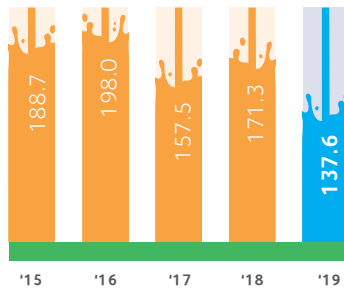


# 5-YEAR FINANCIAL SUMMARY

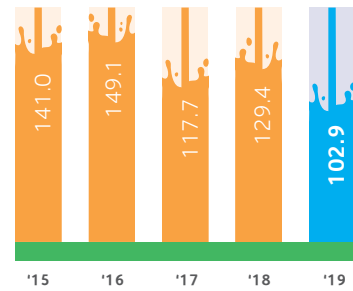
**REVENUE**  
(RM 'mln)



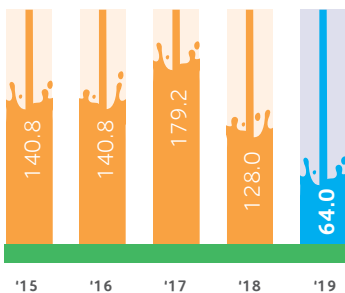
**PROFIT BEFORE TAX**  
(RM 'mln)



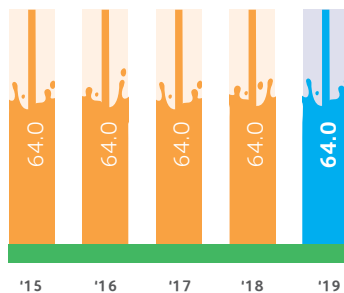
**NET PROFIT FOR THE YEAR**  
(RM 'mln)



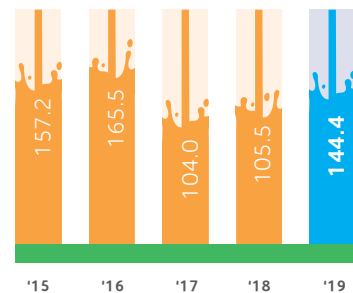
**NET DIVIDEND PAID**  
(RM 'mln)



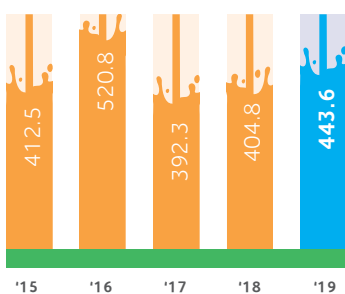
**PAID-UP SHARE CAPITAL**  
(RM 'mln)



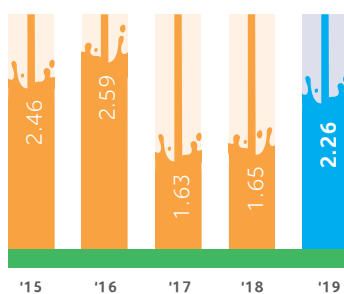
**SHAREHOLDERS FUND**  
(RM 'mln)



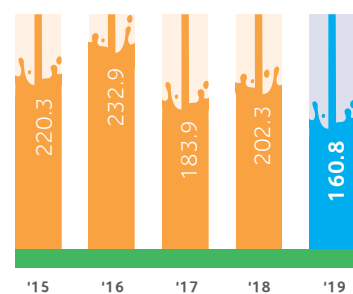
**TOTAL ASSETS**  
(RM 'mln)



**NET ASSET BACKING PER SHARE**  
(RM 'mln)



**EARNINGS PER SHARE**  
(sen)



# Berkat Sahur & Susu

DUTCH LADY®

Dengan ekstrak  
**KURMA  
SEBENAR**



# Nikmatnya puasa dengan khasiat susu Dutch Lady *Edisi Ramadan*



Dengan ekstrak  
**ROS  
SEBENAR**

# PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY

## COMMITTEE MEMBER KEY

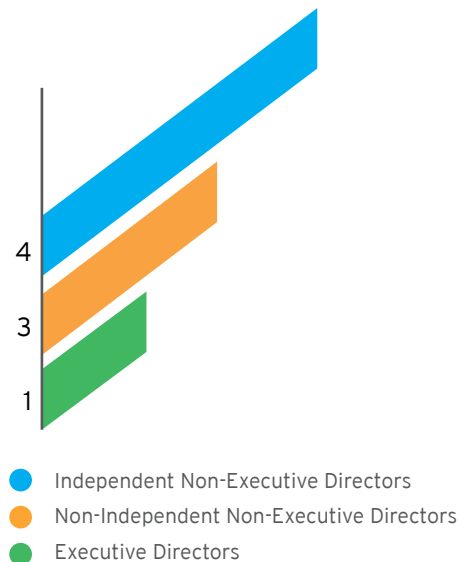


Audit Committee

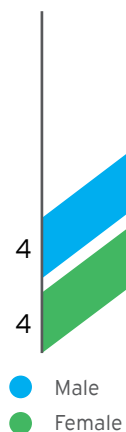


Nominating & Remuneration Committee

## BOARD COMPOSITION



## GENDER



### DATO' ZAINAL ABIDIN BIN PUTIH



**CHAIRMAN, SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR**

**MALAYSIAN, MALE, AGE 74**

Date of Appointment: 27 May 2009

Tenure of Directorship: 11 years

Board Meeting Attendance in 2019: 4/4

#### MEMBERSHIP OF BOARD COMMITTEE

- > Nominating & Remuneration Committee (Chairman)
- > Audit Committee

#### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- > CIMB Bank Berhad
- > Land and General Berhad
- > Petron Malaysia Refining & Marketing Berhad
- > Tokio Marine Insurans (Malaysia) Berhad

Dato' Zainal also holds directorships in several other private limited companies.

#### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- > Fellow of the Institute of Chartered Accountants in England & Wales
- > Member of the Malaysian Institute of Certified Public Accountants
- > Member of the Malaysian Institute of Accountants

#### WORKING EXPERIENCE

Dato' Zainal has extensive experience in audit, management consulting and taxation, having been involved as a practicing accountant and consultant throughout his career. He was formerly the Country Managing Partner of Messrs Hanafiah Raslan and Mohamad which merged with Messrs Arthur Andersen in 1990 and was an Adviser with Messrs Ernst & Young Malaysia, until his retirement on 31 December 2004. He is also the past President of the Malaysian Institute of Certified Public Accountants, former Chairman of the Malaysian Accounting Standards Board and previously served as a member of the Malaysian Communication and Multimedia Commission and a member of the Investment Panel of the Employees Provident Fund, amongst others.





## TARANG GUPTA

### EXECUTIVE DIRECTOR

INDIAN, MALE, AGE 43

Date of Appointment: 1 January 2018  
 Tenure of Directorship: 2 years 4 months  
 Board Meeting Attendance in 2019: 4/4

### MEMBERSHIP OF BOARD COMMITTEE

None

### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Nil

### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- › Bachelor's Degree in Hotel Management, Welcomgroup Graduate School of Hotel Administration, Manipal, India
- › MBA in Marketing from Institute for Technology & Management, Bangalore, India associated with New Hampshire College, USA

### WORKING EXPERIENCE

Prior to his present role, Mr Tarang was the Marketing Director for FrieslandCampina Nigeria, a position he held since 2014. He joined FrieslandCampina in 2010 as the International Marketing Director for Infant & Toddler Nutrition ("ITN") for FrieslandCampina AMEA, based in Singapore.

He has 18 years of commercial experience within the fast-moving consumer goods industry. This has helped him hone his expertise in portfolio building, global category building & strategy, commercial implementation and business turnaround. He previously held sales and marketing positions at Sara Lee International, Cadbury and Unilever.

## SAW CHOOI LEE



### INDEPENDENT NON-EXECUTIVE DIRECTOR\*

MALAYSIAN, FEMALE, AGE 56

Date of Appointment: 1 January 2014  
 Re-designation to Independent Director: 15 January 2020  
 Tenure of Directorship as Non-Independent Director: 6 years  
 Tenure of Directorship as Independent Director: 4 months  
 Board Meeting Attendance in 2019: 4/4

### MEMBERSHIP OF BOARD COMMITTEE

- › Nominating & Remuneration Committee

### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Nil

### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- › Bachelor of Science in Business Administration and MBA from the University of Nebraska-Lincoln, USA

### WORKING EXPERIENCE

Ms Saw was formerly the Managing Director for Dutch Lady Milk Malaysia and Singapore from 2015 to 2017. She was then re-designated as a Non-Independent Non-Executive Director in January 2018.

Ms Saw started her marketing career by joining the Unilever management training programme and since then, she has held various senior managerial positions within the fast-moving consumer goods industry. She first joined the Company in March 2003 as its Commercial Director. From March 2008 to 2010, she was appointed as the General Manager for FrieslandCampina Hong Kong. She was then promoted to become the Managing Director for FrieslandCampina Mainland China from 2011 to 2014.

She also serves as an Adjunct Professor at the Graduate Business School, University Kebangsaan Malaysia from 2019.

\*Re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 15 January 2020

## PROFILES OF BOARD OF **DIRECTORS AND COMPANY SECRETARY**



### **BERNARDUS HERMANNUS MARIA KODDEN**



**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

**DUTCH, MALE, AGE 46**

Date of Appointment: 1 January 2018  
 Tenure of Directorship: 2 years 4 months  
 Board Meeting Attendance in 2019: 3/4

#### **MEMBERSHIP OF BOARD COMMITTEE**

- › Nominating & Remuneration Committee

#### **PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

Nil

#### **ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

- › BA in International Economics/Modern Japanese Studies University of Rotterdam in the Netherlands
- › MA International Relations, University of Gronigen in the Netherlands
- › MBA from University of Bradford/NIMBAS University

#### **WORKING EXPERIENCE**

Mr Kodden assumed the position of President of Business Group, Specialised Nutrition for Royal FrieslandCampina N.V on 1 January 2018. Prior to that, he was the Managing Director for FrieslandCampina, Branded Netherlands. He has also held various director and managerial positions for Infant & Toddler Nutrition, Brand and Innovation and Sales within Royal Friesland Foods and later FrieslandCampina N.V. He has extensive experience in the areas of sales, marketing, general management and crisis management.

### **DATO' DR ROSINI BINTI ALIAS**



**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

**MALAYSIAN, FEMALE, AGE 62**

Date of Appointment: 16 March 2018  
 Tenure of Directorship: 2 years 2 months  
 Board Meeting Attendance in 2019: 4/4

#### **MEMBERSHIP OF BOARD COMMITTEE**

- › Audit Committee

#### **PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

Nil

#### **ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

- › Doctor of Veterinary Medicine, DVM, Universiti Pertanian Malaysia

#### **WORKING EXPERIENCE**

Dato' Dr Rosini was formerly the Deputy Director-General of the Department of Veterinary Services (DVS), Malaysia. Her career in the veterinary and agricultural sector spans over 30 years, and her contribution and service to the veterinary sector has been recognised through state honours and by industry patrons in 2015 and 2017.







## TENGGU NURUL AZIAN BINTI TENGGU SHAHRIMAN



### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### MALAYSIAN, FEMALE, AGE 57

Date of Appointment: 25 June 2018  
Tenure of Directorship: 1 year 11 months  
Board Meeting Attendance in 2019: 4/4

#### MEMBERSHIP OF BOARD COMMITTEE

- › Audit Committee
- › Nominating & Remuneration Committee

#### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- › Sunway REIT Management Sdn Bhd (management company of Sunway REIT which is listed on Bursa)
- › Freight Management Holdings Berhad

#### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- › Advocate and Solicitor of the High Court of Malaya
- › Barrister-at-Law - The Honourable Society of Inner Temple
- › School of Oriental & African Studies, London University, LLB (Hons)

#### WORKING EXPERIENCE

Tengku Nurul Azian is currently the Executive Vice President & Partner of PEMANDU Associates Sdn Bhd, a management consulting firm focused on public sector transformation and business turnaround with global experience.

She started her career in 1988 as an Advocate and Solicitor with Messrs. Shook Lin & Bok before pursuing a career in investment banking in 1992. She has over 18 years of broad experience in investment banking and corporate finance, the last position held as Head of Corporate Finance in RHB Investment Bank Berhad, a member of RHB Banking Group, the 4th largest fully integrated financial services group in Malaysia.

In 2010, she was appointed as the Director of Education and Human Capital Development in the Performance Management and Delivery Unit (PEMANDU) and held this position until 2017.

She is also a Board member of Global School Leaders, Malaysia, an organisation involved in providing school leadership programmes in 24 public schools and sits on the Board of Governors of her alma mater, Convent Bukit Nanas.

## DATIN SERI SUNITA MEI-LIN RAJAKUMAR



### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### MALAYSIAN, FEMALE, AGE 51

Date of Appointment: 27 February 2019  
Tenure of Directorship: 1 year 3 months  
Board Meeting Attendance in 2019: 2/3

#### MEMBERSHIP OF BOARD COMMITTEE

- › Audit Committee (Chairman)
- › Nominating & Remuneration Committee

#### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- › Caring Pharmacy Group Berhad
- › MCIS Insurance
- › Zurich General Insurance Malaysia Berhad

#### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- › LLB (Honours), Bristol University
- › Qualified as Member of the Institute of Chartered Accountants of England & Wales in 1994

#### WORKING EXPERIENCE

Datin Seri Sunita's career began at the Audit and Insolvency Divisions of Ernst & Young in London. Thereafter she was attached to the Corporate Finance Department of RHB Investment Bank Berhad in Kuala Lumpur before becoming a consultant at MIMOS Berhad. She was then invited to manage Encipta Ltd, a foreign technology venture capital fund under MIMOS Berhad. She is appointed to the board of trustees of 4 charities and is involved in a spectrum of community-based activities. In addition, she is the Festival Director of the Kuala Lumpur International Arts Festival.

## PROFILES OF BOARD OF **DIRECTORS AND COMPANY SECRETARY**



### **JEAN SERGE KROL**



**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

**DUTCH, MALE, AGE 50**

Date of Appointment: 19 July 2019  
 Tenure of Directorship: 10 months  
 Board Meeting Attendance in 2019: 2/2

**MEMBERSHIP OF BOARD COMMITTEE**

- › Audit Committee

**PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

Nil

**ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

- › Post-master Degree Certified Controller (RC), Vrije Universiteit, Amsterdam
- › Post-master Degree Certified Public Accountant (RA), Rijksuniversiteit Groningen (RUG), Groningen
- › Master of Economics (Drs.), Auditing variant, Rijksuniversiteit Groningen (RUG), Groningen

**WORKING EXPERIENCE**

Mr Krol joined FrieslandCampina in 2002 as Commercial Controller Friesland Foods Cheese, Wolvega. He then held the position as a Finance Director at FrieslandCampina Thailand, Bangkok from 2006 to 2010 and as Finance Director at FrieslandCampina DOMO, Amersfoort from 2010 to 2015 before assuming the position as Finance Director of FrieslandCampina China, Shanghai in May 2015. In July 2019, he was appointed as the Director of Finance for FrieslandCampina's Specialized Nutrition Business Group.

### **KATINA NURANI BINTI ABD RAHIM**

**COMPANY SECRETARY**

**MALAYSIAN, FEMALE, AGE 45**

Date of Appointment: 6 April 2018

**DIRECTORSHIP IN PUBLIC LISTED COMPANIES:**

Nil

**ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

- › LLB (Honours), University of Nottingham, United Kingdom
- › Bar Vocational Course, University of Wales, Cardiff, United Kingdom
- › Barrister-at-Law of England & Wales (Lincoln's Inn)
- › Advocate & Solicitor of the High Court of Malaya
- › Licensed Company Secretary

**WORKING EXPERIENCE**

Ms Katina was admitted as an Advocate & Solicitor of the High Court of Malaya in 1999 after which she practiced in several law firms in Kuala Lumpur before joining the Usaha Tegas Group as Legal Counsel in 2005. Subsequently, she was attached to Lafarge Malaysia Berhad from March 2011 to March 2018 where she was the Head Counsel for Cement and Drymix businesses and the Company Secretary. She then joined the Company on 15 March 2018 as the Legal & Company Secretarial head. She is a licensed company secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001.

Save as disclosed, the Directors and the Company Secretary do not have any family relationship with any Director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V., do not have any conflict of interest with the Company, has not been convicted of any offence within the past five years, has not been imposed any penalty by the relevant regulatory bodies during the financial year 2019, and do not hold any shares in the Company.





# RM1\*

\*Available at selected Traditional Trade only.

**NEW**



## MANAGEMENT TEAM **PROFILES**



**INDIAN**

**MALE, AGE 43**

### **TARANG GUPTA**

Managing Director

Date of Appointment: January 2018

#### **ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

- > Bachelor's Degree in Hotel Management, Welcomgroup Graduate School of Hotel Administration, Manipal, India
- > MBA in Marketing from Institute for Technology & Management, Bangalore, India associated with New Hampshire College, USA

#### **PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

Nil

#### **WORKING EXPERIENCE**

Prior to his present role, Tarang was the Marketing Director for FrieslandCampina Nigeria, a position he held since 2014. He joined FrieslandCampina in 2010 as the International Marketing Director for Infant & Toddler Nutrition ("ITN") for FrieslandCampina AMEA, based in Singapore.

He has 18 years of commercial experience within the fast-moving consumer goods industry. This has helped him hone his expertise in portfolio building, global category building & strategy, commercial implementation and business turnaround. He previously held sales and marketing positions at Sara Lee International, Cadbury and Unilever.



**DUTCH**

**MALE, AGE 45**

### **JURIAN DUIJVESTIJN**

Finance Director

Date of Appointment: September 2018

#### **ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

- > Certified Practicing Accountant (CPA), CPA Australia
- > Business Economics (Master of Science), Erasmus University of Rotterdam, Rotterdam, the Netherlands

#### **PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

Nil

#### **WORKING EXPERIENCE**

Prior to his current role as Finance Director, Jurian was the Commercial Finance Director for Business Group Specialized Nutrition based in Singapore, a role which he assumed in August 2016. Prior to that, he was the Corporate Controller Global Procurement for FrieslandCampina Netherlands from January 2015 to July 2016.

He has over 20 years' experience in various finance and business development positions in various multi-national companies including FrieslandCampina, H.J. Heinz, KPMG Transaction Services, Geodis Wilson Asia Pacific and TNT.





**MALAYSIAN**

**FEMALE, AGE 41**

## ZATUR BINTI HASSIM

Marketing Director, Specialised Nutrition

Date of Appointment: November 2019

### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- > Degree in Biomedical Science, National University of Malaysia
- > Leading to Succeed Program, Ashridge University, United Kingdom

### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Nil

### WORKING EXPERIENCE

Zatur has more than 18 years of experience in pharmaceutical and fast-moving consumer goods, with the last 5 years focusing specifically on Nutrition/Dairy. Before assuming her current role, Zatur was the Specialised Nutrition Director for FrieslandCampina Nigeria.

She joined FrieslandCampina in Singapore as International Medical Marketing Manager in October 2013. Zatur was then invited to move to Nigeria in 2015 where she led the Specialised Nutrition portfolio as Marketing Manager before moving into the Specialised Nutrition Director role in 2018. Prior to joining FrieslandCampina, Zatur worked with Sanofi-Aventis, GlaxoSmithkline Pharmaceutical, Wyeth Pharmaceutical and Kimberly-Clark.



**MALAYSIAN**

**FEMALE, AGE 43**

## RAMJEET KAUR VIRIK

Marketing Director, Consumer Dairy

Date of Appointment: January 2018

### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

Bachelor of Science's Degree in Economics, Banking and Finance, London School of Economics, United Kingdom

### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Nil

### WORKING EXPERIENCE

Ramjeet has been with FrieslandCampina for 8 years. Prior to her current appointment, Ramjeet was the International Marketing Manager at FrieslandCampina Asia based in Singapore, and Marketing Manager at PT Frisian Flag Indonesia.

She has more than 19 years' experience in various commercial roles, namely in marketing, sales and shopper functions. Her career started in other leading fast-moving consumer goods organisations such as British American Tobacco (M) Sdn Bhd and Heineken Malaysia Berhad (previously known as Guinness Anchor Berhad).

## MANAGEMENT TEAM **PROFILES**



**MALAYSIAN**

**FEMALE, AGE 43**

### **KATRINA NEO**

Sales Director

Date of Appointment: December 2015

#### **ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

Bachelor's Degree in Commerce (Management and Marketing), Curtin University of Technology, Australia

#### **PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

Nil

#### **WORKING EXPERIENCE**

Prior to her current role, Katrina was the Company's National Sales Manager - Modern Trade, a position she assumed in August 2012.

She was previously the General Manager, Sales - Circulation for the New Straits Time Press Sdn Bhd and has held various sales managerial positions with various fast-moving consumer goods companies based in Malaysia.



**DUTCH**

**MALE, AGE 44**

### **SANDER JANMAAT**

Operations Director

Date of Appointment: October 2018

#### **ACADEMIC/PROFESSIONAL QUALIFICATION(S)**

- > Management Development Program, Ashridge Business School, United Kingdom
- > Food Economics (MSc), Wageningen University, The Netherlands
- > Dairy Process Technology, HAS University, The Netherlands
- > Business Administration, Fulton Montgomery Community College, USA

#### **PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

Nil

#### **WORKING EXPERIENCE**

Before assuming his current role, Sander was the Performance Excellence Manager with Frisian Flag Indonesia. Prior to that, he was the Plant Manager and later the Site Manager at Alaska Milk Corporation in the Philippines.

He started his career in 2000 with Calvé Delft, a part of Unilever N.V. and joined FrieslandCampina in 2001. He has over 18 years of experience in operations, continuous improvement, project management and supply chain and has held various management positions in the Netherlands, France, USA, Philippines and Indonesia.





**MALAYSIAN**

**FEMALE, AGE 48**

## SHARON FOO SOOK YEAN

Human Resources Director

Date of Appointment: March 2019

### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- > Bachelor's Degree in Social Science (Honors) National University of Malaysia
- > Master's Degree in International Business, RMIT Melbourne Australia

### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Nil

### WORKING EXPERIENCE

Sharon joined Dutch Lady Milk Industries Berhad (FrieslandCampina Malaysia), from Johnson & Johnson where she spent the last 8 years transforming business & HR for SEA markets with a focus on Malaysia and Emerging Markets. Prior to J&J, Sharon was attached to Hewlett Packard where she worked for the Asia Pacific Japan Regional HR team, leading HR for the Technology Solutions Business.

Sharon's early career exposure includes working with Vsource Asia, a Business Process Outsourcing Start up, and local construction businesses such as Tan & Tan, Bridgecon and Gadang Holdings.



**MALAYSIAN**

**MALE, AGE 52**

## MUHAMMAD ABDUL HADI BIN ABDULLAH

Corporate Affairs Director

Date of Appointment: September 2018

### ACADEMIC/PROFESSIONAL QUALIFICATION(S)

Bachelor of Communications (Honours), Universiti Sains Malaysia, Malaysia

### PRESENT DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Nil

### WORKING EXPERIENCE

Prior to his current role, Hadi was the Manager, Government & Corporate Affairs with JT International Berhad from 2001 to 2018.

Hadi has over 28 years of experience in various roles in the areas of government & external relations, regulatory affairs, corporate communications, public relations, CSR and corporate branding. He previously held positions at Communication Resource Group Public Relations Sdn Bhd, Kuala Lumpur Sentral Sdn Bhd (a member of the Malaysian Resources Corporation Berhad Group of Companies), Malaysian Resources Corporation Berhad and Dialog Group Berhad.

Save as disclosed, the members of the Management Team do not have any family relationship with any Director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V., do not have any conflict of interest with the Company, has not been convicted of any offence within the past five years, has not been imposed any penalty by the relevant regulatory bodies during the financial year 2019, and do not hold any shares in the Company.

**PERMULAAN LEBIH  
KUAT DENGAN  
DUTCH LADY  
+PROTEIN**

**PROTEIN  
UNTUK OTOT  
YANG KUAT** | **TULANG YANG  
KUAT DENGAN  
KALSIMUM**



**BAHARU**

**40%  
KEPERLUAN  
PROTEIN\***  
DENGAN 2 SAJIAN





We continued to invest in our brands through effective advertising and promotional spending and ensuring affordability of our products. As a result, I am proud to share that we have continued to gain overall market share and leadership position in the liquid milk and growing up milk categories in 2019.



# CHAIRMAN'S STATEMENT



**PROFIT BEFORE TAX TOTAL:**

**RM137.6**  
MILLION

## BUSINESS ENVIRONMENT

Our financial year ended on 31 December 2019, closing the page on a fulfilling yet challenging year for Dutch Lady Milk Industries Berhad (DLMI).

2019 was a volatile year, with socio-political and economic headwinds, increased competition, global milk price fluctuations, and a weaker local currency. These were some of the factors that impacted the performance of DLMI. Nevertheless, we remain committed to achieving our purpose of Nourishing a Nation by maintaining the affordability of our products and being readily available to our consumers by focusing on our goal of increasing the consumption of milk to make Malaysians healthier.

## PERFORMANCE AND STRATEGIC INITIATIVES

Despite the challenges highlighted above, DLMI was still able to post a profit before tax of RM137.6 million in 2019. This was driven by a 6.2% rise in full year volume (kilograms) growth. As a result we were able to achieve a 1.7% increase in revenue to RM1.07 billion.

We continued to invest in our brands through effective advertising and promotional spending and ensuring affordability of our products. As a result, I am proud to share that we have continued to gain overall market share and leadership position in the liquid milk and growing up milk categories in 2019.



**+6.2%**  
**RISE IN FULL YEAR VOLUME (KILOGRAMS) GROWTH**



**+1.7%**  
**INCREASE IN REVENUE**  
RM1.07 BILLION





## **Dear Shareholders,**

On behalf of the Board of Directors, I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2019.

**DATO' ZAINAL ABIDIN BIN PUTIH**

Chairman



# CHAIRMAN'S STATEMENT



## MOVING FORWARD

DLMI recognises the importance of continuously investing to build our brands and quality offerings with winning market execution to win the hearts of our Malaysian consumers. At the same time DLMI will continue to put in efforts to improve operational efficiency to stay agile and adapt to macro-economic changes. In the current volatile situation both globally and in Malaysia (due to factors such as the impact of COVID-19), we will stay agile and keep the interest of our consumers and safety of our people at the forefront.

Over the long term, the outlook for DLMI remains positive on increasing the penetration of milk to Malaysians due to the strength of our brands and the increasing awareness of the goodness and nutritional value of milk amongst Malaysians.

In addition, we will continue to strengthen our cooperation with relevant Government agencies to grow our Dairy Development Programme with the aim of increasing the production of local fresh milk.

DLMI further takes pride in being at the forefront of helping Malaysia develop a sustainable dairy sector through our parent company's Farmer2Farmer programme. Through this programme, we have in 2019, bought local fresh milk at market prices from the programme's farmers to support and improve their livelihoods at a 20% price/litre increase.

## A YEAR OF INNOVATION & TAPPING NEW MARKETS

In 2019, our marketing efforts were geared towards product innovation which saw the launch of new products such as the +Protein range, our Ramadhan limited edition flavours (Kurma & Ros Bandung), our Rakyat Pack (the Dutch Lady Mini) and our Juicy Milk range. We focused on reaching our consumers through in-store activations and by increasing the utilisation of digital platforms to build social media presence and expand our e-commerce business to encourage milk consumption amongst both the younger and older generation.

We see opportunities to further grow the volume of our product consumption in the business segments we operate in, particularly with the growing middle class and the increasing awareness of the benefits of milk and milk-based products. We are also venturing into other growing market segments such as the food service segment.





## INVESTING IN OUR FUTURE

DLMI has also made in-roads into ensuring its future in Malaysia. DLMI is taking steps to acquire industrial land within the industrial park of Bandar Enstek, Negeri Sembilan known as Techpark@enstek which has the HALMAS status from the Halal Industry Development Corporation. This acquisition is seen as advantageous for our long-term expansion plans in Malaysia and our future corporate earnings.

This proposed acquisition demonstrates our strong confidence in Malaysia's present and future economic outlook that will allow us to expand our manufacturing activities to cater for the growing demand of our products.

## SUSTAINABILITY COMMITMENT

In 2019, DLMI managed to successfully maintain energy usage and we also reduced the water ratio in our manufacturing processes by 10% through effective mechanical initiatives and programmes.

Further, we have committed for our packaging to be 100% fully recyclable by 2025, which is in line with the global commitment of our parent company. As a responsible corporate citizen, we care for the environment and have commenced action towards adapting to a circular economy. Today, 85% of our packaging is recyclable and circular.

## INDUSTRY AWARDS



I am pleased to inform you that DLMI was again awarded the Gold Winner during the Putra Brand Awards 2019 thus confirming Dutch Lady as the No 1 milk brand for Malaysian consumers. This is the fourth consecutive win for Dutch Lady at the People's Choice Award for the dairy beverage category which demonstrates the level of trust and loyalty that Malaysian consumers have in us. We also obtained several other awards for other various marketing campaigns held throughout 2019.

## DIVIDENDS

During the financial year ended 31 December 2019, a total of RM64 million was paid out as standard interim dividends to our shareholders. This represents 62.2% distribution of DLMI's net profit attributable to shareholders.

I wish to remind shareholders that the payment of any special or extraordinary interim dividends is very much dependent on DLMI's profitability and business, operational needs during the year as well as for the future to ensure a sustainable future in the long term.

## BOARD AND MANAGEMENT CHANGES

In 2019, we saw some further changes in the Board. Mr Jurgen Clemens Johannes Sandmann resigned from the Board in July 2019 as he embarks on a new role within the FrieslandCampina group. I would like to extend our appreciation to him for his contribution. In the same month, we welcomed Mr Jean Serge Krol to DLMI as the newest member of our Board.

There were also movements in our Management Team in 2019. I would like to take this opportunity to warmly welcome Sharon Foo Sook Yean, our Human Resource Director and Zatur Hassim, our Marketing Director, Specialised Nutrition.

I would also like to take this opportunity to highlight the growing importance of women in the workforce at DLMI. In fact, I have over the years seen the growing influence of women in DLMI. Today, we have a 50% representation by women in the Board as well as in the Management Team. This demonstrates that DLMI has a gender equal workforce, an achievement I am indeed proud of.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to convey our sincere thanks to the authorities for their continued guidance, our shareholders for their continued support and our management, employees, and business partners for their outstanding dedication and commitment in 2019 despite the difficult challenges. More importantly, I wish to thank our consumers for their continued trust and loyalty to the Dutch Lady brand, as we continue to *nourish Malaysians with quality dairy nutrition to help them move forward in life.*

**DATO' ZAINAL ABIDIN BIN PUTIH**  
Chairman



Friso

SPECIALLY Obsessed

WE NURTURE

OWNERS' Mindset

WIN WIN

PURPOSE Driven

WE NURTURE

OWNERS' Mindset

WE THINK

WIN WIN

WE

Preserves Diet

N

WIN WIN





WE NURTURE

WE NURTURE

WE INSPIRE

OWNERS' Mindset

WE THINK

WE ACT

WE NURTURE

OWNERS' Mindset

COMMERCIAL Obsession

WIN WIN

WE ACT

WE NURTURE

WIN WIN

WE INSPIRE

# MANAGEMENT **DISCUSSION & ANALYSIS**







**OPERATION INSIGHTS**

Dutch Lady Milk Industries Berhad (“DLMI”) is a leading established dairy company in Malaysia with over 50 years of presence backed by over 140 years of Dutch dairy heritage garnered from our ultimate holding company, Royal FrieslandCampina N.V. (“RFC”), which is one of the world’s largest dairy co-operatives. With this heritage, DLMI is constantly looking to further strengthen its position as a leading local dairy player.

Based in Petaling Jaya, Selangor, DLMI was the first milk company in Malaysia to be listed on the Kuala Lumpur Stock Exchange in 1963. Today, we continue to be locally focused to remain relevant and close to its consumers while benefiting from the scale and size as a member of a global multinational organisation.

**Our Products & Brands**

Since 1963, DLMI has been spreading the goodness of milk through its products under the brands Dutch Baby, Dutch Lady and Friso Gold, focusing on the Ready-to-Drink category and powdered milk for children focusing on our purpose to ‘Nourish Malaysians with quality dairy nutrition to help them move forward in life’.

**Strategic Direction**

RFC has in place a strategic direction which is known as “Our Purpose, Our Plan: driving our purpose with sustainable growth and value creation”.

From 2018, RFC has implemented the Fast Forward programme to support its Route 2020 Strategy and to further unleash the company’s overall potential. Globally, within the RFC group, the Fast Forward change process has been launched with three focus areas:



Locally for DLMI, our strategy is to be a top dairy player leveraging our strong Dutch dairy heritage to nourish Malaysian families and children. The strategic priorities are to maintain our stronghold as the leading brand in the Ready-to-drink category and strengthen market leadership in the category of powdered milk for children. DLMI has embedded the global Fast Forward programme in our culture to accelerate our performance.

In 2019, key focus areas for DLMI were as follows:

- Invest in the future to strengthen volume developments: Continue to provide quality and nutritious products for Malaysians. The dairy penetration in Malaysia is relatively lower compared to other developed markets, and thus we have focused on driving penetration with affordability and availability as the key levers

- Execute to Win: Understand shoppers’ habit changes and be available to meet their demands. We have adapted our portfolio to the changing consumer habits driven by macro-economic drivers, which were the trigger for innovations we have introduced
- Strengthen supply chain agility by focusing on operational efficiency and effectiveness of our factory, co-manufacturers and other logistics service providers
- Enabling digitisation, through enhancing capabilities in e-commerce, digital, and data analytics
- Manage local regulatory changes, such as Sugar Sweetened Beverages tax and Digital Tax

**Business Structure**

DLMI operates principally in Malaysia and in one major business segment. As such, only one reportable segment analysis is prepared. Our Board of Directors reviews internal management reports on a quarterly basis.

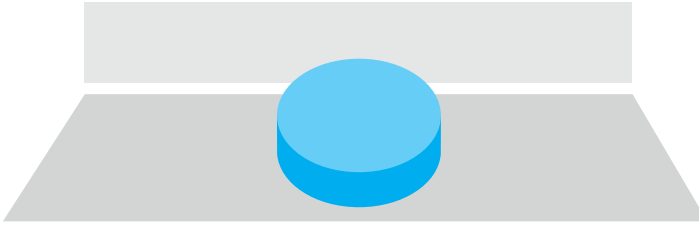
Performance is measured based on segment profit, as included in the internal management reports that are reviewed by our Board of Directors. Segment profit is used to measure performance as our Management believes that such information is the most relevant in evaluating the results of the segment relative to other entities that operate within the industry.

DLMI is operating as one single legal business entity and has not entered into any acquisition and disposal of subsidiaries and associated companies during the financial year under review.

# MANAGEMENT DISCUSSION & ANALYSIS

## Marketing Initiatives

Throughout the year, we continued to invest behind our brands with the following brand campaigns and activations:



<p><b>QUARTER</b></p> <p><b>01</b></p>	<ul style="list-style-type: none"> <li>• Dutch Lady “Smart Adventure” Roadshow with Upin &amp; Ipin (March)</li> <li>• Dutch Lady+Protein Launch (March)</li> </ul>
<ul style="list-style-type: none"> <li>• Friso Gold “Growing Up Together, Naturally” campaign (April-May)</li> <li>• Dutch Lady Kurma &amp; Rose Bandung (April)</li> </ul>	<p><b>QUARTER</b></p> <p><b>02</b></p>
<p><b>QUARTER</b></p> <p><b>03</b></p>	<ul style="list-style-type: none"> <li>• Dutch Lady Fun4Kids: Frozen &amp; Marvel packs for Milky and bigger pack size for UHT milk (180ml) (July)</li> <li>• Launch of Dutch Lady Juicy Milk (August)</li> </ul>
<ul style="list-style-type: none"> <li>• Breakfast Campaign: Dutch Lady-Kellogg’s LRT giveaway initiative (October)</li> <li>• Frisolac Hypoallergenic (HA) Step-1 Launch (October)</li> <li>• Friso Gold Moovasion (Catch the Moo) e-commerce campaign (November)</li> </ul>	<p><b>QUARTER</b></p> <p><b>04</b></p>



For the fourth year in a row, the Dutch Lady brand emerged as the Gold Winner of the Putra Brand Awards 2019 in the dairy beverages category. In addition, its Friso Gold brand won two MARKies Award for Most Effective Use Mobile and for Specific Audience for #1<sup>st</sup> Friso AR farm.

We also clinched two regional Loyalty & Engagement Award 2019: Best Online Experience and Best Use of Mobile. In fact, DLMI was awarded the bronze for the Malaysia Media Awards (Integrated Media Campaign) for effective integrated use of end-to-end media touchpoints to capture consumer attention and provide best consumer experience for our Dutch Lady Emoojiku campaign.

DLMI also came out victorious winning the A&M Marketing Excellence Awards Malaysia 2019 for overall excellence in experiential marketing for our Dutch Lady Emojify Yourself campaign which demonstrated “good understanding” of the needs of our consumers to innovate and increase overall experience of our consumers.

DLMI also won the highest number of votes for The Best Buy Award 2019/2020 survey for Powdered Milk and Milk category. This Best Buy Award 2019/2020 is a recognition of our leadership in providing the best value for money products for the Malaysian market and reaffirms the Dutch Lady brand as the best choice for Malaysian consumers.





In 2019, Dutch Lady introduced 17 products under the Malaysia 'Healthier Choice Logo' (HCL) programme by the Ministry of Health. This saw us renovating our recipes, reducing sugar and increasing calcium levels in our products to offer consumers healthier dairy beverages. The implementation of HCL gives Dutch Lady consumers the opportunity to make more informed food choices to promote healthy eating.

### Productivity Initiatives

During the year, various projects were carried out to strengthen our operational efficiency and effectiveness to ensure we continue to build for the future. Examples being:

- Improve speed to market and reach to consumers with lower cost to serve through optimisation of our current route to market and consolidation of distributors nationwide.
- Drive cost savings and lower waste under the FORCE programme (Focus On Reducing Cost Everywhere), which helped in part to mitigate the increase in the cost of global milk and the negative impact from Forex.
- World Class Operations Management programme within the factory focusing on operational excellence and cost reductions by improving utilisation rate of the production lines and reducing material and energy consumption.
- Investments in upgrade of safety and quality conditions and overhaul of part of the production lines. DLMI also invested in an additional UHT 1 litre filling line and multi-shrink packaging line to support the future growth.



## OPERATING ACTIVITIES REVIEW

### Declining Consumer Sentiments

In general, consumer sentiments declined in HY2 vs. HY1 of 2019, and affordability remained critical. Furthermore, the government has introduced Sugar Sweetened Beverages tax and Digital tax in 2019 and is revising their school milk programme. DLMI has stayed agile in adapting to these changes and also keeping in mind the affordability for our consumers.

In order to address this adverse position, DLMI took steps to ensure availability of choices for our consumers in the form of product variety and different pack sizes, at competitive prices, to remind consumers of the importance of having dairy in their diet and to enhance shoppers' activities,

focusing on the goodness of milk and also fun in dairy nutrition for Malaysian families.

### Global Dairy Conditions

During the year 2019, the global dairy prices increased especially for Skimmed Milk Powder, Butter Milk Powder and Lactose driven by a decrease in global supply and stocks, disappearance of intervention stocks on Skimmed Milk Powder in Europe, and continued strong global demand. Further, the demand for milk fat solids in value-added dairy products such as cheese and cream, also increased, particularly in Asian and US markets. At the same time, there has been lower supply from both the European Union and New Zealand.

# MANAGEMENT DISCUSSION & ANALYSIS



## FINANCIAL INSIGHTS

### Review of Company Revenue

In 2019, DLMI realised a 6% volume growth and 2% business growth in revenue, backed by pricing strategy to make milk affordable and drive penetration for long term growth. The volume increase in DLMI's revenue was driven by the continuing focus on three main categories - Dutch Lady flavored and plain liquid milk, Dutch Lady Growing Up Milk Products and Friso Gold Growing Up Milk Products.

### Review of Financial Highlights

Profit before tax is at an index 80 versus previous year i.e. from RM171.3 million in 2018 to RM137.6 million in 2019. The profit decrease was mainly driven by higher input cost following an increase in dairy costs, foreign exchange impact with weakening of Ringgit and investment in strategic pricing to keep milk affordable. This is part of our longer term strategy to drive penetration of milk to uplift the health status of all Malaysians.

During the year 2019, the global dairy prices especially for skimmed milk powder saw an increase driven

by improvement in global demand. A substantial amount of DLMI's dairy raw materials was transacted in US Dollar, and thus the weakening of the Ringgit amplified the pressure on our profitability.

### Cash and Bank Balances

As at 31 December 2019, the Company's cash and bank balances amounted to RM61.5 million compared to RM32.1 million in the last financial year, driven by the need for higher capital expenditure in factory to facilitate future growth.

The excess cash, other than for working capital purposes, was transferred to short-term fixed deposits. The deposits were placed with licensed financial institutions, bearing interest ranging from 1.90% to 2.95% per annum during the financial year of 2019.

DLMI drew down RM16 million from banking facilities to manage seasonal fluctuations. The banking facilities were obtained from a foreign bank through RFC group facilities. DLMI was able to leverage upon the RFC group facilities to obtain lower average rates on the facility than those offered by external local banks.

Overall the solvency of DLMI is healthy at 38% at the end of 2019 (Equity over Assets minus cash), vs. 28% at 31/12/2018.

### Dividends

For the financial year in review, DLMI paid to its shareholders a total of RM64.0 million in interim dividends consisting of two standard dividends of RM0.50 each. DLMI delivered a strong cash position at year end to enable future investments, following accelerated dividend pay-outs over the previous years.

### Currency fluctuations

Throughout 2019, dairy raw material prices fluctuated together with the forex movements. To manage this accordingly, DLMI has hedging policies in place. However, the increased forex did have an impact on the operating cost.



COMPANY SOLVENCY

**38%**

2018: 28%



TOTAL INTERIM DIVIDENDS

**RM64**

2018: RM128





## FINANCIAL RISK MANAGEMENT

DLMI is sensitive to various financial risks such as credit risk, interest rate risk, liquidity risk and currency risk. The aim of the general risk policy is to enable financial risk to be identified, analysed and when necessary, mitigated in order to prevent negative financial results.

### Financial Management and Treasury Policy

DLMI adopted certain policies on financial risk management for different risk exposures. During the year, DLMI entered into US Dollar forward exchange contracts to manage the foreign currency exposures arising from our receivables and payables denominated in currencies other than DLMI's functional currency. The forward exchange contracts have maturities of less than one year after the end of the financial year end.

#### Credit Risk

DLMI has adopted a policy of only dealing with creditworthy customers, based on careful evaluation of the customers' financial condition and credit history, as a means of mitigating the risk of financial loss from defaults of payments. DLMI also maintains a large number of customers so as not to limit high credit concentration in a single customer.

DLMI's credit risk is also mitigated by an arrangement made with a licensed financial institution which enables selected trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. We have also set in place a credit monitoring policy and procedure in respect of our other trade customers. DLMI will continue to optimise our number of customers under this arrangement to minimise credit risk.

#### Liquidity Risk

DLMI maintains a level of cash and cash equivalents and bank facilities deemed adequate by our management to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities when they fall due. DLMI's exposure to liquidity risk arises principally from both trade and other payables.

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect DLMI's financial position or cash flows. During the financial year 2019 under review, the dairy raw materials prices increased compared to the previous financial year and is expected to rise further in 2020.

#### Currency Risk

DLMI is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than DLMI's functional currency. Primarily, the currencies giving rise to this risk are US Dollar and Euro that contributes to 70% of the total exposure.

During the financial year 2019 under review, foreign currency exchange rates were unfavourable compared to the previous financial year, which were managed leveraging on our hedging procedures.

#### Interest Rate Risk

DLMI is not exposed to a risk of change in cash flow due to changes in interest rates as we have no borrowings at the end of financial year 2019, other than a RM16 million bank overdraft. The overdraft was obtained from a foreign bank through RFC group facilities at lower average rates than from external local banks. The Company places short-term deposits with licensed financial institutions which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

# MANAGEMENT DISCUSSION & ANALYSIS

## CAPITAL MANAGEMENT

### Capital Equity & Structure

DLMI's paid up and issued capital consists of 64,000,000 ordinary shares and a current market price at RM47.06 per share bringing with it a market capitalisation value of RM3.01 billion as at 12 May 2020.

### Charge on Assets

As at 31 December 2019, DLMI has not pledged any assets to any financial institutions.

### Contingent Liabilities

As at 31 December 2019, DLMI has no material contingent liabilities.

### Lease Commitments

As at 31 December 2019, DLMI has lease commitments for its equipment and premises. From 1 January 2019, DLMI adopts MFRS 16 Leases and has recognised Rights-of-Use assets for these leases, except for short term and low value leases. The details of leases are disclosed in note 4 to the audited financial statements for the financial year ended 2019.

## OUTLOOK

The Outlook for 2020 looks volatile and uncertain, driven by the current development of the COVID-19 pandemic. The necessary action of the Movement Control Order (MCO) has had impact on all businesses and DLMI is not insulated against such impact. We also anticipate economic slowdown in the rest of 2020 which could have impact on the purchasing power of Malaysians. In addition, global uncertainty could further impact foreign exchange and milk prices.

Nevertheless, DLMI will stay focused on its purpose of 'Nourishing Malaysians' by continuously providing nutritional dairy products for all ages and multiple occasions. We recognise the importance of continuously investing to build our brands and its quality offerings to win the hearts of our Malaysian consumers and increase the penetration of milk. At the same time DLMI will continue to put efforts to improve operational efficiency to stay agile and adapt to macro-economic changes.

Over the long term, the outlook for DLMI remains positive due to the strength of our brands, and the increasing need and recognition of the goodness and nutritional value of milk amongst Malaysians. Affordability of milk will continue to be high on our agenda to ensure sustainable growth of the dairy sector in Malaysia, and to help Malaysians become stronger and nourished.

DLMI is determined to invest in Malaysia even in these trying times. In March, we announced that DLMI is seeking to acquire industrial land in Bandar Enstek for RM56.8 million for our future manufacturing activities. The acquisition is expected to be completed by the fourth quarter of 2020.





With our Dairy Development Programme, we train and improve the skills of dairy farmers in Malaysia on sustainable and efficient farming processes. Our goal is to improve the quality of milk, and support farmers in gaining access to the market and raising the living standards of the dairy farmers in the programme now and for the future.



# Extra Value Extra Goodness for Your Little One

## 5X DHA\*

THE SMARTER CHOICE



\*5xDHA : Compared to previous formulated milk powder for children formulation (Year 2009)  
Extra Value : Dutch Lady 123 Plain compared with other brands of formulated milk powder for children (1-3 years) in the same price range as of July 2018.  
More Nutrient : Dutch Lady 123 Plain compared with other brands of formulated milk powder for children (1-3 years) in the same price range as of March 2020.



**+72%**  
Vitamin C

**+30%**  
Vitamin B6

**+26%**  
Iron

**+114%**  
Magnesium

**+66%**  
Vitamin B12

**+142%**  
Protein

**+52%**  
Vitamin A

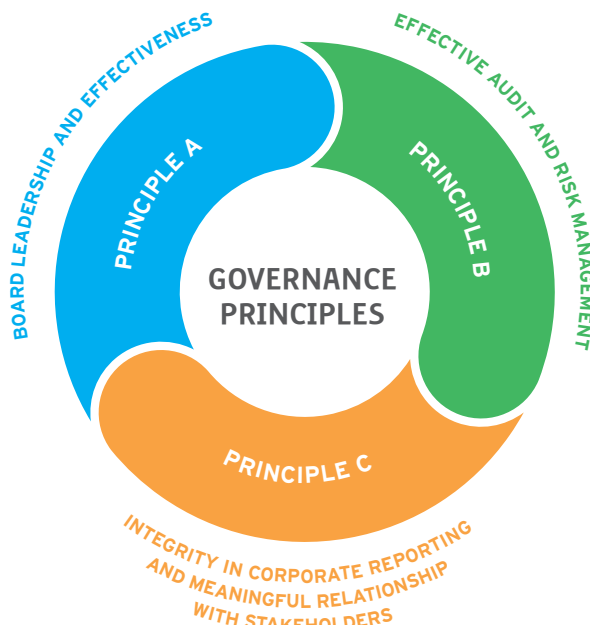


# CORPORATE GOVERNANCE **OVERVIEW STATEMENT**



The Board of Directors ("**Board**") of Dutch Lady Milk Industries Berhad ("**Company**") believes that a sound corporate governance structure is vital to ensure sustainability as well as progressive business growth. Thus the Board is fully committed to maintaining a high standard of corporate governance within the Company through its support and application of the principles and practices as set out in the Malaysian Code on Corporate Governance 2017 ("**Code**"). The Board shall also continue to evaluate its governance practices in response to evolving best practices and changing requirements.

The Board is pleased to report on governance compliance activities adopted in line with the Principles as set out in the Code that were applied throughout the financial year ended 31 December 2019 ("**FY2019**") in this Corporate Governance Overview Statement ("**CG Overview Statement**"). The Principles have, in all material respects, been applied to achieve their intended outcomes, to the extent that they were found to be suitable and appropriate to the Company's circumstances. Where appropriate, this CG Overview Statement also seeks to disclose all information that is required pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") and any other requirements.



The application of the Practices set out in the Code throughout FY2019 will also be disclosed to Bursa Malaysia Securities Berhad in a prescribed format ("**CG Report**") which will be published together with the Company's Annual Report. The CG Report may be downloaded from the Company's corporate website ([www.dutchlady.com.my](http://www.dutchlady.com.my)).



# PRINCIPLE A

## BOARD LEADERSHIP AND EFFECTIVENESS

### BOARD'S RESPONSIBILITIES (Practice 1.1)

The Board is collectively responsible to the Company's shareholders for the direction and oversight of the Company and plays an active role in the development of Company's strategy. The Board met regularly throughout the year to approve the strategic objectives of the Company, to lead the Company within a framework of effective controls which enable risk to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set.

The Board reserves full decision-making powers, after taking into consideration the policies, procedures and guidelines of the Royal FrieslandCampina N.V. ("RFC") Group, on the following matters:

- a) Conflict of interest relating to a substantial shareholder or a Director or person connected to such substantial shareholder or Director;
- b) Material acquisitions and disposition of assets not in the ordinary course of business;
- c) Investment in capital projects;
- d) Authority levels;
- e) Treasury policies;
- f) Risk management policies; and
- g) Key human resource issues.

### BOARD ROLES AND THEIR RESPONSIBILITIES

#### Chairman and Managing Director (Practice 1.2 and 1.3)

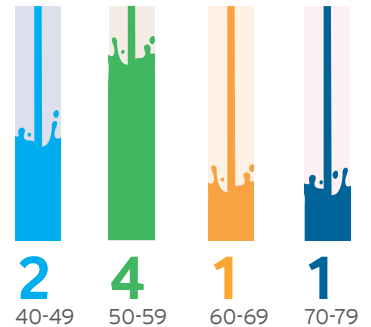
The roles of the Chairman and the Managing Director ("MD") are separately held and the division of their responsibilities is clearly defined. The Chairman is an independent director who has never assumed an executive position in the Company. The MD is an appointee of the major shareholder and heads the Company's management team.

The Chairman is responsible for the operation and leadership of the Board. The Chairman ensures that the Board is effective and that the Company is guided by good corporate governance practices. He facilitates robust dialogue during Board meetings and draws out diverse perspective from the Board members. He also ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies at board meetings. The MD is responsible for leading and managing the Company's business within a set of authorities delegated by the Board. He is also responsible for the implementation of Board strategy and policy.

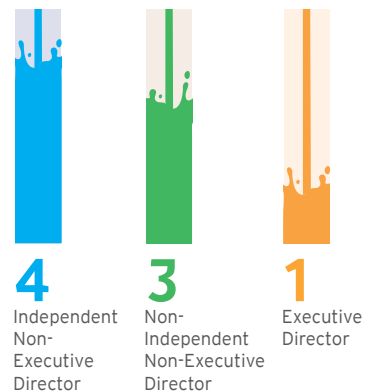
#### GENDER



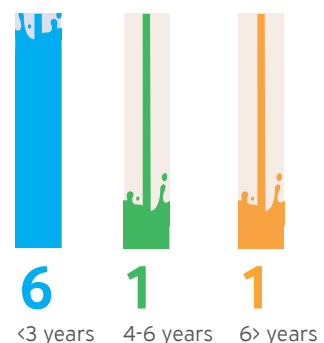
#### AGE



#### TYPE OF DIRECTORSHIP



#### TENURE



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Independent Directors

The primary responsibility of Independent Non-Executive Directors is to protect and safeguard the interest of minority Shareholders and other Stakeholders. The effective participation of Independent Non-Executive Directors serves to promote greater transparency, accountability and balance in the Board's decision making process.

## Non-Independent Non- Executive Directors

The Non-Independent Non-Executive Directors each occupy, or have occupied, senior positions in industry, bringing valuable external perspectives to the Board's deliberations through their working experience and business insight from other sectors enabling them to contribute significantly to Board decision-making process.

## Company Secretary (Practice 1.4)

The Company Secretary is a licensed secretary qualified to act as Company Secretary under Section 235 of the Companies Act 2016. She has legal qualifications and provides legal and company secretarial advice to the Company's management team and the Board as a whole. All Board members have access to the advice and services of the Company Secretary in carrying out their duties. The Company Secretary facilitates overall compliance and adherence with the Listing Requirements, the Companies Act 2016 and the recommendations in the Malaysian Code on Corporate Governance (as amended from time to time).

## ELECTION AND RE-ELECTION OF DIRECTORS

In compliance with the Constitution of the Company, one third of the Directors shall retire by rotation at each AGM and that a Director who is appointed during the year shall retire at the next AGM. The Company's Constitution further provides that all Directors shall retire from office at least once in every three years.

Currently there is no limit set for the tenure of the Directors, provided that they meet the assessment as well as the relevant codes and regulations on independence and retention, and there is strong justification for them to continue with their tenure based on their performance and contribution.

The Nominating & Remuneration Committee reviews and assesses the performance of all the Directors who are subject to re-election/retention at the AGM based on the following criteria, as approved by the Board and submits its recommendation to the Board for consideration prior

to the proposed re-election/retention being presented to the Shareholders for approval:-

- Compliance with requirements of the relevant regulations;
- Participation in Board and Board Committee meetings;
- Quality of input;
- Understanding of roles and responsibilities;
- Assessment of continued independence; and
- Providing value to the Board through experience and expertise.

## BOARD MEETINGS (Practice 1.5)

The Board held four meetings during the financial year. Board meeting papers for Board and Board Committee meetings are generally provided to Directors seven days in advance of the date of the proposed meetings. All proceedings of board meetings are minuted and circulated to the Board members well in advance of the next Board meeting including with follow up action items duly updated.

## Board Meeting Attendance

The Board convenes at least four (4) scheduled Board meetings during each financial year. More meetings will be scheduled depending on business requirements, where appropriate. In FY2019, four (4) Board meetings were held in total. In addition to the scheduled Board meeting, all of the Board members also attend the Company's Annual General Meeting. Where necessary, decisions of the Board are also made by way of circular resolutions in between scheduled meetings during the financial year. The Directors' attendance at Board meetings and the Annual General Meeting held for the year ended 31 December 2019 are as follows:-

## Current Board Members

Dato' Zainal Abidin bin Putih

Chairman, Independent Non-Executive Director

Attendance  100% AGM 

Mr Tarang Gupta

Executive Director

Attendance  100% AGM 



### Datin Seri Sunita Mei-Lee Rajakumar<sup>(1)</sup>

Independent Non-Executive Director

Attendance  67% AGM 

### Ms Saw Chooi Lee

Independent Non-Executive Director

Attendance  100% AGM 

### Mr Bernardus Hermannus Maria Kodden

Non-Independent Non-Executive Director

Attendance  75% AGM 

### Dato' Dr Rosini binti Alias

Non-Independent Non-Executive Director

Attendance  100% AGM 

### Tengku Nurul Azian binti Tengku Shahrman

Independent Non-Executive Director

Attendance  100% AGM 

### Mr Jean Serge Krol<sup>(2)</sup>

Non-Independent Non-Executive Director

Attendance  100% AGM 

### Former Board Members

#### Mr Boey Tak Kong<sup>(3)</sup>

Independent Non-Executive Director

Attendance  100% AGM 

#### Mr Jurgen Clemens Johannes Sandmann<sup>(4)</sup>

Non-Independent Non-Executive Director

Attendance  100% AGM 

### Company Secretary

#### Ms Katina Nurani binti Abd Rahim

Company Secretary

Attendance  100% AGM 

### Notes:

- (1) Appointed as Independent Non-Executive Director w.e.f. 27 February 2019
- (2) Appointed as Non-Independent Non-Executive Director w.e.f. 19 July 2019
- (3) Retired as Independent Non-Executive Director w.e.f. 26 April 2019
- (4) Resigned as Non-Independent Non-Executive Director w.e.f. 19 July 2019

### Key activities

During the year, key activities of the Board include:

- Reviewing and approving the 4<sup>th</sup> quarter and full year financial results for the financial year ended 31 December 2018
- Reviewing and approving the Director's Report and Audited Accounts for the financial year ended 31 December 2018.
- Reviewing and approving the quarterly financial results up to the 3rd quarter for the financial year ended 31 December 2019.
- Reviewing the financial report on the Company's quarterly performance and outlook for the year.
- Approving dividend payments and reviewing the solvency position of the Company.
- Reviewing and approving the Company's strategy and business plans.
- Receiving updates on risk management status and sustainability initiatives.
- Receiving and approving the Company's Annual Budget and Capex Budget for FY2020.
- Reviewing and approving new Recurrent Related Party Transactions and Related Party Transactions.
- Receiving updates on the Recurrent Related Party Transactions by the Company.
- Reviewing and approving the Terms of Reference of the Board, Audit Committee and the Nominating and Remuneration Committee.
- Reviewing the audit report findings of the Internal Audit, its recommendations and Management responses.
- Reviewing the audit reports of the External Auditor.
- Reviewing and validating the results of the 2019 Evaluation on the Effectiveness of Board, the Nominating & Remuneration Committee, the Audit Committee, the Managing Director and on each individual Board member.
- Reviewing the term of office and assess the retirement of Directors by rotation, the retention of Directors and eligibility for re-election or retention.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Reviewing and approving the recommendation for the 2020 proposed director fees and the related benefits to be paid to the Non-Executive Directors, subject to the approval of the shareholders.
- Reaffirming and ratifying the Circular Resolutions passed by the Board.
- Reviewing, approving and noting the Company's announcements which had been released to Bursa.
- Reviewing and approving the Company's purchase of land.
- Assessing and recommending the re-appointment of the Company's External Auditor for the financial year ending 31 December 2019 and for the Directors to fix their remuneration.
- Reviewing and approving the draft Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandates and New Shareholders' Mandate for Recurrent Related Party Transaction of revenue or trading nature.
- Reviewing and approving the Statement on Internal Control and Risk Management for the Annual Report 2018.
- Preparing for and attending the 2019 AGM.

### BOARD CHARTER (Practice 2.1)

The Board has adopted a Board Charter since 2014, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, the vision, mission, shared values and principles, as well as the policies and strategic development of the Company. The Board Charter specifies clearly the roles and responsibilities of the Board, the Board Committees, individual directors and management. The latest update to the Board Charter was reviewed and approved by the Board in November 2019. The Charter is available on the Company's website at [www.dutchlady.com.my](http://www.dutchlady.com.my).

### THE COMPANY'S CODE OF CONDUCT (Practice 3.1)

The Board is guided by the RFC code for good business conduct which is known as Compass ("**Compass**"). Compass is designed to set a certain standard for all employees and officers of the Company. It promotes integrity in the workplace with focus on safety, rights of employees and human rights, sustainability and avoidance of conflicts of interest. Compass also promotes integrity in business practices with focus on anti-bribery and

anti-corruption, gifts and hospitality, fair competition, and fair communication. Finally, Compass focusses on the protection of the Company's interests with focus on protection of confidential information, data protection, integrity of financial reporting and the prevention of fraud. Compass plays an important role in the management of compliance risks and sets out the values, principles and guidelines as to how the Company conducts its business to ensure integrity, transparency and accountability.

Compass has, under its purview, underlying policies which includes topics such as Avoiding Conflicts of Interest, Protection of Confidential Information, Privacy, Doing Honest Business (Anti-Bribery and Corruption) and Fair Competition. Compass is embedded in the Company's working culture and encapsulated in the Company's Employee handbook. A copy of Compass is available on the Company's website at [www.dutchlady.com.my](http://www.dutchlady.com.my).

### DOING HONEST BUSINESS - THE COMPANY'S ANTI-BRIBERY & CORRUPTION POLICY

The Company has adopted RFC's anti-bribery and corruption policy which is known as the "Doing Honest Business" policy. This policy, which must be observed by all of the Company's directors and employees at all times, is a policy to conduct business in an honest and ethical manner. The policy has been localised to set out values in Malaysian Ringgit for easier application by the Company's employees and stakeholders. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. A Gift and Internal Events and Corporate Sponsorship Policy is also contained within this topic which clearly and prohibits any form of bribery, gratification or facilitation payments. Employees will be guided by these policies in their day to day dealings. To ensure that adequate monitoring of all anti-corruption compliance matters are carried out, the Company's Legal Counsel has been charged with the responsibility to review and monitor all procedures, advise and report to Management and the Board of Directors on these matters.

To further enforce the Company's zero-tolerance approach to bribery and corruption, the Company also requires its business partners to conduct business dealings fairly and honestly by requiring them to carry out business in the manner set out in the Business Practices for Business Partners Policy.

A copy of the Doing Honest Business - Gifts Policy and Business Practices for Business Partners are available on the Company's website at [www.dutchlady.com.my](http://www.dutchlady.com.my).



## WHISTLEBLOWING - THE SPEAK UP PROCEDURE

### (Practice 3.2)

All the Company's employees and other stakeholders are strongly encouraged to and have access to its whistleblowing procedure known as the "Speak-Up". The Speak-Up procedure serves as an avenue for employees and other stakeholders to voice out their concerns on matters relating to Compass and to raise any suspicions of wrongdoing, malpractice or impropriety in the management of the Company's business and affairs. The Speak-Up procedure clearly sets out a well-defined process upon which Compass-related matters can be raised in confidence and anonymity (if so requested), in good faith, and without fear of reprisal. The Company has also established a procedure whereby certain Speak Up Reports which are of a financial or fraudulent nature will be escalated to the Company's Audit Committee. A copy of the Speak Up Procedure is available on the Company's website at [www.dutchlady.com.my](http://www.dutchlady.com.my).

## BOARD COMPOSITION (Practice 4.1 and 4.2)

Currently the Board consists of 4 independent and 4 non-independent directors. Of the 4 non-independent directors, 3 are nominees of RFC, and 1 is a nominee of Permodalan Nasional Berhad, a minority shareholder of the Company. The Company's major shareholder is a foreign co-operative of farmers. The Board considers that the current composition fairly reflects the foreign direct investment and the investment of the minority shareholders. The proportion of independent directors ensures effective checks and balances on the Board and the independent directors effectively safeguard the interest of the minority shareholders.

Dato' Zainal Abidin bin Putih has served the Board for more than nine years as an Independent Non-Executive Director. The Board will seek shareholders' approval to retain Dato' Zainal as an Independent Non-Executive Director at the forthcoming AGM, as recommended by the Code.

Details of all Directors and their biographies are provided in the Annual Report.

### Appointments to the Board (Practice 4.4)

The Company's Board consists of qualified individuals with a good mix of operational and commercial experience. Members of the Board have both local and international experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience.

### Board Diversity (Practice 4.5)

The Board acknowledges the importance of gender diversity and recognises the benefits that it can bring. The Board shall at all times make best endeavors to have at least 30% women Directors on the Board. The Company's prime responsibility, however, is the strength of the Board and the overriding aim in any new appointments must always be to select the best candidate available. Currently, out of the 8 members on the Board, 4 are women. As such the Board comprises of 50% women directors.

### The Appointment Process (Practice 4.6)

In respect of the appointment of all directors, the Nominating & Remuneration Committee considers shortlisted candidates based on their profiles, professional achievements and personality assessments. Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The Nominating & Remuneration Committee then ensures that the candidates are suitable and of sufficient caliber for recommendation for the approval of the Board by reviewing the profiles of candidates and where deemed appropriate, conducting interviews with the shortlisted candidates.

### Composition of the Nominating & Remuneration Committee (Practice 4.7)

The Nominating & Remuneration Committee establishes for itself the procedure and frequency of its meetings, but shall meet at least once annually. The quorum for the meeting shall consist of any two independent non-executive Directors appointed to the Committee. The MD, other Board members and any other persons may be invited to attend the meetings as necessary.

### Activities of the Nominating & Remuneration Committee

The activities of the Nominating & Remuneration Committee during the financial year were as follows:

- a) Leading the process for Board appointments and making recommendations of new members to the Board;
- b) Review the composition of the Board and Board Committees;
- c) Make recommendations to the Board on the remuneration of the Non-Executive Directors and the Managing Director;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

- d) Nominate the directors who are due for retirement and eligible to stand for re-election at the AGM;
- e) Assess the effectiveness of the Board as a whole, the Committees of the Board and the individual directors on an on-going basis;
- f) Assess and recommend if an independent director who has served for more than nine years should be retained as an independent director; and
- g) Review the required skills and core competencies of the Managing Director.

The terms of reference of the Nominating & Remuneration Committee is available on the Company's website, [www.dutchlady.com.my](http://www.dutchlady.com.my).

The Committee met three (3) times in 2019 and the attendance of each individual is set out below:

### Current Members

Dato' Zainal Abidin bin Putih

Chairman, Independent Non-Executive Director

Attendance  100%

Mr Bernardus Hermannus Maria Kodden

Member, Non-Independent Non-Executive

Attendance  67%

Ms Saw Chooi Lee

Member, Independent Non-Executive Director

Attendance  100%

Tengku Nurul Azian binti Tengku Shahrman

Member, Independent Non-Executive Director

Attendance  100%

Datin Seri Sunita Mei-Lin Rajakumar<sup>(1)</sup>

Non-Independent Non-Executive Director

Attendance  100%

### Former Members

Mr Boey Tak Kong<sup>(2)</sup>

Attendance  100%

### Secretary

Ms Katina Nurani binti Abd Rahim

Company Secretary

Attendance  100%

### Notes:

- (1) Appointed as member 27 February 2019
- (2) Retired as member on 26 April 2019

### TRAINING AND DEVELOPMENT

Induction programmes are conducted for newly appointed Directors, which include briefings by members of Management. The Directors will be provided with the necessary information to assist them in understanding the operations of the Company, current issues and corporate strategies as well as the management structure of the Company and the RFC Group. All Directors have attended and successfully completed the Mandatory Accreditation Programme as required under the Listing Requirements.

In addition, the Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge and to ensure that they are kept abreast with new developments in the business environment, corporate governance and enhance their skills and knowledge.

The Directors who were on the Board in FY2019 attended the following training programmes during FY2019 to further enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:





Director	Title of Training Programme	Organiser	Date
<b>Dato' Zainal Abidin bin Putih</b>	CIMB TECH 1 ON 1 BRIEFING AUDIT COMMITTEES OF CIMBGH/CIMBG	CIMB	30 JAN 2019
	BNM ANNUAL REPORT 2018/FINANCIAL STABILITY AND PAYMENT SYSTEMS REPORT 2019 BRIEFING SESSION	BANK NEGARA	27 MAR 2019
	CIMB 2020 RISK POSTURE WORKSHOP	CIMB	20 AUG 2019
	3 <sup>rd</sup> REGIONAL DIRECTORS' SHARING SESSION	CIMB	22 & 23 AUG 2019
	TOUR OF FRIESLANDCAMPINA SHARED SERVICES CENTER ASIA PACIFIC	DUTCH LADY MILK INDUSTRIES BERHAD	27 AUG 2019
	THE COOLER EARTH SUSTAINABILITY SUMMIT	CIMB	1 & 2 OCT 2019
	KHAZANAH MEGATRENDS FORUM 2019: BUILDING OUR COLLECTIVE BRAIN	KHAZANAH NASIONAL BERHAD	7 & 8 OCT 2019
	FIDE/ICLIF PROGRAMME - UNDERSTANDING FINTECH AND ITS IMPLICATIONS FOR INSURANCE COMPANIES	FIDE/ICLIF	9 OCT 2019
	2019 CIMB GROUP'S ANNUAL MANAGEMENT SUMMIT	CIMB	8 & 9 NOV 2019
	CIMB - ENHANCING CORPORATE GOVERNANCE BY UNDERSTANDING LEGAL LIABILITIES "ACT OR RESIGN" (A TALK BY MACC)	CIMB	5 DEC 2019
	L&G DIRECTORS' IN HOUSE TRAINING - LEADERSHIP GREATNESS IN TURBULENT TIMES - BUILDING CORPORATE LONGEVITY	L&G/ERIK P.M. VERMEULEN, ICDM	12 DEC 2019
<b>Mr Tarang Gupta</b>	GLOBAL LEADERSHIP DAYS	FRIESLANDCAMPINA BV	28-31 JAN 2019
	HOW BRANDS GROW	EHRENERG BASS INSTITUTE	9-10 APR 2019
	GOING GALACTIC WORKSHOP	FRIESLANDCAMPINA, AMEA SINGAPORE	16 JAN 2019
	SPECIALISED NUTRITION LEADERSHIP DAYS	FRIESLANDCAMPINA BV, NETHERLANDS	31 JAN-1 FEB 2019
	MANAGING ASIA: SUSTAINABLE ENTREPRENEURSHIP	CNBC ASIA	21 MAR 2019
	HOW BRANDS GROW	EHRENERG BASS INSTITUTE, HONG KONG	9-10 APR 2019
	CRISIS MANAGEMENT WORKSHOP	DUTCH LADY MILK INDUSTRIES BERHAD	2 MAY 2019
	SUSTAINABILITY WORKSHOP	FRIESLANDCAMPINA BV, NETHERLANDS	28 MAY 2019
	CEO LEADERSHIP SUMMIT	GOOGLE TOKYO PARTNERPLEX	3-4 JUL 2019
	OAK JOURNAL WORKSHOP	YPO ASIA	8 JUL 2019
	GLOBAL EMPLOYEE VALUE PROPOSITION ASIA WORKSHOP	FRIESLANDCAMPINA, AMEA SINGAPORE	27 SEP 2019
	EY'S 7 DRIVERS OF GROWTH	YPO ASIA	9 OCT 2019

## CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Director	Title of Training Programme	Organiser	Date
Datin Seri Sunita Mei-Lin Rajakumar	GLOBAL BUSINESS SUMMIT (HONG KONG)	THE ECONOMIC TIMES	17 JAN 2019
	DRIVING DIGITAL STRATEGY BY PROF SUNIL GUPTA	HARVARD BUSINESS SCHOOL ALUMNI	24 JAN 2019
	BUILDING AN EFFECTIVE BOARD BY PUN TIAN POUW	FIDE FORUM WORKSHOP	24 JAN 2019
	GLOBAL BUSINESS SUMMIT (NEW DELHI)	THE ECONOMIC TIMES	22 & 23 FEB 2019
	'LET'S GET REAL' ANTI-BRIBERY WITH TAN SRI ABU KASSIM AND RICHARD BISTRONG	THE ICLIF LEADERSHIP	1 MAR 2019
	FOCUS GROUP DISCUSSION: PREPARATION FOR THE 6 <sup>th</sup> BNM-FIDE FORUM ANNUAL DIALOGUE	FIDE FORUM	7 MAR 2019
	TALK ON "READING THE SIGNS: NEXT FINANCIAL CRISIS AND POTENTIAL IMPACT ON ASIA" BY ANDY XIE	FIDE FORUM	14 MAR 2019
	WOMEN IN LEADERSHIP CONFERENCE (PANELLIST)	COMFORI	20 MAR 2019
	TALK "DIGITAL ASSETS: GLOBAL TRENDS, LEGAL REQUIREMENTS AND OPPORTUNITIES" BY HENRI ARSLANIAN	FIDE FORUM	26 MAR 2019
	BALANCE FOR BETTER BY (PANELLIST)	OTHMAN YEOP ABDULLAH GRADUATE SCHOOL OF BUSINESS	28 MAR 2019
	"RETHINKING STRATEGY" BY ANIL GUPTA	FIDE FORUM	23 APR 2019
	INDUCTION PROGRAMME ON DLMi'S BUSINESS AND OPERATIONS	DUTCH LADY MILK INDUSTRIES BERHAD	23 APR 2019
	ENGAGEMENT SESSION WITH AUDIT COMMITTEE MEMBERS ON INTEGRATED REPORTING	MALAYSIAN INSTITUTE OF ACCOUNTANTS	30 APR 2019
	LAUNCH OF CLIMATE GOVERNANCE INITIATIVE (SPEAKER)	INSTITUTE OF CORPORATE DIRECTORS MALAYSIA	16 MAY 2019
	CIRCULAR ECONOMY CONFERENCE	EUROPEAN UNION	11 JUN 2019
	ROUNDTABLE SESSION ON SUSTAINABLE DEVELOPMENT GOALS WITH MR STEFAN PRIESNER - UN RESIDENT COORDINATOR	EU-MALAYSIA CHAMBER OF COMMERCE AND INDUSTRY (EUMCCI)	13 JUN 2019
	MENTAL HEALTH EXPERIENTIAL CONFERENCE 2019 (PANELIST)	EMERGING JOURNEY ASIA	19 JUN 2019
	INTERNATIONAL CONFERENCE ON COHESIVE SOCIETIES (SINGAPORE)	NANYANG TECHNOLOGICAL UNIVERSITY, SINGAPORE	20-21 JUN 2019
	CYBER SECURITY IN THE BOARDROOM: ACCELERATING FROM ACCEPTANCE TO ACTION	BURSA	27 JUN 2019
	PANEL DISCUSSION "JOURNEY ON BOARD: STEPPING UP TO MAKE A DIFFERENCE" (PANELLIST)	MIA	2 JUL 2019



Director	Title of Training Programme	Organiser	Date
	PIDM IT RISK MANAGEMENT TRAINING FOR BOARD MEMBERS	PIDM	4 JUL 2019
	TCFD WORKSHOP	BURSA	9 JUL 2019
	2 <sup>nd</sup> PIADM-FIDE FORUM CEO DIALOGUE	PIDM-FIDE FORUM	12 JUL 2019
	RAM-SIDC PANEL (PANELLIST)	RAM	15 JUL 2019
	NATIONAL FORUM ON SUSTAINABILITY, CSR & SDG 2019 "REIMAGINING SUSTAINABILITY & STRENGTHENING PARTNERSHIP"	KINGSLEY STRATEGIC INSTITUTE	19 JUL 2019
	NATIONAL CONFERENCE 2019 "FUTURE PROOFING BUSINESS IN THE DIGITAL AGE" (PANELLIST)	SSM	23 JUL 2019
	ROUNDTABLE ON THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT: MAKING CLIMATE-RESILIENT DEVELOPMENT BY POLICY PRIORITY IN MALAYSIA (SPEAKER)	ISIS MALAYSIA	23-24 JUL 2019
	ARTIFICIAL INTELLIGENCE	FIDE FORUM	24 JUL 2019
	MFRS 17: UNDERSTANDING ITS IMPACT AND CONSEQUENCES	ERNST & YOUNG	29 JUL 2019
	HIGHER EDUCATION STRATEGIC FINANCIAL MANAGEMENT CONFERENCE "INNOVATING FOR FINANCIAL RESILIENCE" (PANELLIST "STRATEGIC FINANCIAL MANAGEMENT FOR STRATEGIC DECISION")	MIA	27-28 AUG 2019
	UNITED NATIONS GLOBAL COMPACT SUSTAINABLE DEVELOPMENT GOALS SERIES "FINANCING THE SDGs" (SPEAKER)	UNITED NATIONS GLOBAL COMPACT	11 SEP 2019
	BANK NEGARA'S REGIONAL CONFERENCE ON CLIMATE CHANGE	BNM	25-27 SEP 2019
	COOLER EARTH CONFERENCE	CIMB	1 - 2 OCT 2019
	CLIMATE GOVERNANCE MALAYSIA: UNITED NATIONS SENIOR ADVISOR ON INNOVATE FINANCING MECHANISMS FOR SDGs	CLIMATE GOVERNANCE MALAYSIA	3 OCT 2019
	GREENTECH CLIMATE CHANGE CONVERSATIONS FORUM	iGEM	9 OCT 2019
	NORDIC FORUM ON CIRCULAR ECONOMY AND ENERGY		9 OCT 2019
	iGEM INTERNATIONAL GREEN BUILDING COUNCIL (PANELLIST)	iGEM	10 OCT 2019
	ICDM INTERNATIONAL DIRECTORS CONFERENCE	ICDM	14-15 OCT 2019
	ICDM INTERNATIONAL DIRECTORS CONFERENCE: TURNING SUSTAINABILITY AND CLIMATE CRISIS INTO BUSINESS OPPORTUNITY (FACILITATOR)	ICDM	15 OCT 2019

## CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Director	Title of Training Programme	Organiser	Date
	INTERNATIONAL ACCOUNTANTS CONFERENCE: COMBATING CLIMATE CHANGE - THE PROFESSION'S RESPONSIBILITY (PANELLIST)	MIA	23 OCT 2019
	ENERGY SUMMIT ASIA 2019	ICLIF	5-6 NOV 2019
	UN SUSTAINABLE DEVELOPMENT GOALS SUMMIT	UN	6-7 NOV 2019
	SC AUDIT OVERSIGHT BOARD'S CONVERSATIONS WITH THE AUDIT COMMITTEE	SC AUDIT OVERSIGHT BOARD	8 NOV 2019
	INSITITUE OF CORPORATE DIRECTORS 30% CLUB MENTORING EVENT	UCDM	8 NOV 2019
<b>Ms Saw Chooi Lee</b>	SUCCEEDING IN TURBULENT TIMES BY TAN SRI ABDUL WAHID OMAR, UKM CHAIRMAN LEADERSHIP IN THE FINTECH AGE BY DATO KHAIRUSSALEH RAMLI, GROUP MD OF RHB BANK	UKM-GRADUATE SCHOOL OF BUSINESS	20 FEB 2019
	RING THE BELL FOR GENDER EQUALITY 2019 (EMPOWER WOMEN FOR SUSTAINABLE RESULTS)	BURSA MALAYSIA	14 MAR 2019
	CYBER SECURITY IN THE BOARDROOM- ACCELERATING FROM ACCEPTANCE TO ACTION	BURSA MALAYSIA	27 JUN 2019
	TOUR OF FRIESLANDCAMPINA SHARED SERVICES CENTER ASIA PACIFIC	DUTCH LADY MILK INDUSTRIES BERHAD	27 AUG 2019
	LEADERSHIP FORUM ON HOW TO SERVE AND LEAD TO ORROW'S BOARD AND THE INCLUSION IMPERATIVE FOR BOARDS	LEAD WOMEN SDN BHD	8 NOV 2019
<b>Dato' Dr Rosini binti Alias</b>	TOUR OF FRIESLANDCAMPINA SHARED SERVICES CENTER ASIA PACIFIC	DUTCH LADY MILK INDUSTRIES BERHAD	27 AUG 2019
	RING THE BELL FOR GENDER EQUALITY 2019 (EMPOWER WOMEN FOR SUSTAINABLE RESULTS)	BURSA MALAYSIA	14 MAR 2019
	CYBER SECURITY IN BOARDROOM - ACCELERATING FROM ACCEPTANCE TO ACTION	BURSA MALAYSIA	27 JUN 2019
	PNB CORPORATE SUMMIT - REBOOTING CORPORATE MALAYSIA	PNB	30 OCT 2019



Director	Title of Training Programme	Organiser	Date
<b>Mr Bernardus Hermannus Maria Kodden</b>	TOUR OF FRIESLANDCAMPINA SHARED SERVICES CENTER ASIA PACIFIC	DUTCH LADY MILK INDUSTRIES BERHAD	27 AUG 2019
	LEAD TO WIN	LONDON BUSINESS SCHOOL	OCT 2019
<b>Tengku Nurul Azian binti Tengku Shahrman</b>	NATIONAL EDUCATION CONFERENCE	MINISTRY OF HIGHER EDUCATION & MINISTRY OF GENERAL EDUCATION, ZAMBIA	15-17 JAN 2019
	NATIONAL CONFERENCE ON PUBLIC SECTOR IN THE DIGITAL ERA	UNITED NATIONS DEVELOPMENT PROGRAMME, PHNOM PENH CAMBODIA	4 MAR 2019
	INDUCTION PROGRAMME ON DLMi'S BUSINESS AND OPERATIONS	DUTCH LADY MILK INDUSTRIES BERHAD	23 APR 2019
	THE ROLE OF THE NOMINATION & REMUNERATION COMMITTEE IN HUMAN CAPITAL MANAGEMENT	INSTITUTE OF CORPORATE DIRECTORS MALAYSIA	23 JUL 2019
	OUTCOMES BASED APPROACHES IN GOVERNMENT, SYDNEY	CRITERION CONFERENCE, SYDNE	30-31 JUL 2019
	TOUR OF THE FINANCIAL SHARED SERVICE CENTRE ASIA PACIFIC	DUTCH LADY MILK INDUSTRIES BERHAD	27 AUG 2019
	PROJECT CYCLE MANAGEMENT, REGIONAL CONFERENCE - GRENADA	CARIBBEAN DEVELOPMENT BANK	3-4 SEP 2019
	SUNWAY LEADERS CONFERENCE 2019	SUNWAY GROUP	20 SEP 2019
	BURSA THOUGHT LEADERSHIP: SUSTAINABILITY - INSPIRED INNOVATIONS: ENABLERS OF THE 21 <sup>st</sup> CENTURY	BURSA MALAYSIA	23 SEP 2019
	IT'SNOTOK! CREATING-HARRASMENT-FREE-WORKSHOPS CONFERENCE	LEAD WOMEN	14 OCT 2019
<b>Mr Jean Serge Krol</b>	TOUR OF FRIESLANDCAMPINA SHARED SERVICES CENTER ASIA PACIFIC	DUTCH LADY MILK INDUSTRIES BERHAD	27 AUG 2019
	GA ANTI FRAUD	FRIESLANDCAMPINA	23 SEP 2019
	GA-LEADERSHIP PRESENCE MODULE, SESSION 2	FRIESLANDCAMPINA	11 JAN 2019
	LEADERSHIP PRESENCE MODULE, SESSION	FRIESLANDCAMPINA	5 MAR 2019
	GA OUR PURPOSE, OUR PLAN E-LEARNING	FRIESLANDCAMPINA	18 AUG 2019
	GA GLOBAL POLICIES	FRIESLANDCAMPINA	18 AUG 2019
	HS HORIZON GUIDE FOR THE ASSIGNEE	FRIESLANDCAMPINA	18 AUG 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD EVALUATION (Practice 5.1)

The Board undertakes an annual evaluation of the Board's effectiveness. As 5 of the Board members were appointed during FY2018, and 2 were appointed in FY2019, it was decided that the evaluation on Board effectiveness by External Consultants should be postponed to provide more time for the new members to understand the business and operations the Company, and for the Board as a whole to become familiar with one another. As such, an internal annual evaluation on Board effectiveness was conducted in December 2019 via questionnaires, led by the Chairman of the Nominating & Remuneration Committee with the support of the Company Secretary.

The evaluation was conducted on the Board, the Nominating & Remuneration Committee, the Audit Committee, the Managing Director and on each individual Board member through a peer evaluation. By 2020 the Board shall carry out a review on Board effectiveness using External Consultants and thereafter this shall be carried out on a periodic basis.

There was 100% participation in the evaluation exercise. Overall, the results of the evaluations were positive based on the majority of responses and feedback received. Based on the results, the Nominating & Remuneration Committee was satisfied as to the effectiveness of the Board as a whole, the Committees of the Board, the Managing Director and the individual Directors. The strengths of the Board and the areas for improvement which were identified following the evaluation were noted and discussed by the Board and the Board also discussed the appropriate remedial steps which shall be taken to address these areas for improvement.

### REMUNERATION - POLICIES AND PROCEDURES

(Practice 6.1 and 6.2)

The policy for Directors' remuneration is to provide a remuneration package needed to attract, retain and motivate directors of quality required to supervise and/or manage the business of the Company.

The remuneration for the Managing Director of the Company is based on the human resource policies and procedures of the RFC Group. The Company follows the performance appraisal system and compensation and benefits scheme of the RFC Group. For the Managing Director, corporate and individual performance are rewarded through the use of an integrated pay benefits

and bonus structure. Market competitiveness, business results and individual performance are also considered by the RFC Group in evaluating the Managing Director's remuneration. The Managing Director is not paid meeting attendance allowance or directors' fees. His annual performance appraisal was carried out in Q1 of 2020 for his performance in 2019.

The Non-Executive Directors are paid fixed annual directors' fees as members of the Board and these are approved by shareholders at the Annual General Meeting. The Chairman of the Board Committees receives Board Committee Chairman allowances and the members of the Audit Committee also receives an additional allowance. All Non-Executive Directors receive benefits by way of a meeting allowance for each Board or Committee meeting that they attend.

The Nominating & Remuneration Committee reviews the fees periodically by taking into account the performance of the Company and benchmarking with other companies in the same industry and of similar size. The responsibilities and duties of the directors are also taken into account when reviewing the fees.

The Terms of Reference for the Nominating & Remuneration Committee and the Board's Remuneration Policy are available on the Company's website [www.dutchlady.com.my](http://www.dutchlady.com.my).

### REMUNERATION OF DIRECTORS AND TOP SENIOR MANAGEMENT (Practice 7.1 and 7.2)

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2019 is as follows:

	Executive Director	Non-Executive Directors
	RM	RM
Directors' Fees and Committee Member Allowances	-	422,165
Benefits	-	75,400
Salaries and other emoluments	1,230,928	-
Benefits in kind	512,000	-



The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2019 are as follows:-

	Directors' Fees	Committee Member Allowances	Directors' Benefits	Salaries and other emoluments	Benefits in kind	Total
	RM	RM	RM	RM	RM	RM
Dato' Zainal Abidin bin Putih	115,384	7,020	15,600	-	-	138,004
Tarang Gupta	-	-	-	1,230,928	512,000	1,742,928
Datin Seri Sunita Mei-Lin Rajakumar <sup>(1)</sup>	49,329	5,400	11,700	-	-	66,429
Saw Chooi Lee	65,772	-	10,400	-	-	76,172
Dato' Dr Rosini binti Alias	65,772	5,400	11,700	-	-	82,872
Tengku Nurul Azian binti Tengku Shahrman	65,772	5,400	15,600	-	-	86,772
Boey Tak Kong <sup>(2)</sup>	32,866	4,050	10,400	-	-	47,316
	<b>394,895</b>	<b>27,270</b>				
<b>Total</b>	<b>422,165</b>		<b>75,400</b>	<b>1,230,928</b>	<b>512,000</b>	<b>2,240,493</b>

**Notes:**

(1) Appointed as Independent Non-Executive Director w.e.f. 27 February 2019

(2) Retired as Independent Non-Executive Director w.e.f. 26 April 2019

Note: No Directors' fees or allowances were paid to Mr Bernardus Hermannus Kodden and Mr Jean Serge Krol in lieu of the management fee paid to RFC.

The most senior member of management is an Executive Director of the Company and his remuneration is disclosed under remuneration of directors in the CG Overview Statement. Details of the remaining members of senior management will be shared on general terms and on an aggregated basis only as the Board is of the view that it would not be in the best interest of the Company to disclose these details given the competitiveness in the market for good senior managers in the consumer goods industry. The Board feels that the details provided is sufficiently transparent and allows stakeholders to assess the reasonableness of remuneration paid to members of senior management.

The Board is of the view that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.

For the top remaining senior management personnel, the aggregate remuneration (wages, salaries, benefits and contributions to state plans) paid for FY2019 is approximately RM4.6 million.

# CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

## **PRINCIPLE B**

### **EFFECTIVE AUDIT AND RISK MANAGEMENT**

#### **THE AUDIT COMMITTEE** (Practice 8.1, 8.2, 8.3 and 8.5)

The Audit Committee consists of a majority of independent directors. The Committee is chaired by Datin Seri Sunita Mei-Lin Rajakumar who is an Independent Non-Executive Director. Over the course of FY2019, the Committee comprised 5 members (3 independent directors and 2 non independent directors). Details on the members of the Audit Committee are contained in the Report to the Audit Committee in the Annual Report. The Board has not appointed any of the Company's former key audit partners as a member of the Audit Committee. The Audit Committee will observe a minimum two (2) year cooling-off period before any former key audit partner can be appointed as a member of the Audit Committee. This requirement is set out in the Audit Committee's Terms of Reference.

The Board considers the composition of the Audit Committee as fairly reflecting the investment of minority shareholders. The proportion of the independent directors ensures effective check and balance on the Board with the independent directors acting as caretakers for the minority shareholders.

The written terms of reference for the Audit Committee is available on the Company's website [www.dutchlady.com.my](http://www.dutchlady.com.my).

In August 2019 the Audit Committee had a meeting with the Company's External Auditor, Messrs. PricewaterHouse Coopers (PwC), where PwC presented the annual audit plan for FY2019. In that meeting, PwC highlighted the key focus areas, methodology and new accounting standards. The External Auditor also briefed the Audit Committee on their team members and the resources allocated to the Company. After discussion and deliberation, the Audit Committee approved the audit plan. The Company also sought the confirmation of independence from PwC.

#### **RISK MANAGEMENT AND INTERNAL CONTROLS**

(Practice 9.1 and 9.2 )

The Company adopts the Enterprise Risk Management programme based on the framework that was developed and issued by RFC, which in turn is based on COSO framework (developed by the Committee of Sponsoring Organisations of the Treadway Commission for evaluating internal controls) of which the Institute of Internal Auditors is a sponsoring organisation. The programme establishes an enterprise risk assessment ("ERA") for identifying, evaluating, monitoring, reporting and managing significant business risks. The Internal Audit function also carries out activities under the ERA.

The Company's Management team and internal audit team meets periodically to assess whether any conditions associated with a particular risk have changed, and to ensure that action and risk mitigation plans have been implemented. Progress and status of the mitigation action plans are presented to the Audit Committee quarterly or new critical risks are escalated immediately for deliberation.

#### **INTERNAL AUDIT** (Practice 10.1 and 10.2)

The Company has an in-house Internal Audit and Internal Control Department which reports directly to the Audit Committee and assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance of the adequacy and the effectiveness of the risk management, internal control and governance process as well as to carry out investigations on any complaints received. The investigation findings and audit recommendations and measures are reported by the Internal Audit Manager to the Audit Committee at each meeting.

The Company's Internal Audit is headed by Mr Eddie Lim who has over 10 years of experience in various finance functions including internal audit and he is a Member of the Association of Chartered Certified Accountants, United Kingdom. Further information on the Internal Audit function is set out in the Statement of Internal Control and Risk Management and the Report of the Audit Committee.





## PRINCIPLE C

### INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(Practice 11.1, 12.1, 12.2 and 12.3)

#### AGM

The Company disseminates information to its stakeholders through the AGM, its Annual Report and the announcements made on Bursa. The Company also meets up with investment analysts and fund managers periodically. The Board also takes reasonable steps to encourage shareholder participation at general meetings. Shareholders are encouraged to participate in the Question and Answer session on the resolutions being proposed or on the Company's operations and performance in general. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Constitution to attend and vote on their behalf.

The Company's Notice of AGM is published in a local newspaper and is issued to shareholders at least 28 days prior to the date of the AGM.

#### WEBSITE

The Company's corporate website provides quick access to information about the Company. The information on the corporate websites includes corporate profile, the international corporate structure, information on Board of Directors and the Management team, the Company's Code of Business Conduct, anti-bribery policy and whistle-blowing policy, awards and achievements, corporate news, financial results, announcements to Bursa, minutes of general meetings and the Company's Annual Reports and Circulars to shareholders.

#### ANNUAL REPORT

The Annual Report provides a comprehensive report on the Company's operations and financial performance. An online version of the full Annual Report is available and downloadable from the Company's website [www.dutchlady.com.my](http://www.dutchlady.com.my).

#### OTHER ENGAGEMENTS

The Company organises meetings with investment analysts and fund managers periodically. The Company also actively responds to requests for discussions with institutional shareholders and analysts, locally and abroad, to provide them better insights into the Company.

#### COMPLIANCE STATEMENT BY THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE STATEMENT

##### (a) Utilisation of Proceeds

The Company did not carry out any corporate exercise to raise funds during the financial year.

##### (b) Audit Fees

###### (i) Audit Fees for the Company:

The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit and Internal Control. The total cost incurred by the Internal Audit and Internal Control Department in relation to the conduct of its functions for FY2019 was RM397,325.00.

The amount of audit fees paid to External Auditors by the Company for FY2019 is RM105,780.00.

###### (ii) Non-Audit Fees

The amount of non-audit fees paid to External Auditors by the Company for the FY2019 is RM20,000.00. The non-audit fees paid is in respect of the review of Statement of Risk Management & Internal Control.

##### (c) Material Contracts Involving Substantial Shareholders

Save and except for the recurrent related party transactions entered into pursuant to the shareholders' mandate, there were no material contracts either still subsisting at or entered into since the end of FY2019 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 25 February 2020.



World Milk Day



World Milk Day

World Milk Day

World Milk Day



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# AUDIT COMMITTEE REPORT

The Audit Committee provides critical oversight of the Company's financial reporting process, monitoring the external and internal auditing process, compliance with relevant legal and statutory matters and other matters delegated by the Board.

## A. COMPOSITION

### CHAIRPERSON

Datin Seri Sunita Mei-Lin Rajakumar <sup>(1)</sup>	Independent Non-Executive Director
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### MEMBERS

Dato' Zainal Abidin bin Putih	Independent Non-Executive Director
Dato' Dr Rosini binti Alias <sup>(1)</sup>	Non-Independent Non-Executive Director
Tengku Nurul Azian binti Tengku Shahrman <sup>(2)</sup>	Independent Non-Executive Director
Mr Jean Serge Krol <sup>(2)</sup>	Non-Independent Non-Executive Director

### FORMER MEMBERS

Mr Boey Tak Kong <sup>(3)</sup>	Independent Non-Executive Director
Mr Jurgen Clemens Johannes Sandmann <sup>(4)</sup>	Non-Independent Non-Executive Director

#### Notes:

- (1) Appointed as Member of the Audit Committee on 27 February 2019 and as Chairperson of the Audit Committee on 26 April 2019
- (2) Appointed as Member of the Audit Committee on 19 July 2019
- (3) Retired as Chairman of the Audit Committee on 26 April 2019
- (4) Resigned as Member of the Audit Committee on 19 July 2019

The Audit Committee is chaired by Datin Seri Sunita Mei-Lin Rajakumar who has an LLB (Hons) from the University of Bristol and qualified as a Member of the Institute of Chartered Accountants in England & Wales in 1994. She sits on Boards and chairs the Audit and Risk Committees of other public companies in Malaysia. Her working experience includes amongst other, 4 years in Earnst & Young in London and 6 years at RHB Investment Bank Berhad in Kuala Lumpur before becoming a consultant at MIMOS Berhad. She was then invited to manage Encipta Ltd, a foreign technology venture capital fund under MIMOS Berhad.

Dato' Zainal Abidin bin Putih is a member of the Malaysian Institute of Accountants, a Member of the Malaysian Institute of Certified Public Accountants and a Fellow of the Association of Chartered Accountants in England & Wales. He has extensive experience in audit, management consulting and taxation, having been

involved as a practicing accountant and consultant throughout his career and holds several directorships in other public listed companies.

Dato' Dr Rosini binti Alias is Doctor of Veterinary Medicine, DVM, from Universiti Pertanian Malaysia. She was formerly the Deputy Director-General of the Department of Veterinary Services (DVS), Malaysia and has vast experience in the veterinary and agricultural sector with a career spanning over 30 years.

Tengku Nurul Azian binti Tengku Shahrman is an Advocate and Solicitor of the High Court in Malaya, a Barrister of Law of the Honourable Society of Inner Temple, and has an LLB (Hons) from the School of Oriental & African Studies, University of London. She has over 19 years of broad experience in investment banking and corporate finance and is currently Executive Vice President & Partner of PEMANDU Associates Sdn Bhd, a





management consulting firm which is focused on public sector transformation and business turnaround with global experience.

Mr Jean Serge Krol has a Master's of Economics as well as a Post-Master's Degree for Certified Public Accountants from the Rijksuniversiteit in Groningen.

He also has as a Post-Master's Degree for Certified Controllers from the Vrije Universiteit in Amsterdam. He has held various senior finance managerial positions within Royal FrieslandCampina N.V. from 2002 to 2019. In July 2019, he was appointed as the Director of Finance for the Specialized Nutrition Business Group for Royal FrieslandCampina, Netherlands.

## B. TERMS OF REFERENCE

### STRUCTURE OF THE AUDIT COMMITTEE

The Audit Committee is a Committee appointed by the Board and shall comprise of at least 3 directors. All members should be Non-Executive Directors with Independent Non-Executive Directors making up the majority. At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants, or have at least 3 years' working experience and be a member of one of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967. The Chairman of the Audit Committee shall be an Independent Non-Executive Director and be elected from amongst the members of the Committee. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board.

### AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference and to seek any information it requires from the Management and any employee. The Management and employees are directed to co-operate with any request made by the Audit Committee. The Audit Committee may convene meetings with External Auditors or Internal Auditors without the presence of Management, if deemed necessary.

The Audit Committee is authorised by the Board to obtain independent, legal and professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

### FUNCTIONS

1. The functions of the Audit Committee are as follows:-

#### In relation to External Auditors

- a) To consider the appointment of the External Auditors and fix their audit fee, and any question of their resignation or dismissal and the reasons thereof;
- b) To run the audit tender process independent of management including establishing objective criteria when assessing appointment of external auditors, to ensure audit quality may not be compromised or that fees are not given undue weight;
- c) To discuss with the External Auditors their audit plan, the nature and scope of audit, evaluation of the Company's systems of internal controls and their audit report on the annual financial statements, including Key Audit Matters;
- d) To ensure External Auditors have sufficient understanding of business/operations/risk areas, senior audit team members are sufficiently involved throughout the audit process and the team has the capacity and ability to work in different geographical regions;
- e) To assess the External Audit firm's measures to uphold audit quality and manage risks including adopting indicators of audit quality;
- f) To discuss issues and reservations arising from the interim and final audits with the External Auditors, and any other matters the External Auditors or other consultants may wish to discuss, in the absence of Management, where necessary and in any case at least twice a year;

## AUDIT COMMITTEE REPORT

- g) To review the External Auditors' Management letter and Management's response thereon and ensure Management provides information and records in a timely manner;
  - h) To obtain assurance from the External Auditors that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, and that following such annual assessment review and the assurance obtained, the Audit Committee shall remain confident of the External Auditor's independence and suitability;
  - i) To evaluate the performance of the External Auditors including reviewing their independence, suitability, objectivity and cost effectiveness, taking into account factors including the competency, adequacy of experience and resources of the firm and professional staff assigned to perform the audit;
  - j) To ensure that advance approval by the Board of Directors is required for non-audit services provided by the External Auditor, on recommendation of the Audit Committee;
  - k) To review all non-audit services performed by the External Auditors to reinforce the independence and objectivity of the External Auditors;
- (vi) Significant adjustments arising from the audit;
  - m) To review the Company's dividend proposals including considering the quantum, timing and cash flow of dividend payments, and recommending the same to the Board for approval;
  - n) To review all related party transactions, including any conflict of interest situations arising;
  - o) To review the Company's annual report prior to submission to the Board for their perusal and approval, to ensure compliance in accordance with the provisions of the Companies Act 2016 and Bursa Securities Main Market Listing Requirements, the applicable approved accounting standards as per MASB Standards and any other laws or regulations which might apply;

### In relation to Internal Audit

### In relation to the financial statements

- l) To review the quarterly and annual financial statements of the Company before submission to the Board of Directors, focusing particularly on:-
  - (i) Public announcement of the results and dividend payment;
  - (ii) Any changes in accounting policies and practices;
  - (iii) The going concern assumption;
  - (iv) Compliance with approved accounting standards;
  - (v) Compliance with Bursa Securities and legal requirements; and
- p) To do the following, in relation to the Internal Audit Department:
  - (i) Review the adequacy of the scope, functions, competency and resources of the Internal Audit Department, and that it has the necessary authority and resources to carry out its work, including training programmes for the staff;
  - (ii) Consider whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
  - (iii) Review the internal audit plan for the year and findings of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department by Management;
- q) To ensure the Company's Internal Control Framework is maintained, including periodically reviewing controls, organising self-assessments and ensured effectiveness of the system;
- r) To ensure the Company adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors;





- s) To review and appraise the performance of members of the Internal Audit Department on an annual basis;
- t) To approve any appointment and termination of senior staff members of the Internal Audit Department; and
- u) To takes cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

#### In relation to Enterprise Risk Management

- v) To review the risk management framework and controls on a quarterly basis including Enterprise Risk Assessment updates, mitigating controls and action plans to mitigate identified business risks which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan where necessary;

#### Other Scope of Work

- w) To consider and review the appropriateness of any related party transaction and conflict of interest situations that may arise within the Company including ensuring compliance with applicable laws and regulations;
- x) To consider major findings of any internal investigations and Management's response thereon;
- y) To review the draft circulars with respect to obtaining shareholders' mandate on any Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors; and
- z) To consider any other topics, as defined by the Board.

The Audit Committee's Terms of Reference can be found on the Company's website [www.dutchlady.com.my](http://www.dutchlady.com.my)

## C. MEETINGS AND MINUTES

The Audit Committee shall meet at least 4 times a year and the quorum for any meeting shall be 2 members, consisting of Independent Directors. The Managing Director, Finance Director and the Internal Auditor will be invited to attend all meetings of the Audit Committee. There shall be at least 2 meetings a year with External Auditors including 2 meetings without the members of Management. External Auditors will be invited to attend additional meetings when appropriate and they may request a meeting with the Audit Committee if they consider it necessary. Other Board members may attend meetings upon the invitation of the Audit Committee.

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the minutes of each Audit Committee meeting shall be circulated to all members of the Board.

A total of 4 Audit Committee meetings were held during the financial year 2019. The membership status and attendance record of each of the members are as follows:-

CURRENT MEMBERS	ATTENDANCE
Datin Seri Sunita Mei-Lin Rajakumar <sup>(1)</sup> Chairperson, Independent Non-Executive Director	2/3
Dato' Zainal Abidin bin Putih Member, Independent Non-Executive Director	4/4
Dato' Dr Rosini binti Alias Member, Non-Independent Non-Executive Director	4/4
Tengku Nurul Azian binti Tengku Shahrman Member, Independent Non-Executive Director	4/4
Mr Jean Serge Krol <sup>(2)</sup> Member, Non-Independent Non-Executive Director	2/2

# AUDIT COMMITTEE REPORT

	ATTENDANCE
<b>FORMER MEMBERS</b>	
Mr Boey Tak Kong <sup>(3)</sup> Chairman, Independent Non-Executive Director	2/2
Mr Jurgen Clemens Johannes Sandmann <sup>(4)</sup> Member, Non-Independent Non-Executive Director	2/2

**Notes:**

- (1) Appointed as Member of the Audit Committee on 27 February 2019 and as Chairperson of the Audit Committee on 26 April 2019
- (2) Appointed as Member of the Audit Committee on 19 July 2019
- (3) Retired as Chairman of the Audit Committee on 26 April 2019
- (4) Resigned as Member of the Audit Committee on 19 July 2019

## D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

**A summary of the key activities carried out by the Audit Committee during the financial year is listed below:-**

(a) Financial Reporting and compliance

The Company's quarterly and annual financial statements as well as announcements made to Bursa Securities were reviewed by the Audit Committee before submission to the Board for its subsequent approval. In doing so, the Audit Committee deliberated and focused on changes in major accounting policies and practices as well as any adjustments and/or issues affecting audit related matters to ensure compliance with Main Market Listing Requirements, the approved Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements.

As part of their accounting oversight duties, the Audit Committee also reviews the External Auditors' annual and interim audit reports, together with accompanying Management responses.

(b) Assessing Independence, Suitability, Objectivity and Cost Effectiveness of the External Auditors

The Audit Committee carried out an annual review of the independence, suitability, objectivity and cost effectiveness of the External Auditors before approving their remuneration and recommending their re-appointment to the shareholders. The factors considered include the competency, and

the adequacy of experience and resources of the firm and professional staff assigned to perform the audit.

As part of the annual audit exercise, the Audit Committee obtained assurance from the External Auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Following the annual assessment review and the assurance obtained, the Audit Committee remains confident of the External Auditor's independence and suitability.

(c) Risk management and internal controls

The Audit Committee took note of the Company's risk management and the control environment guidelines as implemented using the RFC Internal Control Framework and the Enterprise Risk Management programme.

The Audit Committee also received Risk Management progress reports from Management quarterly whereby the Audit Committee took note of the mitigating controls and action plans taken to mitigate the identified business risks.

(c) Going Concern assessment

The Audit Committee reviewed the going concern basis for preparing the Company's financial statements, including the assumptions underlying the going concern statement and the period of assessment.







(d) External audit

Throughout the financial year, the Audit Committee had two meetings with the External Auditors without the presence of Management. The Audit Committee is pleased to report that there was no significant matter of disagreement that arose between the External Auditors and Management.

To reinforce the independence and objectivity of the External Auditors, the Audit Committee reviewed all non-audit services performed by the External Auditors.

During the financial year, the fees incurred in respect of non-audit related matters amounted to RM20,000 for the Review of the Statement on Risk Management and Internal Controls.

The Audit Committee reviewed the financial statements to take note of changes to the approved accounting standards and new application on financial reporting disclosures under the Listing Requirements.

(e) Internal Audit

During the year under review, the Audit Committee had four meetings with the Internal Auditor. During the engagement, the Audit Committee discussed the results arising from the Internal Audit findings and recommendations by the Internal Auditor on the controls environment and operational weaknesses, and verified that timely corrective actions were taken by Management.

(f) Governance

The Audit Committee reviewed the Audit Committee Report and the Statement of Internal Control and Risk Management and recommended to the Board for inclusion in the 2018 Annual Report.

(f) Other Matters

During the financial year, the Audit Committee also carried out the following activities:-

- reviewed the Company's dividend proposals
- considered the quantum, timing and cash flow of dividend payments, and recommended the same to the Board for approval
- reviewed the related party transactions, and any conflict of interest situations during the year
- reviewed the Circular on Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for shareholders' approval
- discussed with the External Auditors on Key Audit Matters and any issues arising from the audit (in the absence of the Management)

## E. INTERNAL AUDIT FUNCTION

The Company has an Internal Audit function which reports to the Audit Committee. The Internal Auditors are empowered with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Company's records, physical properties, to carrying out any internal audit or investigation engagement.

The Internal Audit function is independent from the activities of other operating departments and undertakes to review all processes of the Company and its relationships with third parties. It also carries out risk management activities under the Enterprise Risk Management programme developed by the RFC Group. The programme incorporates a process to facilitate risk identification, assessment, reporting as well as review

and mitigation risks that affect the achievement of the Company's objectives and policies.

During the financial year, the Internal Auditors undertook the following activities:

- (a) Prepared the internal audit plan for the year, which is reviewed and approved annually by the Audit Committee, and updated where necessary by the Audit Committee;
- (b) Carried out all internal audit activities in accordance with the audit plan and adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors;

## AUDIT COMMITTEE REPORT

- (c) Prepared the internal audit programme based on the internal audit plan, for each activity or process to be audited;
- (d) Maintained the Company's Internal Control Framework, including periodically reviewing controls, organising self-assessments and ensured effectiveness of the system;
- (e) Discussed with auditees, process owners and Management on the results of the audit for each activity or process, and the recommendations for action plan to mitigate the identified risk or control work flow improvements;
- (f) On a quarterly basis, reviewed the Enterprise Risk Assessment updates, which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan where necessary;
- (g) Reported to the Audit Committee on a quarterly basis, the results from the internal audit and governance issues identified together with Management Team's response and action plans; and
- (h) Followed up on all the action plans agreed from the previous internal audit reports to ensure that all matters arising are adequately addressed by the Management.

Costs amounting to RM397,325.00 were incurred in relation to the internal audit function for the financial year ended 31 December 2019.

Further details of the activities of the Internal Audit and Internal Control Department are set out in the Statement on Risk Management and Internal Control of this Annual Report.

## F. ANNUAL REVIEW AND PERFORMANCE EVALUATION

An annual performance evaluation was carried out on the Audit Committee in an effort to enhance and improve its processes of the control environment.

The Audit Committee's responsibility is to monitor and review the practices and processes performed by Management and the External Auditors. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews. The Audit Committee members are not employees of the Company. Therefore,

the Audit Committee has relied, without independent verification, on Management's representation that the financial statements have been prepared with integrity and objectivity, in conformity with approved accounting principles and standards generally accepted in Malaysia and on the representations of the External Auditors included in its reports on the Company's financial statements and internal control over financial reporting.





# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors affirms its responsibility for maintaining a sound and effective system of risk management and internal control and outlines the nature of risk management procedures and internal control system within Dutch Lady Milk Industries Berhad for the year under review.

## RESPONSIBILITY AND ACCOUNTABILITY

The Board continues its commitment and responsibility towards effective risk management practices and system of internal controls which includes the adoption of appropriate Control Frameworks established by Royal FrieslandCampina N.V. ("RFC") and reviewing its effectiveness, adequacy and integrity. The Board is responsible for identifying the key internal and external business risks faced by the Company and for determining the course of actions to manage those risks. The Company continuously evaluates and manages risks and reviews the planned actions to safeguard shareholders' investments and the Company's assets.

The Board has received assurance from the Managing Director and the Finance Director that the Company's risk management and internal control system is adequate and operating effectively, in all material aspects.

The Board maintains full control over strategic, financial, organisational and compliance matters and has put in place an organisational structure with formal lines of responsibility and delegation of authority. The Board and the Audit Committee have delegated to Management the implementation of system of risk management and internal controls within an established governance framework throughout the Company.

## RISK MANAGEMENT FRAMEWORK

The Company aims for transparency in identifying, evaluating and mitigating risks by adopting Enterprise Risk Management ("ERM") programme that was developed and issued by RFC based on internationally recognised COSO framework. This framework describes the management's risk appetite, structure, responsibilities, processes and governance reporting procedures. It has been developed to provide a reasonable degree of certainty that strategic objectives are achieved by creating focus, integrating control measures into the Company's activities, ensuring compliance with applicable laws and regulations, and by safeguarding the reliability of financial and non-financial reporting and the related explanatory notes.

The Company's risk management programme is led by the Managing Director and supported by a Risk Management Committee comprising of Management Team from all functional units of the Company. In providing assurance

to the Board of Directors on the Company's adequacy and effectiveness of risk management, the Risk Management Committee carried out continuous review and update of the status of risk mitigation actions and identify emerging risks.




The ERM framework focuses on the Company's core business operations and it allows the Company to:

- Establish clear functional responsibilities and accountabilities within the Company's structures for management of risks;
- Enhance and improve corporate governance with a clear, concise and comprehensive structure for the Company;
- Promote an effective risk awareness where risk management is an integral aspect of the Company's business plan and project portfolio; and
- Ensure appropriate skills and resources are applied to risk management.

## Risk Appetite

The Company's general risk appetite depends on the risk categories, as set out in the table below.

Risk Category and Risk Appetite

RISK CATEGORY	GENERAL RISK APPETITE
 <b>Strategic (S)</b>	The Company is prepared to take a certain degree of calculated risks relating to the realisation of its performance objectives and long-term goals.
 <b>Operational (O)</b>	The Company attempts to minimise the impact of unforeseen disruption on its operating activities.
 <b>Financial (F)</b>	The Company has a conservative and sound framework of financial policies and procedures to prevent risks that could have a significant impact on the financial results and material misstatements in its financial statements reporting.
 <b>Compliance (C)</b>	The Company applies a zero tolerance policy.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

## Key Risks and Uncertainties

Risk management discipline ensures that risk assessment is an on-going process whereby risks and risk mitigation measures are regularly reviewed and adjusted accordingly. A summary of the key and specific risks with which the

Company is confronted that could impact the realisation of its strategic objectives, and the measures designed to mitigate these risks are contained in the table below.

RISKS	KEY RISKS FACTORS	RISK ACCEPTANCE	MITIGATION MEASURES
<p><b>Process disruptions (O)</b> Disruption of critical operational business processes.</p>	<ul style="list-style-type: none"> <li>Risk concentration (sites capacity, suppliers, service and supply chain providers)</li> <li>Limited alternative options</li> <li>Critical event</li> </ul>	<p><b>Moderate</b> The Company aims to limit the impact of unforeseen disruption on its business operations. For risk associated with critical event the Company accept minor operational malfunctions, provided this does not affect the continuity of business processes</p>	<ul style="list-style-type: none"> <li>A calamity and contingency plan is in place and is reviewed regularly.</li> <li>Evaluation and development of alternative options via other related parties, outsource and engagement programme</li> </ul>
<p><b>Agility of the Company and Innovation (S)</b> Responsiveness and decisiveness to anticipate changes in market conditions and demand. Ability to renew the product range and to successfully respond to changing consumer preferences.</p>	<ul style="list-style-type: none"> <li>Inadequate response to changes in consumer or customer demands and their preferences</li> <li>Increasing local competition</li> <li>Greater demand for specific products that require diversification</li> <li>Increasing interest in health and nutrition</li> <li>Time-to-market</li> <li>Digital marketing</li> </ul>	<p><b>Moderate</b> The Company is prepared to accept a moderate level of risk as long as this does not endanger the Company's strategic long-term goals and market brand reputation</p>	<ul style="list-style-type: none"> <li>Programmes for the analysis of consumer trends (market research, focus groups, preference testing) and competitor modus operandi</li> <li>Processes designed to manage the innovation funnel and product development strategies</li> <li>Reinforce World Class Operations Management (WCOM) for supply chain activities and Continuous Improvement Programmes for other processes</li> <li>Regular analysis of competitor developments</li> </ul>
<p><b>Product quality and food safety (O, C)</b> Poor product quality or product contamination that causes health hazards for consumers.</p>	<ul style="list-style-type: none"> <li>Production process problems that cause quality defects</li> <li>Increasing communication speed through social media</li> <li>Deliberate spread of quality problems by third parties</li> </ul>	<p><b>Insignificant</b> The Company maintains the highest food quality and food safety standards</p>	<ul style="list-style-type: none"> <li>The Company adheres to the RFC internal quality and food safety system with FoQus quality programme and undergo periodic audit verification</li> <li>Transparent management reporting of quality trends and incidents throughout the organisation</li> <li>In-depth root cause analysis is performed to ensure any incident is thoroughly investigated and appropriate corrective actions implemented to prevent and eliminate future occurrence</li> </ul>





RISKS	KEY RISKS FACTORS	RISK ACCEPTANCE	MITIGATION MEASURES
<b>Reputation (S)</b> Potential reputational loss due to incidents or changes in public opinion.	<ul style="list-style-type: none"> <li>Increased importance of public opinion, media and publicity</li> <li>Social media and transparency of information</li> <li>Unfounded or fake news in the media</li> </ul>	<b>Moderate</b> The Company is prepared to accept a moderate level of risk as long as this does not endanger the Company's strategic long-term goals	<ul style="list-style-type: none"> <li>Proactive involvement and communication with stakeholders (for example, governments and sector associations)</li> <li>Media and reputation tracking</li> <li>Repressive measures, such as crisis management, training and testing</li> <li>A special team in place to manage all such potential risks</li> </ul>
<b>Financial and economic (F)</b> Unfavourable development of the Company's financial position.	<ul style="list-style-type: none"> <li>Overall excess or shortage of cash, insufficient access to capital, interest rates, currency or commodity pricing risks, credit risk exposure</li> <li>Geopolitical issues impact on local demand</li> <li>Price developments of raw materials</li> </ul>	<b>Moderate</b> The Company is prepared to accept a moderate impact of external developments on its financial position (indicator: 5%-10% of total EBIT)	<ul style="list-style-type: none"> <li>Procedures for planning, budgeting, forecasting and assessing business operations</li> <li>Cash flow and working capital management</li> <li>Monitoring and analysis of economic developments</li> <li>Coordinated treasury and currency management. See notes on financial risk management on page 144</li> </ul>

## INTERNAL CONTROL STRUCTURE AND PROCESSES

The system of internal controls is designed to safeguard the assets of the Company, to ensure the maintenance of proper accounting records and to provide reliable financial and non-financial information for use within the business and for publication. However, these controls provide only reasonable and not absolute assurance against material error, misstatement, loss or breach of set regulations.

The principal features of the Company's internal control structure are summarised as follows:

- Board Committees**

The functions and responsibilities of the various committees of the Board of Directors are defined in the terms of reference. These include the Audit Committee, the Nomination Committee and the Remuneration Committee.

- Organisational Structure and Responsibility Levels**

The Company has an organisational structure with formal lines of responsibility and authorisation procedures within which senior management operates and is accountable for.

- Authority Levels, Acquisitions and Disposals**

There are authorisation procedures and delegated authority levels for major tenders, major capital expenditure projects, acquisitions and disposal of businesses and other significant transactions.

Investment decisions are delegated to Management in accordance with authority limits. Appraisal and monitoring procedures are applied to all major investment decisions, and at times using external consultants for advisory services.

Board of Directors' approval is required for key treasury matters including equity and loan financing, material acquisitions and disposals of assets not in the ordinary course of business, investment in capital projects, cheque signatories and the opening of bank accounts.

On top of this, the FrieslandCampina Corporate Manual includes the procedures and guidelines in which responsibilities and authorisations are stipulated and are applicable for the day to day management of the Company.

- Procedure and Control Environment**

In addition to internal controls, the Directors have ensured that health and safety regulations,

## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

environmental controls and political risks have been considered, and relevant laws and regulations complied with. The quality of the Company's products is of paramount. Quality Assurance, Quality Control and meeting customers' requirements are prime considerations and these are achieved by the Company being FSSC 22000 certified. Ultimately, the aim of the Company is to deliver safe food to consumers, whilst demonstrating compliance with the prevailing laws and regulations.

In addition, strong emphasis is also given to food safety with Good Manufacturing Practices and Hazard Analysis and Critical Control Point ("HACCP") System that cover all plants.

The Company has in place the ISO 14001 Environment Management System, a systematic management approach to the environmental concerns of the Company, and OHSAS 18001, the Occupational Health and Safety Assessment Series for the protection of employees from hazards and the mitigation of work related injuries and health-related issues.

Since 2011, the Company has embarked upon FoQus, an internal broad based quality system for Food Safety and Quality Management System and Safety Health and Environment Management System within FrieslandCampina. Regular FoQus audit is carry out to ensure that products produced by the Company and the way in which they are being produced meet the necessary high standards on food safety, quality, labour safety and environment.

The Company has formal guidelines on safety, health and environment which apply to all employees and third party contractors.

The integrity and competence of personnel are continuously assessed through the Performance Management System, talent assessment programme, management organisation development and Hay Reward Management System.

- **Standards of Business Ethics**

Employees are contractually bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers.

In this regard, the RFC Group's code for good business conduct, Compass, plays an important role in the management of compliance risk. This code of conduct and its underlying guidelines (which include the Speak-Up Procedure, Fair Competition

guidelines and Doing Honest Business, amongst others) forms the basis of the honest, respectful and transparent business conduct of the Company's employees and third parties with whom the Company transacts with. Compliance with this code of conduct and the guidelines is cascaded to all employees by means of a comprehensive communication and training programmes, with designated local trusted representatives, set in place.

The Compass is supported globally by RFC Corporate Headquarters with an established Integrity Committee and a reporting platform that is available to employees 24 hours a day, seven days a week so they can, in confidence, express their concerns regarding a suspected infringement of the code or a guideline.

In line with this, the Company has an Employee Handbook that guides the Company's employees in their day to day conduct. Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

Suppliers are also bound by the "RFC Business Practices for Suppliers" to ensure honest conduct of business is being practiced within the Company's business operations.

- **Formalised Strategic Planning and Operating Plan Processes**

The Strategic Planning process is led by RFC Group and is focusing on long term strategic direction of the Company, prioritizing future investments and resources.

The Company performs business planning and budgeting process each year, to establish plans and targets against which performance is monitored on a monthly basis by Management.

The Company formulated a Sales & Operations Planning process to align product demand and supply together with financial resources in order to provide the Company with defined business strategies and priorities. In addition, the process also aims to continuously improve business performance, especially on the improvement in customer service levels, forecasting accuracy and inventory turnover management.

- **Reporting and Review**

The Company's Management Team monitors the monthly reporting and reviews the financial results and forecasts for the business against the operating plans and annual budgets. The results are communicated





to employees at the Company's town hall sessions. A separate monthly financial report is also disseminated to the Management Team members, with periodical meetings organised with core business managers.

The Managing Director reports on a quarterly basis to the Audit Committee and the Board of Directors on significant changes in the business and external environment in which the Company operates.

- **Financial Performance**

The preparation of quarterly and full-year financial results and the state of affairs, as published to shareholders, are reviewed by the Audit Committee and later approved by the Board.

- **Assurance Compliance**

The Board, Audit Committee and Management review the Internal Audit reports on a quarterly basis and monitor the status of implementation of corrective actions that are prepared by the Internal Audit team to address internal control weaknesses noted.

- **Internal Control Framework (ICF)**

The Company has in place an ICF based on the framework that was developed and issued by RFC. The ICF comprises prescribed control measures that are evaluated by means of regular internal assessments for which if shortcomings are discovered, improvement measures are set in place and regularly tracked.

During the year, the Company continued the execution and self-assessment testing of the ICF controls and procedures.

- **Update on Developments**

Quarterly reporting is made to the Board on legal, accounting, and sustainability developments where applicable. Briefings are also conducted to keep employees informed of changes to legislation or local by-laws that are expected to affect the Company's operations or the way the Company conducts its business, where relevant.

## INTERNAL AUDIT FUNCTION

The Internal Audit independently focuses on the key areas of business and operations risk based on the audit plan approved annually by the Audit Committee. Internal audit reports are presented on a quarterly basis to the Audit Committee.

The Internal Audit team highlights, to the Audit Committee and Management, areas for improvement and follows-up on the progress of implementation of the agreed actions arising from the internal audit report.

The Audit Committee in turn reviews the effectiveness of the system of internal controls in operation and reports the results thereon to the Board.

## ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Directors have reviewed the effectiveness, adequacy and integrity of the system of risk management and internal controls in operation during the financial year through the monitoring process set out above.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

Taking into account the limitations that are inevitably inherent in any risk management and internal control system, and the possibilities for improving the system, the Company's risk management and internal control systems provide a reasonable degree of assurance that:

- The Board will be informed quarterly of the degree to which the Company's strategic, operational, financial and compliance objectives are being achieved;
- The internal and external financial reporting do not contain any material misstatement and that the risk management and internal control systems functioned effectively during 2018; and
- The Company has complied with the relevant legislation and regulations.

This Statement is prepared in accordance with the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers (Guidelines) with an effective date of 31 December 2012, in line with the Paragraph 15.26(b) of the Bursa Malaysia Listing Requirements and Principle B of the Malaysian Code of Corporate Governance 2017 as issued by the Securities Commission Malaysia.

## THE REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3, issued by the Malaysian Institute of Accountants ("MIA").

AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

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**INULIN**

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tenaga 86 kkal  
4%

**DUTCH LADY®**

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**0% LEMAK**  
**JUS SEBENAR**  
**VITAMIN A, C & E**

**INULIN**

setiap sajian  
tenaga 88 kkal  
4%

# SUSTAINABILITY REPORT



Sustainability and responsibility remains a key pillar of our business strategy. As a leading dairy company, we are committed to demonstrate responsible corporate conduct across all aspects of our operations.

This Sustainability Report was prepared in accordance with the guidelines set out in the Main Market Listing Requirements relating to Sustainability Statement in Annual Report of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad and covers the Company's business operations in Malaysia for the financial year ended 31 December 2019.

## CORPORATE RESPONSIBILITY STRATEGY: DAIRY WITH A PURPOSE

Dutch Lady Milk Industries Berhad's ("DLMI/the Company") mission is to create shared value to all our stakeholders through our strategic initiatives, in line with that of our parent company, Royal FrieslandCampina N.V. ("RFC"). Based on the global theme of Nourishing by Nature, we leverage on our Dutch dairy heritage and unique global milk chain in a sustainable way. As one of the leading dairy players in Malaysia, we are committed to demonstrate responsible corporate conduct across all aspects of our operations.

### Board Commitment & Reporting Framework

Our Board of Directors is mindful of the Company's responsibility towards sustainability issues and its role in our long-term strategic plans. The Board, in partnership with Management and other stakeholders, are committed towards ensuring that responsible corporate conduct is demonstrated and practiced in DLMI's daily business activities across all aspects of DLMI's operations.

### Board of Directors

- Oversee sustainability performance
- Approve sustainability initiatives and budget

### Management Team

- Monitor and act on related risks and reports on progress
- Responsible for sustainable business policies and practices
- Formulate sustainable strategy, policies and KPI goals
- Monitor, align and facilitate adherence to the sustainability policy
- Facilitate and support operating divisions to meet sustainability goals
- Conduct sustainability awareness and engagement activities
- Quarterly sustainability performance reporting

### Operating Divisions

- Day-to-day management of sustainability risks and issues
- Own and ensure compliance of relevant sustainability-related policies and practices
- Record all sustainability source data





**SUSTAINABILITY DEVELOPMENT GOALS**

The United Nations has formulated 17 Sustainable Development Goals (“SDG”) related to responsible production and consumption, climate change, sustainable communities, health and well-being, and efforts to fight poverty and starvation.



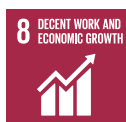
Of these 17 goals, DLMI and our parent company RFC, have identified five SDGs that we contribute to. They are:



**Zero Hunger**  
End hunger, achieve food security and improve nutrition, and promote sustainable agriculture



**Climate Action**  
Take urgent action to combat climate change and its impacts



**Decent Work and Economic Growth**  
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



**Life on Land**  
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



**Responsible Consumption and Production**  
Ensure sustainable consumption and production patterns

These five SDGs form the backbone of the RFC Group’s sustainability principles. It also ensures DLMI’s competitive advantage in the marketplace and in building a long-term product brand value.

# SUSTAINABILITY REPORT

The following framework is implemented:

FOCUS AREAS	ECONOMIC	ENVIRONMENTAL	SOCIAL
<b>Strategic Goals</b>	To strengthen innovation and operational efficiency to ensure food safety and towards a more balanced resource-efficient management	To adopt best practice solutions through innovative quality processes	To act as catalysts for boosting community development and support systems for long-term talent pipeline
<b>Material Matters</b>	<ul style="list-style-type: none"> <li>• Right culture and shared values</li> <li>• Safety and health</li> <li>• Supply chain dynamics</li> <li>• Client-centric services</li> <li>• Value for shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental protection</li> <li>• Material efficiency</li> <li>• Energy and water consumption management</li> <li>• Waste, noise and effluent management</li> </ul>	<ul style="list-style-type: none"> <li>• Equal employment and employee engagement</li> <li>• Talent development</li> <li>• Community services</li> <li>• School milk programme</li> </ul>

## SUSTAINABILITY GOVERNANCE FRAMEWORK

Sustainability is embedded within DLMI and is led from the top. Sustainability matters are managed by various departments within the Company. Based on the Economic, Environmental and Social framework and in line with DLMI's vision of nourishing Malaysians with trusted quality dairy nutrition, we aspire to demonstrate our commitment to sustainability towards the environment, the surrounding community and in the workplace, and within the market we operate in.

## MATERIALITY ASSESSMENT

In order to achieve DLMI's sustainability objectives, a comprehensive risk materiality assessment was conducted internally in 2019. This was done through a series of workshops with various internal stakeholders where issues were identified by internal stakeholders and survey results from employees were considered.

Based on the risk materiality assessment, the top 5 principal risks were identified. A summary of the key risks and uncertainties as well the mitigation factors undertaken by DLMI to meet the challenges can be found in the Statement of Risk Management and Internal Controls. The risks and the mitigation factors for 2019 were shared with and the Board in November 2019 and updates will be provided on developments/outcomes of the steps taken.

## SUSTAINABILITY TARGETS

From the key risks and uncertainties identified in the risk materiality assessment, it was broadly identified that we should demonstrate our commitment to sustainability within the following four areas:-



The following sections discuss the various steps DLMI has undertaken in 2019 to meet our sustainability targets.





## MARKETPLACE

### BALANCED NUTRITION

As the world population continues to grow, so does the need for consistent and sustainable provision of quality nutrition to provide the right nutrients to our consumers. Our parent company, RFC has this as one of the four cornerstones of its own CSR priorities - to ensure sufficient nutritious food is available to help combat undernourishment and a shortage of nutrients.

Locally, DLMI aims to continue our efforts in combating Malaysia's dual burden problem of malnutrition:

- **Drink.Move.BeStrong Campaign**

DLMI believes that every child's growth and development is influenced heavily by nutrition and physical activity. As such, our Drink.Move.BeStrong ("DMBS") campaign, launched in 2014, provides an ideal platform for the Company to encourage living an active and healthy lifestyle amongst Malaysian youths. At the same time promoting the goodness of milk in aiding physical growth and development in young children. This was done through our initiative in partnership with the Ministry of Education, supported by nutritional talks and exercise programmes.

- **Sayangi Sekolahku@3K & MyDMBS**

Running in its fifth year, the Anugerah 3K and Drink.Move.BeStrong ("DMBS") was renamed *Sayangi Sekolahku@3K & MyDMBS* in 2019 by the Ministry of Education ("MoE"). The programme continues to focus on 3 key areas; health, cleanliness and safety. DLMI's role in the programme continues to be focused on health and nourishing the schoolchildren in Malaysia. This is to address the dual burden of undernutrition and overnutrition i.e. the problem of obesity; a non-communicable disease ("NCD") amongst young children in the country. In 2019 a fourth element, "Kebahagiaan" (Happiness) was incorporated into the programme to be combined with the Health element, signifying unity and togetherness amongst all cultures in Malaysia. The Sayangi Sekolahku initiated in November 2018 and the introduction of "Happiness" helped bring a holistic perspective to the 3K & MyDMBS programme to further develop personal and collective responsibility in school children.

undernutrition and overnutrition (obesity), and nutrient deficiency by ensuring our products are responsibly manufactured, high quality, healthy and available in a various choice and portion sizes. We innovate to provide our consumers with more product offerings to attract more consumers to drink milk in all occasions. At the same time, we educate our consumers on healthy eating to have a strong start to the day with breakfast and the need to make lifestyle changes emphasising the importance of being active with daily exercise. We demonstrate this commitment through our:



Sayangi Sekolahku@3K & MyDMBS Awards Ceremony



This strategic partnership with MoE helps us to fulfil our mission of nourishing Malaysians and to help improve the nutritional status of Malaysia's future generations, in line with the country's National Health Agenda.



## SUSTAINABILITY REPORT

DLMI's strategic partnership with MOE for the 3K Awards Programme has provided the Company with the ideal platform to continuously inspire teachers, school children and parents on the goodness of milk, while encouraging them to cultivate healthier eating habits and engage in daily physical activities.

The Company was instrumental in introducing and driving the "Move" element for the 3K & MyDMBS competition through the "Shuffle" exercise. The response received from schools were overwhelming and a special "Best Shuffle" team award was introduced to give recognition to team winners.

More importantly, the activity helped to empower teams of students and teachers to take the lead in promoting a healthier lifestyle, by combining good eating habits with nutritious dairy beverages together with physical activity in school children.

The programme continued to maintain high participation rate from schools in 2019, reaching over 200 schools and attracted 240,000 student participations higher than in 2018. This reflects the relevance of *Sayangi Sekolahku@3K & MyDMBS* programme in developing a stronger, more intelligent and more resilient younger generation, while demonstrating the effectiveness of the platform in helping school children in Malaysia adopt a healthier and more active lifestyle. It also creates an effective platform for DLMI to continue educating the youth of the nation on the goodness of dairy nutrition in their diet.

This strategic partnership with MoE helps us to fulfil our mission of nourishing Malaysians and to help improve the nutritional status of Malaysia's future generations, in line with the country's National Health Agenda.

DLMI has always taken the lead in championing causes related to nutrition and with over 56 years of providing trusted quality dairy nutrition to Malaysians, it is important that as one of the leading dairy players in Malaysia, we want to continue fuelling our future generations with better nutrition.

As the government continues to steer the youths towards leading a healthier lifestyle, DLMI wants to continue reinforcing the importance of milk as being a sustainable food source or complete food that helps prevent the transmission of non-communicable diseases amongst school children.

DLMI advocates pairing milk with daily Malaysian breakfast, for example nasi goreng, sandwiches or even nasi lemak to make it a complete breakfast meal.

The success of this programme demonstrates how continuous efforts of the government in partnership with private corporations such as DLMI can show significant results in transforming the youths of the country to embrace a more holistic and healthier lifestyle.

### HALALAN-TOYYIBAN COMMITMENT



DLMI remains committed to providing Halal products to our consumers by putting in place Halal systems that sets out our commitment to adhering to the Jabatan Kemajuan Islam Malaysia's ("JAKIM") and Jabatan Agama Islam Selangor's ("JAIS") requirements. This covers the highest standards of

hygiene, quality and safety conditions from the purchasing of raw material to distribution of our products. In fact, DLMI's Internal Halal Committee (IHC) was established to undertake a collective responsibility towards ensuring the Company practices' adherence to the Halal Policy in alignment with both JAKIM and JAIS requirements.

Over the years, the Company has continued to increase efforts through the IHC to conduct initiatives to help raise awareness amongst our employees by leveraging on the Halal platform called Hello Halal, launched in 2019 to provide basic information on Halal. The IHC committee also organised a Healthy Charity with Milk which helped empower DLMI employees to be brand ambassadors for Dutch Lady and promote Halal products. Further, in 2019, DLMI organised a Yassin recitation with Tun Abdul Aziz Mosque congregation as part of the company's Ramadan celebration. The IHC also continued to ensure compliance through continuous training and audit programme with internal stakeholders and business partners. DLMI acknowledged the importance of Halal professionalism whereby three of DLMI's Internal Halal committee members was certified as Halal executives by JAKIM's Halal Professional Board. This certification signifies an important milestone for the Internal Halal Committee in establishing a Halal Roadmap for DLMI.

DLMI's commitment and efforts towards elevating Halal compliance and practices in Malaysia is recognised by JAKIM. The Halal White List was awarded to DLMI in 2017 and in 2019, DLMI was also awarded the JAIS White List.

These achievements reflect DLMI's Halal system and practices are well in place in helping to preserve Halal integrity throughout the supply chain to serve and cater to the needs of Malaysian consumers.





## COMMITMENT TO FOOD QUALITY AND SAFETY



Quality Assurance, Quality Control and meeting customer requirements are prime considerations for our business. At DLMI, we have achieved FSSC 22000 certification. Ultimately, the aim of the Company is to

deliver safe food and good quality products to consumers, whilst demonstrating compliance with the prevailing laws and regulations. In addition, strong emphasis is also given to food safety with Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point ("HACCP") System that cover all plants. In addition, the Ministry of Health ("MOH") has acknowledged our commitment in Food Safety & Quality by granting us the Fast Track GMP certificate in addition to the HACCP certificate DLMI had obtained from MOH earlier.

The RFC Group safeguards food safety and food quality using the FoQus system. FoQus is the RFC global internal quality and food safety management system where it sets in place all RFC production location to undergo periodic audit verification to ensure its products and manufacturing processes meet the highest standards of the Group on quality and food safety.

FoQus supports the RFC Group and the Company in the development of an increasingly robust production process. With FoQus, strict requirements are enforced to ensure that all our products and the way in which it is produced meets our own high standards on food safety, quality, labour safety and environment.

DLMI continues to enhance the safety and quality of our products and we have successfully sustained an 'A' score rating for 4 consecutive years since 2016. In 2019, we also received global recognition and acknowledgement for our quality improvement projects and was one of six sites that received the 365-days Golden Quality Certificate from the RFC Executive Board.

## CORPORATE AND PERSONAL CONDUCT

To DLMI, sustainability means carrying out our business in a socially responsible and holistic manner to ensure continued growth and success for the benefit of both the present and future generations. In pursuing this, we are guided by RFC's Compass, our code for good business

conduct. Compass and its corresponding policies provide the basic principles of integrity, respect and transparent business behaviour of DLMI and our employees in all our business undertakings. All our employees are expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships. Employees are contractually bound to abide by the Compass code for good business conduct in their business activities and with external stakeholders such as our customers and suppliers. Bribery and corruption are not tolerated. Employees are encouraged to report any malpractices without fear or favour with the establishment of the Speak-Up procedure which allow an employee to address any concerns regarding non-compliance with Compass to the Company's local trusted representatives or an external contact at the RFC Group's head office.

Compass has 14 corresponding policies which includes the whistle-blowing policy (known as Speak-Up), the anti-bribery and corruption policy (known as Doing Honest Business), fair competition policy, the privacy policy and many more. These policies are introduced to all employees within the Company via a comprehensive communication and training programme, e-learning, and during employee townhalls as recommended by the Guidelines on Adequate Procedures pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009.

In line with this, the Company's suppliers and vendors are also required to accept the FrieslandCampina Suppliers' Business Practices when becoming a provider of goods and/or services to DLMI.

## RESPONSIBILITY TO SHAREHOLDERS AND INVESTORS

We recognise the importance of maintaining transparency and accountability to our shareholders and investors. In line with good governance practices, we place utmost importance on compliance, accountability and transparency in the disclosure of information to our stakeholders. We frequently engage research analysts and the media about DLMI's performance, new product launches and corporate social activities. DLMI's website at [www.dutchlady.com.my](http://www.dutchlady.com.my) provides corporate and financial information as well as news, highlights, events, product information and nutritional advice. Further details on the various channels utilised for timely engagement with our shareholders and investors can be found in our Corporate Governance Overview Statement and Statement of Risk Management & Internal Control in this Annual Report.

# SUSTAINABILITY REPORT



## ENVIRONMENT

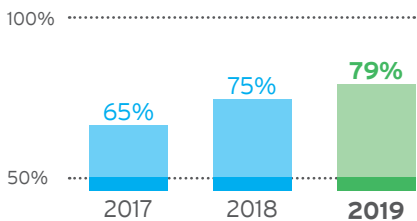
We remain committed towards our responsibility on environmental issues in the conduct of our business. It combines our responsibility with our business objectives

for long-term sustainable development. Our Safety, Health and Environmental ("SHE") Policy outlines our commitment and position on this.

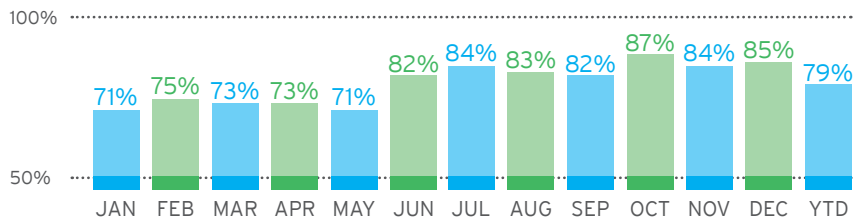
### WASTE MANAGEMENT

DLMI is fully committed to reducing our carbon footprint by reducing waste to landfill.

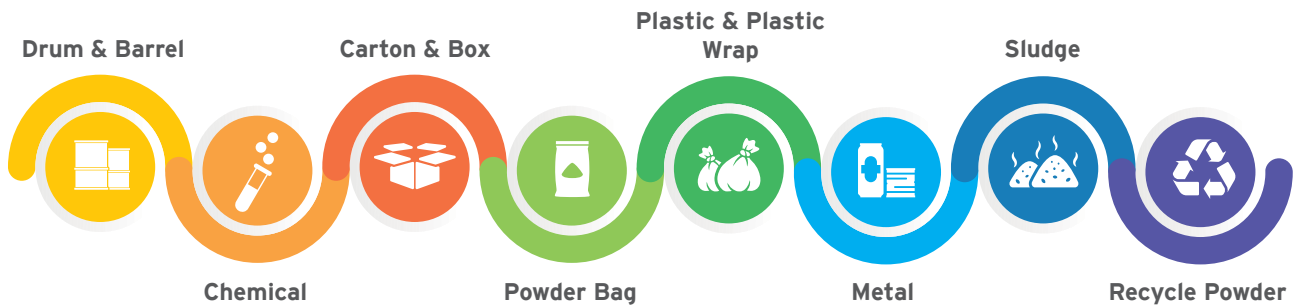
**Non-Landfilled (2017-2019)**



**Total Non-Landfilled**



DLMI generates the following industrial waste:



In 2019, we recycled 87% of our waste and reduced our landfill waste by an average of 3% following the launch of our 3R (Reduce, Reuse & Recycle) programme.

DLMI also began recycling office waste (such as printed paper, shred paper and Non-Food Waste from Office Pantry) and reduced usage of single used plastics (such as mineral water packing lunch box and disposable utensils).

### WASTE WATER MANAGEMENT

DLMI uses bio-organism technology in our Waste Water Treatment Plant that produced 543 tonnes of bio-sludge for fertilizer in 2019.

The waste water effluent discharge from the Waste Water Treatment Plant is also in compliance with Standard B (a standard set for discharge downstream of any raw water intake) stated in The Environmental Quality Act 1974.





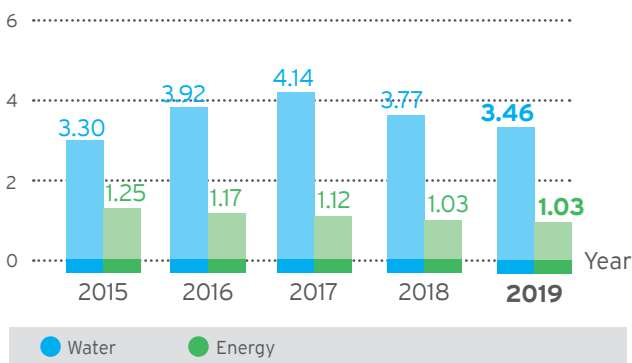


**ENERGY AND WATER MANAGEMENT**

In 2019, we have successfully managed our energy and water despite high energy demand for its new UHT lines which was installed in year 2019.

**Energy & Water Ratio**

GJ/ton



We maintain Energy ratio at 1.03 GJ/ton and reduce 10% of Water ratio with a few mechanical initiatives and programmes below:

- Upgrade WWTP high efficiency blower motor (IE2)
- Modify PRV Station
- Install descaling system in Colling tower
- Install boiler steam valve insulation

Besides the mechanical measurements, DLMI also organises a competition, called One Day One Leak (ODOL) in conjunction with RFC Win-Win Programme. Five production teams, Quality Control, Warehouse and Utilities had organised a small team to conduct GEMBA to reduce to a minimum one leak daily. All observations shall be attended by Engineering within 24 hours.



Manufacturing process

**SUSTAINABLE SOURCING**

DLMI believes in an efficient and sustainable production chain. Besides Dairy, various raw materials are used like palm oil and cocoa, sugar, and packaging materials like paper and cardboard.

Dairy raw materials are sourced via the parent company RFC, as well as from local farmers. Local farmers are supported via the Dairy Development Programme. Further details on the programme are contained in this report.

Our parent company, RFC, is a member of the Round Table on Sustainable Palm Oil (“RSPO”). In line with this, since 2011, we have manufactured our products using 100% sustainable palm oil. Besides sourcing for RSPO palm oil, we had also embarked on our journey to increase the visibility of our supply chains in 2019. Our sources of palm oil can be traced to the mill of production which opens up the opportunity for DLMI to identify possible vulnerable spots and to work with our suppliers on introducing improvements in the process.

The same effort was put in place for cocoa, another major ingredient used. We use only sustainable cocoa that meets the UTZ (now part of the Rainforest Alliance) certification criteria. UTZ certification shows that our products have been sourced, from farm to shelf, in a sustainable manner. In addition, our starch raw material suppliers are audited and comply with Sedex Members Ethical Trade Audit (“SMETA”) and is one of the most widely used ethical audit formats in the world.

As members of Bonsucro, the global sugarcane sustainability platform, DLMI supports the sustainable production of sugar cane by purchasing 50% of our annual requirements in 2018 and increasing it to 75% in 2019 of sugar as Bonsucro certified. Through this, we demonstrate our commitment to sustainable production of sugar cane, consistent with the company’s CSR Strategy of Nourishing by Nature.

Besides sourcing sustainable (agricultural) raw materials, we have also demonstrated our commitment to responsible forestry by using the Forest Stewardship Council (“FSC”) certified materials as its primary packaging used for our Dutch Lady UHT milk.

In Malaysia, DLMI was the first manufacturer to use FSC-certified packaging, beginning mid-2013. This is easily identified through the FSC logo printed on the products. Our efforts do not stop merely at primary packaging but it continues to secondary packaging as most materials used by our Company are from sustainable sources.

# SUSTAINABILITY REPORT

## RECYCLABLE PACKAGING

At DLMI we are fully committed in ensuring sustainability. We have a high recyclable packaging material contribution. Our packaging portfolio is 85% recyclable and circular and 45% of our plastics are recyclable and circular. We are fully committed for our packaging to be 100% fully recyclable by 2025, mirroring our global commitment.

Further, DLMI leads the initiative with industry to drive recyclability:

- DLMI is one of the ten founding companies that have established the “Packaging Recovery Organisation Malaysia” and has appointed a consultant (GA Circular) to conduct a baseline research on Flex, UBC, HDPE in KL.
- Plans to engage Government to share research result and explore smart partnership initiatives, to avoid any fiscal policy control, i.e. plastic tax.

- Part of the Federation of Malaysian Manufacturers (FMM) to be the champion or voice for the industry to set the tone on Packaging Recovery in Malaysia.

At the global level, our parent company, Royal FrieslandCampina N.V., is already reducing our carbon footprint of packaging by using sustainable and recycled materials through sustainable design. DLMI will go circular by increasing recyclability, make sure our packaging is being recycled and use recycled material. We act, and we show we care by communicating our efforts, being savvy about trends and media sensitive topics, enabling our markets to win with sustainability. Our ambition in 2050 is to be 100% circular and have zero emissions from fossil material usage. By 2025 we aim for our packaging to be 100% recyclable.



## COMMUNITY

### SPREADING THE GOODNESS IN DAIRY

Milk is an important source of nutrition in the development of our physical and intellectual health. Therefore, along with our purpose of spreading the goodness of milk, we have played an active role in supporting deserving organisations through sponsorship and donation of our dairy products, especially where the well-being, health and nutrition of families and children are concerned.

In 2019, DLMI continued to focus on the plight of the urban poor community living in Malaysia, addressing their acute malnutrition problems.

#### Nourishing the urban poor children at Public Housing Projects (PPR)

DLMI realised that there are pockets of poverty among the urban community, who needed assistance to help reduce the nutritional gap that exists in Malaysia. Therefore, we made the decision to be the first organisation to actively close that nutritional gap and address the plight of the urban poor community - by providing delicious and nutritious milk to the primary school children for the next 3 years.

In 2019, DLMI provided 720,000 packs of milk to the primary school children of the Public Housing Projects (PPR Flats) in Setiawangsa constituency to ensure the primary school children had access to proper nutrition.



“I thank the Ministry of Education and DLMI for recognising the issue of malnutrition and took the lead in helping to close the nutritional gap in the urban poor communities such as the primary schoolchildren at the PPR flats for the next three years.”

Setiawangsa Member of Parliament  
YB Nik Nazmi Nik Ahmad





### Launch of Program Cakna Susu in Lembah Pantai constituency

DLMI also collaborated with Lembah Pantai member of parliament, YB Ahmad Fahmi bin Mohamed Fadzil to launch the "Program Cakna Susu" to address the issue of malnutrition of the urban poor in the PPR Flats in Lembah Pantai.

Twenty families from the Kampung Limau PPR flats were identified by YB Fahmi to receive 1 carton per month of DLMI's Rakyat Pack for six months to ensure these families will have access to dairy nutrition for their children.

Based on findings of the South East Asian Nutrition Survey (SEANUTS), Malaysian children drink only half a serving of milk a day, which means only 5% of children actually meet the recommended 2 servings of milk a day. Programmes such as "Program Cakna Susu" provides DLMI with the ideal platform to continue our mission of nourishing Malaysians and in helping the Government to address the dual burden issue of undernutrition and overnutrition in Malaysia.



YB Tuan Ahmad Fahmi Mohamed Fadzil and Tarang Gupta handing out the first cartons of Rakyat Pack to the 20 families identified to receive the 1 carton per month of nutritious milk for six months to ensure that these families have access to dairy nutrition for their children



DLMI Marketing Director, Consumer Dairy, Ramjeet Kaur Virik handing out Rakyat pack to the resident of the Lembah Pantai PPR flats at Kg Limau

### Ministry of Education Healthy Meal Campaign



In 2019, we commemorated DLMI's World School Milk Day by partnering with the Ministry of Education (MoE) together with Yakult Malaysia and Yogood Malaysia to participate in a month-long Healthy Meal campaign. Over 3,000 primary and secondary school children in Kuala Lumpur will benefit from the campaign. YB Puan Teo Nie Ching, the Deputy Minister of Education Malaysia was present to officiate the event.

The campaign highlighted the need to cultivate healthy diet habits to be nurtured early in children. Hence, the healthy meal campaign in primary schools will help raise awareness on the importance of educating teachers and students on food nutrition to encourage living a healthy lifestyle.

Under this campaign, DLMI contributed a total of 30,400 packs of Dutch Lady UHT PureFarm 200ml milk, and Yakult and Yogood contributed 30,000 packs of 80ml (less sweet) probiotic drink and 30,000 packets of 16gm Yogood junior smoothie bars respectively. These items were distributed to SK Seri Bintang Selatan, SK Seri Bintang Utara, SMK Seri Bintang Selatan and SMK Seri Bintang Utara.

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# SUSTAINABILITY REPORT



Partnering Universiti Malaysia Sabah to increase consumption of milk in rural communities in Ranau and Kundasang

## Milk contribution to Universiti Malaysia Sabah

DLMI contributed 24 cartons of dairy products to Universiti Malaysia Sabah's Faculty of Medicine and Health Sciences for its health promotion programme that began on 19 August in Ranau and Kundasang districts in Sabah. The programme involved close to 170 medical and nursing students that visited ten villages in Ranau and Kundasang to ensure the villagers received

good healthcare and also to increase their health knowledge on non-communicable diseases.

This partnership allows DLMI the opportunity to nourish the underprivileged communities in the rural areas of Sabah. The healthy programme was featured in the East Malaysian dailies to feature our participation was published in Malaysian dailies nationwide.



Working hand-in-hand with key stakeholders; to help raise awareness on the importance of dairy nutrition in a healthy balanced diet

## Xchange Talk: Current Nutritional Issues & Intervention Programmes for School Children in Malaysia Symposium

DLMI collaborated with the Nutrition Society of Malaysia to organise a symposium focusing on "Current Nutritional Issues & Intervention Programmes for School Children in Malaysia" on 14 November 2019.

More than 100 representatives from multiple government agencies, professional bodies, academicians and nutritional experts participated to exchange ideas and views on addressing the nutritional issues of school children in Malaysia. The symposium provided an ideal platform for participants to offer comprehensive nutritional knowledge and establish the importance of dairy in achieving a balanced nutritious diet. The event further helped to set the stage for Government, professional bodies, academicians and DLMI to find a solution to address nutritional issues and challenges of the country for the betterment of Malaysia's future generations. DLMI seeks to continuously advocate the crucial role of milk as one of the solutions towards addressing nutrition problems amongst children.





## IMPROVING DAIRY SELF-SUFFICIENCY

DLMI, the Department of Veterinary Service (“DVS”) and the Netherlands Embassy have been working together since 2008 to help local dairy farmers make their business more sustainable to meet the growing demand for milk in Malaysia. Through the Dairy Development Programme (“DDP”), DLMI has been providing Malaysian farmers with the necessary knowledge to improve their capabilities in areas such as effective feed and nutritional practices, good animal health and fertility practices, disease control, milk testing and monitoring methods on a year to year basis.

Since 2008, the DDP has produced 25 million kg of locally-sourced milk. Further, from 2013 to 2018, the Farmer2Farmer Programme has reached a total of more than 300 dairy farmers in Malaysia.

The Farmer2Farmer Programme fits in well with the Ministry’s Agriculture and Agro-based Industry Roadmap’s five-point plan that is geared towards ensuring national food security to boost revenue in the agriculture sector. In 2019, RFC’s Dutch cooperative member farmers and State DVS officers trained 100 dairy farmers from across Kedah, Perak, Pahang, Negeri Sembilan, Melaka and Johor under the Farmer2Farmer programme.

Due to this knowledge exchange from Farmer2Farmer Programme, and the continuous support of DVS and the Netherlands Embassy, there have been significant improvements in the amount of milk supplied to DLMI over the last six years. Over this duration, DLMI, as the largest purchaser of local fresh milk (from DVS) in Malaysia, the member farmers have been able to process over 30.4 million litres of liquid milk and produced 87 million units of milk to feed Malaysian consumers.

DLMI embarked on the Farmer2Farmer Programme as part of our long-term commitment to increase the supply of local milk and empower farmers to build sustainable businesses and improve their livelihoods. This is our way of supporting the government’s plan to achieve 80% self-sufficiency in domestic milk production by 2020. At 4-5% now, there is a need to boost capacity to meet this target, hence the sharing of experience and expertise via our Farmer2Farmer Programme will be beneficial for the industry.



Putting the finishing stroke to the Delft cow to signify the partnership between Malaysia, the Netherlands and Dutch Lady Milk industries Berhad



The Farmer2Farmer Programme commemorates the tripartite partnership between Malaysia, the Kingdom of the Netherlands and DLMI. It also highlights the Kingdom of the Netherlands’ commitment towards sharing food production best practices to help the growing need of feeding the world.

H.E. Karin Mossenlechner  
Ambassador of the Kingdom of the Netherlands



# SUSTAINABILITY REPORT



## WORKPLACE

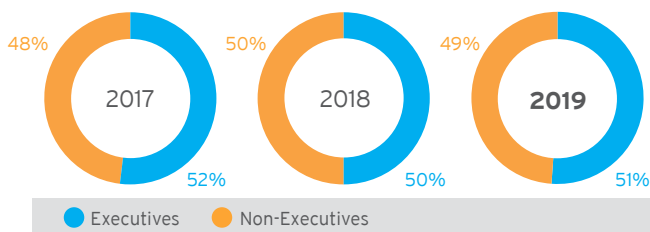
### BEING THE NO. 1 EMPLOYER IN DAIRY

The working environment of DLMI is fondly characterised by fairness, respect and integrity. We are highly committed in providing equal and competitive opportunities at all levels of our business, both within the scope of Talent Acquisition and Talent Development or Management. The Company is also guided by the principles of diversity and our employee portfolio reflects a broad variety of cultures, ethnicity, gender and age.

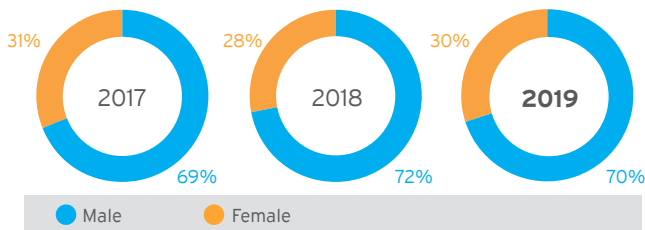
An overview of workforce statistics over the last three years:

#### Overview of Workforce Statistics

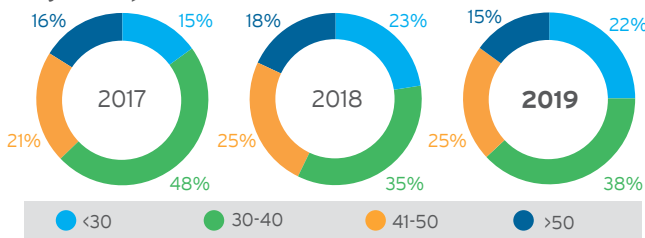
##### Category



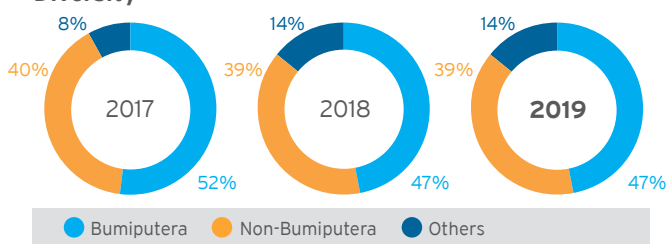
##### Gender



##### Age Group



##### Diversity

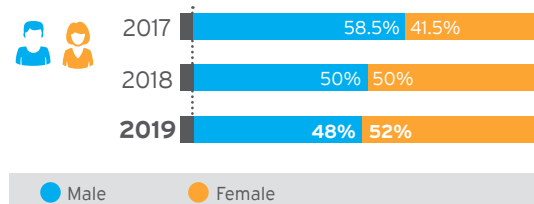


DLMI also aims to achieve a balanced participation between men and women in the workforce.

In 2019, the ratio of men and women working at DLMI was 30 percent women and 70 percent men (2018: 28 and 72 percent). The Company continued to maintain a 50:50 ratio of women and men in its Management Team from 2018. Further, women made up close to 60 percent of the Operations Leadership Team at DLMI. In 2019, 50 percent of DLMI's Board of Directors were made up of women.

Overview of new hires by gender:

#### New Hires



We are an employer that respects our employees and inspire them to fulfil their potentials. We have a comprehensive performance management system which provides opportunities for employees to discuss performance, opportunities for development and a chance to raise any issues or concerns. This resonates with our commitment to treating everyone fairly and consistently by, responding to their needs and supporting their careers development and progression. This enables the Company to be a high performing organisation that is responsive to changing economic conditions and business needs.

In 2019, the WIN-WIN corporate culture was further stressed upon to encourage employees to win in the market and to reach our ambitions set in Our Purpose, Our Plan. The purpose is for the organisation and the employees to build and embed a winning performance culture through WIN-WIN. WIN-WIN is our way of working within FrieslandCampina N.V. Our WIN-WIN mindset and behaviours consist of three core building blocks, Purpose-driven, Commercially-obsessed and Owners' mindset; each with three challenges and with the same goal of Winning in the market. The WIN-WIN building blocks were further enhanced with DLMI's 7 Way of Working Principles.





**First Principle Chart**



The WIN-WIN competition continued from its 2018 success where all employees were empowered to demonstrate how they are living up to the WIN-WIN values and winning in the market. Winners were recognised for their exemplary efforts at the bi-monthly townhalls and rewarded for their efforts by their colleagues and co-workers.

**EMPLOYEE ENGAGEMENT**



Bi-monthly town halls

We ensure an open and two-way communication channels, are made available to all employees through various initiatives. Town hall meetings are held monthly at the corporate office and quarterly at factory site, as one of the many platforms, to provide employees with business-related updates and to facilitate better understanding of the Company's objectives and direction. In addition, senior executives continuously engage with employees through workshops, to enhance cross-functional alignment in the execution of the Company's strategies and plans. In 2019, DLMI continued the roll out of quarterly employee surveys such as the WIN-WIN Survey and the RFC employee survey, Over2You to gauge the transformation impact, mindset and behaviour. Furthermore, the gradual move towards a more agile way of working was encouraged by the Management Team.

Employees have access to a shared portal on the Intranet, where they can gain latest information on the Company and the RFC Group, as well as obtain necessary documents and schedules. Plant managers at the Operations Division have Daily Report Meetings every morning to keep each other informed of updates and relevant information.

Coherent with the Company's mission and to emphasise the spirit of winning together as a family, various activities have been carried out in 2019. Amongst others, The Perfect Attendance award was conducted to appreciate and recognise our factory employees who have consistently demonstrated their commitment in performing their job through excellent attendance record.

# SUSTAINABILITY REPORT

## Nourishing Minds Series

In 2019, DLMI introduced our Nourishing Minds session, an internal employee engagement initiative to provide continuous learning and enrichment for our employees. This initiative also provides DLMI employees with an opportunity to gain an “outside-in” perspective from influential Malaysian leaders and/or captains of industry who have played an instrumental role in the growth and prosperity of our nation to inspire and motivate the employees to help them grow, *inside and outside*.



Mac Chung Lynn, Group CEO Nandos Malaysia, Annemarike De Haan, Managing Director, Unilever Malaysia and Singapore and Dr Anthony Dass, Ambank Group Chief Economist and Head of Research invited to inspire DLMI employees through the series

And in continuation of our support for educational excellence, an Education Excellence Award was presented to children of employees who have shown commendable excellence in their examinations. In 2019, there were a total of 16 Education Excellence Award recipients, who were recognised by DLMI for their outstanding performance in their examinations.

## SAFETY, HEALTH AND ENVIRONMENT REMAINS OUR NO 1 PRIORITY



In 2019, DLMI achieved 2 main KPI in Safety, Health and Environment:

1. ZERO LTA (Lost Time Accidents) - 518 days without LTA
2. 0.47 TRFR (Total Recordable Frequency Rate) - Achieved 0.15 TRFR with 2 recordable only

2. DLMI migrated ISO Management System to ISO14001:2015 successfully and recertified OHSAS18001:2007
3. DLMI scored 5 (highest) in both Ergonomics and Chemicals in SoHELP programme from DOSH

Safety incidences were reduced through these efforts:

1. Safety Leadership and Commitment - Leaders provide weekly safety dialogue through Process Confirmation and Worksite Safety Inspection. Safety sharing is mandatory and standard process in DILO/WILO (Day In Life Off/Weak In Life Off).
2. Online Reporting System (ORS) - A digitalised Safety Observation Reporting System has been launched to ease the reporting process. Our employees now share and report the near-misses, unsafe condition and behaviour observation through Apps in anytime and anywhere. We received a total 172 safety interventions and 525 near-misses reports from people in operations over the year.
3. One Day One Leak (ODOL) Programme - Production and Engineering teams actively do daily Gemba for leak checking.
4. Staircase Management - Anti-slip hazardous tapes and handrails (both sided) have been installed on all platform ladder and staircase.

Year	No of incidences	No of LTA	No of Fatal Accidents
2019	2 Cases	0	0
2018	2 Cases	1	0
2017	3 cases	1	0
2016	7 cases	0	0
2015	9 cases	0	0

DLMI received few rewards and recognition in Safety, Health and Environment in year 2019

1. DLMI scored 9 (out of 10) in Production @ Risk Global Audit. We are the one of the highest achiever among Royal Frieslandcampina in fire safety management and compliance







5. Root Cause Analyse (RCA) - All first aid cases and frequent reported near misses are investigated with RCA for further corrective and preventive actions.
6. Training and communication - Defensive Driving Course is provided to all field based and road traveling staffs in Sales & Marketing and Defensive Driving/Riding Talk to all office and operation based staff; L.O.V.E. (Look-Ahead/Observed/Visible/Escape) Concept is implemented to all staffs.
7. Managing Rule Breaking System - Strengthen Life Saving Rule (LSR) Consequences Management System.
8. Work Permit & Last Minute Risk Assessment (LRMA) - Strengthen the Work Permit process by implementing 5 Lines of Defence in each non-routine work.
  - a) All non-routine jobs are discussed a day in advance for risk migration and manpower & resources planning.
  - b) All high risk jobs shall be supervised by a Safety Site Supervisor (SSS) or Safety & Health Officer (SHO).
  - c) LMRA shall be executed by DLMI job owner, DLMI area owner, SSS/SHO and contractor before job starting and resuming after lunch.
  - d) Work Permit and LMRA will be verified by DLMI SHE SMEs and sign-off for the job approval.
  - e) Worksite Safety Inspection (WSI) will be carried out by SSS/SHO and assigned Managers throughout the in progress work.

The Company also focused in Technical Safety, Social Performance, Health and Environment Improvement with the programmes and initiatives below:

**Technical Safety**

- Total 17 sets of LOTOTO Mapping and Instruction have been developed for all production area, warehouse and lab
- Total 65 units of machines in Utilities have been assessed with machine safety risk assessment

**Social Performance**

- Manage egress traffic to reduce safety risk and congestion issues for communities, neighbour and public

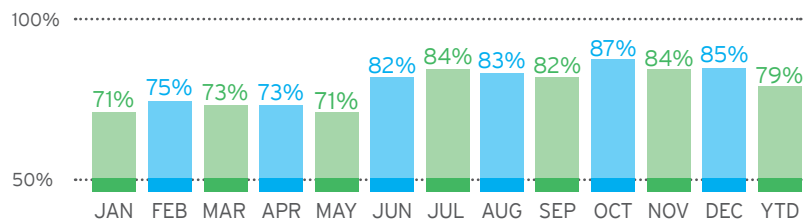
**Health**

- We actively engage employees with wellness programmes such as Health Talk, Ergonomics Talk, Futsal, Badminton, Zumba and Blood Donation.
- Noise monitoring programmes are provided with noise audiometric and impairing

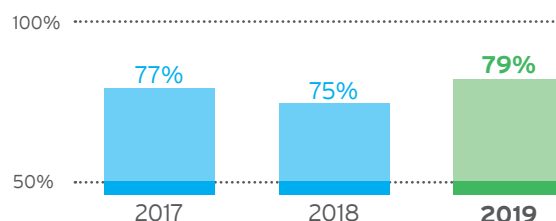
**Environment**

- DLMI introduced a 3R (Reuse, Reduce & Recycle) programme to reduce landfill waste. We have successfully improved Non-Landfill waste from 71% in January 2019 to 85% in December 2019. The highest achievement is 87% in October 2019
- On average, we achieved 79% of Non-Landfill waste on our total dispose

**Total Non-Landfilled 2019**



**Non-Landfilled (2017-2019)**



# SUSTAINABILITY REPORT

I) Activities implemented for 3R Programme:



## Reuse

All foods prepared for meetings and trainings are served in reusable trays, plates and utensils; stop using shoe covers for visitor by providing visitor's shoes to the production section

## Reduce

Reduce using single-used plastics by providing mug and tumbler to employees

## Recycle

Further recycle shredder waste and general waste through waste segregation campaign and education

## Activities planned and to be implemented in year 2020

Manage printouts; digitalisation; replace hand towels with hand dryer; recycle single use hair nets, food waste, electronic items and batteries

We believe in Zero accidents. DLMI recognises the importance of Occupational Safety and Health, Environmental protection and the conservation of natural resources. We believe all accidents and incidents can be prevented and should be avoided at all cost.

We are therefore committed to the 'I AM SAFE' policy:



**INTERVENTION.** All employee, contractor, supplier and visitor should intervene when observing unsafe behaviour or situations



**ASSURING.** Ensure compliance with all relevant legal requirements, industry standards, FrieslandCampina standard and Life-Saving Rules



**MANAGEMENT SYSTEM.** A systematic approach to enhance our Occupational Safety, Fire Safety, Occupational Health, Environment, Sustainability and Security performance through continuous improvements and external benchmarking.



**SUPERVISION.** All Leaders should demonstrate visibility and commitment to Safety, Health, Environment, Sustainability and Security.



**ACADEMY.** Train our employees, contractors, suppliers and visitors to ensure they fully understand the rules and compliances, and behave accordingly



**FOCUS.** Maintain all equipment and assets to ensure the highest level of operational safety, health, environment and improve energy & water efficiency



**ENGAGEMENT.** Engage effectively with employees, public, neighbours and nearby communities, impacted by the nature, scale of our activities, products and services to the environment

Safety, Health & Environment remains the 1<sup>st</sup> priority for DLMI and everyone in DLMI shall react pro-actively to maintain a safe work place and take care of each other safety and ill health.





## TRAINING & DEVELOPMENT

Our employees are vital to our sustainable success. We aim to grow global leaders equipped with the knowledge and skills to keep us at the forefront of the industry. We are passionate about talent management and development, which encompasses, on-the-job training, mentorship programmes, specific skill development programmes, performance improvement plans and job realignment programmes, that enable employees to learn and grow in the organisation.

Being a progressive and team-based organisation, our commitment to human capital growth, leadership and development extends within the region via our functional academies and globally, through RFC's leadership programmes, enabled by FrieslandCampina Academy. FrieslandCampina Academy enables the RFC Group to influence talent as an accelerator for achieving business results.

Our local employees have been selected to participate in the Friesland Campina Learn to Grow Programmes, enabling them an opportunity to grow within the RFC Group and develop into the next class of high potential leaders, within the organisation. The employees of DLMI that participated in these leadership programmes have been placed on either short- or long-term assignments in RFC Group's global offices. We also offered some key common functional training.

We are dedicated in investing towards the growth and development of our employees. DLMI obtained a total of 771 training man-days from 65 training programmes completed by our employees throughout the year in 2019. The training programmes were accomplished by employees at all job grade levels, including the unionised employees. We had also established a set of compulsory syllabus for all new employees to learn and adapt, in order to ensure a seamless assimilation into our working culture. This was an impetus for us to strive for greater achievements and continuously building our talent pool.

An overview of training hours invested on developing our employees over the last three years:

Year	Total Training Hours for Executives (JG10 and above)	Total Training Hours for Non-Executives (Below JG10)
2019	4,128	2,036
2018	3,536	2,944
2017	4,124	1,604

## NURTURING TALENT

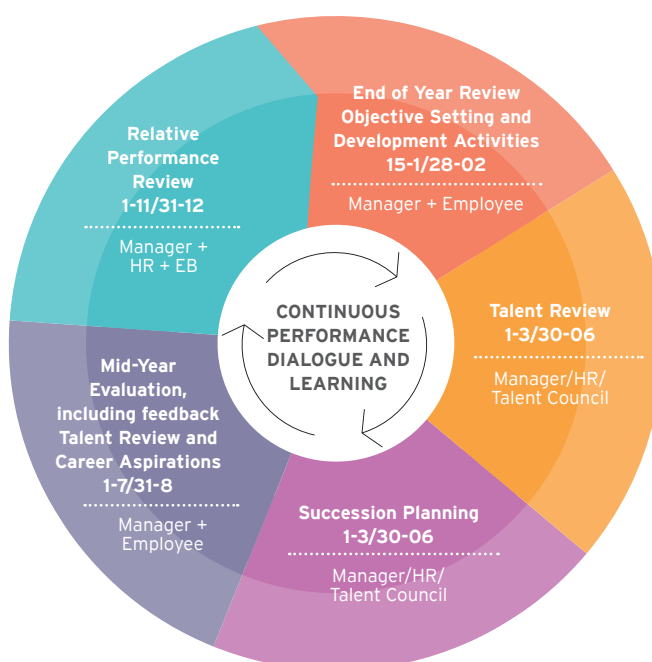
DLMI understands that the future lies in the hands of the younger generation of our workforce. We place great importance on cultivating and nurturing the future generation with the right skills, knowledge and values that are essential to shaping a brighter tomorrow.

Our business environment and commercial demands are constantly evolving, therefore our ability as an organisation to adapt, achieve and stay ahead of the game, is influenced by the development and growth, of all our people.

In 2015, FrieslandCampina introduced the Global Talent Management Cycle in line with the Performance Management framework. The processes within the cycle have been 'e-enabled' through its Talent and Learning Management system used by RFC worldwide as a platform that offers support in all talent, performance and learning activities for employees worldwide.

Through the Talent Review process, the organisation determines the potential of each employee. The outcome of this discussion is the starting point to discuss possible next steps and the readiness for that specific employee. This results into Succession Planning, which is the structured process of identifying possible successors, and their readiness, for pivotal (i.e. critical) positions in the Company.

### Global Talent Management Cycle







# STAYING SAFE IN EVERY WAY

We uphold stringent safety processes and standards throughout our service value chain to ensure that our people, contractors, visitors, customers and products remain safe and protected at all times. Beyond physical safety, we are focused on creating conducive work environments that prioritise fair practices, equal opportunities and respectful communication.

# DIRECTORS' REPORT

for the financial year ended 31 December 2019

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2019.

## DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Zainal Abidin bin Putih	
Saw Chooi Lee	
Bernardus Hermannus Maria Kodden	
Tarang Gupta	
Dato' Dr Rosini Alias	
Tengku Nurul Azian Tengku Shahrman	
Boey Tak Kong	(Retired on 26 April 2019)
Jurgen Sandmann	(Resigned 19 July 2019)
Datin Seri Sunita Mei-Lin Rajakumar	(Appointed 27 February 2019)
Jean Serge Krol	(Appointed 19 July 2019)

In accordance with Article 93(a) of the Company's Constitution, Ms. Saw Chooi Lee, Mr. Bernardus Hermannus and Mr. Tarang Gupta shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

In accordance with Article 96 of the Company's Constitution, Tengku Nurul Azian binti Tengku Shahrman, Datin Seri Sunita Mei-Lin Rajakumar and Mr. Jean Serge Krol who were appointed since the date of the last report, shall retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

Dato' Zainal Abidin bin Putih has served as an Independent Non-Executive Director of the Company for cumulative term of more than ten (10) years. The Board has assessed and concluded that Dato' Zainal Abidin bin Putih has fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus he would be able to function as check and balance and brings with them an element of objectivity to the Board. As such, approval will be sought at the forthcoming Annual General Meeting of the Company for Dato' Zainal Abidin bin Putih, to continue to act as an Independent Non-Executive Director of the Company.

## PRINCIPAL ACTIVITIES

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. The Company markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso Gold and Dutch Lady PureFarm. There has been no significant change in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	RM'000
Net profit for the year	<b>102,958</b>

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## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year. Under the Company's Constitution, the Directors are not required to hold any shares in the Company.

## DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a first interim ordinary dividend of 50.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM32,000,000 in respect of the financial year ended 31 December 2019 on 17 May 2019; and
- ii) a second interim ordinary dividend of 50.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM32,000,000 in respect of the financial year ended 31 December 2019 on 24 December 2019.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2019.

# DIRECTORS' REPORT

for the financial year ended 31 December 2019

## DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 15 to the financial statements.

## INSURANCE EFFECTED FOR DIRECTORS

During the financial year, the total amount of insurance effected for Directors of the Company is RM7,563.

## HOLDING COMPANIES

The immediate and ultimate holding companies are FrieslandCampina DLMI Malaysia Holding BV and Royal FrieslandCampina NV respectively. Both companies are incorporated in the Netherlands.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report:
- (i) there are no charges on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liabilities in the Company which have arisen since the end of the financial year.



**OTHER STATUTORY INFORMATION (CONTINUED)**

- (d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
  - (i) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 14 to the financial statements.

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 25 February 2020.

Signed on behalf of the Board of Directors:

**Tarang Gupta**

Petaling Jaya  
25 February 2020

**Jean Serge Krol**

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
<b>Assets</b>			
Property, plant and equipment	3	123,482	122,297
Right-of-use assets	4	3,977	-
Intangible assets	5	1,675	2,956
<b>Total non-current assets</b>		<b>129,134</b>	125,253
Inventories	6	135,024	131,050
Trade and other receivables	7	112,852	112,381
Prepayments		5,052	3,819
Cash and bank balances	8	61,532	32,109
Derivative financial assets	9	-	190
<b>Total current assets</b>		<b>314,460</b>	279,549
<b>Total assets</b>		<b>443,594</b>	404,802
<b>Equity</b>			
Share capital	10	64,000	64,000
Retained earnings		80,417	41,459
<b>Total equity</b>		<b>144,417</b>	105,459
<b>Liabilities</b>			
Lease liabilities	4	340	-
Deferred tax liabilities	11	6,794	6,539
<b>Total non-current liabilities</b>		<b>7,134</b>	6,539
Trade and other payables	12	264,928	266,388
Provision	13	207	191
Current tax liabilities		7,663	9,994
Bank overdraft	8	16,724	15,172
Lease liabilities	4	634	-
Derivative financial liabilities	9	1,887	1,059
<b>Total current liabilities</b>		<b>292,043</b>	292,804
<b>Total liabilities</b>		<b>299,177</b>	299,343
<b>Total equity and liabilities</b>		<b>443,594</b>	404,802

# STATEMENT OF **PROFIT OR LOSS** AND OTHER **COMPREHENSIVE INCOME**

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
<b>Revenue from contracts with customers - sales of goods recognised point in time</b>		<b>1,066,662</b>	1,048,568
Cost of sales		<b>(661,942)</b>	(632,317)
<b>Gross profit</b>		<b>404,720</b>	416,251
Other income		<b>3,371</b>	10,494
Distribution expenses		<b>(168,191)</b>	(162,522)
Administrative expenses		<b>(28,156)</b>	(28,764)
Other expenses		<b>(70,902)</b>	(61,594)
<b>Results from operating activities</b>		<b>140,842</b>	173,865
Interest income		<b>455</b>	858
Finance costs		<b>(3,697)</b>	(3,431)
<b>Profit before tax</b>	14	<b>137,600</b>	171,292
Tax expense	16	<b>(34,642)</b>	(41,843)
<b>Net profit for the financial year/Total comprehensive income for the financial year</b>		<b>102,958</b>	129,449
<b>Basic and diluted earnings per ordinary share (sen)</b>	17	<b>160.9</b>	202.3

## STATEMENT OF **CHANGES IN EQUITY**

for the financial year ended 31 December 2019

	Note	Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2018</b>		64,000	40,010	104,010
Net profit/Total comprehensive income for the financial year		-	129,449	129,449
Dividends to owners of the Company	18	-	(128,000)	(128,000)
<b>At 31 December 2018/1 January 2019</b>		<b>64,000</b>	<b>41,459</b>	<b>105,459</b>
Net profit/Total comprehensive income for the financial year		-	<b>102,958</b>	<b>102,958</b>
Dividends to owners of the Company	18	-	<b>(64,000)</b>	<b>(64,000)</b>
<b>At 31 December 2019</b>		<b>64,000</b>	<b>80,417</b>	<b>144,417</b>

Note 10

# STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers and other receivables		<b>1,068,445</b>	1,057,103
Cash paid to suppliers and employees		<b>(913,940)</b>	(896,760)
<b>Cash generated from operations</b>		<b>154,505</b>	160,343
Income tax paid		<b>(36,718)</b>	(39,893)
<b>Net cash from operating activities</b>		<b>117,787</b>	120,450
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	<b>(19,846)</b>	(34,263)
Purchase of intangible assets	5	<b>(192)</b>	(15)
Proceeds from disposal of property, plant and equipment		<b>73</b>	-
Interest received		<b>455</b>	857
<b>Net cash used in investing activities</b>		<b>(19,510)</b>	(33,421)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(3,640)</b>	(3,431)
Dividends paid	18	<b>(64,000)</b>	(128,000)
Payment for principal portion of lease liabilities	20	<b>(2,766)</b>	-
<b>Net cash used in financing activities</b>		<b>(70,406)</b>	(131,431)
Net increase/(decrease) in cash and cash equivalents		<b>27,871</b>	(44,402)
Cash and cash equivalents at 1 January		<b>16,937</b>	61,339
<b>Cash and cash equivalents at 31 December</b>	8	<b>44,808</b>	16,937

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

The reconciliation of movement of liabilities to cash flows arising from financing activities are as follows:

	Lease Liabilities RM'000	Total RM'000
<b>Balance at 1 January 2019</b>		
Effect on the adoption of MFRS 16	<b>3,683</b>	<b>3,683</b>
<u>Changes from financing cash flow</u>		
Non-cash changes:		
Interest portion of lease payments	<b>57</b>	<b>57</b>
Cash flows:		
Repayment of lease liabilities	<b>(2,766)</b>	<b>(2,766)</b>
Total changes from financing cash flow	<b>(2,766)</b>	<b>(2,766)</b>
<b>Balance at 31 December 2019</b>	<b>974</b>	<b>974</b>

### NOTE TO THE STATEMENT OF CASH FLOWS

Interest paid shown in cash flows from financing activities arose from interest paid to a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution.

# NOTES TO THE **FINANCIAL STATEMENTS**

Dutch Lady Milk Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

**Principal place of business/Registered office**

Level 5, Quill 9  
No 112, Jalan Prof. Khoo Kay Kim  
46300 Petaling Jaya  
Selangor Darul Ehsan

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. The Company markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso Gold and Dutch Lady PureFarm.

These financial statements were authorised for issue by the Board of Directors on 25 February 2020.

## 1. **BASIS OF PREPARATION**

### (a) **Statement of compliance**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Amendments to MFRS 112 'Income Taxes'

The Company has adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in the following:

#### MFRS 16: Simplified retrospective transition method

The Company has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

#### MFRS 16: Simplified retrospective transition method (continued)

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 when the company is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information was continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

#### The Company as a lessee

#### Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of-use ("ROU") assets were measured on a retrospective basis as if the new requirements has always been applied.

In applying MFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;

#### Impact of change in accounting policies

The impact noted on the initial application of MFRS 16 is immaterial, hence no adjustment was made to the opening balance of retained earnings as at 1 January 2019.

#### Measurement of lease liabilities on 1 January 2019

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged from 2.38% to 3.30% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments disclosed as at 31 December 2018	3,962
Discounted using the lessee's incremental borrowing rate of at the DIA	(100)
(Less):	
Short-term leases recognised on a straight-line basis as expense	(72)
Low-value leases recognised on a straight-line basis as expense	(107)
<hr/> Lease liabilities recognised as at 1 January 2019	<hr/> 3,683
Of which are:	
Current lease liabilities	2,832
Non-current lease liabilities	851
<hr/>	<hr/> 3,683



## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

### (b) Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (CONTINUED)

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed below.

#### (i) Trade spend accruals

Trade spend accruals of RM40.2 million (2018: RM24.9 million), which consists primarily of trade rebates and promotional discounts, are based on agreed trading terms and promotional activities with trade customers and distributors. Trade spend accruals are recognised under the terms of these agreements, to reflect the expected rebates, promotional activities and historical experience. These accruals are reported within Trade and Other Payables under Trade Payables (Note 12). The estimates for these accruals are regularly reviewed by senior management of the Company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

#### (a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

#### (b) Financial assets

##### *Classification*

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss,
- and those to be measured at amortised cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Financial assets

#### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### *Initial Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

#### *Subsequent measurement*

### (i) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(expenses) in the period in which it arises.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Financial assets (continued)

##### *Impairment*

The Company assesses on a forward looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has the following debt instrument that is subject to the ECL model:

- Trade receivables
- Other receivables and deposits
- Intercompany receivables

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the Company applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, deposits and non-trade intercompany receivables, the Company applies the general three-stage approach to determine the ECL.

##### *Significant increase in credit risk*

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Financial assets (continued)

*Significant increase in credit risk (continued)*

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

*Definition of default and credit-impaired financial assets*

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Company defines a financial instrument as default, when the counterparty fails to make contractual payment, as per the credit terms ranging from 1 to 60 days, when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Financial assets (continued)

*Groupings of instruments for ECL measured on collective basis*

(i) Collective assessment

To measure ECL, trade receivables arising from manufacturing and distribution of dairy product business have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

*Write-off*

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments. Assessment on debtor's recoverability will be performed by management on a case by case basis.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables, deposits and non-trade intercompany receivables

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

#### (c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, import duties and any non-refundable purchase taxes and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Property, plant and equipment (continued)

##### (iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

- buildings 10 - 25 years
- plant and machinery 5 - 33 years
- motor vehicles 5 years
- furniture and equipment 5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted as appropriate.

##### Accounting policies applied from 1 January 2019

From 1 January 2019, leasehold land is presented under right-of-use assets in statement of financial position. See accounting policy Note 2(e) on right-of-use assets for these assets.

##### Accounting policies applied until 31 December 2018

Until 31 December 2018, leasehold land under lease arrangement classified as operating lease (refer to accounting policy Note 2(e) on operating leases applied until 31 December 2018) is amortised over the lease term of the land, ie less than 50 years.

##### (iv) Impairment

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of non-current assets.

#### (e) Leases - Accounting by lessee

##### Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

##### (i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to 2 (e)(iv) below).



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leases - Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

#### (ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

#### (iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Leased assets (continued)

Accounting policies applied from 1 January 2019 (continued)

##### (iii) Lease liabilities (continued)

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

##### (iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

##### (v) Short-term leases and leases of low-value assets

The Company has elected not to recognise a lease liability for short term leases (leases expected term of 12 months or less) or for lease of low value assets. Payment made under such leases are expensed on a straight-line basis in profit or loss.

In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

Accounting policies on lessee accounting applied until 31 December 2018

##### (i) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Intangible assets

#### (i) Computer software

Computer software that is acquired by the Company, which has finite useful life, is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Costs that are directly associated with identifiable computer software and that will probably generate economic benefits exceeding cost beyond one year or cost savings to the Company and are not integral to other equipment are recognised as intangible assets. These costs include the employee costs of software development and an appropriate portion of relevant overheads.

#### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### (iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful life of computer software for the current and comparative periods is 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

### (g) Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Impairment of non-current assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

#### (h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the statement of financial position, banks overdrafts are shown in current liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Share capital

#### *Classification*

Ordinary shares with discretionary dividends are classified as equity.

#### *Dividend distribution*

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

### (k) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Trade payables

Trade payables represent liabilities for goods or services provided to the Company prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

#### (m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Company expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

#### (n) Revenue from contracts with customers and other income

##### Revenue from contracts with customers

#### (i) Goods sold

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The dairy products are often sold with trade discounts and volume rebates based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated trade discounts and volume rebates. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term ranging from 1 to 60 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Revenue from contracts with customers and other income (continued)

#### Revenue from contracts with customers (continued)

##### (ii) Accounting for customer loyalty programme

Under MFRS 15, the total consideration is allocated to the points and goods sold based on the relative stand-alone selling prices. Using this method, a contractual liability is recognised in relation to the customer loyalty programme amounting to RM340,423 (2018: RM369,000) and a corresponding reduction of the sales revenue in the income statement.

No significant changes to estimation techniques or assumptions were made during the reporting period.

##### (iii) Accounting for refunds

The Company is obliged to refund the purchase price of the product sold in situations where the customer has a contractual right to return the product within a given period. The Company recognised refund liability for returns which was measured on a net basis at the margin on the sale and the corresponding entry to revenue.

Under MFRS 15, a refund liability for the expected refunds to customers is recognised as an adjustment to revenue and classified as part of the 'trade and other payable' balances.

#### Other income

##### (i) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (o) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## NOTES TO THE **FINANCIAL STATEMENTS**

### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(p) Earnings per ordinary share**

The Company presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### **(q) Operating segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. An operating segment’s operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

#### **(r) Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique.



### 3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2018		5,639	65,358	116,514	997	18,607	29,573	236,688
Additions		-	-	-	-	-	34,263	34,263
Written off		-	-	-	(333)	-	-	(333)
Transfers		-	1,104	12,276	-	13,512	(26,892)	-
Transfer from intangible assets	5	-	-	-	-	179	-	179
At 31 December 2018/ 1 January 2019		5,639	66,462	128,790	664	32,298	36,944	270,797
Transfer to ROU assets (effect on the adoption of MFRS 16)	4	(5,639)	-	-	-	-	-	(5,639)
		-	66,462	128,790	664	32,298	36,944	265,158
Additions		-	-	-	-	-	19,846	19,846
Disposal		-	-	(6,588)	(74)	(161)	-	(6,823)
Transfers		-	-	17,075	-	6,554	(23,629)	-
Transfer to intangible assets	5	-	-	-	-	-	(27)	(27)
At 31 December 2019		-	<b>66,462</b>	<b>139,277</b>	<b>590</b>	<b>38,691</b>	<b>33,134</b>	<b>278,154</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
<b>Depreciation and impairment loss</b>							
At 31 December 2017/ 1 January 2018							
Accumulated depreciation	2,534	37,998	73,549	706	11,782	-	<b>126,569</b>
Accumulated impairment loss	-	-	2,427	-	-	6,893	<b>9,320</b>
	2,534	37,998	75,976	706	11,782	6,893	<b>135,889</b>
Depreciation for the year	75	3,052	6,017	50	3,612	-	<b>12,806</b>
Written off	-	-	-	(195)	-	-	<b>(195)</b>
At 31 December 2018/ 1 January 2019							
Accumulated depreciation	2,609	41,050	79,566	561	15,394	-	<b>139,180</b>
Accumulated impairment loss	-	-	2,427	-	-	6,893	<b>9,320</b>
	2,609	41,050	81,993	561	15,394	6,893	<b>148,500</b>
Transfer to ROU assets (effect on the adoption of MFRS 16) (Note 4)	(2,609)	-	-	-	-	-	<b>(2,609)</b>
Depreciation for the year	-	2,893	7,116	55	5,540	-	<b>15,604</b>
Disposal	-	-	(6,588)	(74)	(161)	-	<b>(6,823)</b>
At 31 December 2019							
Accumulated depreciation	-	43,943	80,094	542	20,773	-	<b>145,352</b>
Accumulated impairment loss	-	-	2,427	-	-	6,893	<b>9,320</b>
	-	43,943	82,521	542	20,773	6,893	<b>154,672</b>
<b>Carrying amounts</b>							
At 31 December 2018	3,030	25,412	46,797	103	16,904	30,051	<b>122,297</b>
At 31 December 2019	-	22,519	56,756	48	17,918	26,241	<b>123,482</b>

- (a) Included in property, plant and equipment of the Company are fully depreciated assets, which are still in use, with an aggregate cost of approximately RM68,643,428 (2018: RM68,049,897).

#### 4. RIGHT-OF-USE ASSETS

##### The Company as a lessee

##### (i) Information about ROU assets, lease liabilities, expenses and cash flows related to leases:

	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and equipment RM'000	Total RM'000
<u>ROU</u>					
At 1 January 2019	-	-	-	-	-
Effect on the adoption of MFRS 16:					
- ROU asset	-	1,648	160	1,875	<b>3,683</b>
- Transfer from property, plant and equipment (Note 3)	5,639	-	-	-	<b>5,639</b>
	5,639	1,648	160	1,875	<b>9,322</b>
Derecognition	-s	(34)	(160)	(549)	<b>(743)</b>
At 31 December 2019	5,639	1,614	-	1,326	<b>8,579</b>
<u>Accumulated depreciation charge</u>					
At 1 January 2019	-	-	-	-	-
- Transfer from property, plant and equipment (effect on the adoption of MFRS 16) (Note 3)	2,609	-	-	-	<b>2,609</b>
	2,609	-	-	-	<b>2,609</b>
Depreciation for the year	76	1,394	160	1,106	<b>2,736</b>
Derecognition	-	(34)	(160)	(549)	<b>(743)</b>
At 31 December 2019	2,685	1,360	-	557	<b>4,602</b>
<u>Carrying amounts</u>					
At 31 December 2019	2,954	254	-	769	<b>3,977</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4. RIGHT-OF-USE ASSETS (CONTINUED)

#### The Company as a lessee (continued)

##### (i) Information about ROU assets, expenses, lease liabilities and cash flows related to leases (continued):

Lease liabilities are presented in the statement of financial position as follows:

	2019 RM'000
Balance at 1 January 2019 (effect on the adoption of MFRS 16)	<b>3,683</b>
Interest charged during the year	<b>57</b>
Repayment of lease liability	<b>(2,766)</b>
	<b>974</b>

Lease liabilities are presented in the statement of financial position as follows:

	2019 RM'000
Current liabilities	<b>634</b>
Non-current liabilities	<b>340</b>
	<b>974</b>

	RM'000
Interest expense	<b>57</b>
Lease payments not recognised as liability:	
Expense related to low value leases	<b>454</b>
Expense related to short-term leases	<b>2,487</b>
Expense related to variable leases	<b>930</b>
Non-lease components	<b>767</b>
Total cash outflow for leases (included in cash flows from operating activities)	<b>4,638</b>

#### 4. RIGHT-OF-USE ASSETS (CONTINUED)

##### **The Company as a lessee (continued)**

##### **(ii) The Company's leasing activities and how these are accounted for**

Leasehold land relates to the lease of land with unexpired lease period of less than 50 years for the Company's factory buildings, office complex and warehouse located in Petaling Jaya. The lease will expire in 2059 and the Company does not have an option to purchase the leased land at the expiry of the lease period.

The Company leases various offices, motor vehicles, plant and equipment, and office equipment. Rental contracts are typically made for fixed periods of 1 to 7 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

##### **(iii) Variable lease payment**

No variable lease payments were made for leases recognised under MFRS16.

##### **(iv) Extension and termination options**

Extension and termination options are included in a number of equipment leases across the Company. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide the Company with greater flexibility to align its need for access to equipment with the fulfilment of customer contracts.

In cases in which the Company is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INTANGIBLE ASSETS

	Note	Computer software RM'000	Capital work-in progress RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2018		15,890	631	<b>16,521</b>
Additions		-	15	<b>15</b>
Transfers		432	(432)	<b>-</b>
Transfer to property, plant and equipment	3	-	(179)	<b>(179)</b>
At 31 December 2018/1 January 2019		16,322	35	<b>16,357</b>
Additions		-	192	<b>192</b>
Transfers		220	(220)	<b>-</b>
Transfer from property, plant and equipment	3	27	-	<b>27</b>
At 31 December 2019		16,569	7	<b>16,576</b>
<b>Amortisation</b>				
At 1 January 2018				
Accumulated amortisation		11,843	-	<b>11,843</b>
Amortisation for the year		1,558	-	<b>1,558</b>
At 31 December 2018/1 January 2019				
Accumulated amortisation		13,401	-	<b>13,401</b>
Amortisation for the year		1,500	-	<b>1,500</b>
At 31 December 2019				
Accumulated amortisation		14,901	-	<b>14,901</b>
<b>Carrying amounts</b>				
At 31 December 2018		2,921	35	<b>2,956</b>
At 31 December 2019		1,668	7	<b>1,675</b>

## 6. INVENTORIES

	2019 RM'000	2018 RM'000
At cost:		
Finished goods	<b>69,547</b>	66,481
Raw materials	<b>52,402</b>	49,712
Packaging materials	<b>12,234</b>	13,932
Spare parts	<b>841</b>	925
	<b>135,024</b>	131,050
Recognised in profit or loss:		
Inventories recognised as cost of sales	<b>572,673</b>	590,927
Provision for obsolescence of inventories, included in cost of sales	<b>777</b>	1,038

## 7. TRADE AND OTHER RECEIVABLES

	Note	2019 RM'000	2018 RM'000
<b>Trade</b>			
Trade receivables		<b>100,237</b>	99,974
Less: Loss allowance	7.1	<b>(444)</b>	(4,519)
Net trade receivables		<b>99,793</b>	95,455
Amounts owing by related companies	7.2	<b>4,118</b>	9,732
		<b>103,911</b>	105,187
<b>Non-trade</b>			
Other receivables		<b>6,952</b>	5,160
Deposits		<b>1,989</b>	2,034
		<b>8,941</b>	7,194
		<b>112,852</b>	112,381

7.1 The movements in the loss allowance of trade receivables during the financial year is disclosed in Note 22.4.

7.2 The credit terms of amounts owing by related companies are ranged from 0 to 30 days (2018: 0 to 30 days).

## NOTES TO THE FINANCIAL STATEMENTS

### 8. CASH AND BANK BALANCES

	2019 RM'000	2018 RM'000
Cash and cash at bank	<b>33,532</b>	32,109
Deposits placed with licensed banks	<b>28,000</b>	-
Cash and bank balances	<b>61,532</b>	32,109

The deposits placed with licensed banks in 2019, with interest rates ranging from 1.90% to 2.95% per annum and have maturity periods ranging from 3 to 31 days.

Bank balances are held at call with licensed banks and earn no interest.

(a) Cash and cash equivalents comprise:

	2019 RM'000	2018 RM'000
Cash and bank balances	<b>61,532</b>	32,109
Bank overdraft	<b>(16,724)</b>	(15,172)
	<b>44,808</b>	16,937

Bank overdraft is unsecured and bears interest rate at the rate of 2.62% (2018: 2.31%) per annum.

### 9. DERIVATIVE FINANCIAL ASSET/(LIABILITIES)

	2019			2018		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	<b>115,176</b>	-	<b>(1,887)</b>	120,132	190	(1,059)

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



## 10. SHARE CAPITAL

	Amount 2019 RM'000	Number of shares 2019 '000	Amount 2018 RM'000	Number of shares 2018 '000
Issued and fully paid:				
Ordinary shares with no par value	<b>64,000</b>	<b>64,000</b>	64,000	64,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

## 11. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	-	-	<b>(8,833)</b>	(8,533)	<b>(8,833)</b>	(8,533)
Inventories	<b>601</b>	414	-	-	<b>601</b>	414
Receivables	<b>113</b>	149	-	-	<b>113</b>	149
Provisions	<b>1,069</b>	1,325	-	-	<b>1,069</b>	1,325
Payables	-	-	<b>(214)</b>	(103)	<b>(214)</b>	(103)
Other items	<b>470</b>	209	-	-	<b>470</b>	209
Deferred tax assets/(liabilities)	<b>2,253</b>	2,097	<b>(9,047)</b>	(8,636)	<b>(6,794)</b>	(6,539)

### Movement in temporary differences during the year

	At 1.1.2018 RM'000	Recognised in profit or loss RM'000	At 31.12.2018/ 1.1.2019 RM'000	Recognised in profit or loss RM'000	At 31.12.2019 RM'000
Property, plant and equipment	(8,239)	(294)	<b>(8,533)</b>	<b>(300)</b>	<b>(8,833)</b>
Inventories	165	249	<b>414</b>	<b>187</b>	<b>601</b>
Receivables	8	141	<b>149</b>	<b>(36)</b>	<b>113</b>
Provisions	812	513	<b>1,325</b>	<b>(256)</b>	<b>1,069</b>
Payables	(117)	14	<b>(103)</b>	<b>(111)</b>	<b>(214)</b>
Other items	763	(554)	<b>209</b>	<b>261</b>	<b>470</b>
	(6,608)	69	<b>(6,539)</b>	<b>(255)</b>	<b>(6,794)</b>

Note 16

Note 16

## NOTES TO THE FINANCIAL STATEMENTS

### 12. TRADE AND OTHER PAYABLES

	Note	2019 RM'000	2018 RM'000
<b>Trade</b>			
Amounts owing to related companies	12.1	<b>73,022</b>	64,777
Trade payables	12.2	<b>156,272</b>	144,865
		<b>229,294</b>	209,642
<b>Non-trade</b>			
Amounts owing to related companies	12.1	<b>4,958</b>	16,193
Accrued expenses		<b>29,954</b>	39,489
Other payables		<b>722</b>	1,064
		<b>35,634</b>	56,746
		<b>264,928</b>	266,388

12.1 The credit term of amounts owing to related companies are credit terms are ranged from 0 to 30 days (2018: 0 to 30 days).

12.2 Included in trade payables are contract liabilities in respect of the customer loyalty redemption points of RM340,423 (2018: RM369,000) and refund liability in respect of market returns of RM3,440,314 (2018: RM3,785,133).

### 13. PROVISION

	Employees' pension contribution	
	2019 RM'000	2018 RM'000
At 1 January	<b>191</b>	178
Addition during the year	<b>16</b>	13
At 31 December	<b>207</b>	191

#### Employees' pension contribution

Provision for employees' pension contribution reflects provisions made for additional contributions to be made to the statutory Employees Provident Fund that would vest upon unionised staff having completed five years of service. The provision has been made on the assumption that all relevant staff will complete their five year term and that therefore their benefits will vest in its entirety.

**14. PROFIT BEFORE TAX**

	2019 RM'000	2018 RM'000
<b>Profit before tax is arrived at after charging/(crediting):</b>		
Amortisation of intangible assets	<b>1,500</b>	1,558
Auditors' remuneration:		
- Statutory audit - current year	<b>106</b>	105
- Statutory audit - under accrual in prior year	<b>17</b>	-
- Other services	<b>20</b>	20
Depreciation of property, plant and equipment	<b>15,604</b>	12,806
Depreciation of ROU asset	<b>2,736</b>	-
Finance cost		
- Interest expense	<b>3,640</b>	3,431
- Finance charge arising from lease liabilities	<b>57</b>	-
Net loss/(gain) on derivatives	<b>1,017</b>	(2,311)
Net loss/(gain) on foreign exchange:		
- Realised	<b>2,241</b>	(2,705)
- Unrealised	<b>(864)</b>	(375)
Rental in respect of:		
- Premises	<b>587</b>	1,946
- Equipment	<b>3,957</b>	4,549
- Vehicles	<b>94</b>	564
Personnel expenses (including key management personnel):		
- Wages, salaries and others	<b>58,978</b>	50,545
- Contributions to state plans	<b>9,054</b>	8,385
Provision for obsolescence of inventories	<b>777</b>	1,038
(Reversal of)/Provision for impairment of trade receivables	<b>(122)</b>	566
Write off of property, plant and equipment	<b>-</b>	138
Gain on disposal of property, plant and equipment	<b>73</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

### 15. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2019 RM'000	2018 RM'000
Directors:		
- Fees	<b>498</b>	350
- Remuneration	<b>1,231</b>	1,136
- Compensation of loss of office	-	-
- Benefits-in-kind	<b>512</b>	401
	<b>2,241</b>	1,887
Other key management personnel:		
- Wages, salaries and others	<b>4,187</b>	3,318
- Contributions to state plans	<b>475</b>	365
	<b>4,662</b>	3,683
	<b>6,903</b>	5,570

Directors' remuneration includes salaries, allowance and all other Directors related expenses.

Other key management personnel comprise persons other than Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

### 16. TAX EXPENSE

#### Recognised in profit or loss

	Note	2019 RM'000	2018 RM'000
<b>Current tax expense</b>			
- current year		<b>34,490</b>	42,353
- over provision in prior year		<b>(103)</b>	(441)
		<b>34,387</b>	41,912
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	11	<b>255</b>	(69)
Total income tax expense		<b>34,642</b>	41,843

**16. TAX EXPENSE (CONTINUED)**

	2019 RM'000	2018 RM'000
<b>Reconciliation of tax expense</b>		
Profit before tax	<b>137,600</b>	171,292
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	<b>33,024</b>	41,110
Non-deductible expenses	<b>1,740</b>	2,124
Income not subject to tax	<b>(19)</b>	(950)
Over provision in prior year	<b>(103)</b>	(441)
	<b>34,642</b>	41,843

**17. EARNINGS PER ORDINARY SHARE****Basic and diluted earnings per ordinary share**

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2019	2018
Net profit for the year (RM'000)	<b>102,958</b>	129,449
Average number of ordinary shares in issue ('000)	<b>64,000</b>	64,000
Basic and diluted earnings per ordinary share (sen)	<b>160.9</b>	202.3

There are no potential dilutive ordinary shares in issue as at 31 December 2019 and 2018, and therefore, diluted earnings per share equal basic earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2019</b>			
Single tier first interim 2019 ordinary	<b>50.00</b>	<b>32,000</b>	<b>17.05.2019</b>
Single tier second interim 2019 ordinary	<b>50.00</b>	<b>32,000</b>	<b>24.12.2019</b>
Total amount		<b>64,000</b>	
<b>2018</b>			
Single tier first interim 2018 ordinary	50.00	32,000	25.05.2018
Single tier first special interim 2018 ordinary	60.00	38,400	25.05.2018
Single tier second interim 2018 ordinary	50.00	32,000	21.12.2018
Single tier second special interim 2018 ordinary	40.00	25,600	21.12.2018
Total amount		128,000	

### 19. OPERATING SEGMENTS

The Company operates principally in Malaysia and in one major business segment being manufacturing and distribution of a wide range of dairy products. The Company's Board of Directors (the chief operating decision maker) reviews internal management reports in respect of this segment at least on a quarterly basis.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

At the end of the financial year, there were no significant concentrations of revenue other than three major customers with net revenues of approximately RM354.3 million (2018: RM303.5 million) contributing approximately 33% (2018: 29%) of the net revenues in the financial statements.

## 20. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Company leases various vehicles, forklifts, machinery and premises. Rental contracts are typically made for a term of between 3 to 5 years and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreement does not impose any covenants, but lease assets may not be used as security for borrowing purposes.

### Accounting policies applied after 1 January 2019

From 1 January 2019, the Company has recognised right-of-use assets for these assets, except for short-term and low-value leases, see Note 1(a), Note 2(e) and Note 4 for further information.

### Accounting policies applied prior 1 January 2019

#### Operating Lease

Non-cancellable operating lease rentals are payable as follows:

	2019 RM'000	2018 RM'000
Less than one year	-	3,098
Between one and five years	-	864
	-	3,962

## 21. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The key management personnel compensation are shown in Note 15.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. RELATED PARTIES (CONTINUED)

#### Identity of related parties (continued)

The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 7 and Note 12.

	2019 RM'000	2018 RM'000
Management fee paid to immediate holding company		
- FrieslandCampina DLMI Malaysia Holding B.V.	<b>(99)</b>	(61)
Purchase of fully packed dairy products and raw materials from fellow subsidiaries		
- FrieslandCampina Nederland Holding B.V.	<b>(348,585)</b>	(350,660)
- P.T. Frisian Flag Indonesia	<b>(63,052)</b>	(33,238)
- FrieslandCampina Thailand	<b>(1,777)</b>	(13,363)
Sales of fully packed dairy products to fellow subsidiaries		
- FrieslandCampina Domo B.V.	<b>6,133</b>	6,634
- PAKEngroFoods - Engro Foods Limited	<b>150</b>	3,264
- FrieslandCampina (Singapore) Pte Ltd	<b>12,806</b>	13,100
Know-how, trademark license and management support fees paid to fellow subsidiary		
- FrieslandCampina Nederland B.V.	<b>(26,196)</b>	(25,668)
Information, communication and technology services paid to fellow subsidiary		
- FrieslandCampina Nederland Holding B.V.	<b>(15,557)</b>	(13,500)
Finance shared services paid to fellow subsidiary		
- FrieslandCampina Nederland Holding B.V.	-	(2,733)
- FrieslandCampina Service Centre Asia Pacific Sdn Bhd	<b>(2,821)</b>	-
Shared services fee received from fellow subsidiary		
- FrieslandCampina Service Centre Asia Pacific Sdn Bhd	<b>123</b>	116



## 22. FINANCIAL INSTRUMENTS

### 22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised costs ("AC"); and  
 (b) Fair value through profit or loss ("FVTPL"):

	Carrying amount 2019 RM'000	AC 2019 RM'000	FVTPL 2019 RM'000	Carrying amount 2018 RM'000	AC 2018 RM'000	FVTPL 2018 RM'000
<b>Financial assets</b>						
Trade and other receivables	112,852	112,852	-	112,381	112,381	-
Derivative financial assets	-	-	-	190	-	190
Cash and bank balances	61,532	61,532	-	32,109	32,109	-
	<b>174,384</b>	<b>174,384</b>	<b>-</b>	<b>144,680</b>	<b>144,490</b>	<b>190</b>
<b>Financial liabilities</b>						
Trade and other payables	(264,928)	(264,928)	-	(266,388)	(266,388)	-
Lease liabilities	(974)	(974)	-	-	-	-
Bank overdraft	(16,724)	(16,724)	-	(15,172)	(15,172)	-
Derivative financial liabilities	(1,887)	-	(1,887)	(1,059)	-	(1,059)
	<b>(284,513)</b>	<b>(282,626)</b>	<b>(1,887)</b>	<b>(282,619)</b>	<b>(281,560)</b>	<b>(1,059)</b>

### 22.2 Net gains and losses arising from financial instruments

	2019 RM'000	2018 RM'000
Net gains/(losses) from:		
Fair value through profit or loss	(1,017)	2,311
Financial assets measured at amortised costs	(2,201)	(1,103)
Financial liabilities measured at amortised cost	399	1,610
	<b>(2,819)</b>	<b>2,818</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.3 Financial risk management

The Company has exposure to the following risks relating to financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 22.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has adopted a policy of only dealing with creditworthy customers, based on evaluation of the customers' financial condition and credit history, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risk arises principally from its receivables from customers and related companies and deposits placed with licensed banks.

##### Trade receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company performs credit evaluations on customers requiring credit over a certain amount.

The Company has entered into an arrangement with a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. This has resulted in the financial institution assuming the debts to the Company and credit risk is effectively transferred to the financial institution.

A significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 60 days which are deemed to have higher credit risk, are monitored individually.

The Company's approach to the expected loss rates are based on the payment profiles of sales over a period of 60 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.4 Credit risk (continued)

#### Trade receivables (continued)

The Company has identified the GDP, retail volume growth and available historical data geo-economic stability of Malaysia, in which it sells most of its goods, to be the most relevant factors, and accordingly determine the historical loss rates based on expected changes in these factors. The expected loss rate is depicted in the table below:

Age profile	Not past due	Past due 1 - 7 days	Past due 7 - 14 days	Past due 14 - 30 days	Past due 31 - 90 days	Past due more than 90 days
%	0.01	0.10	1.00	1.50	2.5	10.00

No significant changes to estimation techniques or assumptions were made during the reporting period.

#### Changes to loss allowance

The movements in the loss allowance of trade receivables during the financial year were:

	2019 RM'000	2018 RM'000
At 1 January	4,519	3,953
Bad debt written off	(3,953)	-
(Decrease)/Increase in loss allowance recognised in profit and loss during the year	(122)	566
At 31 December	444	4,519

There were no significant changes to the gross carrying amount that contributed to changes in loss allowances. The allowance account in respect of trade receivables is used to record expected credit losses and individual impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

## NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.4 Credit risk (continued)

##### Trade receivables (continued)

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the gross carrying amounts in the statement of financial position. The following table contains an analysis of the credit risks exposure for which expected credit loss is recognised:

	Gross RM'000	Individual impairment RM'000	Expected credit loss RM'000	Net RM'000
<b>2019</b>				
Not past due	79,462	-	(7)	79,455
Past due 1 - 7 days	14,077	-	(5)	14,072
Past due 7 - 14 days	1,258	-	(3)	1,255
Past due 14 - 30 days	1,288	-	2	1,290
Past due 31 - 90 days	2,354	-	(227)	2,127
Past due over 90 days	1,797	(98)	(106)	1,593
	<b>100,236</b>	<b>(98)</b>	<b>(346)</b>	<b>99,792</b>
<b>2018</b>				
Not past due	57,497	-	(5)	57,492
Past due 1 - 7 days	19,832	-	(16)	19,816
Past due 7 - 14 days	149	-	(7)	142
Past due 14 - 30 days	8,957	-	(99)	8,858
Past due 31 - 90 days	7,985	-	(223)	7,762
Past due over 90 days	5,554	(3,953)	(216)	1,385
	<b>99,974</b>	<b>(3,953)</b>	<b>(566)</b>	<b>95,455</b>

The individually impaired receivables relate to customers who are under ongoing litigation.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.4 Credit risk (continued)

#### **Other receivables and deposits**

*Exposure to credit risk, credit quality and collateral*

Other receivables and deposits are neither past due nor impaired. The Company believes that generally no loss allowance is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

#### **Related company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company undertakes trade and non-trade transactions with a number of related companies. The Company monitors the repayment from its related companies on a regular basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Company regularly follows up on timely settlement of the amount owing by related companies. The related companies are not required to place any collateral with the Company.

As at the end of the reporting period, there was no indication that the amount owing by related companies is not recoverable as substantially all of these amounts are aged less than a year.

#### **Deposits placed with licensed banks**

*Risk management objectives, policies and processes for managing the risk*

Credit risk arises from deposits with licensed banks and financial institutions. The deposits are placed with credit-worthy financial institutions with high credit rating. The Company considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Company has only placed deposits with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

As deposits are only placed with licensed banks, management does not expect the banks to fail to meet their obligations.

The deposits placed with licensed banks are unsecured.

## NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### *Maturity analysis*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon RM'000	Contractual cash flows RM'000	Under 1 year RM'000	Over 1 year but not later than 5 years RM'000
<b>2019</b>					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	264,928	-	264,928	264,928	-
Bank overdraft	16,724	-	16,724	16,724	-
Lease liabilities	1,004	-	1,004	645	359
<i>Derivative financial liabilities</i>					
Forward exchange contracts	1,887	-	1,887	1,887	-
	<b>284,543</b>	<b>-</b>	<b>284,543</b>	<b>284,184</b>	<b>359</b>
<b>2018</b>					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	266,388	-	266,388	266,388	-
Bank overdraft	15,172	-	15,172	15,172	-
<i>Derivative financial liabilities</i>					
Forward exchange contracts	869	-	869	869	-
	<b>282,429</b>	<b>-</b>	<b>282,429</b>	<b>282,429</b>	<b>-</b>

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

#### 22.6.1 Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily United States Dollar (USD), New Zealand Dollar (NZD), Singapore Dollar (SGD), Euro (EUR), Australia Dollar (AUD), Thai Baht (THB) and Indonesia Rupiah (IDR).

*Risk management objectives, policies and processes for managing the risk*

The Company uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

*Exposure to foreign currency risk*

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	USD RM'000	NZD RM'000	SGD RM'000	Denominated in EUR RM'000	AUD RM'000	THB RM'000	IDR RM'000
<b>2019</b>							
Amounts owing by related companies	1,724	-	304	1,060	-	-	-
Cash at bank	563	-	-	-	-	-	-
Bank overdraft	(16,724)	-	-	-	-	-	-
Trade payables	(5,182)	(320)	(327)	(679)	(803)	(9,996)	(9)
Amounts owing to related companies	(54,247)	-	-	(3,753)	-	-	(15)
	<b>(73,866)</b>	<b>(320)</b>	<b>(23)</b>	<b>(3,372)</b>	<b>(803)</b>	<b>(9,996)</b>	<b>(24)</b>
<b>2018</b>							
Amounts owing by related companies	8,933	-	-	58	-	-	-
Cash at bank	57	-	-	-	-	-	-
Bank overdraft	(15,172)	-	-	-	-	-	-
Trade payables	(3,750)	(674)	(68)	(1,129)	(649)	(12,452)	-
Amounts owing to related companies	(25,609)	-	-	(7,591)	-	-	-
	<b>(35,541)</b>	<b>(674)</b>	<b>(68)</b>	<b>(8,662)</b>	<b>(649)</b>	<b>(12,452)</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.6 Market risk

##### 22.6.1 Currency risk (continued)

###### *Currency risk sensitivity analysis*

A 10% (2018: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased equity and post-tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Increase/(Decrease)			
	Equity		Profit	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
USD	<b>5,614</b>	2,701	<b>5,614</b>	2,701
NZD	<b>24</b>	51	<b>24</b>	51
SGD	<b>2</b>	5	<b>2</b>	5
EUR	<b>256</b>	658	<b>256</b>	658
AUD	<b>61</b>	49	<b>61</b>	49
THB	<b>760</b>	946	<b>760</b>	946
IDR	<b>2</b>	-	<b>2</b>	-

A 10% (2018: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant. The movements in other currency exchange rates are not expected to have any significant effect on the profit or loss.

##### 22.6.2 Interest rate risk

The Company does not have fixed rate borrowings. The Company's variable rate borrowings which is primarily its overdraft facility is exposed to a risk of change in cash flows due to fluctuation in market interest rate. The Company places short term deposits with licensed banks which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

##### 22.6.3 Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk comprises equity price risk and commodity price risk. The Company is not exposed to any other price risk.



## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.7 Fair value information

The carrying amounts of cash and cash equivalents and short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value together with their carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
<b>2019</b>					
<b>Financial assets</b>					
Forward exchange contracts		-	-	-	-
<b>Financial liabilities</b>					
Forward exchange contracts		(1,887)		(1,887)	(1,887)
<b>2018</b>					
<b>Financial assets</b>					
Forward exchange contracts	-	190	-	190	190
<b>Financial liabilities</b>					
Forward exchange contracts	-	(1,059)	-	(1,059)	(1,059)

#### Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

#### Derivatives

The fair value of forward exchange contracts is based on the quoted price provided by the licensed banks with which the foreign exchange contracts are entered into.

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the asset or liability.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. CAPITAL MANAGEMENT

The Company defines capital as share capital (Note 10) and this is unchanged from the prior year.

The Company's objectives when managing capital are to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as results from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to shareholders.

The return on capital at 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Results from operating activities (RM'000)	<b>140,842</b>	173,865
Total equity attributable to owners of the Company (RM'000)	<b>144,417</b>	105,459
Return on capital (%)	<b>97.5</b>	164.9

The Company monitors and maintains a prudent level of total equity attributable to the owners of the Company to ensure it is adequate to balance the support for future development of the business and the payment of dividends to owners of the Company.

## STATEMENT BY **DIRECTORS**

pursuant to Section 251(2) of the Companies Act, 2016

We, Tarang Gupta and Jean Serge Krol, two of the Directors of Dutch Lady Milk Industries Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 104 to 152 are drawn up so as to give a true and fair view of the financial position and financial performance of the Company for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....  
**Tarang Gupta**

Petaling Jaya  
 25 February 2020

.....  
**Jean Serge Krol**

## STATUTORY **DECLARATION**

pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Jurian Duijvestijn, the Officer primarily responsible for the financial management of Dutch Lady Milk Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 104 to 152 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya, Selangor Darul Ehsan on 25 February 2020.

.....  
**Jurian Duijvestijn**

Before me:

COMMISSIONER FOR OATH

# INDEPENDENT **AUDITORS' REPORT**

To The Members Of Dutch Lady Milk Industries Berhad

(Incorporated in Malaysia)

(Registration No. 196301000165 (5063-V))

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Our opinion**

In our opinion, the financial statements of Dutch Lady Milk Industries Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### **What we have audited**

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 152.

### **Basis for opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence and other ethical responsibilities**

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### **Our audit approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p><b>Use of estimates in revenue recognition arising from rebates and discounts given to customers</b></p> <p>Our 2019 audit was planned and executed having regard to the fact that the operations of the Company were largely unchanged from the prior year. In light of this, our overall audit approach in terms of scoping and key audit matters were largely unchanged with continued focus over the estimates in revenue recognition arising from rebates and discounts given to customers.</p> <p>Revenue is recognised net of rebates and discounts. Rebates and discounts recognised are based on the expected entitlement earned up to reporting date under each customer trading agreement and promotions run.</p> <p>The Company has two categories of rebates and discounts where estimates are used:</p> <ul style="list-style-type: none"> <li>• Conditional rebates</li> <li>• Promotional discounts</li> </ul> <p>Conditional rebates and promotional discounts are triggered when certain conditions are met. The amount payable is based on conditions achieved, multiplied by rates contracted with each customer in their trading agreements.</p> <p>We focused on this area given the subjectivity in estimating the sales volumes or values on which to determine related accruals at the reporting date.</p> <p>Refer to Note 1(d)(i) (Use of estimates and judgements) and Note 2(n).</p>	<ul style="list-style-type: none"> <li>• We evaluated and tested the operating effectiveness of controls in relation to the authorisation of rebates and promotional activities and the determination of year end accruals.</li> <li>• We evaluated the reasonableness of management's estimates on meeting volume or sales targets in relation to conditional rebates and promotional discounts. We have performed a comparison of actual sales volume and values achieved by the customer against the sales volume and values recorded.</li> <li>• We have tested the accruals of unclaimed rebates and promotional discounts to subsequent claims after the year end.</li> </ul> <p>There were no material exceptions noted from our procedures.</p>

# INDEPENDENT AUDITORS' REPORT

To The Members Of Dutch Lady Milk Industries Berhad

(Incorporated in Malaysia)

(Registration No. 196301000165 (5063-V))

## **Information other than the financial statements and auditors' report thereon**

The Directors of the Company are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the financial statements**

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

**Auditors' responsibilities for the audit of the financial statements (continued)**

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
25 February 2020

**GAN WEE FONG**  
03253/01/2021 J  
Chartered Accountant

## RECURRENT RELATED PARTY TRANSACTIONS

of a Revenue or Trading Nature

Related Party	Nature of Transaction	Value of Transactions from 26 April 2019 to 31 Dec 2019 RM'000
FrieslandCampina Nederland Holding B.V., the Netherlands	Purchase by DLMI of fully packed dairy products and raw materials	211,410
P.T. Frisian Flag Indonesia, Indonesia	Purchase by DLMI of fully packed dairy products including products packed in PET bottle and raw materials	57,042
FrieslandCampina Foremost (Thailand) Pte Ltd	Purchase by DLMI of fully packed dairy products	156
FrieslandCampina Nederland B.V., the Netherlands	Sale by DLMI of fully packed dairy products	3,848
FrieslandCampina (Singapore) Pte Ltd, Singapore.	Sale by DLMI of fully packed dairy products	8,894
FrieslandCampina Nederland B.V., the Netherlands	Payment of fees by DLMI for know-how, Trademark licence and Management support	18,789
FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands	Receipt by DLMI of corporate services	33
FrieslandCampina Nederland Holdings B.V., the Netherlands	Receipt by DLMI of shared ICT and communication services	10,921
FrieslandCampina Service Centre Asia Pacific Sdn Bhd	Receipt by DLMI of shared finance and procurement services	2,821
FrieslandCampina Service Centre Asia Pacific Sdn Bhd	Provision by DLMI of shared corporate services	82
FrieslandCampina Engro Pakistan Limited, Pakistan	Sale by DLMI of full cream milk powder	4



# ANALYSIS OF SHAREHOLDINGS

## ANALYSIS OF SHAREHOLDINGS AS AT 12 MAY 2020

Class of Shares	Ordinary shares
Voting Rights	On show of hands : 1 vote
	On a poll : 1 vote for each share held

## DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No of Shareholders	% of Shareholders	No of Shares	% of Shareholding
Less than 100 shares	244	4.67	2,045	0.00
100 to 1,000 shares	3,513	67.21	1,630,759	2.55
1,001 to 10,000 shares	1,264	24.18	4,349,613	6.80
10,001 to 100,000 shares	179	3.42	4,992,894	7.80
100,001 to 3,199,999 (*)	24	0.46	9,310,889	14.55
3,200,000 & above (**)	3	0.06	43,713,800	68.30
	5,227	100.00	64,000,000	100.00

Note: \* : Less than 5% of Issued Holdings

\*\* : 5% and above of Issued Holdings

Name of 30 Largest Shareholders	No of Shares	% of Holdings
1. FrieslandCampina DLMI Malaysia Holding B.V. **	32,614,800	50.96
2. Citigroup Nominees (Tempatan) Sdn Bhd ** Employees Provident Fund Board	6,289,000	9.83
3. Amanahraya Trustees Berhad** Amanah Saham Bumiputera	4,810,000	7.52
4. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	1,995,400	3.12
5. Amanahraya Trustees Berhad Amanah Saham Malaysia	1,457,000	2.28
6. Amanahraya Trustees Berhad ASN Umbrella for ASN Equity 3	693,000	1.08
7. Yong Siew Lee	584,000	0.91
8. Amanahraya Trustees Berhad Public Islamic Treasures Growth Fund	487,300	0.76
9. Yeo Khee Bee	442,900	0.69
10. Aun Huat & Brothers Sdn Berhad	416,500	0.65
11. Kumpulan Wang Persaraan (Diperbadankan)	384,200	0.60
12. Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Maybank)	348,500	0.54

## ANALYSIS OF SHAREHOLDINGS

Name of 30 Largest Shareholders		No of Shares	% of Holdings
13.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	336,900	0.53
14.	Amanahraya Trustees Berhad ASN Umbrella for ASN SARA (Mixed Asset Conservative) 1	250,000	0.39
15.	Amanahraya Trustees Berhad ASN Umbrella for ASN Imbang (Mixed Asset Balanced) 2	235,000	0.37
16.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	200,000	0.31
17.	Amanahraya Trustees Berhad Public Dividend Select Fund	188,100	0.29
18.	Chow Kok Meng	160,000	0.25
19.	Yayasan Guru Tun Hussein Onn	156,300	0.24
20.	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for INVESCO Funds	148,000	0.23
21.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	138,000	0.22
22.	Amanahraya Trustees Berhad Public Islamic Emerging Opportunities Fund	132,200	0.21
23.	Amanahraya Trustees Berhad ASN Imbang (Mixed Asset Balanced) 1	119,250	0.19
24.	Amanahraya Berhad Kumpulan Wang Bersama Syariah	117,700	0.18
25.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	110,700	0.17
26.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	109,300	0.17
27.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Capital Management Sdn Bhd (EPF)	100,639	0.16
28.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG)	100,000	0.16
29.	Tan Kim Onm	89,900	0.14
30.	Tan Lee Hwa	82,000	0.13
<b>Total</b>		<b>53,296,589</b>	<b>83.28</b>

**SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS**

<b>Name</b>	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
1. FrieslandCampina DLMI Malaysia Holding B.V.	32,614,800	50.96	0	0
2. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	6,289,000	9.83	0	0
3. Amanahraya Trustees Berhad Amanah Saham Bumiputera	4,810,000	7.52	0	0

**DIRECTORS SHAREHOLDINGS**

<b>Name</b>	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
1. Dato' Zainal Abidin bin Putih	-	-	-	-
2. Tarang Gupta	-	-	-	-
3. Saw Chooi Lee	-	-	-	-
4. Bernardus Hermannus Maria Kodden	-	-	-	-
5. Dato' Dr Rosini binti Alias	-	-	-	-
6. Tengku Nurul Azian binti Tengku Shahriman	-	-	-	-
7. Datin Seri Sunita Mei-Lin Rajakumar	-	-	-	-
8. Jean Serge Krol	-	-	-	-

**PARTICULARS OF PROPERTIES AS AT 31 DECEMBER 2019**

<b>Location of Property</b>	Lot 78, Lot 79 and Lot 48 Jalan Prof Khoo Kay Kim (formerly Jalan Semangat), Petaling Jaya
<b>Brief description</b>	Factory buildings, office complex and warehouse
<b>Approximate land area</b>	432,617 sq ft.
<b>Tenure leasehold land</b>	Leasehold land expiring in the year 2059
<b>Date of acquisition</b>	21.10.1960 & 19.03.1980 & 12.01.1989
<b>Age of property</b>	Between 30 years to 59 years
<b>Net Book Value (RM 'mln)</b>	28.4 mln

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**Dutch Lady Milk Industries Berhad (196301000165 (5063-V))  
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