

**THIS CIRCULAR IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

In line with the provisions of Practise Note 18 of the Main Market Listing Requirements, Bursa Malaysia Securities Berhad has not perused this Circular to Shareholders in relation to the Proposed Amendments to the Company's Articles of Association prior to its issuance as the Proposed Amendments fall under the category of Exempt Circular as provided for in the aforementioned Practise Note.



DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

CIRCULAR TO SHAREHOLDERS

in relation to the

- (I) PROPOSED NEW AND EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- (II) PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

The ordinary and special resolutions in respect of the above proposals will be tabled at the Fifty-First Annual General Meeting of the Company. The Notice of the Fifty-First Annual General Meeting and the Form of Proxy of Dutch Lady Milk Industries Berhad are enclosed in the 2013 Annual Report dispatched together with this Circular. The Fifty-First Annual General Meeting of Dutch Lady Milk Industries Berhad 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 10.00 a.m.

You are requested to complete the Form of Proxy and deposit it at the Company's Registered Office at Level 5, Quill 9, No. 112, Jalan Semangat, 46300 Petaling Jaya, Selangor Darul Ehsan not later than forty eight (48) hours before the time set for holding the Meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 26 May 2014 at 10.00 a.m

Date and time of Annual General Meeting : Wednesday, 28 May 2014 at 10.00 a.m.

This Circular is dated 25 April 2014

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

“Act”	: The Companies Act, 1965 as amended from time to time and any re-enactment thereof.
“AGM”	: Annual General Meeting.
“Articles”	: Articles of Association of DLMI, as amended from time to time.
“Bursa Securities”	: Bursa Malaysia Securities Berhad.
“DLMI” or “Company”	: Dutch Lady Milk Industries Berhad (5063-V).
“FB(N)”	: Friesland Brands B.V., the Netherlands.
“FCA”	: FrieslandCampina AMEA Pte Ltd., Singapore.
“FCDM”	: FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands.
“FCF(T)”	: FrieslandCampina Foremost (Thailand) Plc, Thailand.
“FCI”	: FrieslandCampina International Holding B.V., the Netherlands.
“FC(HK)”	: FrieslandCampina (Hong Kong) Ltd., Hong Kong.
“FC(N)”	: FrieslandCampina Nederland Holding B.V., the Netherlands and its subsidiaries.
“FC(S)”	: FrieslandCampina (Singapore) Pte Ltd., Singapore.
“FCSCAP”	: FrieslandCampina Service Centre Asia Pacific Sdn. Bhd.
“FFI”	: P.T. Frisian Flag Indonesia, Indonesia.
“Listing Requirements”	: The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time.
“Proposals”	: Collectively the Proposed Shareholders’ Mandate and the Proposed Amendments.
“Proposed Amendments”	: Proposed amendments to the Company’s Articles of Association.
“Proposed Shareholders’ Mandate”	: Proposed new and existing shareholders’ mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.
“Recurrent Related Party Transactions” or “RRPT”	: Related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for day-to-day operations and are in the ordinary course of business of DLMI.
“Related Party/Related Parties”	: A Director, major shareholder or person connected with such Director or major Shareholder. For the purpose of this definition, “Director” and “major Shareholder” shall have the meaning given in paragraph 10.02 of the Listing Requirements.
“RFC”	: Royal FrieslandCampina N.V., the Netherlands.
“RFC Affiliated Companies”	: Subsidiary companies worldwide of RFC where it has direct or indirect shareholdings.
“RFC Group” or “the Group”	: RFC and its subsidiaries.
“RM”	: Ringgit Malaysia.
“2013 Annual Report”	: Annual Report of DLMI issued for the financial year ended 31 December 2013.

In this Circular, unless there is something in the subject or context inconsistent herewith, the singular includes the plural and references to gender include both genders and the neuter.

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BERHAD (5063-V)**
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SELANGOR, MALAYSIA.
Tel : 603 7953 2600
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25 April 2014

Board of Directors :

Dato' Zainal Abidin bin Putih (Chairman and Independent Non-Executive Director)
Rahul John Colaco (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)

To : The Shareholders of Dutch Lady Milk Industries Berhad

Dear Sir/Madam,

- (I) PROPOSED NEW AND EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- (II) PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

1 INTRODUCTION

The Board of DLMI has on 25 February 2014 announced its intention to seek shareholders' approval for the following:-

- (i) The renewal of the shareholders' mandate for the Recurrent Related Party Transactions with the Related Parties as set out in Section 2.1.3 of this Circular; and
- (ii) Amendments to the Company's Articles of Association to reflect the current statutory and regulatory requirements.

The purpose of this Circular is to provide you with the relevant details of the Proposals and to seek your approval for the resolutions thereto to be tabled at the forthcoming AGM, which 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 10.00 a.m.

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2 DETAILS OF THE PROPOSAL

2.1 Proposed Shareholders' Mandate

2.1.1 Provisions under the Listing Requirements

Pursuant to paragraph 10.09 of Chapter 10 of the Listing Requirements, the Company may seek a shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its 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;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the Annual Report of the aggregate value of such transactions conducted pursuant to the shareholders' mandate during the financial year; and
- (iii) in a meeting to obtain shareholders' mandate, the interested Director, interested major shareholder or interested person connected with such Director or major shareholder; and where it involved the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder must not vote on the resolution approving the transactions. An interested Director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

The Proposed Shareholders' Mandate will, if approved by shareholders at the forthcoming AGM, be subject to annual renewal. In this respect any authority conferred by the Proposed Shareholders' Mandate shall only continue to be in force until:

- (a) the conclusion of the next 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 DLMI subsequent to the date it is required to be held pursuant to Section 143(1) of 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 a resolution passed by the shareholders in a general meeting; whichever is earlier.

The Proposed Shareholders' Mandate shall apply in respect of all Recurrent Related Party Transactions to be entered into from the date of the forthcoming AGM to the next AGM as stipulated in the ensuing section.

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In making the disclosure of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the existing Shareholders' Mandate, the Company has provided a breakdown of the aggregate value of the Recurrent Related Party Transactions entered into during the financial year in the 2013 Annual Report, based on the following information:-

- (i) the type of the Recurrent Related Party Transactions; and
- (ii) the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationship with the RFC Group.

Shareholders are advised to refer to Note 24 on Related Party Transactions in the financial statements of the Company for the year ended 31 December 2013 enclosed in the 2013 Annual Report.

2.1.2 Business of the Company

DLMI is seeking approval from the shareholders for a shareholders' mandate for the Recurrent Related Party Transactions that will allow the Company, in their normal course of business, to continue to enter into the categories of Recurrent Related Party Transactions with the Related Parties referred to in the ensuing section.

DLMI manufactures and imports for distribution a wide range of dairy products, such as specialised powders for infant and growing children, liquid milk in different packaging formats and yoghurt. DLMI markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso, Friso Comfort and Frisomum.

RFC owns 50.96% equity interest in DLMI through FCI and FCDM. RFC is a multinational company with its headquarters located in the Netherlands, that develops, produces and sells a wide range of dairy products and fruit based drinks for the consumer market, professional users and food manufacturers worldwide.

It is anticipated that the Company would, in the ordinary course of business, enter into Recurrent Related Party Transactions that are detailed in Section 2.1.4 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

In view of the time-sensitive, confidentiality and frequent nature of such Recurrent Related Party Transactions, the Board of Directors of DLMI is seeking shareholders' approval for the Proposed Shareholders' Mandate for DLMI to enter into transactions in the normal course of business within the classes of Related Parties set out in Section 2.1.3 below. The Recurrent Related Party Transactions will also be subject to the review procedures set out in Section 2.1.6 below.

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2.1.3 Class of Related Parties

The general transactions entered into by DLMI relating to the provision of or the obtaining of products and services to or from the Related Party in the ordinary course of business are as set out below:-

Related Party	Principal Activity	Relationship
FC(N)	Manufacture and sale of dairy products, and provision of ICT and Communication Services	RFC is the ultimate holding company of DLMI with a shareholding of 32,614,800 shares, representing 50.96% equity interest as at 1 April 2014, via its wholly owned subsidiary, FCDM.
FFI	Manufacture and sale of dairy products	RFC is a multinational company with worldwide operations that is carried out through its subsidiaries where it has direct and indirect shareholdings. This group of companies is referred to as RFC Affiliated Companies.
FCF(T)	Manufacture and sale of dairy products	
FC(S)	Import, export and sale of dairy and other products	FC(N), FFI, FCF(T), FC(S), FC(HK), FB(N), FCSCAP and FCA are all RFC Affiliated Companies.
FC(HK)	Import, export and sale of dairy and other products	The related parties above, other than FCDM, do not hold any shares in DLMI.
FB(N)	Owner of all brands within the RFC Group and management support services	
FCDM	Investment holding	
FCSCAP	Provision of shared and ICT project management services	
FCA	Developing, purchasing, marketing and selling branded consumer dairy products	

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2.1.4 Nature of Recurrent Related Party Transactions and Estimated Values

The Proposed Shareholders' Mandate will enable DLMI to undertake transactions with its related parties. The transactional values of the Proposed Shareholders' Mandate and the actual value of each Recurrent Related Party Transaction from the date on which the existing Shareholder's Mandate (which was obtained on 29 May 2013 to 31 March 2014, being the latest practicable date before the printing of the Circular), as disclosed in the Circular to Shareholders dated 25 April 2014, are as follows:-

Related Party	Nature of Transactions	*Estimated values of transactions from 29/05/2014 to 27/05/2015 RM'000	Last mandate transactions from 30/05/2013 to 29/05/2014 RM'000	Actual value transacted from 30/05/2013 up to 31/03/2014 RM'000
	Purchases by DLMI			
FC(N)*	Purchase of fully packed dairy products and raw materials	465,000	120,000	58,808
FFI	Purchase of fully packed dairy products and raw materials	90,000	44,000	52,505
FCF(T)	Purchase of fully packed dairy products	5,000	5,000	-
FCA	Purchase of fully packed dairy products	60,000	40,000	36,215
	Sales by DLMI			
FC(N)**	Sale of fully packed dairy products and raw materials	10,000	-	n/a
FC(S)	Sale of fully packed dairy products and fruit juice drinks	31,500	31,500	18,985
FC(HK)^	Sale of fully packed dairy products	-	7,500	-
	Services received by DLMI			
FB(N)	Know-how, Trademark licence and Management support fees	55,000	39,000	24,272
FCDM	Corporate fees	130	50	50
FCSCAP^^	Shared and ICT project management services	-	4,500	1,937
FC(N)	ICT and Communications services	9,500	4,500	2,311
	Services provided by DLMI			
FCSCAP	Shared services	250	145	130

The values are estimates based on the budgets and forecasts prepared by the Company from the conclusion of the forthcoming AGM of the Company to be held on 28 May 2014 until the conclusion of the next AGM of the Company in 2015. Due to the nature of transactions, the actual value of transactions may vary from the estimated value disclosed above and will be disclosed in the Annual Report of the Company in respect of financial years ending 31 December 2014 and 2015 respectively.

* As part of the RFC Group's sourcing arrangement and to achieve a better economic of scale, there is a proposed change to consolidate the dairy raw material products sourcing to be centrally arranged by FC (N). The purchasing entity is a subsidiary of FC(N), and is the sourcing arm for RFC Group of companies for the procurement of raw dairy materials. With this proposed sourcing arrangement, approximately 70% of the total raw and packaging materials and fully-packed dairy products purchased by the Company are sourced from the RFC Group.

** New Recurrent Related Party Transaction that was not covered in the previous Shareholders' Mandate.

^ The Company does not intend to seek a renewal of the Shareholders' Mandate for transactions with FC(HK).

^^ The Company does not intend to seek a renewal of the Shareholders' Mandate for transactions with FCSCAP.

None of the actual values of the Recurrent Related Party Transactions has exceeded the estimated value by 10% or more, save and except for the Recurrent Related Party Transaction with FFI, as announced by the Company to Bursa Securities on 25 February 2014. The aforementioned variance was contributed by:

- (a) Higher dairy raw material price due to surge in global dairy market demand;
- (b) Higher production volume following a higher demand from the domestic market;
- (c) Shift of supplies from FC(N) and its subsidiaries to FFI; and
- (d) Unfavourable Ringgit Malaysia against the transactional currency denominated in United States Dollar.

Purchases of dairy raw materials alternates between related and third party suppliers depending on negotiated contracts, prevailing world market prices at the material time, delivery schedules and availability of raw material stocks with different suppliers. During the period, the Company's total purchase of dairy raw materials from the RFC Group, except for purchases from FFI, was lower than expected.

2.1.5 Outstanding Amount Due under the Recurrent Related Party Transactions

The breakdown of the principal sum (non-interest bearing) for the total outstanding amount due to the Company under the Recurrent Related Party Transactions which exceeded the credit term as at 31 December 2013 is as follows:-

No	Related Party	Outstanding Amount (RM '000)			
		1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years
1	FC(S)	3,756	-	-	-

There are no late payment charges imposed on the outstanding amounts as they are trade in nature. The Company continuously follows up with the debtor for timely settlement of outstanding amounts. The Board of Directors is of the opinion that there is no recoverability issue as the debtor is a related party with a long standing relationship with the Company and has proven to be creditworthy with a good payment record.

2.1.6 Disclosure and Review Procedures for the Recurrent Related Party Transactions

There are procedures established by the Company to ensure that Recurrent Related Party Transactions are undertaken on an arms' length basis and on normal commercial terms consistent with the Company's usual business practices and policies and will not be prejudicial to the Company's shareholders. The procedures are as follows:-

- (a) An Related Party Transaction Review Committee was established to review all Recurrent Related Party Transactions and, should it arise, any related party transaction, whereby such transactions would be reviewed periodically.
- (b) All Recurrent Related Party Transactions which are entered into pursuant to the shareholders' mandate obtained at the last Annual General Meeting convened will be recorded by the Company in a register or records maintained by the Company.
- (c) All Recurrent Related Party Transactions will then be reviewed by the Audit Committee. Any member of the Audit Committee may, as he deems fit, request for additional information pertaining to the transaction including from independent sources or advisors.

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- (d) Upon direction from the Audit Committee, the annual internal audit plan shall incorporate a review of all Recurrent Related Party Transactions entered into pursuant to the shareholders' mandate obtained to ensure that the relevant approvals have been obtained and any related party transaction and the review procedures in respect of such transactions are adhered to; and
- (e) The Management of the Company will update the Board and the Audit Committee on the status of all Recurrent Related Party Transactions including any related party transaction to ensure that all the review procedures established to monitor Recurrent Related Party Transactions and Related Party Transactions have been complied with.

Wherever practicable and/or possible, at least two other contemporaneous transactions with unrelated third parties for substantially similar products or services and/or quantities will be used as comparison to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties, bearing in mind market forces for the demand and supply of the products or services and its impact on pricing, quality, delivery schedules, preferential terms and conditions, and on the urgency that the goods or services are required.

In the event that quotations or comparative pricing from unrelated third parties cannot be obtained for the proposed transactions, the transaction price will be reviewed by the Audit Committee based on their knowledge of industry norms to ensure that the Recurrent Related Party Transactions are not detrimental to the Company.

There is no specific threshold for approval of Recurrent Related Party Transactions. All Recurrent Related Party Transactions are reviewed and/or executed by senior management in the Company, provided always that such individuals have no interest in the transaction and the said transaction has been approved pursuant to the shareholders' mandate obtained at an AGM for Recurrent Related Party Transactions.

The Audit Committee will review and ascertain whether the guidelines and procedures established to monitor related party transactions, including the maintenance of proper records, have been complied to ensure that (i) the related party transactions are conducted at arm's length and on normal commercial terms, and (ii) such transactions are not prejudicial to the interests of the shareholders.

Further, where any Director or person connected with them has an interest (direct or indirect) in any related party transactions, such Director (or his alternate, where applicable) or person connected with them shall abstain from voting on the matter. Where any member of the Audit Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions.

In a meeting to obtain the Proposed Shareholders' Mandate, an interested Director, interested major shareholder or interested persons connected with a Director or major shareholder, where it involves the interest of an interested person connected with a Director, major shareholder or persons connected to them, shall abstain from voting on the resolution approving the transactions.

The Proposed Shareholders' Mandate, if approved at the forthcoming AGM, shall continue to be in force until the next AGM of the Company. Thereafter, shareholders' approval will be sought for the renewal of such mandate at each subsequent AGM, subject to a satisfactory review by the Audit Committee of its continued application to Recurrent Related Party Transactions.

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2.1.7 Statement by the Audit Committee

The Audit Committee has the overall responsibility of determining whether the procedures for reviewing all related party transactions are appropriate to ensure that the Recurrent Related Party Transactions are within the limits approved pursuant to the Proposed Shareholders' Mandate. The Audit Committee conducts the review of these procedures at least once a year.

The Audit Committee has reviewed the terms of the Proposed Shareholders' Mandate and is satisfied that the review procedures for related party transactions, as well as the annual reviews of all the Recurrent Related Party Transactions made for the financial year ended 31 December 2013 in relation to the existing shareholders' mandate for Recurrent Related Party Transactions, are sufficient to ensure that related party transactions are monitored, tracked and made at arm's length and in accordance with the Company's normal commercial terms, and hence, are not prejudicial to the interests of shareholders or disadvantageous to the Company.

2.2 Proposed Amendments

The details of the Proposed Amendments are as set out in Appendix I and Appendix II of this Circular.

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3 RATIONALE OF THE PROPOSALS

3.1 Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate will enable the Company to enter into related party transactions described in Section 2.1.4 above with the classes of Related Parties that are in the normal course of the Company's business. As such transactions may occur with some degree of frequency, the Proposed Shareholders' Mandate will eliminate the need for the Company to seek the shareholders' approval as and when potential transactions with the specified classes of Related Parties arise, thereby reducing substantially the administrative time, inconvenience and costs associated with the convening of such meetings without compromising the corporate objectives and adversely affecting the business opportunities available to the Company.

The Recurrent Related Party Transactions, as outlined in Section 2.1.4, are carried out at arm's length basis and on normal commercial terms not prejudicial to the interest of the shareholders and 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.

The Proposed Shareholders' Mandate is vital in ensuring the viability of the Company's business by continuing its association with the RFC Group. In return, the Company has an obligation to the Group to market products using its brands.

The Company has a Trademark Licence Agreement and Know-How Licence Agreement with FB(N). These agreements would enable the Company to continue the right to manufacture, market and distribute the brands and the products as mentioned below as well as enjoy the technical assistance and know-how provided by RFC Group to the Company on an on-going basis.

The Proposed Shareholders' Mandate is fundamental to DLMI's continuing status as the sole licensee and distributor in Malaysia for RFC Group's highly visible and strong brands such as "Dutch Lady", "Dutch Baby Langkah 1", "Dutch Baby Langkah 2", "Dutch Lady 123", "Dutch Lady 456", "Frisolac", "Friso", "Frisomum", and "Friso Comfort". These brands are synonymous with quality dairy products worldwide.

Since incorporation, DLMI has been given the exclusive use of the Group's trademarks in Malaysia. In addition, DLMI uses the registered trademarks on its advertising and packaging materials, promotional campaigns and printed matter to maximise the values attached to these trademarks. The trade name "Dutch Lady" is also allowed by the RFC Group to be used as the Company's name.

As manufacturer and distributor of a wide range of quality dairy and dairy-related products, DLMI has to import most of its dairy raw materials from overseas as only a negligible amount of fresh milk is available locally. The RFC Group, being one of the world's largest and most reputable suppliers of dairy ingredients, also supplies raw, semi-finished and finished products to DLMI.

In addition, the RFC Group produces and markets highly proprietary and technically superior dairy products throughout the world. These products are also sold in Malaysia via DLMI by special arrangement, in particular, specialised powders for infant and growing children.

As part of the RFC Group sourcing arrangement and to achieve better economies of scale, there is a proposed change to consolidate the dairy raw material products sourcing to be centrally arranged by FC(N). The purchasing entity is a subsidiary of FC(N), and is the sourcing arm for RFC group of companies for the procurement of dairy raw materials. With this proposed sourcing change, approximately 70% of the total raw and packaging materials and fully-packed dairy products purchased by the Company are sourced from the RFC Group.

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Likewise for similar reasons, export opportunities to other Related Parties are evaluated on a continuing basis and potential transactions with the specified classes of Related Parties are included in this Proposed Shareholders' Mandate.

DLMI has derived considerable commercial benefits from its continuing relationship with the RFC Group, who has helped the Company develop over the years to its present full range of quality dairy products that include infant formula, growing up milk, powdered milk, UHT milk, sterilised milk, pasteurised milk and yoghurts.

This has been possible through the RFC Group's valuable proprietary formulation, technical know-how, innovations and superior research and development relating to the manufacture of dairy products as well as extensive supply chain and commercial experience in the marketing and distributing of such products. This has enabled the Company to continuously improve its production as well as its marketing and selling processes.

In addition, the RFC Group provides full support to DLMI on Business and Marketing development, Trade Marketing, Supply Chain Management, Human Resource Management, Treasury, Food Safety and Dairy Affairs, Quality Control, Internal Audit, Sourcing/ Purchasing Services, Operations Management and ICT.

FCSCAP, a MSC company located in Malaysia, provides shared and ICT project management services for the RFC Group's regional SAP and ICT framework. The Company, also benefits from ICT and related expertise available from the RFC Group.

DLMI, in turn, provides FCSCAP with shared services support in accounting, human resource, administrative and company secretarial services.

3.2 Proposed Amendments

The Proposed Amendments to the Company's Articles of Association are made to incorporate the new Listing Requirements and other relevant regulatory and statutory requirements.

4 FINANCIAL EFFECTS OF THE PROPOSALS

The Proposals will not have any effect on the share capital of DLMI and will not have any financial effect on the gearing, earnings or the net assets of DLMI.

5 CONDITIONS TO THE PROPOSALS

The Proposals are conditional upon the approval of the shareholders of the Company being obtained at the forthcoming AGM to be convened.

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6 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

6.1 Proposed Shareholders' Mandate

None of the Directors or major shareholders of DLMI and/or persons connected to them have any interest, direct or indirect, in the Proposed Shareholders' Mandate pertaining to the Recurrent Related Party Transactions, save and except for the following:-

- (i) Mr. Freek Rijna, Mr. Rahul John Colaco and Ms. Saw Chooi Lee are the Board representatives of RFC in DLMI. As such, they are deemed interested in the Proposed Shareholders' Mandate.
- (ii) FCDM, a major shareholder holding 50.96% equity interest in DLMI as at 1 April 2014, is wholly-owned by FCI, which in turn is a wholly owned subsidiary of RFC, is deemed interested in the Proposed Shareholders' Mandate pertaining to the Recurrent Related Party Transactions as stated in Section 2.1.4.

As at 1 April 2014, none of the Directors have any direct or indirect shareholdings in the Company. The direct and indirect shareholdings of the major shareholders and persons connected in DLMI as at 1 April 2014 are as follows:-

Name of Interested Major Shareholder	Direct Interest	%	Indirect Interest	%
FCDM	32,614,800	50.96	-	-
FCI	-	-	32,614,800	50.96
RFC	-	-	32,614,800	50.96

Mr. Freek Rijna, Mr. Rahul John Colaco and Ms. Saw Chooi Lee are representatives of RFC and are deemed interested by virtue of RFC being the holding company of FCI, who in turn is the holding company of FCDM, which is a major shareholder of DLMI, holding 50.96% of the equity interest in DLMI. Accordingly, the interested Directors have and will continue to abstain from Board deliberations pertaining to the Proposed Shareholders' Mandate. In addition, the interested Directors will abstain from voting in respect of their direct and indirect shareholdings, if any, in DLMI on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM of DLMI to be convened. The interested Directors shall undertake to ensure that the persons connected with them shall abstain from voting on their direct and/or indirect shareholdings on the resolution pertaining to the Recurrent Related Party Transactions at the forthcoming AGM.

FCDM will abstain from voting in respect of its direct shareholdings in DLMI in the ordinary resolution on the Proposed Shareholders' Mandate at the forthcoming AGM. FCDM shall ensure that persons connected with it will abstain from voting on the resolution approving the Recurrent Related Party Transactions.

6.2 Proposed Amendments

None of the Directors or major shareholders of DLMI and/or persons connected to them have any interest, direct or indirect, to the Proposed Amendments.

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7 DIRECTORS' RECOMMENDATION

7.1 Proposed Shareholders' Mandate

The Directors, (except Mr. Freek Rijna, Mr. Rahul John Colaco and Ms. Saw Chooi Lee, who are deemed interested in the Proposed Shareholders' Mandate), having considered the rationale and benefits of the Proposed Shareholders' Mandate and after careful deliberation, are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and its shareholders. Accordingly, your Directors (except Mr. Freek Rijna, Mr. Rahul John Colaco and Ms. Saw Chooi Lee who are deemed interested in the Proposed Shareholders' Mandate) recommend that you vote in favour of the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM of the Company.

7.2 Proposed Amendments

The Directors, having considered the proposed amendments to the Company's Articles of Association and after careful deliberation, are of the opinion that the Proposed Amendments is in the best interest of the Company and its shareholders. Accordingly, your Directors recommend that you vote in favour of the resolution pertaining to the Proposed Amendments to be tabled at the forthcoming AGM of the Company.

8 AGM

The ordinary and special resolutions to vote on the Proposed Shareholders' Mandate and Proposed Amendments is set out in the Notice of AGM contained in DLMI's 2013 Annual Report. The Fifty-First AGM 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 10.00 a.m.

If you are unable to attend and vote in person at the AGM, you should complete and return the Form of Proxy enclosed in the 2013 Annual Report, in accordance with the instructions printed therein, to the Company's Registered Office at Level 5, Quill 9, No. 112, Jalan Semangat, 46300 Petaling Jaya, Selangor Darul Ehsan as soon as possible and in any event not less than forty-eight (48) hours before the time set for the AGM. The completion and lodgment of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

9 FURTHER INFORMATION

Shareholders are requested to refer to Appendices I, II and III of this Circular for further information.

Yours faithfully

For and on behalf of the Board of Directors of
DUTCH LADY MILK INDUSTRIES BERHAD

DATO' ZAINAL ABIDIN BIN PUTIH

Chairman and Independent Non-Executive Director

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PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. Amendment to Article 111 of the Company's Articles of Association by deleting the existing Article 111 in its entirety and substituting therewith, the following new Article 111 which reads 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 (prepare 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."

2. Amendment to Article 137 of the Company's Articles of Association by deleting the existing Article 137 in its entirety and substituting therewith, the following new Article 137 which reads 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 up 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 and 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."

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SUMMARY OF MAJOR AMENDMENTS MADE TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. DIRECTORS' RESOLUTION IN WRITING

The proposed amendment to Article 111 have been made to cater for the modern means of communication involved when it comes to circulation of documents, especially for non-Malaysian Directors.

2. ANNUAL REPORT TIMEFRAME

The proposed amendment to Article 137 have been made to cater for the changes in the annual report timeframe. This is to be consistent with the Listing Requirements.

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FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by the Directors of DLMI, and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which could make any statement herein false or misleading.

2. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by DLMI in the two (2) years preceding the date of this Circular.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

DLMI is not engaged either as plaintiff or defendant in any material litigation, claims and arbitration, and the Directors of DLMI do not have any knowledge of any proceeding pending or threatened against DLMI or of any other facts which are likely to give rise to any proceedings which may materially affect the position or business of the Company.

4. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of DLMI at Level 5, Quill 9, 112 Jalan Semangat, 46300 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:-

- (i) Memorandum and Articles of Association of DLMI; and
- (ii) Audited Financial Statements of DLMI for the two financial years ended 31 December 2012 and 31 December 2013.

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