

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 31 March 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	3 months TO DATE	3 months TO DATE
	31/03/20 (Unaudited) RM'000	31/03/19 (Unaudited) RM'000	31/03/20 (Unaudited) RM'000	31/03/19 (Unaudited) RM'000
Revenue	251,169	264,986	251,169	264,986
Cost of Sales	(163,491)	(156,778)	(163,491)	(156,778)
Gross Profit	87,678	108,208	87,678	108,208
Other Income	5,175	1,105	5,175	1,105
Distribution Expenses	(36,660)	(39,735)	(36,660)	(39,735)
Administrative Expenses	(8,665)	(8,098)	(8,665)	(8,098)
Other Operating Expenses	(16,808)	(17,494)	(16,808)	(17,494)
Results from Operating Activities	30,720	43,986	30,720	43,986
Finance Costs	(789)	(783)	(789)	(783)
Interest Income	174	62	174	62
Profit Before Taxation	30,105	43,265	30,105	43,265
Income Tax Expenses	(7,372)	(9,368)	(7,372)	(9,368)
Profit After Taxation	22,733	33,897	22,733	33,897
Profit for the period/Total comprehensive income for the period	22,733	33,897	22,733	33,897
Profit Attributable to:				
Equity holders of the Company	22,733	33,897	22,733	33,897
Non-controlling interest	-	-	-	-
	22,733	33,897	22,733	33,897
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	35.50	53.00	35.50	53.00

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 31 March 2020

	AS AT 31/03/20 RM'000 (Unaudited)	AS AT 31/12/19 RM'000 (Audited)
ASSETS		
Property, plant and equipment	127,253	123,482
Right-of-use assets	4,482	3,977
Intangible assets	1,500	1,675
TOTAL NON-CURRENT ASSETS	133,235	129,134
Inventories	159,969	135,024
Trade and other receivables	93,785	112,852
Prepayments	8,313	5,052
Derivatives financial assets	2,180	-
Cash and cash equivalents	49,411	61,532
TOTAL CURRENT ASSETS	313,658	314,460
TOTAL ASSETS	446,893	443,594
EQUITY		
Share capital	64,000	64,000
Retained profits	103,150	80,417
Attributable to equity holders of the Company	167,150	144,417
TOTAL EQUITY	167,150	144,417
LIABILITIES		
Deferred tax liabilities	6,902	6,794
Lease Liabilities	893	340
TOTAL NON-CURRENT LIABILITIES	7,795	7,134
Trade and other payables	245,012	264,928
Provision	61	207
Derivatives financial liabilities	324	1,887
Current tax liabilities	8,203	7,663
Bank overdraft	17,633	16,724
Lease Liabilities	715	634
CURRENT LIABILITIES	271,948	292,043
TOTAL LIABILITIES	279,743	299,177
TOTAL EQUITY AND LIABILITIES	446,893	443,594
Net assets per share attributable to ordinary equity holders of the Company (RM)	2.61	2.26

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITYFor the financial quarter ended 31 March 2020
(The figures have not been audited)

	<u>Share Capital</u> RM'000	<u>Distributable Retained profits</u> RM'000	<u>Attributable to equity holders of the Company</u> RM'000	<u>Non- Controlling Interest</u> RM'000	<u>Total</u> RM'000
3 months ended 31 March 2020					
Balance at beginning of period	64,000	80,417	144,417	-	144,417
Movements during the period	-	22,733	22,733	-	22,733
Dividend payable	-	-	-	-	-
Dividends paid	-	-	-	-	-
Balance at end of period	<u>64,000</u>	<u>103,150</u>	<u>167,150</u>	<u>-</u>	<u>167,150</u>
3 months ended 31 March 2019					
Balance at beginning of period	64,000	41,459	105,459	-	105,459
Movements during the period	-	33,897	33,897	-	33,897
Dividend payable	-	-	-	-	-
Dividends paid	-	-	-	-	-
Balance at end of period	<u>64,000</u>	<u>75,356</u>	<u>139,356</u>	<u>-</u>	<u>139,356</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOW

For the financial quarter ended 31 March 2020

	3 months TO DATE	3 months TO DATE
	31/03/20 (Unaudited) RM'000	31/03/19 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	270,007	231,723
Cash paid to suppliers and employees	(267,226)	(244,423)
	<hr/>	<hr/>
Cash generated from operations	2,781	(12,700)
Income tax paid	(6,725)	(10,817)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	(3,944)	(23,517)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(7,756)	(3,607)
Additions of intangible assets	(195)	0
Proceeds from disposal of property, plant and equipment	(37)	0
Proceeds from disposal of asset classified as held for sale	-	0
Interest received	174	62
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(7,814)	(3,545)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(779)	(762)
Dividends paid	-	0
Payment of principal portion of lease liabilities	(493)	(712)
	<hr/>	<hr/>
Net cash used in financing activities	(1,272)	(1,474)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(13,030)	(28,536)
Cash and cash equivalents brought forward	44,808	16,937
	<hr/>	<hr/>
Cash and cash equivalents carried forward	31,778	(11,599)
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	49,411	8,683
Bank overdraft	(17,633)	(20,282)
Deposits placed with licensed banks	-	-
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	31,778	(11,599)
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(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

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

NOTES

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, 'Interim Financial Reporting' in Malaysia and with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent audited financial statements of the Company as at and for the year ended 31 December 2019.

The accounting policies and methods of computation are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2019.

2. Auditors' Report of Preceding Annual Financial Statements

The auditors' report of the Company in respect of the annual audited financial statements for the year ended 31 December 2019 was not subject to any audit qualification.

3. Seasonal and Cyclical Factors

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

4. Unusual Items

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

5. Changes in Estimates

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

6. Changes in Debt and Equity

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

7. Segmental Analysis

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

	Quarter ended 31/03/20 RM'000	Quarter ended 31/03/19 RM'000
Segment profit		
Revenue	251,169	264,986
Profit After Taxation	22,733	33,897

8. Capital Commitments

	As at 31/03/20 RM'000	As at 31/03/19 RM'000
Property, plant and equipment		
Authorised but not contracted for	34,192	13,652
Contracted but not provided for	66,074	228

9. Subsequent Events

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

10. Changes in Composition of the Company

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

11. Related Party Transactions

The following are significant related party transactions:-

	Quarter ended 31/03/20 RM'000	Quarter ended 31/03/19 RM'000
Sales to related parties	4,871	4,503
Purchases from related parties	105,744	118,478
Know-how, Trademark License and Management Support fees	8,465	6,383
Shared services from related parties	4,698	5,057

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

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

RM '000	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	3 Months To Date	3 Months To Date	Changes TY vs LY
	31/03/20	31/03/19	%	31/03/20	31/03/19	%
Revenue	251,169	264,986	-5.2%	251,169	264,986	-5.2%
Operating Profit	30,720	43,986	-30.2%	30,720	43,986	-30.2%
Profit Before Interest and Tax	29,931	43,203	-30.7%	29,931	43,203	-30.7%
Profit Before Taxation	30,105	43,265	-30.4%	30,105	43,265	-30.4%
Profit After Taxation	22,733	33,897	-32.9%	22,733	33,897	-32.9%
Attributable to Ordinary Equity Holders of the parent	22,733	33,897	-32.9%	22,733	33,897	-32.9%

Revenue was 5.2% lower due to product mix changes and early impact of the COVID-19 pandemic. The Profit before Tax for the quarter decreased by 30.4% due to lower revenue and significantly higher dairy raw material prices.

However, most of our brands have been outperforming the category and have been gaining market share during the quarter.

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

RM '000	Current Quarter	Preceding Quarter	Changes Q1 vs Q4
	31/03/20	31/12/19	%
Revenue	251,169	281,757	-10.9%
Operating Profit	30,720	35,178	-12.7%
Profit Before Interest and Tax	29,931	34,077	-12.2%
Profit Before Taxation	30,105	34,309	-12.3%
Profit After Taxation	22,733	26,667	-14.8%
Attributable to Ordinary Equity Holders of the parent	22,733	26,667	-14.8%

The 10.9% revenue decrease vs the preceding quarter is driven by two major events namely due to Chinese New Year and the beginning of the MCO on 18 March 2020.

The lower revenue affects Profit Before Taxation accordingly, but the impact is partially offset by phasing of promotional spend.

14. **Business Prospects**

A. 2020 Prospects

The market remains volatile and is subject to various domestic and global uncertainties, foreign exchange rate and potential regulatory changes. The recent Covid-19 pandemic and the introduction of various measures from international border closure to the national Movement Control Order, negatively impacts the Company's sales. The global dairy price is also expected to stay volatile for the remainder of 2020.

From a long term perspective, the Outlook for the Company remains positive and the Company will continue to drive its purpose of "Nourishing Malaysians" by improving the nutritional status of Malaysians, while managing to stay agile with its business model (for example accelerating e-commerce, digitalization, cost control measures) to weather the economic impact of COVID 19. The Company will continue to keep prioritizing the safety and health of its employees and partners. The Company anticipates a slower recovery curve (i.e. 2021) due to potential reduction in disposable income as an aftermath of COVID-19.

We are steadfast on two key principles for future :

1. "Value to our Consumers" via nutrition, affordability, occasion based product solutions
2. "Value to our shareholders" via sustainable long term growth, e.g. purchase of land for future manufacturing expansion in Bandar Enstek, Negeri Sembilan.

The Company will continue to support the local dairy farmers and increase the quantity and quality of local fresh milk.

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

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

Not applicable.

16. **Financial Estimate, Forecast or Projection / Profit Guarantee**

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

17. **Taxation**

Taxation is made up as follows: -

	Quarter ended 31/03/20 RM'000	Quarter ended 31/03/19 RM'000
Income tax for current period	7,264	11,352
Deferred tax for current period	108	(1,984)
Total taxation	<u>7,372</u>	<u>9,368</u>

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

18. Deferred Tax Liabilities

	As At 31/03/20 RM'000	As At 31/03/19 RM'000
At 1 January	6,794	6,539
Recognised in the statement of comprehensive income	108	(1,984)
At period end	<u>6,902</u>	<u>4,555</u>

19. Corporate Proposals

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

20. Company Borrowings

	As at 31/03/20 RM'000	As at 31/03/19 RM'000
Unsecured short term borrowing		
Bank overdraft	<u>17,633</u>	<u>20,282</u>

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

21. Material Litigation

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

22. Financial Instruments

Derivatives

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

Forward exchange contracts	As At 31/03/20 RM'000	As At 31/03/19 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	102,946	155,707
Assets	2,180	508
Liabilities	324	1,015

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

23. Earnings Per Share

	Quarter ended 31/03/20	Quarter ended 31/03/19
Basic earnings per share		
Profit for the period (RM'000)	22,733	33,897
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	35.50	53.00

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

24. Proposed Dividend

On 26 June 2020, the Company has declared a standard single-tier interim dividend of RM0.40 per share amounting to RM25.6 million in respect of the financial year ending 31 December 2020. The Company wishes to retain a portion of its accumulated profits to utilize towards the acquisition of land in Bandar Enstek, Negeri Sembilan and to build new manufacturing facilities on the land. This will minimize the need for borrowings. The investment in the new manufacturing facilities is anticipated to enhance the Company's prospects and earnings in the future.

All shareholders whose names appear on the Record of Depositors on 13 July 2020 shall be paid the above dividends on 24 July 2020.

A Depositor shall qualify for entitlement only in respect of:-

- a) Securities transferred to the Depositor's Securities Account before 5.00pm on xxx, in respect of ordinary transfers; and
- b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

25. Notes to the Condensed Statement of Comprehensive Income

	Year to-date 31/03/20 RM'000	Year to-date 31/03/19 RM'000
Interest income	174	62
Finance costs		
- Interest expense	(779)	(762)
- Finance charge arising from lease liabilities	(10)	(21)
Depreciation of property, plant and equipment	(3,983)	(3,810)
Depreciation of rights-of-use assets	(493)	(744)
Amortisation of intangible assets	(370)	(381)
Write back/(down) of inventories	203	1,219
Gain/(Loss) on disposal of property, plant & equipment	37	0
Net gain/(loss) on derivatives	3,743	362
Net foreign exchange gain/(loss)		
- Realised	(1,271)	(1,132)
- Unrealised	(563)	402

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
26 June 2020

