

## General Announcement

Reference No **CU-090825-57385**

Company Name : **DUTCH LADY MILK INDUSTRIES BERHAD**  
Stock Name : **DLADY**  
Date Announced : **25/08/2009**

Type : Announcement  
Subject : **DUTCH LADY MILK INDUSTRIES BERHAD ("DLM or "the Company")  
RELATED PARTY TRANSACTION  
- ACQUISITION OF BOTTLE FILLING EQUIPMENT FROM A RELATED  
PARTY**

Contents : **1. INTRODUCTION**

Pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Dutch Lady Milk Industries Berhad ("DLM" or the Company") wishes to announce that the Board has today approved the purchase of a bottle filling equipment ("the Equipment") from a related company, Dutch Lady Vietnam Food and Beverage Company limited ("DLV"), for a cash consideration of Euro 1.6 million (approximately RM8.0 million)("the Acquisition").

DLV, a limited liability company incorporated in Vietnam, is a 70.0% subsidiary of Royal FrieslandCampina N.V. ("FrieslandCampina"), the ultimate holding company of DLM.

The acquisition price was valued based on an inspection carried out in Vietnam by an independent registered valuer, SGS Vietnam Ltd, on 4 December 2008.

### 2. INFORMATION ON THE BOTTLE FILLING EQUIPMENT

The Equipment is a complete bottle filling line to produce UHT milk. The Equipment was originally purchased by DLV at a cost of Euro 2.3 million in 2005 but was hardly used. Since DLV is unable to fully utilise the Equipment and DLM is in urgent need for such an equipment to increase its own production capacity for liquid milk, an agreement was reached between the two parties for the sale of the Equipment to DLM at a purchase consideration lower than the original cost price.

The Acquisition would be fully financed by internally generated funds and is expected to be completed by December 2009.

### 3. RATIONALE FOR THE ACQUISITION

DLM's existing bottle filling equipment is over 15 years old and its capacity is limited. Due to the increase in the demand for DLM's liquid milk products, planned new product introductions and the age of its existing equipment, DLM is in urgent need to upgrade its existing bottle filling equipment. The purchase of the Equipment represents an excellent opportunity for DLM at a favourable price.

The Company estimates that the Acquisition would provide sufficient flexibility and production capacity to cater to market demand for at least the next five years.

### 4. EFFECTS OF THE ACQUISITION

The Acquisition, which is satisfied entirely in cash, has no effect on the share capital of DLM or the shareholdings of its substantial shareholders.

The Acquisition will result in an increase in its fixed assets for the financial year ending 31 December 2009. Accordingly the Net Asset (“NA”) of the Company is expected to increase by RM8.0 million.

#### 5. PERCENTAGE RATIO OF THE ACQUISITION

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities, the highest percentage ratio of the Acquisition is 4.9%.

#### 6. APPROVAL REQUIRED

The Acquisition is not subject to the approval of the shareholders of the company or any other relevant authorities.

#### 7. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

Mr J.P.F Laarakker (“JPFL”) and Mr Cornelis H.M. Ruijgrok (“CHMR”) are nominees to the Board of the Company by FrieslandCampina.

FrieslandCampina has a 50.1% indirect interest in DLM and a 70.0% indirect interest in DLV.

JPFL, CHMR and FrieslandCampina are deemed interested in the Acquisition. Accordingly, JPFL and CHMR have abstained from all Board deliberations and voting on the Board resolution pertaining to the Acquisition.

Save as disclosed above, to the best of knowledge of the Directors of DLM, none of the other Directors and/or major shareholders of the Company or persons connected with them, have any interest, direct or indirect, in the Acquisition.

#### 8. STATEMENTS BY BOARD OF DIRECTORS AND AUDIT COMMITTEE

The Audit Committee has considered all aspects of the Acquisition and is of the opinion that the transaction is in the ordinary course of business and on terms not more favourable to the related party than those generally available to the public, and that the Acquisition is in the best interest of the Company and not to the detriment of minority shareholders’ interest.

The Board of Directors (other than JPFL and CHMR) concurred with the Audit Committee's recommendation that the Acquisition is in the best interest of DLM.

The views of the Audit Committee and the Board of Directors were arrived at after taking into the consideration the requirements of DLM, the inspection carried out in Vietnam by an independent registered valuer on the acquisition price and the fact that the Equipment is in near new working condition.