



# Annual Report 2013

Dutch Lady Milk Industries Berhad





**FrieslandCampina** n.v.

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

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

## **BLUE VALUES**

Believe in Growth | Look Forward | Unite as One Team | Excel in Execution



# contents

Notice of Annual General Meeting	1
PDPA Notice	4
Corporate Information	5
5-Year Financial Summary	6
Board of Directors and Directors' Profile	9
Chairman's Statement	13
Management Discussion and Analysis	15
Statement of Corporate Governance	17
Audit Committee Report	27
Corporate Responsibility	31
Statement on Risk Management and Internal Control	37
Directors' Report	41
Statement of Financial Position	43
Statement of Profit or Loss and Other Comprehensive Income	44
Statement of Changes in Equity	45
Statement of Cash Flows	46
Notes to the Financial Statements	47
Statement by Directors	74
Statutory Declaration	74
Independent Auditors' Report	75
Recurrent Related Party Transactions of a Revenue or Trading Nature	76
Additional Compliance Information	77
Analysis of Shareholdings	78
Proxy Form	80





# 50th Anniversary Celebration

## *Inspiring Tomorrow*

*50 years strong and counting - we continue to be the leading dairy company in Malaysia, thanks to our loyal consumers, customers and employees. As a means of giving back to society, the Inspire Tomorrow Fund was launched to inspire the children of our nation to seek their fullest and true potential. As a company, we take this opportunity to celebrate every achievement and every inspiration.*



# notice of annual general meeting

**NOTICE IS HEREBY GIVEN that the Fifty-First Annual General Meeting of the Company will be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 28 May 2014 at 10 a.m. for the purpose of transacting the following business:-**

## AGENDA

### AS ORDINARY BUSINESS

To receive the Audited Financial Statements for the financial year ended 31 December 2013, together with the Reports of the Directors and Auditors thereon (Please refer to Explanatory Note 1).

#### Resolution 1

1. To approve the payment of Directors' Fees of RM239,400 for the financial year ending 31 December 2014, to be made payable quarterly,

#### Resolution 2

2. To re-elect Dato' Dr. Mhd. Nordin bin Mohd. Nor who retires by rotation pursuant to Article 94(a) of the Company's Articles of Association.

#### Resolution 3

3. To re-appoint Ms. Saw Chooi Lee, who was appointed during the year and retires pursuant to Article 97 of the Company's Articles of Association.

#### Resolution 4

4. To re-appoint Messrs KPMG (AF: 0758) as the Company's auditors and to authorise the Directors to fix their remuneration.

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolution:

#### Resolution 5

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

"**THAT** approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature as stated in Section 2.1.4 with the specified classes of Related Parties as stated in Section 2.1.3 of the Circular to Shareholders dated 25 April 2014 which are necessary for the Company's day-to-day operations subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- (ii) the aggregate value of such transactions conducted pursuant to the Shareholders' Mandate during the financial year will be disclosed in the Annual Report for the said financial year;

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

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the Meeting the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Malaysian Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

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

#### Resolutions 6 & 7

- 6 **RETENTION OF MR. BOEY TAK KONG & MR. FOO SWEE LENG AS INDEPENDENT DIRECTORS OF THE COMPANY**

"**THAT** approval be and is hereby given to the following directors who had served as an Independent Non-Executive Director of the Company for cumulative term of more than 9 years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012:-

- (i) Mr. Boey Tak Kong; and
- (ii) Mr. Foo Swee Leng."

## Resolution 8

### 7 PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

"THAT the Articles of Association of the Company be altered as follows:-

- (a) Amendment to Article 111 to read as follows:-

"Article 111 - Directors' resolution in writing

A resolution in writing signed by a majority of the Directors shall be as valid and effective as a resolution passed at a meeting of the Directors duly convened and held. Any such resolution in writing may be contained in one document or separate copies thereof (prepared and circulated by telefax and/or by electronic means with copy sent by courier or registered post) which are signed by one or more of the Directors. "

- (b) Amendment to Article 137 to read as follows:-

"Article 137 - Presentation of Accounts

In accordance with the provisions of the Act and any extension of time allowed by the Registrar of Companies and the Exchange, the Directors shall lay before the Company in general meeting the audited accounts (prepared in compliance with the accounting standards of the Malaysian Accounting Standard Board and the 9th Schedule of the Act and such other statement(s) as may be required by the Act (all made to a date within 4 months from the close of the financial year end), from the date which the last preceding account and balance sheet were made up, and such balance sheet and profit or loss account shall comply with the provisions of Section 169 of the Act but the Directors shall not be bound to disclose greater details of the result or extent of the trading and transactions of the Company than they may deem expedient, and, if the Company has issued redeemable preference shares, the Company shall comply with the provisions of Section 61 of the Act."

THAT the Directors and Secretary of the Company be and are hereby authorised to carry out the necessary formalities in effecting the amendments;

AND THAT the Directors of the Company be and are hereby authorised to assent to any condition, modification, variation and/or amendments as may be required by Bursa Malaysia Securities Berhad."

8. To transact any other business for which due notice shall have been given.

By Order of the Board

**IZREEN FARA BINTI ISMAIL, Chartered Secretary  
(MAICSA 7056439)**

Company Secretary  
Petaling Jaya  
25 April 2014

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
2. Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.
3. The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointer is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.
4. Only Members whose names appear in the Record of Depositors as at 5.00 p.m. on 21 May 2014 shall be entitled to attend and vote at the Meeting or appoint a proxy to attend and vote in his stead.
5. To be valid, the instrument appointing a proxy, duly completed (and if applicable) the power of attorney or other authority under which it is signed or notarially certified copy of that power of authority) must be deposited at the Registered Office of the Company at Level 5, Quill 9, No. 112, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

## 6. Registration and Door Gifts

Registration will commence at 8.00 a.m. and close at 10.30 a.m. on the day of the Meeting. Members and Proxies are advised to be punctual. For verification purposes, Members and Proxies are required to produce their original identification card at the registration counter.

In conformity with past practise, please take note that each Member or Proxy who is present shall be entitled to one (1) door gift only upon registration, irrespective of the number of Members he/she represent (e.g. in the event a Proxy represents two or more Members, he/she shall be entitled to one (1) door gift only).

### Explanatory Notes to the Agenda

#### (i) First item of the Agenda

This item of the Agenda is meant for discussion only in accordance with the provision of Section 169(1) of the Companies Act, 1965.

#### (ii) Resolution 5: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

Please refer to the Circular to Shareholders dated 25 April 2014.

#### (iii) Resolution 7 & 8: Retention of Mr. Boey Tak Kong and Mr. Foo Swee Leng as Independent Directors of the Company

The Nomination Committee has assessed the independence of Mr. Boey Tak Kong and Mr. Foo Swee Leng, who have served as an Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years, and recommended that they continue to act as Independent

Non-Executive Directors of the Company based on the following justifications:-

- (a) They 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 they would be able to function as check and balance, provide a broader view and brings with them an element of objectivity to the Board;
- (b) They provide the Board with a diverse set of experience, skill and expertise;
- (c) They have performed their duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management; and
- (d) They do not hold any shares in the Company and have no business dealings with the Company save and except as being a member of the Board of Directors of the Company.

#### (iv) Resolution 8: Proposed Amendments to the Company's Articles of Association.

Please refer to the Circular to Shareholders dated 25 April 2014.



## NOTICE TO SHAREHOLDERS PURSUANT TO THE PERSONAL DATA PROTECTION ACT 2010

This Notice is given in connection with you being a shareholder of Dutch Lady Milk Industries Berhad (5063-V) ("Company").

The Personal Data Protection Act 2010 (hereinafter referred to as "PDPA"), which regulates the processing of personal data in commercial transactions, applies to the Company. For the purposes of this Notice, the terms "personal data" and "processing" shall have the same meaning as prescribed in the PDPA.

1. This written notice ("Notice") serves to inform you that your personal data is being processed by or on behalf of the Company.
2. The personal data processed by us may include name, national identity card number, contact number and address and other particulars provided by you or on your behalf in connection with your shareholding in the Company.
3. We are processing your personal data, including any additional information you may subsequently provide, for the following purposes ("Purposes"):
  - (a) sending you notices and circulars relating to your status as a shareholder in the Company;
  - (b) paying you dividends and giving you other benefits relating to your shareholding in the Company;
  - (c) dealing with all matters in connection with your shareholding in the Company; or such other purposes as may be related to the foregoing.
4. The personal data processed by us include all information you have provided to us as well as other information we may obtain about you.
5. You may access and request for updating and correction of your personal data and to contact us with any enquiries or complaints in respect of your personal data as follows:

**Contact Person: Company Secretary**  
**Telephone: 03-7953 2600**  
**Facsimile: 03-7957 1617**  
**E-mail address: [finance.dept@frieslandcampina.com](mailto:finance.dept@frieslandcampina.com)**

In accordance with the PDPA:

- (a) we may charge a prescribed fee for processing your request for access or correction; and
  - (b) we may refuse to comply with your request for access or correction to your personal data and if we refuse to comply with such request, we will inform you of our refusal and reason for our refusal.
6. Your personal data may be disclosed by us in connection with the above Purposes, to all governmental and/or quasi-governmental departments and/or agencies, regulatory and/or statutory bodies and third parties as may be required by law or arising from any legal obligation which is imposed on us and to our lawyers, auditors and/or service providers.
  7. You are responsible for ensuring that the personal data you provide us is accurate, complete and not misleading and that such personal data is kept up to date.
  8. If you fail to supply to us the abovementioned personal data, we may not be able to process your personal data for any of the Purposes.
  9. In the event of any inconsistencies between the English version and the Bahasa Malaysia version of this Notice, the English version shall prevail over the Bahasa Malaysia version.

## NOTIS DI BAWAH AKTA PERLINDUNGAN DATA PERIBADI 2010

Seperti mana yang berkenaan, notis ini diberikan berhubung dengan status anda sebagai pemegang saham Dutch Lady Milk Industries Berhad (5063-V) ("Syarikat").

Akta Perlindungan Data Peribadi 2010 (selepas ini disebut sebagai "PDPA"), yang mengawal selia pemrosesan data peribadi untuk tujuan transaksi komersial, adalah terpakai terhadap Syarikat. Untuk tujuan Notis ini, terma-terma "data peribadi" dan "pemrosesan" akan mempunyai maksud seperti yang ditakrifkan di dalam PDPA.

1. Notis bertulis ini ("Notis") bertujuan untuk memaklumkan kepada anda bahawa data peribadi anda sedang diproses oleh atau bagi pihak Syarikat.
2. Data peribadi yang diproses oleh kami termasuk nama, nombor kad pengenalan, nombor telefon, alamat dan butir-butir lain yang diberikan oleh anda atau bagi pihak anda berkenaan dengan pegangan saham anda dalam Syarikat.
3. Kami sedang memproses data peribadi anda, termasuklah sebarang maklumat tambahan yang anda mungkin berikan kemudian, untuk tujuan-tujuan berikut ("Tujuan-Tujuan"):
  - (a) Untuk menghantar kepada anda notis dan surat-surat pekeliling yang berkaitan dengan status anda sebagai pemegang saham dalam Syarikat;
  - (b) Untuk membayar kepada anda dividen dan memberikan anda manfaat-manfaat lain yang berkaitan dengan pegangan saham anda dalam Syarikat;
  - (c) Untuk menguruskan dengan semua perkara yang berkaitan dengan pegangan saham anda di dalam Syarikat; atau bagi tujuan-tujuan lain yang mungkin berkaitan dengan perkara-perkara yang dinyatakan di atas.
4. Data peribadi anda yang diproses oleh kami merangkumi segala maklumat yang anda berikan serta yang kami perolehi berkenaan anda.
5. Anda boleh mengakses dan memohon untuk mengemaskini atau membuat pembetulan data peribadi anda serta menghubungi kami untuk sebarang pertanyaan atau aduan berkenaan dengan data peribadi anda seperti berikut:

**Jawatan Individu Yang Perlu Dihubungi: Setiausaha Syarikat**  
**No. Telefon: 03-7953 2600**  
**No. Faksimili: 03-7957 1617**  
**Alamat e-mel: [finance.dept@frieslandcampina.com](mailto:finance.dept@frieslandcampina.com)**

Selaras dengan PDPA:

- (a) Kami mungkin mengenakan bayaran untuk memproses permintaan anda untuk akses atau pembetulan; dan
  - (b) Kami berhak untuk tidak mematuhi permintaan anda untuk mengakses atau untuk membuat pembetulan ke atas data peribadi anda dan sekiranya kami enggan mematuhi permintaan tersebut, kami akan memaklumkan kepada anda tentang kengangan kami beserta alasan-alasan terhadap kengangan kami.
6. Data peribadi anda mungkin dizahirkan oleh kami untuk Tujuan-Tujuan yang dinyatakan di atas, kepada semua jabatan dan/atau agensi kerajaan dan/atau kuasi-kerajaan, badan-badan penguatkuasa dan/atau berkanun dan sebarang pihak ketiga yang dikehendaki selaras dengan undang-undang atau tertimbul daripada sebarang obligasi undang-undang yang dikenakan ke atas kami dan kepada peguam, juru-audit dan/atau pembekal perkhidmatan kami.
  7. Anda bertanggungjawab untuk memastikan bahawa data peribadi yang anda berikan kepada kami adalah tepat, lengkap, tidak mengelirukan dan terkini.
  8. Jika anda gagal untuk memberikan kepada kami data peribadi yang dinyatakan di atas, kami mungkin tidak boleh memproses data peribadi anda untuk sebarang Tujuan-Tujuan.
  9. Sekiranya terdapat sebarang ketidakseragaman di antara versi Bahasa Inggeris dan Bahasa Malaysia ke atas Notis ini, maka versi Bahasa Inggeris akan digunakan.

# corporate information

## BOARD OF DIRECTORS

### CHAIRMAN

Dato' Zainal Abidin bin Putih  
Independent Non-Executive Director

### DIRECTORS

Rahul John Colaco  
Executive Director  
Managing Director

Freek Rijna  
Non-Independent Non-Executive Director

Boey Tak Kong  
Independent Non-Executive Director

Dato' Dr. Mhd. Nordin bin Mohd. Nor  
Non-Independent Non-Executive Director

Foo Swee Leng  
Independent Non-Executive Director

Saw Chooi Lee  
Non-Independent Non-Executive Director

### COMPANY SECRETARY

Izreen Fara binti Ismail  
Chartered Secretary  
(MAICSA 7056439)

## AUDIT COMMITTEE

### CHAIRMAN

Boey Tak Kong

### MEMBERS

Dato' Zainal Abidin bin Putih  
Foo Swee Leng  
Dato' Dr. Mhd. Nordin bin Mohd. Nor

## REMUNERATION COMMITTEE

### CHAIRMAN

Dato' Dr. Mhd. Nordin bin Mohd. Nor

### MEMBERS

Rahul John Colaco  
Saw Chooi Lee

## NOMINATION COMMITTEE

### CHAIRMAN

Foo Swee Leng

### MEMBERS

Dato' Zainal Abidin bin Putih  
Boey Tak Kong

## REGISTERED OFFICE

Level 5, Quill 9  
112, Jalan Semangat  
46300 Petaling Jaya  
Selangor Darul Ehsan  
Telephone : 03-7953 2600  
Facsimile : 03-7953 2700

## REGISTRAR

### SYMPHONY SHARE REGISTRARS SDN BHD

Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Telephone : 03-7841 8000  
Facsimile : 03-7841 8151

## WEBSITE

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

## INVESTOR RELATIONS & ENQUIRIES

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

## STOCK EXCHANGE LISTING

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

## AUDITORS

### KPMG (AF: 0758)

Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

## PRINCIPAL BANKERS

### PUBLIC BANK BERHAD

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

### THE ROYAL BANK OF SCOTLAND BERHAD

Level 1, Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur

### MALAYAN BANKING BERHAD

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

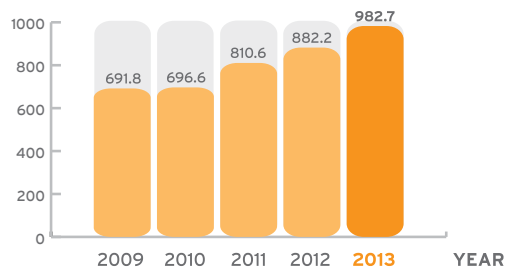
## SOLICITORS

### KHAW & PARTNERS

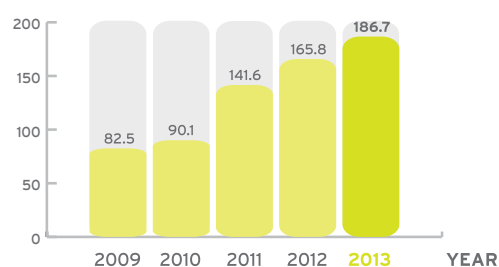
6th Floor  
Menara Boustead  
Jalan Raja Chulan  
50200 Kuala Lumpur

## 5-year financial summary

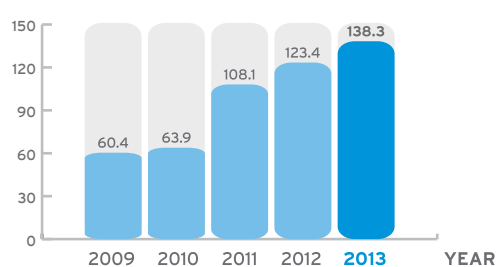
RM mIn **REVENUE**



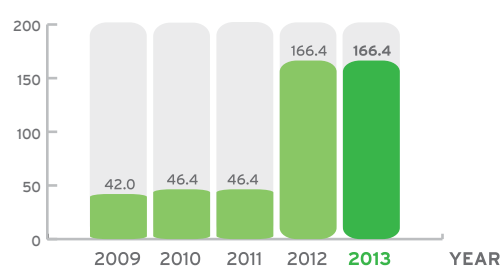
RM mIn **PROFIT BEFORE TAX**



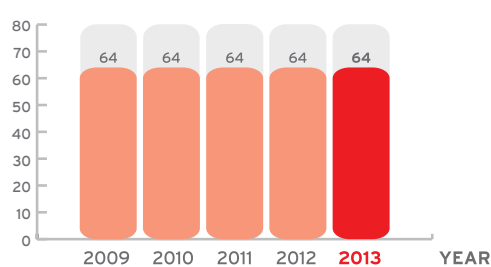
RM mIn **NET PROFIT FOR THE YEAR**



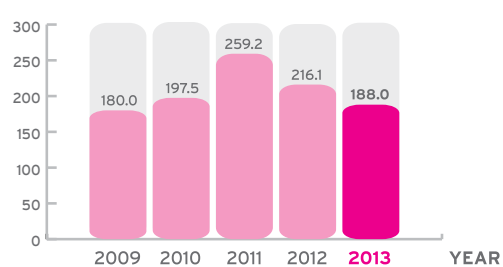
RM mIn **NET DIVIDEND PAID**



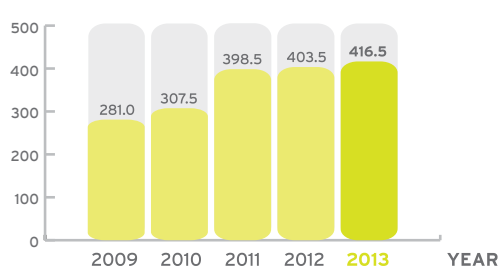
RM mIn **ISSUED & FULLY PAID CAPITAL**



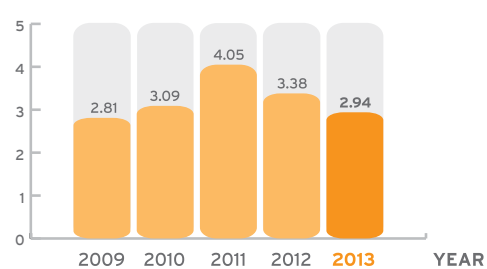
RM mIn **SHAREHOLDERS' FUNDS**



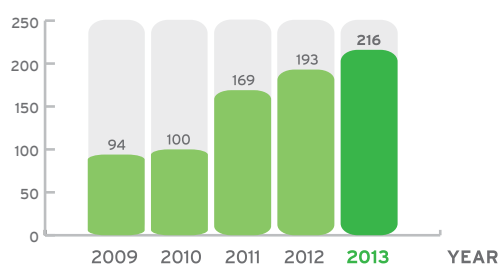
RM mIn **TOTAL ASSETS**



RM **NET ASSET BACKING PER SHARE**



RM (sen) **EARNINGS PER SHARE (NET)**



# Growing Up Together

**Committed to supporting the journey of childhood**

*Friso makes the experience of growing up richer. Our premium nutrition enables children to be stronger on the inside so they can go on to discover and explore the world outside. It is not just about healthy growth and development - it is also about encouraging experiences that make a child happier and more complete.*





board of  
directors



STANDING FROM LEFT TO RIGHT

MS. SAW CHOOI LEE, DATO' ZAINAL ABIDIN BIN PUTIH (CHAIRMAN),  
MR. RAHUL JOHN COLACO (MANAGING DIRECTOR), MR. BOEY TAK KONG



STANDING FROM LEFT TO RIGHT

MR. FOO SWEE LENG, DATO' DR. MHD NORDIN BIN MD. NOR,  
MR. FREEK RIJNA, MS. IZREEN FARA ISMAIL (COMPANY SECRETARY)

## directors' profile

### **DATO' ZAINAL ABIDIN BIN PUTIH**

Aged 68. Malaysian. Independent Non-Executive Director. Chairman of the Company since 27 May 2009. Member of the Audit and Nomination Committees. He is also a director of several publicly listed companies. He is a qualified Chartered Accountant (England & Wales), a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountant. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past 10 years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.

### **MR. RAHUL JOHN COLACO**

Aged 41. Indian national. Executive Director. Appointed as Managing Director of the Company on 1 April 2012 and was appointed to the Board on the same date. Member of the Remuneration Committee. He is a member of the Institute of Chartered Accountants of India and has an MBA from International Institute for Management Development, Lausanne in Switzerland. He does 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.. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.

### **MR. FREEK RIJNA**

Aged 59. Dutch national. Non-Independent Non-Executive Director. Appointed to the Board on 1 January 2013. He is a member of the Executive Board of Royal FrieslandCampina N.V., the ultimate holding company of the Company, with responsibility for business group Consumer Products Asia. He holds a degree in Economics and has an MBA from Erasmus University, Rotterdam in the Netherlands. He does 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.. He does not have any conflict of interest with the Company and has no convictions for any offences within the past 10 years. He does not hold any shares in the Company. He attended three out of five Board Meetings held during the financial year.

### **MR. BOEY TAK KONG**

Aged 60. Malaysian. Independent Non-Executive Director. Appointed to the Board on 12 November 2001. Chairman of the Audit Committee and member of the Nomination Committee. He is also a director of several publicly listed companies. Currently, he is the Managing Director of Terus Mesra Sdn Bhd, a leadership training company. A Fellow Member of the Chartered Association of Certified Accountants, United Kingdom, Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom, Chartered Accountant of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Management. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past ten years and he does not hold any shares in the Company. He attended four out of the five Board Meetings held during the financial year.



**DATO' DR. MHD. NORDIN  
BIN MOHD. NOR**

Aged 68. Malaysian.  
Non-Independent  
Non-Executive Director.  
Appointed to the Board on  
6 August 2003. Chairman  
of the Remuneration  
Committee and member of  
the Audit Committee. He is  
also a Director of Sunzen  
Biotech Berhad.  
He was formerly the  
Director-General of the  
Department of Veterinary  
Services, Malaysia. He is  
also the Chairman of the  
Malaysian Animal Welfare  
Foundation and Patron of  
the Malaysian Feline Society.  
He holds a degree in  
Veterinary Science from the  
University of Queensland,  
Australia. He does not have  
any family relationship with  
any director and/or  
major shareholder of  
the Company other than  
as nominee director of  
Permodalan Nasional  
Berhad. He does not have  
any conflict of interest with  
the Company and has no  
convictions for any offences  
within the past 10 years.  
He does not hold any  
shares in the Company.  
He attended all five Board  
Meetings held during the  
financial year.

**MS. SAW CHOOI LEE**

Aged 50. Malaysian.  
Non-Independent  
Non-Executive Director.  
Appointed to the Board  
on 1 January 2014.  
Appointed as a member  
of the Remuneration  
Committee on 1 January  
2014. She is currently  
the Managing Director of  
FrieslandCampina Mainland  
China, a subsidiary company  
of Royal FrieslandCampina  
N.V., the ultimate holding  
company of the Company.  
She holds a Bachelor's  
degree in Science and has  
an MBA from the University  
of Nebraska-Lincoln,  
USA. She does 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..  
She does not have any  
conflict of interest with  
the Company and has no  
convictions for any offences  
within the past ten years.  
She does not hold any  
shares in the Company.  
She did not attend any  
Board Meetings held during  
the financial year since she  
was only appointed as a  
Director of the Company on  
1 January 2014.

**MR. FOO SWEE LENG**

Aged 68. Malaysian.  
Independent Non-Executive  
Director. Appointed to the  
Board on 18 June 1986.  
Chairman of the Nomination  
Committee and a member  
of the Audit Committee.  
He was also a member  
of the Remuneration  
Committee up to 1 January  
2013. He was formerly the  
Managing Director of the  
Company and the Regional  
Director of Friesland Asia  
Pacific. He holds a degree in  
Economics from University  
Malaya. He does not have  
any family relationship  
with any director and/or  
major shareholder of  
the Company.  
He does not have any  
conflict of interest with  
the Company and has no  
convictions for any offences  
within the past 10 years.  
He does not hold any  
shares in the Company.  
He attended all five Board  
Meetings held during the  
financial year.

## chairman's statement

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 2013.

2013 was a challenging year for the Company - our competitors stepped up the pressure especially in the Dairy Based Beverage (DBB) category, and dairy raw material prices reaching historical highs.

But despite the challenges, we made good progress and ended the year well, especially closing 2013 with a successful Inspire Tomorrow campaign to celebrate 50 years of Dutch Lady in Malaysia. The campaign culminated with 50 deserving children receiving RM30,000 each to pursue their dreams. The campaign was a mark to thank our stakeholders - our shareholders, loyal consumers, partners and customers - who have collaborated with us throughout the years to enable us to be the leading dairy company in Malaysia today. To commemorate this milestone, the Company had launched the Inspire Tomorrow Fund as a means of giving back to society in a meaningful way by recognising parents' contribution and providing selected recipients with an opportunity to realise their future dreams.

Demand for the Company's dairy products continue to be strong despite the increased competition in the market. The Dutch Lady brand has once again reached No.1 in both value and volume in the infant, follow on and toddler (IFT) powdered milk category in Malaysia. The relaunch of Friso has contributed to this magnificent feat too.

In the Government's school milk programme (PS1M), the Company ended the year with an excellent delivery and quality record. As a result, the Company was recognised with the Excellent Management of PS1M supply award from the Ministry of Education, having met its full targets with regards to performance deliveries.

All these notable achievements showed the Company's winning streak in the market, a result I believe stemmed from the winning strategies of the Passion for Blue Winning-Together programme the Company embarked on in 2013.

On the operations side, we have been moving forward from strength to strength. This is reflected with the commissioning of the new Combi-bloc line, obtaining an ISO 17025 certification for our world class laboratory, setting in place new financial processes, formalising an integrated commercial planning process as well as having human resource initiatives to drive talent management and improve the quality of work life at DLMI.

I am delighted to inform you that in 2013, the Company achieved a profit before tax of RM187 million, 12.6% higher compared to the previous year. The results were mainly attributed to the impactful marketing campaign and excellent sale strategies plus added efforts in Operations to optimise cost structure.

For shareholders, a total of RM166.4 million was paid out as interim dividends during the year, the same level as previous year. I wish to remind shareholders though, that the payment of special interim dividends is very much dependent on the Company's business and operational needs during the year.

In the Board, I have the pleasure in extending a warm welcome to Ms. Saw Choi Lee as its Non-Executive Director of the Company. Having worked and helped steer the Company to high points from years 2003 - 2008 when she held the position of Commercial Director of the Company, she is currently heading FrieslandCampina Mainland China, a position she has held since her appointment there in January 2011. She replaces Mr. Huang Shi Chin who retired from the Board at the end of 2013. Mr. Huang was also the Company's Director of Corporate Affairs, a position he last held in the Company until his retirement from Management at the end of 2012. I wish to record our heartfelt gratitude to him and wish him all the best.

2014 will prove to be another exciting year as we continue to improve our processes and investment in our people. One key focus will be on improving and strengthening our position through innovation, activation and better grass-to-glass strategies. Of course throughout all these, Safety and Quality will remain high on our agenda.

With continued volatility in the prices of dairy raw materials and economic environment, it remains a challenge for the Company to ensure stability in the retail prices of its products in the market. Nonetheless, the Company will remain focused on further reinforcing its financial and operational strength in order to protect the business and enhance shareholder value.

As always, on behalf of the Board, I would like to convey our sincere thanks to the Management, employees and business partners of the Company for their exemplary performance in 2013 and wish them even greater success in the current year.



DATO' ZAINAL ABIDIN BIN PUTIH  
Chairman

2014 will prove to be another exciting year as we continue to improve our processes and investment in our people. One key focus will be on improving and strengthening our position through innovation, activation and better grass-to-glass strategies. Of course throughout all these, Safety and Quality will remain high on our agenda.



## management discussion & analysis

### Key Financial Highlights

	2013 RM'000	2012 RM'000
Revenue	982,686	882,179
Gross Profit	373,948	346,704
Results from Operating Activities	184,202	162,607
Profit before Tax	186,674	165,801
Income Tax	48,410	42,421
Profit for the Year	138,264	123,380

### Review Of Company Results

The Company registered an 11.4% increase in revenue contributed by strong domestic consumer demand of Growing-Up Milk powder coupled with the relaunch of Friso range of dairy powdered products in the third quarter of financial year 2013. In addition, there was a full impact of the Dutch Lady Chocolate Drink that was introduced in 2012.

The total dairy industry in Malaysia experienced a negative growth in year 2013. This was mainly driven by less consumption of sweetened condensed milk. Nonetheless, this situation was partially compensated with a sales growth in the liquid milk category. However, despite the growth in the liquid milk category, the Company faced stiff competition with the introduction of new brands and products by relatively new entrants in the liquid milk category and aggressive pricing promotions by existing players in the dairy industry.

During the current financial year of 2013, gross profit increased by 7.9% compared to the last financial year, of which was mainly attributed to higher volumes sold. There was margin pressure throughout the year due to the global increase in dairy raw material prices as well as the weakening of the Ringgit Malaysia. The Company had announced price increases during the year to offset the higher dairy raw material costs and the growing currency exchange risk, where substantial amounts of the dairy raw materials were transacted and settled by United States Dollar (US Dollar) and Euro. Profit before tax also increased by 12.6%.

#### • Review of Business Segment Results

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

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as 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.

#### • Income Tax

With the higher profit before tax registered, the taxation charges for the financial year of 2013 under review of RM48.4 million was RM 6.0 million higher compared to preceding financial year. The effective tax rate for the financial year of 2013 was 25.9%.

### Liquidity And Financial Resources

As at 31 December 2013, the Company's cash and cash equivalents amounted to RM 187.6 million compared to RM 204.8 million in the last financial year. The cash and cash equivalents remained healthy after the second year of high dividend payments amounting to RM166.4 million for 2013.

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 at an average rate of 3.30% during the financial year of 2013.

Currently, the Company does not have any drawdown of banking facilities.

### Financial Management And Treasury Policy

The Company adopted certain policies on financial risk management for different risk exposure that the Company entered into. The Company did not enter into any hedging arrangements during the financial year of 2013, other than US Dollar forward exchange contracts to manage the foreign currency exposures arising from the Company's payables denominated in currencies other than the functional currency of the Company's entity. The forward exchange contracts have maturities of less than one year after the end of the financial year.

#### • Credit Risk

The Company 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. The Company also maintains a large number of customers so as to limit high credit concentration in a single customer.

The Company'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. The Company has also set in place a credit monitoring policy and procedure in respect of its other trade customers.

- **Liquidity Risk**

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. The Company'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 that will affect the Company's financial position or cash flows. During the financial year 2013 under review, the dairy raw materials prices are higher than the previous financial year.

- **Currency Risk**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than functional currency of the Company. Primarily, the currencies giving rise to this risk are United States Dollars (US\$) and Euro Dollars (EURO) that contributes to 86% of the total exposure.

- **Interest Rate Risk**

The Company is not exposed to a risk of change in cash flow due to changes in interest rates as the Company has no borrowing at the financial year end of 2013. 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.

### **Capital Commitments**

The Company's total capital commitment, authorised but not contracted for total capital commitments as at 31 December 2013, amounted to RM17.8 million. This was principally the investments made in the upkeep of the current factory premises located in Petaling Jaya.

### **Charge On Assets**

As at 31 December 2013, the Company has not pledged any assets to any financial institutions.

### **Contingent Liabilities**

As at 31 December 2013, the Company has no material contingent liabilities other than the operating leases for its equipments. The details of operating leases are disclosed in note 22 to the audited financial statements for the financial year ended 2013.

### **Material Acquisitions And Disposal Of Subsidiaries And Associated Companies**

The Company 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.

### **Employees**

As at 31 December 2013, the Company employed a total of 688 employees. Employees were remunerated on the basis of their job scope, experience, performance and prevailing industry practices. The Company's remuneration policy is reviewed on a regular basis. As an incentive for the employees, performance based bonus given to the employees based on their individual evaluation for the financial year.

As at 31 December 2013, the Company does not offer an employee share option scheme to its employees.



## statement of corporate governance

The Board of Directors is pleased to report to shareholders the manner in which the Company has applied the principles and recommendations as set out in the Malaysian Code of Corporate Governance 2012 (the Code) pursuant to Paragraph 15.25 of the Main Market Listing Requirements (the Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

The Company has complied with relevant Principles and Recommendations as set out in the Code. The Board having duly considered the rationale for any exceptions as set out and explained in this Annual Report is committed to comply with the Principles and Recommendations of the Code.

### 1 The Board of Directors

#### 1.1 Composition

The Board comprises of seven directors; three of whom are Non-Independent Non-Executive Directors, three are Independent Non-Executive Directors and one Executive Director within the meaning of Paragraph 1.01 of the Listing Requirements. The Board is required under Paragraph 15.02 of the Listing Requirements to ensure that it has one-third independent directors.

In line with the recommendation of the Code, the tenure of an Independent Director of the Company should not exceed a cumulative term of nine years. An Independent Director may continue to serve the Board subject to the re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine years, shareholders' approval will be sought. The Board believes that valuable contribution can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board notwithstanding their tenure on the Board.

Mr. Boey Tak Kong and Mr. Foo Swee Leng, two of the Independent Non-Executive Directors, have served the Board for more than nine years as an Independent Director. They will continue to serve the Board as Independent Directors till the date of the ensuing Annual General Meeting of the Company.

The Board has identified Dato' Zainal Abidin bin Putih as its Senior Independent Director, to whom concerns of shareholders, Management and other stakeholders may be conveyed.

#### 1.2 Duties and Responsibilities

The Company is led by an experienced Board under a Chairman who is an Independent and Non-Executive Director. The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities. Members of the Board are professionals from varied backgrounds and gender, bringing depth and diversity in experience, expertise and perspectives to the Company's business operations. The profiles of the members of the Board are as set out in this Annual Report on pages 11 and 12.

The Board is ensured of a balanced view at all Board deliberations largely due to the presence of its non-executive directors that form a majority in the Board.

More importantly, the Board has as members, independent Non-Executive Directors who are independent from Management and major shareholders of the Company. The Independent Directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgment.

Pursuant to the recommendations of the Code, the Board has and will carry out an annual assessment of the independence of its Independent Directors.

Together with the Managing Director who has intimate knowledge of the Company's business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As part of its commitment, the Board supports the highest standards of corporate governance and the development of best practices for the Company.

The Board retains full and effective control of and responsibility for the Company. This includes the following six specific responsibilities in the discharge of its duties:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed. The Board plays a supportive yet watchful role over the performance of Management;
- Identifying principal risks to ensure the implementation of appropriate systems to manage these risks;
- Establish succession planning, including the appointment, training and fixing of compensation and where appropriate, replacement of senior management;
- Maintaining shareholder and investor relations for the Company; and
- Reviewing the adequacy and integrity of the Company's internal control and management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

## 2 Board Charter

The Board has adopted a Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, the vision, mission, principles, as well as the policies and strategic development of the Company. The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Charter will periodically be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. That Charter is available for reference at the Company's website at [www.dutchlady.com.my](http://www.dutchlady.com.my).

## 3 Board Meetings

The Board meets at least four times a year and has a formal schedule of matters reserved to it. Additional meetings are held as and when required. It meets within two months of the end of each quarter of the financial year, whereat the Company's financial statements and results are deliberated and considered. The Board and its Committees are supplied with sufficient information to enable them to discharge their duties. During these meetings, the Board also appraises business proposals, reviews the management or performance of the business and any other strategic issues that affect or may affect the Company's business.

During the financial year, the Board met five times; whereat it deliberated and considered a variety of matters including the Company's financial results, the business plan and direction of the Company. The Board receives documents on matters

requiring its consideration prior to and in advance of each meeting. The Board papers are comprehensive and encompass all aspects of the matters being considered which enable the Board to look at both the quantitative and qualitative factors so that informed decisions are made.

Directors have access to information within the Company and to the advice and services of the Company Secretary who is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with. The Directors also have access to independent professional advice in furtherance of their duties.

The attendance of the directors at the Board Meetings is set out in the Directors' profile appearing on pages 11 and 12 of the Annual Report.

## 4 Appointment and Re-election of Directors

The appointment of Directors is undertaken by the Board as a whole. The Nomination Committee recommends candidates suitable for appointment to the Board, and the final endorsement lies with the entire Board to ensure the required mix of skills, experience and expertise of members of the Board is sufficient to address the issues affecting the Company. In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, expertise and experience of the proposed candidate.

At least one-third of the Directors are required to retire by rotation each financial year in accordance with the Company's Articles of Association and can offer themselves for re-election at the Annual General Meeting.

Directors who are appointed by the Board to fill a casual vacancy during the year are subject to re-appointment by shareholders at the next Annual General Meeting following their appointment.

The Company's Articles of Association provide that the Managing Director is also subject to retire by rotation once in every three years.

The Board acknowledges the importance of gender diversity and recognises the benefits that it can bring. The Nomination Committee considers diversity generally when making appropriate appointments to the Board, taking into account relevant skills, experience, knowledge, personality and gender. Notwithstanding the challenges in achieving the appropriate level of gender diversity on the Board, the Company will work towards addressing this as and when vacancies arise and suitable candidates are identified. 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.

With this in mind, the Nomination Committee and the Board approved the appointment of Ms. Saw Chooi Lee as a Non-Independent Non-Executive Director of the Board with effect from 1 January 2014.

## statement of corporate governance

### 5 Directors Training

All members of the Board, save and except for Ms. Saw Chooi Lee who was recently appointed to the Board on 1 January 2014, have attended and successfully completed the Mandatory Accreditation Programme.

The Board has the responsibility of overseeing the training needs of their Directors. In addition to specific training programmes for its Directors annually, Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. The Company will, on a continuous basis, evaluate, assess and determine the training needs of its Directors.

For the year under review, all Directors (except Ms. Saw Chooi Lee who was appointed to the Board on 1 January 2014) attended briefings and trainings to enable them to effectively discharge their duties. Particulars of the development and training programmes attended by Directors are as set out on pages 23 to 24 of the Annual Report.

Throughout the year, the Directors received regular updates and briefings on regulatory, industry and legal developments, including information on significant changes in business and operational risks and procedures instituted to mitigate such risks.

### 6 Directors Remuneration

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

For Executive Directors of the Company, the Company adheres to the human resource policies and procedures, (which includes that of remuneration of employees who are appointed as Executive Directors of subsidiary companies of the Royal FrieslandCampina group of companies ("RFC Group")), which includes its performance appraisal system and compensation and benefits scheme. For Executive Directors of the Company, corporate and individual performance is rewarded through the use of an integrated pay benefits and bonus structure. Market

competitiveness, business results and individual performance is also considered by the RFC Group in evaluating the Executive Directors' remuneration. The Executive Directors are not paid meeting attendance allowance nor directors' fees.

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. Non-Executive Directors are also paid an attendance allowance for each Board or Committee meeting that they attend. Members of the Audit Committee also receive a committee allowance.

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2013 is as follows:

	Executive Directors	Non-Executive Directors
	RM '000	RM '000
Directors' fees	-	273
Meeting & Committee allowances	-	65
Salaries and other emoluments	500	536
Benefits in kind	269	-

The number of Directors whose total remuneration falls within the following bands are as follows:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,001 to 100,000	-	5
550,001 to 600,000	-	1
750,001 to 800,000	1	-



## 7 Board Committees

As appropriate, the Board has delegated certain responsibilities to Board Committees that operate within clearly defined terms of reference. These Board Committees are:

### 7.1 Audit Committee

The Company's Audit Committee assists and supports the Board's responsibility to oversee the Company's operations in the following manner:

- Provides a means for review of the Company's processes for producing financial data, its internal controls and independence of the Company's External and Internal Auditors.
- Reinforces the independence of the Company's External Auditors.
- Reinforces the objectivity of the Company's Internal Audit function.

The Audit Committee comprises of four Directors (three of whom, including the Chairman, are Independent Non-Executive Directors). The members of the Committee are:

1. Mr. Boey Tak Kong  
(Independent Non-Executive Director) - Chairman
2. Dato' Zainal Abidin bin Putih  
(Independent Non-Executive Director)
3. Mr. Foo Swee Leng  
(Independent Non-Executive Director)
4. Dato' Dr. Mhd. Nordin bin Mohd. Nor  
(Non-Independent Non-Executive Director)

The Audit Committee's terms of reference include the review of and deliberation on the Company's Financial Statements, the audit findings of the External Auditors arising from their audit of the Company's Financial Statements and the audit findings and issues raised by the Internal Auditors together with Management's responses thereon. The Finance Director, Internal Auditors and External Auditors attend meetings at the invitation of the Audit Committee.

The Committee also reviews the Company's quarterly unaudited statements and final audited (12 months) Financial Statements before they are considered, deliberated and approved by the Board as well as related party transactions and any conflicts of interest situations during the year.

The Audit Committee Report for the financial year ended 31 December 2013 is contained on pages 27 and 28 of this Annual Report.

The Audit Committee's activities during the financial year are as set out on page 28 of this Annual Report.

### 7.2 Nomination Committee

The Nomination Committee comprises of three Directors, all of whom are Non-Executive Directors. The members of the Nomination Committee are:

1. Mr. Foo Swee Leng  
(Independent Non-Executive Director) - Chairman
2. Dato' Zainal Abidin bin Putih  
(Independent Non-Executive Director)
3. Mr. Boey Tak Kong  
(Independent Non-Executive Director)

The Board has decided and agreed that the Senior Independent Director of the Company be Dato' Zainal Abidin bin Putih, instead of the Chairman of the Nomination Committee.

The Nomination Committee's responsibility amongst others, is to propose or review new nominees for the Board and Board Committees, to assess the effectiveness of the Board as a whole, examine its size with a view to determine the impact of its number upon its effectiveness, the Committees of the Board and the individual Directors on an on-going basis, and to annually review the required skills and core competencies of Non-Executive Directors. The criteria for assessing the independence of an Independent Director includes the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

## statement of corporate governance

The Nomination Committee also ensures that an orientation and induction programme is in place for new Board members.

The activities of the Nomination Committee during the financial year include the following:-

- Considered the nominations to the Board of Directors of the Company;
- Reviewed the composition of the Board and Board Committees; and
- Assessed and evaluated the effectiveness of Directors through self and peer assessments and the assessment of the Board as a whole (including the Managing Director).

The Nomination Committee meets as required. Two meetings were held during the financial year. All recommendations of the Nomination Committee are subject to the endorsement of the Board.

### 7.3 Remuneration Committee

The Remuneration Committee comprises of three directors, two of whom are non-executive directors. The members of the Remuneration Committee are:

1. Dato' Dr. Mhd. Nordin bin Mohd. Nor  
(Non-Independent Non-Executive Director) - Chairman
2. Mr. Rahul John Colaco  
(Managing Director)
3. Ms. Saw Chooi Lee  
(Non-Independent Non-Executive Director)  
(appointed on 1 January 2014)

Mr. Huang Shi Chin, who retired from the Board on 1 January 2014, was a member of the Remuneration Committee up to 1 January 2014, when he was replaced by Ms. Saw Chooi Lee who was appointed to the Board and as a member of the Remuneration Committee on 1 January 2014.

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of Non-Executive Directors. In respect of Executive Directors, the Company adheres to the human resource policies and procedures, (which includes that of remuneration of employees who are appointed as Executive Directors of subsidiary companies) of RFC Group which includes its performance appraisal system and compensation and benefits scheme.

The determination of Non-Executive Directors' fees is a matter deliberated by the Remuneration Committee and approved by the Board as a whole. The Non-Executive Directors concerned abstain from discussion of their own remuneration. The Board as a whole, recommends the remuneration payable to the Non-Executive Directors and any changes thereof to the shareholders for approval at the Annual General Meeting.

## 8 Accountability and Audit

### 8.1 Financial Reporting:

The Board aims to provide and present a balanced and meaningful assessment of the Company's financial performance and prospects at the end of the financial year, primarily through the Financial Statements, the Chairman's Statement and the Management Discussion and Analysis in the Annual Report.

### 8.2 Statement of Directors' Responsibility in respect of Audited Financial Statements pursuant to Paragraph 15.26(a) of the Listing Requirements.

Directors are required pursuant to Section 169(15) of the Companies Act, 1965, to state whether the Company's Financial Statements for the financial year are drawn up in accordance with approved accounting standards so as to give a true and fair view of the Company's state of affairs and of the results of the Company's business operations for the financial year.

In preparing the Financial Statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the Financial Statements on an on-going basis.

The Company's quarterly and annual results announcements are released to shareholders within the stipulated time frame to reinforce the Board's commitment to provide a true and fair view of the Company's operations.

### 8.3 Internal Audit

The Company has an Internal Audit function that is supported by the RFC Group's Corporate Internal Audit department.

Internal Audit report to the Audit Committee. During the year, the Internal Auditors had four meetings with the Audit Committee. They reported on the Company's system of internal and operational controls with focus on key area of business risks.

The Internal Auditors' audit plan, nature and scope of the audit were approved by the Audit Committee prior to the commencement of their audit based on the Company's specially designed Internal Control Framework that aims at optimising the effectiveness and efficiency of the Company's internal controls. They reported on weaknesses in control procedures and made recommendations on areas for improvement.

They also reviewed the extent to which their recommendations have been implemented by the Company.

The Internal Audit function also carries out activities under the Enterprise Risk Management programme developed by RFC Group and implemented by the Company. The programme incorporates a process of identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies.

### 8.4 External Audit

The Company's independent external auditors, KPMG, play an essential role to the shareholders by enhancing the reliability of the Company's Financial Statements and by giving assurance of that reliability to users of the Financial Statements.

The External Auditors have an obligation to bring any significant weaknesses in the Company's system of controls and compliance to the attention of Management, the Audit Committee and the Board.

## 9 Relations with Shareholders and Investors

The Company's Annual General Meeting (AGM) is the principal forum for dialogue with individual shareholders. It is the crucial mechanism in shareholder communication for the Company. At the Company's AGM, which is generally well attended, shareholders have direct access to the Board and

are given the opportunity to ask questions during the open question and answer session prior to the moving of the motion to approve the proposed resolution. Shareholders are encouraged to ask questions about the resolutions being proposed and on the Company's operations in general.

A press conference is held immediately after the AGM whereat the Chairman and the Managing Director advise members of the media of the resolutions passed, and answer questions on the Company's operations posed by reporters. Members of the media are also invited to the Company's major product launches where clarifications are given on the products and the business in general.

In addition, Management personnel responsible for investor relations activities meet regularly with equity research analysts, fund managers, institutional shareholders and investors on a one-to-one basis upon request. In these meetings, Management also addresses queries and/or concerns raised with regards to the Company's performance, market outlook, business operations and other matters affecting shareholders' interest.

Announcements are made on a timely basis to Bursa Securities and these are made electronically to the public via Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com) as well as on the Company's website.

The Company's website, [www.dutchlady.com.my](http://www.dutchlady.com.my) provides corporate and financial information, as well as news, highlights, events, product information and medical advice.

Investors may forward their queries to the Company in care of the Company Secretary via e-mail: [finance.dept@frieslandcampina.com](mailto:finance.dept@frieslandcampina.com)

## 10 Compliance Statement

The Company has complied with the relevant Principles and Recommendations as set out in the Code other than those as disclosed within this Statement of Corporate Governance.

**Training programmes attended by Directors for the financial year ended 2013**

Director	Title of Training Programme	Organiser	Date
Dato' Zainal Abidin bin Putih	Challenges in Managing Business Risks and Recent Changes to Tax Laws & Procedures	BoardRoom Corporate Services (KL) Sdn Bhd	7 Jan 2013
	Briefing on Financial Services Act and the new Islamic Financial Services Act - Implications for Directors	ZICOLaw	11 Mar 2013
	Shariah Governance Framework Briefing	CIMB Islamic Bank	3 April 2013
	5th Regional Compliance, Audit & Risk Conference	CIMB Group	14 & 15 June 2013
	Perdana Leadership Foundation CEO Forum 2013 - Better Times Ahead for Malaysia? Predictions, Trends & Outlook for 2013 - 2014	Perdana Leadership Foundation	18 June 2013
	CIMB Annual Asia Pacific Conference	CIMB Group	19 June 2013
	Australia All Day Energy 2013 Exhibition & Conference	Reed Exhibitions Australia Pty Ltd	8 & 9 Oct 2013
	Directors CEP Training <ul style="list-style-type: none"> <li>The Importance of Government Relations to the Bottom Line</li> <li>The Importance of the Wider Stakeholder Environment - Civil Society &amp; the Community</li> <li>Practical Application of Government Relations Design &amp; Strategy, Lessons &amp; Best Practices</li> <li>Managing Asia's New Competitive Games</li> </ul>	Dutch Lady Milk Industries Berhad	29 Oct 2013
CIMB Group Annual Management Summit - Differentiating CIMB	CIMB Group	22 & 23 Nov 2013	
Mr. Boey Tak Kong	Fuelling The Economy: The Business Of Palm Oil	Economic Transformation Programme and BFM.	15 Mar 2013
	CFO & Beyond	The Association Of Chartered Certified Accountants ("ACCA")	28 Mar 2013
	Securing Mobile Access In The Enterprise	Oracle Corporation Malaysia Sdn Bhd	15 May 2013
	CFOs & Finance Leaders Conference 2013	Malaysian Institute Of Accountants ("MIA")	17 May 2013
	ASEAN CG Scorecard 2013	Minority Shareholder Watchdog Group	12 June 2013
	Future Of Corporate Reporting	ACCA- Bursa Malaysia Securities Berhad	12 June 2013
	Advocacy Session On Corporate Disclosure	Bursa Malaysia Securities Berhad	20 June 2013
	The Value Of Quality Audit	MIA-ACCA	5 July 2013
	Optimising Work-Life Conference	Ministry of Women, Family & Community Development	8 July 2013
	100 Drivers Of Change For The Global Accountancy Profession	ACCA	17 July 2013
	Security Inside Out - The Impact & A Roadmap To Compliance	Oracle Corporation Malaysia Sdn Bhd	22 Aug 2013
	Security Operations Center Roundtable	IBM Malaysia Sdn Bhd	18 Sept 2013
	Drive Better Business Outcomes with Big Data and Analytics,	Oracle Corporation Malaysia Sdn Bhd	7 Oct 2013
	Directors CEP Training <ul style="list-style-type: none"> <li>The Importance of Government Relations to the Bottom Line</li> <li>The Importance of the Wider Stakeholder Environment - Civil Society &amp; the Community</li> <li>Practical Application of Government Relations Design &amp; Strategy, Lessons &amp; Best Practices</li> <li>Managing Asia's New Competitive Games</li> </ul>	Dutch Lady Milk Industries Berhad	29 Oct 2013

Director	Title of Training Programme	Organiser	Date
Mr. Freek Rijna	FrieslandCampina CPI Management Forum	Royal FrieslandCampina N.V.	12 - 14 June 2013
Mr. Rahul John Colaco	FrieslandCampina CPI Management Forum	Royal FrieslandCampina N.V.	12 - 14 June 2013
	Directors CEP Training <ul style="list-style-type: none"> <li>• The Importance of Government Relations to the Bottom Line</li> <li>• The Importance of the Wider Stakeholder Environment - Civil Society &amp; the Community</li> <li>• Practical Application of Government Relations Design &amp; Strategy, Lessons &amp; Best Practices</li> <li>• Managing Asia's New Competitive Games</li> </ul>	Dutch Lady Milk Industries Berhad	29 Oct 2013
Mr. Foo Swee Leng	Directors CEP Training <ul style="list-style-type: none"> <li>• The Importance of Government Relations to the Bottom Line</li> <li>• The Importance of the Wider Stakeholder Environment - Civil Society &amp; the Community</li> <li>• Practical Application of Government Relations Design &amp; Strategy, Lessons &amp; Best Practices</li> <li>• Managing Asia's New Competitive Games</li> </ul>	Dutch Lady Milk Industries Berhad	29 Oct 2013
Dato' Dr. Nordin bin Mohd Nor	Risk Management Forum	Securities Industries Development Corporation	4 June 2013
	Wealth Creation & Preservation	Permodalan Nasional Berhad	1 Oct 2013
	Directors CEP Training <ul style="list-style-type: none"> <li>• The Importance of Government Relations to the Bottom Line</li> <li>• The Importance of the Wider Stakeholder Environment - Civil Society &amp; the Community</li> <li>• Practical Application of Government Relations Design &amp; Strategy, Lessons &amp; Best Practices</li> <li>• Managing Asia's New Competitive Games</li> </ul>	Dutch Lady Milk Industries Berhad	29 Oct 2013
	PNB Group Quality Initiatives 2013	Permodalan Nasional Berhad	30 Oct 2013
Mr. Huang Shi Chin	Directors CEP Training <ul style="list-style-type: none"> <li>• The Importance of Government Relations to the Bottom Line</li> <li>• The Importance of the Wider Stakeholder Environment - Civil Society &amp; the Community</li> <li>• Practical Application of Government Relations Design &amp; Strategy, Lessons &amp; Best Practices</li> <li>• Managing Asia's New Competitive Games</li> </ul>	Dutch Lady Milk Industries Berhad	29 Oct 2013

# Safety First

**Everyone has a role to play when it comes to safety**

*In running our business, safety is paramount and must remain a priority, as no amount of success can offset an accident. When it comes to safety, there should be no compromise. Every week is a safety week in Dutch Lady Malaysia. By ensuring workplace risks are effectively managed, we contribute to a safer and better workplace for our people.*



SAFETY



FIRST

UTAMAKAN KESELAMATAN



# audit committee report

## Pursuant to Paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

### 1 Membership and Meeting of the Committee

Members of the Audit Committee are:

1. Mr. Boey Tak Kong  
(Independent, Non-Executive Director)-Chairman
2. Dato' Zainal Abidin bin Putih  
(Independent, Non-Executive Director)
3. Mr. Foo Swee Leng  
(Independent, Non-Executive Director)
4. Dato Dr. Mhd. Nordin bin Mohd. Nor  
(Non-Independent Non-Executive Director)

Mr. Boey Tak Kong and Dato' Zainal Abidin bin Putih, being members of the Malaysian Institute of Accountants, fulfill the requirement of Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Securities.

The Audit Committee held four meetings during the financial year ended 31 December 2013. Details of attendance of the Audit Committee members are as follows:-

Name of Members	Total Meetings Attended
Boey Tak Kong	4 out of 4
Dato' Zainal Abidin bin Putih	4 out of 4
Mr. Foo Swee Leng	4 out of 4
Dato' Dr. Mhd Nordin bin Mohd Nor	4 out of 4

### 2 Role of the Audit Committee

An independent Audit Committee assists and supports the Board's responsibility to oversee the Company's operations in the following manner:-

- provides a means for the review of the Company's processes for producing financial data, its internal controls and independence of the Company's Internal and External Auditors.
- reinforces the independence of the Company's External Auditors.
- reinforces the objectivity of the Company's Internal Audit function.

### 3 Terms of Reference

#### • Composition

The Committee comprises four Directors, a majority of whom is independent. The Chairman is an Independent Non-Executive Director. Two members of the Audit Committee are professional accountants.

In compliance with Paragraph 15.09(1)(b) of the Listing Requirements of Bursa Securities, all members of the Audit Committee are Non-Executive Directors.

#### • Quorum

The quorum for a meeting is three.

#### • Agenda and Notice of Meeting

The Company Secretary with the concurrence of the Chairman of the Audit Committee is responsible for preparing and

circulating the Agenda and the Notice of Meeting, together with explanatory documentation to members of the Audit Committee prior to each meeting.

#### • Attendance of Meeting

Other Board members, the Finance Director, Internal Auditors and External Auditors attend the Audit Committee meeting by invitation of the Audit Committee.

#### • Frequency of Meetings

Meetings are held not less than four times a year. The External Auditors may request a meeting if they consider that one is necessary.

#### • Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it required from any employee and all employees are directed to co-operate with any request made by the Committee.

The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it deems necessary.

#### • Duties

The duties of the Audit Committee are:

- (a) To consider the appointment of the External Auditors and fix their audit fee, and to assess the suitability and independence of the External Auditors.
- (b) To discuss with the External Auditors their audit plan, the nature and scope of the audit, evaluation of the Company's system of internal controls and audit report on the annual Financial Statements.
- (c) 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 the Listing Requirements of Bursa Securities and legal requirements; and
  - (vi) significant adjustments arising from the audit.
- (d) To discuss issues and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss, in the absence of Management where necessary.
- (e) To review the External Auditors' letter to Management and Management's response thereon.
- (f) To do the following, in relation to the Internal Audit function:-
  - (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) review the internal audit plan and results of the internal audit process and, where necessary,



- ensure that appropriate actions are taken on the recommendations of the internal audit function by Management;
- (iii) review and appraise the performance of members of the internal audit function;
- (iv) approve any appointment or termination of senior staff members of the internal audit function; and
- (v) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (g) To consider any related party transactions and conflict of interest situations that may arise within the Company.
- (h) To consider the major findings of any internal investigations and Management's response thereon.
- (i) To review the draft Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors.
- (j) To consider any other topics, as defined by the Board.

#### • Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

Detailed audit reports by the Internal Auditors and the respective Management response are circulated to members of the Audit Committee before each Meeting at which the said reports are tabled.

#### 4 Internal Audit Function

The Company has an Internal Audit function that reports to the Audit Committee.

The Internal Auditors are empowered to audit the Company's departments, review the departments' compliance with internal control procedures, highlight areas of weaknesses and make appropriate recommendations to the Company for improvements.

The Internal Audit function also carries out activities under the Enterprise Risk Management programme developed by Royal FrieslandCampina group of companies and implemented by the Company. The programme incorporates a process of identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies.

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

- prepared the audit plan for the year, which is reviewed and approved annually by the Audit Committee. The annual audit plan is based on the 2013 - 2015 audit plan and manpower proposal approved by the Audit Committee on 27 November 2012, and updated where necessary by the Audit Committee;
- determined the manpower requirement to support the audit plan;
- completed a total of 46 audit engagements and management requests;
- prepared the audit programme based on the audit plan, for each activity or process to be audited;
- maintained the Company's Internal Control Framework, including designing controls, organising self assessments and ensured proper functioning of the system;
- discussed with auditees, process owners and Management on the results of the audit for each activity or process, and the recommendations for improvements;

- engaged in an Enterprise Risk Assessment exercise, which enables the Company to provide an understanding of key risks and to enable Management to define an adequate and practical mitigation action where necessary;
- reported to the Audit Committee on a quarterly basis, the internal audit findings on risk management, control and governance issues identified during the risk based audits, together with recommendations for improvements in the processes; and
- followed up recommendations from the previous internal audit reports to ensure that all matters arising are adequately addressed.

Costs amounting to RM429,974 were incurred in relation to the internal audit function for the financial year ended 31 December 2013.

#### 5 Summary of Audit Committee's Activities

The Audit Committee met at scheduled times during the year, with due notices of meetings issued, and with agendas planned and itemised so that matters were deliberated and discussed in a focussed and detailed manner. The minutes of each meeting held were distributed to each member of the Board at subsequent Board Meetings. The Audit Committee Chairman reported on each meeting to members of the Board.

The activities of the Audit Committee during the financial year ended 31 December 2013 were as follows:

- (i) reviewed the audit plan, nature and scope of the audit with the Internal and External Auditors;
- (ii) discussed the findings and recommendations by the Internal and External Auditors on systems and control weaknesses, and ensured that corrective actions were taken by Management.
- (iii) reviewed the compliance with accounting standards and ensured that the Company used appropriate accounting policies for its financial statements;
- (iv) reviewed the Company's quarterly financial results and recommended the same to the Board for approval and announcement to Bursa Securities;
- (v) reviewed the Company's audited accounts for the year and audit report of the External Auditors on the financial statements and recommended the same to the Board for approval;
- (vi) considered the quantum, timing and cash flow of dividend payments, and recommended the same to the Board for approval;
- (vii) reviewed the related party transactions and any conflict of interest situations during the year.

This was also done via the formation of Related Party Transactions Review Committee ("RPT Review Committee"), for which Mr. Boey Tak Kong (who is also the Chairman of the Audit Committee) also serves as Chairman of the RPT Review Committee. During the financial year ended 31 December 2013, two RPT Review Committee meetings were convened whereat the recurrent related party transactions for the year was presented and tabled for review.

- (vi) reviewed the Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for approval.
- (ix) reviewed the Company's dividend stance.



Biar betul.  
Cuba rasa!

OMEGA  
3+6  
KESAMPAHAN  
WITA  
WEM  
COKLAT

HARSH AFIQ

MARACON

MADP

# Dairy with a Malaysian Purpose

## *Dedicated to healthy nutrition*

*At Dutch Lady Malaysia, we have a strong dedication towards our mission to help Malaysians move forward in life with trusted dairy nutrition. We aspire to be the leading provider of healthy dairy foods to Malaysian families.*



# corporate responsibility

## Dairy with a Purpose

Corporate Responsibility remains a key pillar of our business strategy, and as the leader in the dairy industry in Malaysia, we are committed to demonstrate responsible corporate conduct across all aspects of our operations. Our corporate responsibility strategy is guided by our purpose in "Helping Malaysians move forward in life with trusted dairy nutrition". This purpose addresses issues of national importance.

## Corporate Responsibility Strategy

Our mission is to create shared value to all our stakeholders through our strategic initiatives. We aim to demonstrate our commitment by actively undertaking strategic initiatives based on the following three priority areas:-

- Balanced nutrition
- The environment and social responsibility
- Dairy self sufficiency

## The Nutrition Agenda

As the world population increases, so has the need to ensure consistent and sustainable provision of quality nutrition. Our parent company, Royal FrieslandCampina N.V. places this as one of the four cornerstones of its own corporate social responsibility agendas - to ensure sufficient nutritious food to help combat undernourishment and a shortage of nutrients.

Locally, Dutch Lady Malaysia aims to continue our efforts in combating obesity and nutrient deficiency by ensuring that our products are responsibly manufactured, healthy and available in various choices and portion sizes. We have also reduced the sugar content in our products and constantly looked at ways in educating our consumers on healthy eating and lifestyle and emphasising the importance of sports and exercise. This is in line with our mission of "Helping Malaysians move forward in life with trusted dairy nutrition".

In helping Malaysians move forward in life with trusted dairy nutrition, we aspire to demonstrate our commitment in the corporate responsibility domain by focusing on three key areas:

Balanced nutrition	Social and environmental responsibility	Dairy self-sufficiency
<ul style="list-style-type: none"> <li>• Providing healthy dairy nutrition</li> <li>• Scientific activities centred on nutrition</li> <li>• School milk outreach</li> <li>• Responsible marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Employer of choice</li> <li>• Goodness of dairy outreach</li> <li>• Sustainability in business operations</li> </ul>	<ul style="list-style-type: none"> <li>• Dairy development programme</li> <li>• Improving farmers income</li> </ul>



- **National School Milk Programme**

Dutch Lady Malaysia's continued participation in the Program Susu 1Malaysia (PS1M) is an important platform for the Company to help spread the goodness and benefits of milk to school children, which ultimately reinforces our strength as an expert in dairy nutrition. Through working with the Malaysian government, we provided milk to more than 232,489 selected school children in Kelantan and Terengganu between the ages of seven and 12 years in 2013. With the Ministry of Education's support, a series of educational road shows were also conducted to educate the students on proper milk handling and benefits of milk consumption.

- **SEANUTs Survey**

The South East Asian Nutrition Survey (SEANUTs) is the largest and most extensive nutrition and health study ever done in South-East Asia, wherein 16,744 children between the ages of six months and 12 years were surveyed over a four-year period. Initiated by FrieslandCampina in 2009, the SEANUTs study was carried out in four countries - Malaysia, Indonesia, Thailand and Vietnam. It was launched to identify the nutritional habits and gaps in knowledge among these children.

The study highlighted the double burden of malnutrition in Malaysian children and that almost one in two children were found to have lower Vitamin D levels than the ideal.

The results of these findings were published in the *British Journal of Nutrition* (September 2013 issue), which was handed over to Universiti Kebangsaan Malaysia (UKM)'s research team by Dutch Lady Malaysia in an official ceremony held in December 2013 at UKM's campus in Kuala Lumpur. UKM is the principal investigator for SEANUTs in Malaysia. The results of these findings were also shared with healthcare professionals and the Ministry of Health in order to make significant differences in the lives of children.

### **Social and Environmental Responsibility Agenda**

- **Being the Number 1 employer in dairy**

We are an employer that respects its employees and inspires them to give their best to the Company. We aim to provide a working environment characterised by fairness, respect and integrity. We have always taken seriously the value of our people and are committed to good employment practices.

The "Passion for BLUE" (PfB) programme was introduced in 2010 as a strategy to realise our goals through stronger co-operation among teams and operative functions in the Company. The BLUE values, coined to help build a common set of values that employees can easily remember and assimilate, is an acronym of the Company's four key values: Believe in Growth, Look Forward, Unite as One Team and Excel in Execution

- **Employee Engagement**

We pride ourselves on ensuring open two-way communication channels are available to all employees through various activities and platforms. For example, the monthly MD townhall meetings are held to inform all employees of goings-on in the company and to facilitate better understanding of the Company's objectives and directions. Employees have access to a shared portal on the Intranet, where they can gain new information on current events as well as acquire necessary documents and schedules. The Company's internal employees' newsletter, also known as *SUARA*, is published three times a year to highlight major events that have happened in the last few months.

Plant managers in the operations side have Daily Report Meetings every morning to keep each other informed. These are only some methods the Company employs to engage and communicate with employees. We continue to recognise our employees through various employee recognition programmes and awards.

Employee engagement also extends beyond employees to their family members, who have opportunities to gather and get to know families of other employees and spend quality time in various events. In line with the Company's mission to underline the spirit of winning together as a family, various activities have been held, such as the annual Family Day and the Grass to Glass Camp, where children of employees have the opportunity to take part in fun activities and learn about the goodness of milk.

- **Training and Development**

Our people are paramount 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 place highest importance in ensuring that our people

## corporate responsibility

are continuously equipped with the necessary skills and knowledge to keep us at the forefront of our business. Our Talent Assessment Programme and Dutch Lady Associate Programme identify potential talents with excellent leadership and managerial qualities and to build our talent pipeline. Various initiatives and investments are undertaken to improve employee competencies in soft skills and technical knowledge encompassing management, communication, safety, operational excellence and leadership. Our commitment to development extends within the region via our Sales and Marketing Academy Workshops and globally with the Future Leaders and Academic Potential Leadership Series.

- **Nurturing the Younger Talent**

Dutch Lady Malaysia understands the future lies in the hands of the younger generation. Hence, we place emphasis on cultivating and nurturing the future generation with the right skills, knowledge and values essential to shaping a brighter tomorrow. In the Dutch Lady Associate Programme, the

Company recruits suitable graduates under the age of 25 for a duration of 18 months, during which the candidate gains as much experience in the fields of human resources, marketing, sales, finance and operations. The programme structure allows candidates practical exposure in various departments within and outside of the Klang Valley. The Company also plays hosts to numerous visits by educational institutions who wish to expose their students to corporate life. During the tour, students gain quick insight into the operations of a leading dairy company in the FMCG industry.

### **Employee Volunteering Initiatives**

Dutch Lady Malaysia believes in moving the society forward by giving back. As such, community outreach programmes are a mainstay in our annual Corporate Responsibility plan. The Company does so through the Dutch Lady Blue Brigade, our own volunteer arm that reaches out to young Malaysians. The Blue Brigade team participates in community outreach activities with the media, charity organisations, children's homes and schools throughout the nation.

### **Inspiring our Future Generation**

In conjunction with the Company's 50th anniversary, we launched the Inspire Tomorrow Fund (ITF) campaign in early 2013, where we awarded 50 Malaysian children between the ages of four and 12 with insurance policies worth a total of RM1.5 million to help them achieve their dreams and aspirations. With the collaboration with UniAsia Life Assurance Berhad, Dutch Lady Malaysia presented each child an insurance policy amounting to RM30,000 which matures when the child turns 18. The ITF campaign aimed to inspire and aid young Malaysians to pursue their dreams and ambitions through education, sports and creative arts. Built on a desire to initiate a sustainable programme with a wide-reaching impact, the campaign was designed to aid the 50 selected children in furthering their education or pursuing a particular field of expertise. The 50 recipients were selected based on three categories - 10 chosen in collaboration with the Ministry of Education, 10 from selected homes based on input from the Department of Social Welfare (JKM) and the final 30 via a public video submission contest. The recipients were reflective of the different strata within Malaysian society. This campaign has shown that there are many Malaysian children out there who have an inspiring story to share and given the right platform and the right encouragement, they can perform and make Malaysia proud.

### **Inspire Tomorrow Workshops**

Following the hugely successful ITF campaign, the Company extended this effort through the Inspire Tomorrow Workshops, where 50 workshops were held in 11 homes throughout the nation from November to December 2013. The homes were located throughout the nation in states from Penang and Terengganu to Johor and Melaka. Some of the homes were sourced with the assistance of JKM. The series of leadership and nutrition workshops were targeted at less fortunate children in Malaysia in an effort to touch more lives and spread the message of hope and inspiration to parents and children alike. The workshops consisted of various modules based on three pillars - Learning, Inspiration and Nutrition. The modules included experiential learning activity, immersive learning excursion, Goodness of Milk and one that taught children how to learn more effectively. The inspirational workshops were also executed together with volunteers and youth mentors, who were carefully selected based on their experience, achievements as well as personal stories on how they have overcome obstacles and challenges, in hope they will inspire the children. It also featured the involvement of a Malaysian celebrity, Ziana Zain, and a parenting coach, Zaid Mohamad, who shared their stories and journeys thus far with the children. To raise awareness of the workshops, Dutch Lady Malaysia collaborated with proPassion, a student PR consultancy of Taylor's University, presenting them an opportunity to work on a real-time campaign. A total of 15 students, who are all in their final year of their degree courses in PR, media and communications, spent a total of nine weeks working on the ITW project. Through the involvement and collaboration with so many key opinion leaders and various sections of society, Dutch Lady Malaysia truly reached out to Malaysians in more ways than one.

The Blue Brigade, as well as other Dutch Lady Malaysia volunteers, also helps to spread the goodness of milk in the Goodness of Dairy (GooD) programme. Through the GooD programme, volunteers provide a better understanding of dairy, such as the benefits of drinking milk, the importance of milk in a balanced diet, as well as where milk comes from.

In 2013, our employees volunteered on various outreach programmes such as a Gotong-Royong to clean the premises of Dutch Lady Malaysia, a visit to an orphanage at Sungai Buaya, the Inspire Tomorrow Workshops, a Goodness of Milk programme at the Bomba Perisma Pantai and the Grass to Glass Camp.

**Spreading the Goodness of Dairy**

Milk is an important source of nutrition for the development of our physical and intellectual health. In Malaysia, the average milk consumption is relatively low compared to other Asian countries. Therefore, along with our purpose of helping Malaysians move forward with dairy nutrition, we have played an active role in supporting deserving organisations through sponsorship and donation of our dairy products, especially where the well-being and health and nutrition of families and children are concerned. In 2013, Dutch Lady Malaysia contributed products to a total of 480 organisations including schools, NGOs, orphanage homes, enrichment centres and key external stakeholder events such as Family Days and CSR centric activities.

**Partnership with the Malaysian Red Crescent Society**

Our continued dedication in supporting local communities was reflected in our partnership with the Malaysian Red Crescent Society (MRCS). In 2013, we collaborated with the MRCS to provide flood relief to places like Kuantan and Pahang by supplying family milk powder to 150 families stranded in those areas. The Company aims to continue collaborations with organisations that are in line with our vision to nurture a better Malaysia.

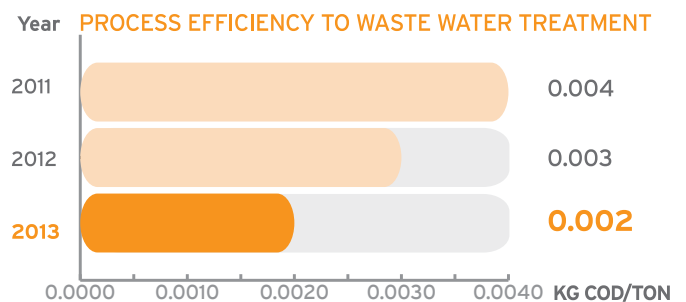
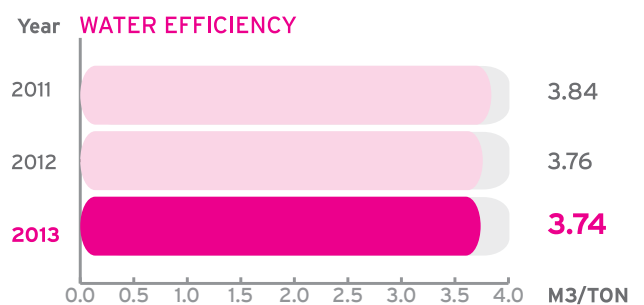
**Ensuring Sustainability in Environment and Business Operations**

Dutch Lady Malaysia remains 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.

- **Energy, Water and Waste Management**

Managing water consumption is an important priority for the Company. Despite an increase in production volume, our Operations team, with the support of our parent company Royal FrieslandCampina N.V. have put in place strategy and

actions to decrease our water footprint with a goal to reduce water usage by 20% per kilo by 2020 compared to 2010, through an efficiency gain of 2% per year. Various water recycling improvement projects were undertaken at our production plants. In addition, our Engineering department regularly conducts audit of leakages to identify areas of leakages in the plant, taken steps to repair or replace the faulty pipes to avoid further wastages. We made conscious efforts in improving our manufacturing processes and continuously work towards the reduction in the use of electricity throughout the Company. We use natural gas in our manufacturing operations where the consumption and trend of usage is continuously monitored. We have a systematic procedure for the disposal of market-returned products, used packaging materials and scheduled waste. We believe all these efforts contribute to a cleaner and greener environment.



## corporate responsibility



- **Safety Remains our No. 1 Priority**

We are committed in ensuring a safe environment for our employees, contractors and visitors who work on-site through our demonstration of safe work practices. Concerted efforts are continually made to create awareness on the responsibility of keeping everyone safe when working within the vicinity of our workplace. In developing a strong safety culture within the organisation, several programmes, and safety initiatives were carried out, including leadership training session targeting key personnel in the Company. Safety champions were also elected to lead internal projects to further enhance involvement from employees, from top down. A Safety Policy and Emergency card was also introduced, along with a safety sticker that contained important contact numbers for employee's reference in case of an emergency. In addition, defensive driving training sessions were carried out to ensure the enhanced safety of staff utilising the Company's fleet of cars.

As a result of these initiatives, Dutch Lady Malaysia obtained an excellent result in the FoQus Safety Health & Environment (SHE) audit which is recognised as one of the best in the RFC Consumer Products Asia region. In December 2013, the Company also received the National Safety Award from the Department of Health & Safety, Ministry of Human Resources. This was in recognition of our excellent performance in implementing employees' health and safety management systems and building a stronger safety culture in 2013.

### **Dairy Self-Sufficiency Agenda**

- **Developing Local Dairy Farmers**

Dutch Lady Malaysia and the Department of Veterinary Service (DVS) together with the Netherlands Embassy have been working together since 2008 to help local dairy farmers make their business more sustainable. Through our Dairy Development Programme (DDP), we have helped local

farmers increase their production of milk in both quality and volume as well as helped to ensure sustainability of milk supply to us. We are the largest purchaser of local fresh milk in Malaysia. In 2013, Dutch Lady Malaysia procures approximately an average of 225,000 litres of milk monthly from local dairy farmers.

In conjunction with the Company's 50th anniversary, a working group with select stakeholders were invited on an introductory visit to the Company's headquarters in the Netherlands to learn more about the Dutch Lady dairy heritage and the way we work. During the farm visits, attendees learnt about best farm management practices and benefited from knowledge transfer session with several Dutch farmers.

In efforts to educate and train Malaysian dairy farmers on better farm practices and to gain more lucrative earnings, we initiated an educational campaign together with the DVS, to create a series of three posters, containing relevant information on Good Animal Hygiene Practices, ranging from proper methods on how to prepare cows for milking, hygienic handling and preparation of the milking equipment to the process of handling milk collection. A collaborative visit to Vietnam was also organised, where the Company brought together a total of 25 delegates comprising Malaysian cooperative farmers and DVS officers to the FrieslandCampina Vietnam DDP pilot farm, with the mission of exposing and educating our local farmers on best practices in farm management. To date, more than 200 farmers have benefited from the DDP.

- **Knowledge Transfer via the Farmer2Farmer Programme**

The Farmer2Farmer Programme (F2F) is a part of the Company's long-standing Dairy Development Programme (DDP), where three Dutch farmers would be brought over to Malaysia for a two week knowledge and skill





sharing programme, whereby, 45 local farmers from the Koperasi Serbaguna Tenusu Melaka (KST) and Koperasi Penternak Tenusu Negeri Perak (KOPTEN) benefited from this programme. The F2F programme was launched in collaboration with the DVS and the Ministry of Agriculture in Melaka, covering topics ranging from effective feed and nutritional practices, good animal health and fertility practices, disease control, milk testing and monitoring methods.

- **Best Farmer Award**

In appreciating, motivating and recognising farmers for their commendable efforts, Dutch Lady Malaysia organised a contest in collaboration with the Perak's Department of Veterinary Services. From a total of 80 farmers from Koperasi Tenusu Perak (KOPTEN-Perak), six dairy farmers were acknowledged for their achievements. They were selected based on best farming practices based as outlined by the DVS and DDP.

**Firm Foundation to our Business**

- **FoQus Quality System**

The RFC Group safeguards food safety and food quality with FoQus - a broad-based quality system that is applicable for both the farms of the member dairy farmers and FrieslandCampina's production and distribution facilities. FoQus supports the RFC Group and the Company in the development of an increasingly robust production process. With FoQus, stricter 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.

- **Corporate and Personal Conduct**

To us, 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 Code of Conduct which sets out the values, principles and guidelines for how we should conduct our business to ensure integrity, transparency and accountability in all our business undertakings. We expect all our employees to maintain the highest standards of propriety, integrity and conduct in all their business relationships. Employees are contractually bound to abide by the Code of Conduct when conducting themselves at work and with external stakeholders such as our customers and suppliers. Bribery and corruption is not tolerated. Employees are encouraged to report any malpractices without fear or favour to the Company's local trusted representatives or an external contact at the RFC Groups' head office. Whistle-Blowing Procedures are in place for employees to address these concerns.

- **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 our Company's performance, new product launches and corporate social activities. The Company'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 medical advice. Further details on the various channels utilised for timely engagement with our shareholders and investors can be found in our Statements on Corporate Governance and Risk Management and Internal Control of this Annual Report.

## statement on risk management and internal control

The Board has overall responsibility for the Company's management of risk and system of internal controls, which includes the establishment of a control framework and environment, and review its effectiveness, adequacy and integrity. The Board is responsible for identifying the key business risks faced by the Company and for determining the course of actions to manage those risks. The Company continually evaluates and manages risks and reviews the planned actions.

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

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

### Risk Management

The Company implemented the Enterprise Risk Management programme in August 2012 based on the framework that was developed and issued by Royal FrieslandCampina N.V. (RFC). The programme establishes a enterprise risk assessment (ERA) for identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies, on an annual basis.

Key business risks are identified during the business planning process and are reviewed annually by the Board and the Audit Committee, as part of the normal governance process, taking cognisance of changes in the regulatory and business environment. This is to ensure the adequacy and integrity of evaluation within the system of risk management and internal controls.

The Enterprise Risk Management programme encompasses of the following, with the potential business risks being escalated to the Audit Committee and the Board for their consideration:-

- i) Identification and assessment of risks;
- ii) Increase risk awareness amongst key personnel;
- iii) Mitigation of risks by means of the relevant control mechanisms.

### 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 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 accountability 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.

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

- **Procedure and Control Environment**

In addition to internal controls, the Directors have ensured that health and safety regulations, environmental controls and political risks have been considered, and relevant laws and regulations complied with. The quality of the Company's products is paramount. Quality Assurance, Quality Control and meeting customers' requirements are prime considerations and this is achieved by the Company being ISO 9001 certified since 1995. Strong emphasis is also given to food safety with Good Manufacturing Practices and HACCP (Hazard Analysis and Critical Control Point) System that covers 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, a broad based quality system. A FoQus audit is conducted once in every 3 years (subject to the grade obtained) to ensure that products produced by the Company and the way in which it is being produced meets the necessary high standards on food safety, quality, labour safety and environment.

The Company has formal guidelines on safety, health and environment which applies 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 line with this, the Company has an Employee Handbook, Code of Conduct and Whistle-Blowing Procedures. In addition, the RFC Group's Anti-Trust Code of Conduct is cascaded to all relevant employees.

Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

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

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 services levels, forecasting accuracy and inventory turnover.

- **Reporting and Review**

The Company's Management Team monitors the monthly reporting and reviews the financial results and forecasts for all the businesses within the Company against the operating plans and annual budgets. The results are communicated on a regular basis to employees at the Company's monthly townhall sessions. A separate monthly financial reporting booklet is also disseminated to the senior managers of the Company.

The Managing Director reports on a quarterly basis to the Audit Committee and Board of Directors on significant changes in the business and the 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 and approved by the Board.

- **Assurance Compliance**

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

- **Internal Control Framework**

The Company has in place an Internal Control Framework (ICF) based on the framework that was developed and issued by Royal FrieslandCampina N.V. (RFC).

During the year, the Company continued the implementation of the ICF procedures.

- **Update on Developments**

Quarterly reporting is made to the Board of legal, accounting and environmental developments. Briefings are also conducted to keep employees informed of changes to legislation that are expected to affect the Company's operations or the way the Company conducts its business.

### **Internal Audit Function**

The Internal Audit independently focuses on the key areas of business risk based on an audit work plan approved annually by the Audit Committee. They also report on the systems of financial and operational controls on a quarterly basis to the Audit Committee.

The Internal Audit team highlights to executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The extent of compliance is reported to the Audit Committee on a quarterly basis. The progress of implementation of the agreed actions arising from audit findings are reported by Internal Audit through follow up reviews.

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

### **Conclusion**

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 the internal control system, and the possibilities for improving the system, the Company's internal risk management and control systems provide a reasonable degree of assurance that:

- the Board will be informed, in good time, of the degree to which the Company's strategic, operational and financial objectives are being achieved;
- the internal and external financial reporting does not contain any material misstatement and that the management and control systems functioned properly during 2013;
- the Company has complied with the relevant legislation and regulations.

We help people moving forward in life by getting more out of milk





# Our People, Our Passion

## **Winning Together**

*Built on a strong culture and solid foundation, Dutch Lady Malaysia comprises a workforce that is driven, ambitious and passionate. We pride ourselves as a company that is serious about developing our talents to their best potential success lies in having professional, dedicated and dynamic individuals.*

## directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2013.

### Principal activities

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

### Results

	RM'000
Profit for the year	<u>138,264</u>

### 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.

### 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 2013 on 21 May 2013;
- ii) a first special interim ordinary dividend of 80.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM51,200,000 in respect of the financial year ended 31 December 2013 on 21 May 2013;
- iii) 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 2013 on 27 December 2013; and
- iv) a second special interim ordinary dividend of 80.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM51,200,000 in respect of the financial year ended 31 December 2013 on 27 December 2013.

The Directors do not recommend any final dividend to be paid for the financial year under review. The first interim and special interim ordinary dividend under the single-tier tax system recommended by the Directors in respect of the financial year ending 31 December 2014 is 50.00 sen and 60.00 sen per ordinary share respectively totalling RM32,000,000 and RM38,400,000 respectively.

### Directors of the Company

Directors who served since the date of the last report are:

Dato' Zainal Abidin bin Putih  
Dato' Dr. Mhd. Nordin bin Mohd. Nor  
Foo Swee Leng  
Boey Tak Kong  
Rahul John Colaco  
Freek Rijna  
Saw Chooi Lee (appointed on 1 January 2014)  
Huang Shi Chin (resigned on 1 January 2014)

In accordance with Article 94(a) of the Company's Articles of Association, Dato' Dr. Mhd. Nordin bin Mohd. Nor retires by rotation at the forthcoming Annual General Meeting and, being eligible offers himself for re-election.

In accordance with Article 97 of the Company's Article of Association, Ms. Saw Chooi Lee, who was appointed since the date of the last report, retires at the forthcoming Annual General Meeting and, being eligible offers herself for re-election.

### Directors' interests in shares

None of the Directors holding office at the end of the financial year held shares or had beneficial interest in the shares of the Company or of its related corporations during and at the end of the financial year. Under the Company's Articles of Association, the Directors are not required to hold any shares in the Company.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salaries of full time employees of the Company or of related corporations) by reason of a contract made by the Company or 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### **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.

#### **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**

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

#### **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Rahul John Colaco**

**Freek Rijna**

Petaling Jaya  
25 February 2014

## statement of financial position as at 31 december 2013

	Note	2013 RM'000	2012 RM'000 restated
<b>ASSETS</b>			
Property, plant and equipment	3	77,176	73,073
Intangible assets	4	1,557	1,191
<b>TOTAL NON-CURRENT ASSETS</b>		<b>78,733</b>	74,264
Inventories	5	113,208	86,781
Trade and other receivables	6	35,482	36,865
Prepayments		583	709
Derivative financial assets	7	185	-
Cash and cash equivalents	8	187,641	204,844
		<b>337,099</b>	329,199
Assets classified as held for sale	9	629	-
<b>TOTAL CURRENT ASSETS</b>		<b>337,728</b>	329,199
<b>TOTAL ASSETS</b>		<b>416,461</b>	403,463
<b>EQUITY</b>			
Share capital	10	64,000	64,000
Retained earnings	10	123,998	152,134
<b>TOTAL EQUITY</b>		<b>187,998</b>	216,134
<b>LIABILITIES</b>			
Deferred tax liabilities	11	5,695	4,854
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,695</b>	4,854
Trade and other payables	12	206,785	167,227
Provision	13	173	168
Current tax liabilities		15,702	15,080
Derivative financial liabilities	7	108	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>222,768</b>	182,475
<b>TOTAL LIABILITIES</b>		<b>228,463</b>	187,329
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>416,461</b>	403,463

The notes on pages 47 to 73 are an integral part of these financial statements.



## statement of profit or loss and other comprehensive income for the year ended 31 december 2013

	Note	2013 RM'000	2012 RM'000
Revenue		982,686	882,179
Cost of sales		(608,738)	(535,475)
<b>GROSS PROFIT</b>		<b>373,948</b>	346,704
Other income		765	864
Distribution expenses		(121,475)	(120,676)
Administrative expenses		(25,254)	(27,472)
Other expenses		(43,782)	(36,813)
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>184,202</b>	162,607
Interest income		5,788	6,056
Finance costs		(3,316)	(2,862)
<b>PROFIT BEFORE TAX</b>		<b>186,674</b>	165,801
Tax expense	14	(48,410)	(42,421)
<b>PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>138,264</b>	123,380
<b>BASIC EARNINGS PER ORDINARY SHARE (SEN)</b>	17	<b>216.00</b>	192.80

The notes on pages 47 to 73 are an integral part of these financial statements.

## statement of changes in equity for the year ended 31 december 2013

Attributable to owners of the Company			
Note	<i>Non-distributable</i> Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	<b>Total equity RM'000</b>
<b>AT 1 JANUARY 2012</b>	64,000	195,154	<b>259,154</b>
Profit and total comprehensive income for the year	-	123,380	<b>123,380</b>
Dividends to owners of the Company	-	(166,400)	<b>(166,400)</b>
	18		
<b>AT 31 DECEMBER 2012/1 JANUARY 2013</b>	64,000	152,134	<b>216,134</b>
Profit and total comprehensive income for the year	-	138,264	<b>138,264</b>
Dividends to owners of the Company	-	(166,400)	<b>(166,400)</b>
	18		
<b>AT 31 DECEMBER 2013</b>	64,000	123,998	<b>187,998</b>
	Note 10	Note 10	

The notes on pages 47 to 73 are an integral part of these financial statements.

## statement of cash flows for the year ended 31 december 2013

	Note	2013 RM'000	2012 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers and other receivables		985,207	904,318
Cash paid to suppliers and employees		(777,399)	(680,227)
		<b>207,808</b>	224,091
<b>CASH GENERATED FROM OPERATIONS</b>		<b>207,808</b>	224,091
Income tax paid		(46,947)	(39,640)
		<b>160,861</b>	184,451
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions of property, plant and equipment		(13,547)	(9,281)
Additions of intangible assets		(758)	(427)
Proceeds from disposal of property, plant and equipment		169	164
Interest received		5,788	6,056
		<b>(8,348)</b>	(3,488)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(3,316)	(2,862)
Dividends paid	18	(166,400)	(166,400)
		<b>(169,716)</b>	(169,262)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>			
Net (decrease)/increase in cash and cash equivalents		(17,203)	11,701
Cash and cash equivalents at 1 January		204,844	193,143
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>187,641</b>	204,844

### **Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2013 RM'000	2012 RM'000
Cash and bank balances	8	9,641	17,344
Deposits placed with licensed banks	8	178,000	187,500
		<b>187,641</b>	204,844

The notes on pages 47 to 73 are an integral part of these financial statements.

## 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 Semangat  
46300 Petaling Jaya  
Selangor Darul Ehsan

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

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

These financial statements were authorised for issue by the Board of Directors on 25 February 2014.

## 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, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*

- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014**

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

#### **MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments (2013)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Company plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for Amendments to MFRS 10, Amendments to MFRS 12, IC Interpretation 21, Amendments to MFRS 2, Amendments to MFRS 3 and Amendments to MFRS 140 which are not applicable to the Company.

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

The initial application of the above accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

#### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in the notes to the financial statements.

#### **(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.

#### **(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 in Note 3 - estimation of impairment loss on property, plant and equipment.

## **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 date except for those that are measured at fair value which 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 instruments**

##### **(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

##### **(ii) Financial instrument categories and subsequent measurement**

The Company categorises financial instruments as follows:

#### **Financial assets**

##### **(a) Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### **(b) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(i)(i)).

## notes to the financial statements

### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are derivatives (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised at fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

### **(iii) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### **(c) 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 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 or 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

- long term leasehold land 70 - 99 years
- buildings 10 - 25 years
- plant and machinery 10 - 33 years
- motor vehicles 5 years
- furniture and equipment 5 - 10 years

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

#### **(d) Leased assets**

##### **(i) Finance lease**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

##### **(ii) Operating leases**

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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

#### **(e) Intangible assets**

##### **(i) Other intangible assets**

Other intangible assets that are acquired by the Company, which have finite useful lives, are 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 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.

#### **(f) 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.

In the current financial year the company adopted the amendments to MFRS 116, Property, Plant And Equipment (Annual Improvements 2009-2011 Cycle) and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. In the previous financial years all spare parts were classified as inventories. The change in accounting policy has been applied retrospectively. Nevertheless, there is no significant impact to the financial statements.

#### **(g) Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost of disposal.

## notes to the financial statements

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks.

### (i) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the assets carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and non-current assets classified as held for sale) 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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (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.

### (j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. Ordinary shares are classified as equity.

### (k) 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.



### **(iii) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer to those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

### **(l) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **(m) Revenue and other income**

#### **(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### **(ii) Interest income**

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

### **(n) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax

authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

The Company presents basic earnings per share data for its ordinary shares ("EPS").

Basic 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.

### **(p) 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.

### **(q) Fair value measurements**

From 1 January 2013, the Company adopted MFRS 13, (*Fair Value Measurement*) which prescribed that 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.

For non-financial asset, the fair value measurement takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Company applied the new fair value measurement guidance prospectively and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Company's assets or liabilities other than the additional disclosures.

### 3 PROPERTY, PLANT AND EQUIPMENT

Note	Long term 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 2012, restated	5,639	45,885	101,553	1,149	14,475	12,837	<b>181,538</b>
Additions	-	-	-	272	173	8,836	<b>9,281</b>
Disposals	-	-	(965)	(517)	(20)	(4,205)	<b>(5,707)</b>
Write off	-	(143)	(4,971)	-	(14)	-	<b>(5,128)</b>
Transfer	-	595	2,816	-	521	(3,932)	<b>-</b>
Reclassification	-	3,738	-	-	(3,738)	-	<b>-</b>
At 31 December 2012/ 1 January 2013, restated	5,639	50,075	98,433	904	11,397	13,536	<b>179,984</b>
Additions	-	-	-	41	903	12,603	<b>13,547</b>
Disposals	-	-	(691)	(183)	(87)	-	<b>(961)</b>
Transfer	-	6,293	8,354	-	299	(14,946)	<b>-</b>
Transfer to assets held for sale	9	-	(7,427)	-	-	-	<b>(7,427)</b>
At 31 December 2013	5,639	56,368	98,669	762	12,512	11,193	<b>185,143</b>

#### DEPRECIATION AND IMPAIRMENT LOSS

At 1 January 2012, restated

Accumulated depreciation	2,084	21,559	65,306	505	6,174	-	<b>95,628</b>
Accumulated impairment loss	-	-	3,210	-	-	11,098	<b>14,308</b>
	2,084	21,559	68,516	505	6,174	11,098	<b>109,936</b>
Depreciation for the year	75	2,252	3,763	174	1,178	-	<b>7,442</b>
Disposals	-	-	(964)	(403)	(2)	(4,205)	<b>(5,574)</b>
Write off	-	(51)	(4,828)	-	(14)	-	<b>(4,893)</b>
Reclassification	-	188	-	-	(188)	-	<b>-</b>

	Note	Long term 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
At 31 December 2012/1 January 2013, restated								
Accumulated depreciation		2,159	23,948	66,487	276	7,148	-	100,018
Accumulated impairment loss		-	-	-	-	-	6,893	6,893
		2,159	23,948	66,487	276	7,148	6,893	106,911
Depreciation for the year		75	2,464	3,980	233	1,651	-	8,403
Disposals		-	-	(400)	(96)	(53)	-	(549)
Transfer to assets held for sale	9	-	-	(6,798)	-	-	-	(6,798)
At 31 December 2013								
Accumulated depreciation		2,234	26,412	63,269	413	8,746	-	101,074
Accumulated impairment loss		-	-	-	-	-	6,893	6,893
		2,234	26,412	63,269	413	8,746	6,893	107,967
<b>CARRYING AMOUNTS</b>								
At 1 January 2012, restated		3,555	24,326	33,037	644	8,301	1,739	71,602
At 31 December 2012/ 1 January 2013, restated		3,480	26,127	31,946	628	4,249	6,643	73,073
At 31 December 2013		3,405	29,956	35,400	349	3,766	4,300	77,176

- 3.1 Included in property, plant and equipment of the Company are fully depreciated assets, which are still in use, with an aggregate cost of approximately RM59,326,724 (2012: RM56,654,283).
- 3.2 Due to the strategic re-alignment to its core businesses, the Company impaired the cost of four production lines that were no longer part of its focus. An amount of RM14,308,000 was charged to the statement of profit or loss and other comprehensive income in previous years. In 2012, the Company disposed two production lines and wrote off one production line amounting to RM4,935,000 and RM2,480,000 respectively.
- 3.3 Long term leasehold land relates to the lease of land 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. Long term leasehold land are amortised over the lease term of the land.

#### 4 INTANGIBLE ASSETS

	Note	Computer software RM'000	Capital work-in progress RM'000	Total RM'000
<b>COST</b>				
At 1 January 2012		7,489	538	8,027
Additions		-	427	427
Transfer		535	(535)	-
At 31 December 2012/ 1 January 2013		8,024	430	8,454
Additions		-	758	758
Transfer		823	(823)	-
At 31 December 2013		8,847	365	9,212
<b>AMORTISATION AND IMPAIRMENT LOSS</b>				
At 1 January 2012				
Accumulated amortisation		5,581	-	5,581
Accumulated impairment loss		-	-	-
		5,581	-	5,581
Amortisation for the year		1,554	-	1,554
Impairment loss	4.1	128	-	128
At 31 December 2012/ 1 January 2013				
Accumulated depreciation		7,135	-	7,135
Accumulated impairment loss		128	-	128
		7,263	-	7,263
Amortisation for the year		423	-	423
Reversal of Impairment loss	4.1	(31)	-	(31)
At 31 December 2013				
Accumulated depreciation		7,558	-	7,558
Accumulated impairment loss		97	-	97
		7,655	-	7,655
<b>CARRYING AMOUNTS</b>				
At 1 January 2012		1,908	538	2,446
At 31 December 2012/ 1 January 2013		761	430	1,191
At 31 December 2013		1,192	365	1,557

**4.1** In 2012, the Human Resource software was impaired as it will become obsolete in 2013 and an amount of RM128,000 was charged to the statement of profit or loss and other comprehensive income. During the year, the Company has reassessed its estimates and RM31,000 of the initially recognised impairment has been reversed.

## 5 INVENTORIES

	2013 RM'000	2012 RM'000
Finished goods	50,795	31,726
Raw materials	56,609	50,546
Packaging materials	5,702	4,441
Spare parts	102	68
	<b>113,208</b>	<b>86,781</b>
Recognised in profit or loss:		
Inventories recognised as cost of sales	528,378	448,753
Reversal of write-down of inventories	-	(664)
Write down to net realisable value	1,387	-

The write-down and reversal are included in cost of sales.

## 6 TRADE AND OTHER RECEIVABLES

	Note	2013 RM'000	2012 RM'000
			restated
<b>TRADE</b>			
Amount owing by related companies	6.1	3,756	2,281
Trade receivables		27,785	30,111
		<b>31,541</b>	<b>32,392</b>
<b>NON-TRADE</b>			
Amount owing by related companies	6.2	947	1,764
Other receivables		1,169	759
Deposits		1,825	1,950
		<b>3,941</b>	<b>4,473</b>
		<b>35,482</b>	<b>36,865</b>

6.1 The amount owing by related companies is subject to normal trade terms.

6.2 The amount owing by related companies is unsecured, interest free and repayable on demand.

### 6.3 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

	Note	Gross amount RM'000	Balance that are set off RM'000	Net carrying amount in the statement of financial position RM'000
<b>2013</b>				
Trade receivables		56,768	(28,983)	27,785
Trade payables	12	(169,408)	28,983	(140,425)
<b>2012</b>				
Trade receivables		55,868	(25,757)	30,111
Trade payables	12	(142,234)	25,757	(116,477)

## 7 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2013			2012		
	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	29,396	185	(108)	-	-	-

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 Company. All of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

## 8 CASH AND CASH EQUIVALENTS

	2013 RM'000	2012 RM'000
Cash and bank balances	9,641	17,344
Deposits placed with licensed banks	178,000	187,500
	<b>187,641</b>	<b>204,844</b>

The deposits placed with licensed banks bear on average interest at 3.30% (2012: 3.13%) per annum.

## 9 ASSETS CLASSIFIED AS HELD FOR SALE

Part of a manufacturing facility is presented as assets classified as held for sale as the Company intends to dispose off a part of the facility. Efforts to dispose off the facility has commenced and is expected to be finalised by March 2014. At 31 December 2013, the assets classified as held for sale are as follows:

	2013 RM'000
Property, plant and equipment	<u>629</u>

The carrying value of property, plant and equipment of the assets classified as held for sale is the same as its carrying value before it was being reclassified to current asset.

Property, plant and equipment held for sale comprise the following:

	2013 RM'000
Cost	7,427
Accumulated depreciation	<u>(6,798)</u>
	<u>629</u>

## 10 CAPITAL AND RESERVES

### Share Capital

	Amount 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000	Number of shares 2012 '000
Ordinary shares of RM 1 each				
Authorised	<u>100,000</u>	<u>100,000</u>	100,000	100,000
Issued and fully paid	<u>64,000</u>	<u>64,000</u>	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.

### Retained earnings

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. The Company is currently on the single tier system.

## 11 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Property, plant and equipment	-	-	(8,217)	(6,908)	(8,217)	(6,908)
Inventories	675	827	-	-	675	827
Receivables	16	63	-	-	16	63
Provisions	1,831	1,164	-	-	1,831	1,164
<b>Tax assets/(liabilities)</b>	<b>2,522</b>	<b>2,054</b>	<b>(8,217)</b>	<b>(6,908)</b>	<b>(5,695)</b>	<b>(4,854)</b>

### Movement in temporary differences during the year

	At 1.1.2012 RM'000	Recognised in profit or loss RM'000	At 31.12.2012/ 1.1.2013 RM'000	Recognised in profit or loss RM'000	At 31.12.2013 RM'000
Property, plant and equipment	(6,602)	(306)	(6,908)	(1,309)	(8,217)
Inventories	1,211	(384)	827	(152)	675
Receivables	273	(210)	63	(47)	16
Provisions	1,067	97	1,164	667	1,831
	(4,051)	(803)	(4,854)	(841)	(5,695)
		Note 16		Note 16	

## 12 TRADE AND OTHER PAYABLES

	Note	2013 RM'000	2012 RM'000 restated
<b>TRADE</b>			
Amount owing to related companies	12.1	38,664	18,221
Trade payables	6.3, 12.2	140,425	116,477
		<b>179,089</b>	134,698
<b>NON-TRADE</b>			
Amount owing to related companies	12.3	1,849	1,850
Accrued expenses		25,245	30,346
Other payables		602	333
		<b>27,696</b>	32,529
		<b>206,785</b>	167,227

12.1 The amount owing to related companies is subject to normal trade terms.

12.2 Financial assets and liabilities that have been set off for presentation purpose are shown in Note 6.3.

12.3 The amount owing to related companies is unsecured, interest free and repayable on demand.



### 13 PROVISION

	Employees' pension contribution	
	2013 RM'000	2012 RM'000
At 1 January	168	375
Addition during the year	76	76
Utilised during the year	(71)	(42)
Reversal during the year	-	(241)
At 31 December	173	168

#### Employees' Pension Contribution

Provision for employees' pension contribution reflects provisions made for additional contributions to the statutory Employees Provident Fund that would vest upon unionised staff having completed five years of service. The provisions have 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

	2013 RM'000	2012 RM'000
<b>Profit before tax is arrived at after charging/(crediting):</b>		
Amortisation of intangible assets	423	1,554
Auditors' remuneration:		
Statutory audit - current year	102	100
Other services	22	25
Depreciation on property, plant and equipment	8,403	7,442
Loss on disposal of property, plant and equipment	243	31
Impairment loss (reversed)/recognised:		
Intangible assets	(31)	128
Trade receivables	(1,413)	(1,084)
Net foreign exchange loss/(gain)		
Realised	2,633	(198)
Unrealised	174	30
Operating lease rental	5,223	4,281
Personnel expenses (including key management personnel)		
Contributions to state plans	5,753	5,098
Wages, salaries and others	54,921	48,360
Property, plant and equipment written off	-	235
Rental expense in respect of:		
Premises	2,118	1,684
Equipment	200	185
Reversal of write down of inventories	-	(664)
Write down of inventories	1,387	-

## 15 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2013 RM'000	2012 RM'000
Directors		
Fees	273	212
Remuneration	500	2,027
Benefits-in-kind	269	509
Other emoluments	601	67
	<b>1,643</b>	<b>2,815</b>
Other key management personnel:		
Short-term employee benefits	3,384	3,626
State plans contributions	116	123
	<b>3,500</b>	<b>3,749</b>
	<b>5,143</b>	<b>6,564</b>

Directors' remuneration includes salaries, contributions to state plans, allowance and all other Directors related expenses. Included in salaries and other emoluments of Executive Directors are contributions to state plans by the Company amounting to nil (2012: RM131,000).

Other key management personnel comprise persons other than the Directors of Company, having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

## 16 TAX EXPENSE

	2013 RM'000	2012 RM'000
<b>RECOGNISED IN PROFIT OR LOSS</b>		
<b>Current tax expense</b>		
Current year	47,569	42,388
Over provision in prior year	-	(770)
	<b>47,569</b>	<b>41,618</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	788	89
Under provision in prior year	53	714
	<b>841</b>	<b>803</b>
Total income tax expense	<b>48,410</b>	<b>42,421</b>
<b>RECONCILIATION OF TAX EXPENSE</b>		
Profit for the year	138,264	123,380
Total income tax expense	48,410	42,421
	<b>186,674</b>	<b>165,801</b>
Income tax calculated using Malaysian tax rate of 25%	46,669	41,450
Non-deductible expenses	1,688	1,027
Under/(over) provision in prior year	53	(56)
	<b>48,410</b>	<b>42,421</b>

## 17 EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2013 RM'000	2012 RM'000
Profit for the year	<b>138,264</b>	123,380
Average number of ordinary shares of RM1 each in issue ('000)	<b>64,000</b>	64,000
Basic earnings per ordinary share (sen)	<b>216.00</b>	192.80

## 18 DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2013</b>			
Single tier first interim 2013 ordinary	50.00	<b>32,000</b>	21.5.2013
Single tier first special interim 2013 ordinary	80.00	<b>51,200</b>	21.5.2013
Single tier second interim 2013 ordinary	50.00	<b>32,000</b>	27.12.2013
Single tier second special interim 2013 ordinary	80.00	<b>51,200</b>	27.12.2013
Total amount		<b>166,400</b>	
<b>2012</b>			
Single tier first interim 2012 ordinary	50.00	32,000	21.5.2012
Single tier first special interim 2012 ordinary	80.00	51,200	21.5.2012
Single tier second interim 2012 ordinary	50.00	32,000	27.12.2012
Single tier second special interim 2012 ordinary	80.00	51,200	27.12.2012
Total amount		166,400	

After the reporting period the following dividends were proposed by the Directors. These dividends will be recognised in subsequent period.

	Sen per share	Total amount RM'000
Single tier first interim 2014 ordinary	50.00	<b>32,000</b>
Single tier first special interim 2014 ordinary	60.00	<b>38,400</b>
Total amount		<b>70,400</b>

## 19 OPERATING SEGMENTS

The Company operates principally only in Malaysia and in one major business segment being manufacturing and distribution of a wide range of dairy products and fruit juice drinks. 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.

## 20 FINANCIAL INSTRUMENTS

### 20.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL"):
  - Held for trading ("HFT") ; and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount 2013 RM'000	L&R/ (FL) 2013 RM'000	FVTPL - HFT 2013 RM'000	Carrying amount 2012 RM'000 restated	L&R/ (FL) 2012 RM'000 restated	FVTPL - HFT 2012 RM'000 restated
<b>Financial assets</b>						
Trade and other receivables	35,482	35,482	-	36,865	36,865	-
Derivatives financial assets	185	-	185	-	-	-
Cash and cash equivalents	187,641	187,641	-	204,844	204,844	-
	<b>223,308</b>	<b>223,123</b>	<b>185</b>	241,709	241,709	-
<b>Financial liabilities</b>						
Trade and other payables	(206,785)	(206,785)	-	(167,227)	(167,227)	-
Derivatives financial liabilities	(108)	-	(108)	-	-	-
	<b>(206,893)</b>	<b>(206,785)</b>	<b>(108)</b>	(167,227)	(167,227)	-

## 20.2 Net gains and losses arising from financial instruments

	2013 RM'000	2012 RM'000
Net gains / (losses) from:		
Fair value through profit or loss	77	-
Loans and receivables	1,542	2,023
Financial liabilities measured at amortised cost	(2,708)	427
	<b>(1,089)</b>	<b>2,450</b>

## 20.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 20.4 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 careful 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 with licensed banks.

### 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 and customers are also required to place collaterals with the Company in the forms of bank guarantees, cash deposits or property charge.

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.

### *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 carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are measured at their realisable values. 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.

Trade receivables amounting to RM324,000 (2012: RM1,225,000) are secured by bank guarantees, cash deposits and customers' properties charged to the Company.

### *Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2013</b>			
Not past due	24,542	-	24,542
Past due 1 - 30 days	1,495	-	1,495
Past due 31 - 90 days	74	-	74
Past due over 90 days	5,627	(3,953)	1,674
	<u>31,738</u>	<u>(3,953)</u>	<u>27,785</u>
<b>2012</b>			
Not past due	24,327	-	24,327
Past due 1 - 30 days	2,252	-	2,252
Past due 31 - 90 days	754	(90)	664
Past due over 90 days	10,683	(7,815)	2,868
	<u>38,016</u>	<u>(7,905)</u>	<u>30,111</u>

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2013 RM'000	2012 RM'000
At 1 January	7,905	9,197
Impairment loss reversed	(1,413)	(1,084)
Impairment loss written off	(2,539)	(208)
	3,953	7,905

The allowance account in respect of trade receivables is used to record 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.

### **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.

#### *Impairment losses*

As at the end of the reporting period, there was no indication that the amount owing by related companies are not recoverable as substantially all of these amounts are aged less than a year.

### **Deposits with licensed banks**

#### *Risk management objectives, policies and processes for managing the risk.*

Investments are only allowed in placing deposits with licensed banks.

#### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Company has only placed deposits domestically. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of that deposits are only placed with licensed banks, Management does not expect the banks to fail to meet their obligation.

The deposits with licensed banks of the Company are unsecured.

#### *Impairment losses*

As at the end of the reporting period, there is no indication that the deposits with licensed banks are not recoverable.



## 20.5 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	Contractual cash flows RM'000	Under 1 year RM'000
<b>2013</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	206,785	-	206,785	206,785
<b>Derivative financial liabilities</b>				
Forward exchange contracts (gross settled):				
Outflow	-	-	29,396	29,396
Inflow	(77)	-	(29,473)	(29,473)
	<b>206,708</b>		<b>206,708</b>	<b>206,708</b>
<b>2012</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	167,227	-	167,227	167,227

## 20.6 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.

### 20.6.1 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), and Thai Baht (THB).

#### *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:

	Denominated in					
	USD RM'000	NZD RM'000	SGD RM'000	EUR RM'000	AUD RM'000	THB RM'000
<b>2013</b>						
Amount owing by related companies	4,136	-	-	316	-	-
Cash at bank	473	-	-	-	-	-
Trade payables	(32,515)	(876)	(1,210)	(1,571)	(548)	(4,302)
Amount owing to related companies	(11,170)	-	(219)	(3,496)	-	-
	<u>(39,076)</u>	<u>(876)</u>	<u>(1,429)</u>	<u>(4,751)</u>	<u>(548)</u>	<u>(4,302)</u>
<b>2012</b>						
Amount owing by related companies	3,346	-	-	220	-	-
Cash at bank	825	-	-	-	-	-
Trade payables	(23,129)	(561)	(149)	(606)	(374)	-
Amount owing to related companies	(5,610)	-	(71)	(6,487)	-	(206)
	<u>(24,568)</u>	<u>(561)</u>	<u>(220)</u>	<u>(6,873)</u>	<u>(374)</u>	<u>(206)</u>

#### *Currency risk sensitivity analysis*

A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased equity and post-tax profit or loss 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.

	Equity		Profit or loss	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
USD	2,931	1,843	2,931	1,843
EUR	356	516	356	516

A 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.

### 20.6.2 Interest rate risk

The Company is not exposed to a risk of change in cash flow due to changes in interest rates as the Company has no short term borrowing as of the financial year end. 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.

### 20.6.3 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.

## 20.7 Fair value information

The carrying amounts of cash and cash equivalents and short term receivables and payables 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 RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>2013</b>					
Financial assets					
Forward exchange contracts	-	185	-	185	185
Financial liabilities					
Forward exchange contracts	-	(108)	-	(108)	(108)

**Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity 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 financial assets or liabilities, either directly or indirectly.

**Derivatives**

The fair value of forward exchange contracts is based on their quoted price by certain licensed banks.

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

**21 CAPITAL MANAGEMENT**

The Company's objectives when managing capital is 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 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 to future development of the business and the payment of dividends to owners of the Company.

**22 OPERATING LEASES****Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	2013 RM'000	2012 RM'000
Less than one year	3,700	2,670
Between one and five years	8,738	3,606
	<b>12,438</b>	6,276

Operating lease payments represent rentals payable by the Company for certain vehicles, forklifts and machinery. Leases are negotiated and rentals are fixed for a term of between 3 to 5 years.

**23 CAPITAL COMMITMENTS**

	2013 RM'000	2012 RM'000
Property, plant and equipment		
Authorised but not contracted for	17,763	25,020
Contracted but not provided for	1,079	4,263
	<b>18,842</b>	29,283

## 24 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 Company has related party relationship with its immediate holding company, related companies and key management personnel compensation (see note 15).

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in note 6 and note 12.

	2013 RM'000	2012 RM'000
<i>Immediate holding company</i>		
Management fees expense	48	45
<i>Related companies</i>		
Sales of goods	21,210	28,161
Purchases	136,929	106,097
Know-how, Trademark Licence and Management support fees paid	31,102	29,389
Shared services fees expense	5,469	4,160
Shared services fees income	120	120

## 25 COMPARATIVE FIGURES

During the year, certain trade receivables and trade payables were set off for presentation purpose. Accordingly, the comparative figures have been reclassified to conform with the current year presentation.

## 26 SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2013 RM'000	2012 RM'000
Total retained earnings		
Realised	129,867	157,018
Unrealised	(5,869)	(4,884)
	<u>123,998</u>	<u>152,134</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

statement by directors  
pursuant to section 169(15) of the companies act, 1965

In the opinion of the Directors, the financial statements set out on pages 43 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2013 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 26 on page 73 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**RAHUL JOHN COLACO**

Petaling Jaya  
25 February 2014

**FREEK RIJNA**

statutory declaration  
pursuant to section 169(16) of the companies act, 1965

I, Rahul John Colaco, the Director 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 43 to 73 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 on 25 February 2014.

**RAHUL JOHN COLACO**

Before me:

N. Madhavan Nair (No. B064)  
Commissioner of Oaths  
Petaling Jaya

# independent auditors' report to the members of Dutch Lady Milk Industries Berhad (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Dutch Lady Milk Industries Berhad, which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 72.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 26 on page 73 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

## KPMG

Firm Number: AF 0758  
Chartered Accountants

## Chew Beng Hong

Approval Number: 2920/02/16(J)  
Chartered Accountant

Petaling Jaya  
25 February 2014



## recurrent related party transactions of a revenue or trading nature

At the Fiftieth Annual General Meeting of the Company held on 29th May 2013, the Company had obtained a general mandate from its shareholders' for recurrent related party transactions of a revenue or trading nature, to be entered into by the Company ("RRPT Mandate")

The RRPT Mandate is valid until the conclusion of the forthcoming Fifty-First Annual General Meeting of the Company to be held on 28th May 2014. The Company proposes to seek a renewal of the existing RRPT Mandate and a new RRPT Mandate at its forthcoming Fifty-First Annual General Meeting. The renewal of the existing RRPT Mandate and the new RRPT Mandate, if approved by the shareholders, will be valid until the conclusion of the Company's next Annual General Meeting. Details of the RRPT Mandate being sought is provided in the Circular to Shareholders dated 25 April 2014 sent together with the Annual Report.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 31 December 2013 by the Company are as follows:

Related Party	Nature of Transacting	Value of Transaction RM' million
FrieslandCampina Nederland Holding B.V., the Netherlands and its subsidiaries	Purchase of fully packed dairy products and raw materials	59,443
P.T. Frisian Flag Indonesia, Indonesia	Purchase of fully packed dairy products and raw materials	52,526
FrieslandCampina AMEA Pte Ltd., Singapore	Purchase of fully packed dairy products	24,953
FrieslandCampina (Singapore) Pte Ltd., Singapore	Sale of fully packed dairy products and fruit juice drinks	21,210
Friesland Brands B.V., the Netherlands	Know-how, Trademark licence and Management support fees	31,102
FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands	Corporate fees	48
FrieslandCampina Service Centre Asia Pacific Sdn. Bhd	Shared and ICT project management services	2,239
FrieslandCampina Nederland Holding B.V.	ICT and Communications services	3,230
FrieslandCampina Service Centre Asia Pacific Sdn. Bhd	Shared services	120

## additional compliance information

### **OTHER COMPLIANCE INFORMATION**

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following information is provided:-

### **MATERIAL CONTRACTS**

For the financial year, there were no material contracts entered into by the Company (not being contracts entered into in the ordinary course of business) involving directors and substantial shareholders.

### **SHARE BUYBACKS**

During the financial year, there were no share buybacks by the Company.

### **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

During the financial year, the Company did not issue any options, warrants or convertible securities.

### **AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME**

During the financial year, the Company did not sponsor any ADR or GDR programme.

### **IMPOSITION OF SANCTIONS AND / OR PENALTIES**

There were no sanctions and/or penalties imposed on the Company, Directors or management by any relevant regulatory bodies.

### **NON-AUDIT FEES**

During the financial year, the Company paid RM22,000 in non-audit fees to the External Auditors.

### **PROFIT ESTIMATE, FORECAST OR PROJECTION**

There was no material variance between the results for the financial year and the unaudited results previously announced. The Company did not release any profit estimate, forecast or projection for the financial year.

### **PROFIT GUARANTEES**

During the financial year, there were no profit guarantees given by the Company.

### **UTILISATION OF PROCEEDS**

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

## Analysis of Shareholdings as at 1 April 2014

Class of Shares	Ordinary shares of RM1.00 each
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	104	2.25	1,199	0.00
100 to 1,000 shares	2,834	61.25	1,584,859	2.48
1,001 to 10,000 shares	1,468	31.73	5,179,944	8.09
10,001 to 100,000 shares	199	4.30	5,562,098	8.69
100,001 to Less than 5% of issued shares	20	0.43	6,474,900	10.12
5% and above of the issued shares	2	0.04	45,197,000	70.62
<b>Total</b>	<b>4,627</b>	<b>100.00</b>	<b>64,000,000</b>	<b>100.00</b>

### Names of 30 Largest Shareholders

	No. of Shares	% of Holding
1. FrieslandCampina DLMI Malaysia Holding B.V.*	32,614,800	50.96
2. Amanahraya Trustees Berhad* - Skim Amanah Saham Bumiputera Permodalan Nasional Berhad	12,582,200	19.66
3. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (KIB)	940,100	1.47
4. Amanahraya Trustees Berhad as 1Malaysia Permodalan Nasional Berhad	833,000	1.30
5. Kumpulan Wang Persaraan (Diperbadankan)	657,000	1.03
6. Yong Siew Lee	530,000	0.83
7. Amanahraya Trustees Berhad - Amanah Saham Malaysia Permodalan Nasional Berhad	500,000	0.78
8. Yeo Khee Bee	438,000	0.68
9. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Aun Huat & Brothers Sdn Bhd (E-IMO/BCM)	428,600	0.67
10. Aun Huat & Brothers Sdn Bhd	416,500	0.65
11. Amanahraya Trustees Berhad - Public Islamic Select Treasures Fund CIMB	195,100	0.30
12. CIMB Commerce Trustee Berhad - Public Focus Select Fund	190,600	0.30
13. Quek Guat Kwee	162,000	0.25
14. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Chan See Min Realty Sdn Bhd (E-KUG)	160,000	0.25
15. Amanahraya Trustees Berhad - PB Balanced Fund	156,900	0.25
16. Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
17. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	140,200	0.22
18. Lee Sim Kuen	120,000	0.19
19. Chow Kok Meng	119,400	0.19
20. Malacca Equity Nominees (Tempatan) Sdn Bhd - Exempt AN for Phillip Capital Management Sdn Bhd (EPF)	114,300	0.18
21. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (KIB)	112,600	0.18

## analysis of shareholdings

	<b>No. of Shares</b>	<b>% of Holding</b>
22. DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund W4B9 for Wasatch Frontier Emerging Small Countries Fund	104,300	0.16
23. Cartaban Nominees (Asing) Sdn Bhd - BBH and CO Boston For Fidelity Low-Priced Stock Fund	100,000	0.16
24. Koperasi Permodalan Felda Malaysia Berhad	100,000	0.16
25. Tong Yoke Kim Sdn Bhd	100,000	0.16
26. Tan Kim Onm	89,900	0.14
27. CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad - Kenanga Premier Fund	87,000	0.14
28. Amanahraya Berhad - Kumpulan Wang Bersama Syariah	82,800	0.13
29. DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund W4B0 for Wasatch International Opportunities Fund	81,100	0.13
30. Foo Loke Weng	80,004	0.13
	<u>52,392,704</u>	<u>81.86</u>

\*Registered in the Company's Register as Substantial Shareholders

### Substantial Shareholders as per the Register of Substantial Shareholders

Name	Direct	%	Indirect	%
1. FrieslandCampina DLMI Malaysia Holding B.V.	32,614,800	50.96	0	0
2. Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputra	12,582,200	19.66	0	0

### Directors' Shareholdings as per the Register of Directors' Holdings

Name	Direct	%	Indirect	%
1. Dato' Zainal Abidin bin Putih	-	-	-	-
2. Rahul John Colaco	-	-	-	-
3. Foo Swee Leng	-	-	-	-
4. Boey Tak Kong	-	-	-	-
5. Dato' Dr. Mhd. Nordin bin Mohd. Nor	-	-	-	-
6. Freek Rijna	-	-	-	-
7. Saw Chooi Lee	-	-	-	-

### Particulars of Properties as at 31 December 2013

Location of property	13 & 15, Jalan Semangat, Petaling Jaya	Lot 79, Jalan 13/6, Petaling Jaya
Brief description	Factory buildings and office complex	Warehouse
Approximate land area	358,482 sq. ft.	74,135 sq. ft.
Tenure leasehold land	Leasehold land expiring in the year 2059	Leasehold land expiring in the year 2059
Date of acquisition	21.10.1960 & 19.03.1980	12.01.1989
Age of property	Between 27 years to 48 years	25 years
Net Book Value (RM'mln)	19.5	2.3

# proxy form



CDS Account No

No. of Shares held

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

I/We ..... (NRIC / Company No .....)  
of .....  
being a member/members of DUTCH LADY MILK INDUSTRIES BERHAD ("the Company"), do hereby appoint #the Chairman of the Meeting or  
..... (NRIC/Company No .....) of .....  
.....and / or ..... (NRIC No.....)  
of .....  
as our proxy/proxies to vote for us and on our behalf at the Fifty-First Annual General Meeting of the Company to be held at Atlanta Ballroom,  
Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 28 May 2014 at 10.00 a.m. and  
any adjournment thereof, in respect of our shareholding in the manner indicated below:-

RESOLUTION NO.		*FOR	*AGAINST
Resolution 1	Approve the payment of Directors' fees for the financial year ending 31 December 2014, to be paid quarterly in arrears		
Resolution 2	Re-election of Dato' Dr. Mhd. Nordin bin Mohd. Nor		
Resolution 3	Re-appointment of Ms. Saw Chooi Lee		
Resolution 4	Re-appointment of Messrs KPMG as the Company's Auditors		
Resolution 5	Approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 6	Approve the retention of Mr. Boey Tak Kong as an Independent Director of the Company		
Resolution 7	Approve the retention of Mr. Foo Swee Leng as an Independent Director of the Company		
Resolution 8	Approve the amendments to the Company's Articles of Association		

\* Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

# Delete the words "the Chairman of the Meeting" if you wish to appoint some other person(s) to be your proxy.

Signed this ..... day of .....2014

Proportion of shareholders to be represented by proxies	
First Proxy	%
Second Proxy	%

.....  
Signature(s) of Shareholder/Attorney (if Shareholder is a corporation, this part should be executed under seal)

Notes:-

A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.

This instrument appointing the proxy must be signed by the Member or the attorney duly authorised in writing, or if the appointed is a corporation. The instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing the proxy, duly completed (and, if applicable, the power of attorney or other authority under which it is signed or notarially certified copy of that power of attorney) must be deposited at the Registered Office of the Company at Level 5, Quill 9, No. 112, Jalan Semangat, 46300, Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

Only Members registered in the Register of Depositors as at 5.00 p.m. on 26 May 2014 shall be entitled to attend the Meeting or appoint proxy/proxies to attend and/or vote on his behalf.

Registration and Door Gifts

Registration will commence at 8.00 a.m. and close promptly at 10.30 a.m. on the day of the Meeting. For verification purposes, Members and Proxies are required to produce their original identification card at the registration counter.

Each Member or Proxy who is present shall be entitled to one (1) door gift only upon registration, irrespective of the number of Members he/she represent.

Please fold here to seal

STAMP

**The Company Secretary**

**Dutch Lady Milk Industries Berhad (5063-V)**

Level 5, Quill 9,  
112, Jalan Semangat,  
46300 Petaling Jaya,  
Selangor Darul Ehsan,  
MALAYSIA

Please fold here to seal



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