

OTHERS DUTCH LADY MILK INDUSTRIES BERHAD - Distributorship Agreement

DUTCH LADY MILK INDUSTRIES BERHAD

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| Type | Announcement |
| Subject | OTHERS |
| Description | DUTCH LADY MILK INDUSTRIES BERHAD - Distributorship Agreement |

1. INTRODUCTION

The Board of Directors ("Board") of Dutch Lady Milk Industries Berhad ("DLMI") wishes to announce that DLMI will enter into a Distribution Agreement ("Agreement") with FrieslandCampina AMEA Pte Ltd, Singapore ("FCA") for the sale, marketing and distribution of Friso, a premium brand of infant & toddler milk product. FCA is a wholly-owned subsidiary of Royal FrieslandCampina N.V. ("RFC"), The Netherlands. RFC also holds a 51% equity interest in DLMI through FrieslandCampina International B.V. and FrieslandCampina DLMI Malaysia Holding B.V.

The Friso brand is owned by Friesland Brands B.V., a wholly owned subsidiary of RFC. Since 2011 it is the corporate policy of RFC to manufacture all milk products under the Friso brand in the Netherlands for re-sale worldwide in order to guarantee high product quality and to leverage its huge research & development resources in the Netherlands. This policy is applicable to all RFC entities worldwide. DLMI had previously packed the Friso products under licence granted by Friesland Brands B.V..

2. SALIENT TERMS OF THE AGREEMENT

The Agreement allows DLMI to support the distribution of imported (fully packed) Friso products in Malaysia for a fixed margin on sales. In return, FCA bears all the business and operating risks in the marketing and sale of the Friso products. FCA also bears all investment and marketing costs in developing the Friso brand in Malaysia.

The initial term of the Agreement is five years commencing on 1st January 2013, or any later date as mutually agreed by both parties and is automatically renewed for successive one year terms thereafter unless terminated by either party giving six months' written notice.

3. RATIONALE FOR THE AGREEMENT

The Agreement would enable DLMI to tap into the vast expertise and experience of FCA's global category team to fuel Friso sales and market growth in Malaysia with breakthrough innovations and brand strategies.

By concentrating production to one location in the Netherlands, RFC can guarantee the high quality of the products, consistent with its premium attributes.

DLMI will earn a fixed targeted margin on the sale of Friso products with no business and operating risks (as it will be borne by FCA).

4. EFFECTS OF THE AGREEMENT

4.1 Share Capital and Substantial Shareholders' Shareholdings

The Agreement does not have any effect on the share capital or substantial shareholders' shareholdings in DLMI.

4.2 Net Assets ("NA") and Earnings

The Agreement does not have any material effect on the NA and earnings of DLMI.

5. APPROVAL REQUIRED

The Agreement does not require the approval from shareholders and relevant authorities.

However, transactions arising from the Agreement are regarded as recurrent related party transactions for which mandate for the transactions had been granted by the shareholders at the Annual General Meeting of DLMI held on 13 June 2012.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Mr Rahul Colaco and Mr Kapil Garg, being representatives of RFC on the Board of DLMI, are deemed interested in the Agreement. They have abstained from Board's deliberation and voting in respect of this matter.

Save for RFC, which is a major shareholder of DLMI, to the best knowledge of the Directors, none of the major shareholders of DLMI or persons connected to the major shareholders have any interest, direct or indirect, in the Agreement.

7. AUDIT COMMITTEE AND DIRECTORS' STATEMENT

The Audit Committee of DLMI has reviewed the terms of the Agreement and is of the view that the arrangement with FCA is fair and reasonable, not to the detriment of the Company's minority shareholders and in the best interest of the Company.

Save and except for Mr Rahul Colaco and Mr Kapil Garg, who did not participate in Board's discussion, the Board of DLMI, having considered all aspects of the Agreement, is of the opinion that the execution of the Agreement with FCA is effective and is in the best interest of the Company.

This announcement is dated 27th November 2012.