

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 31 December 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	12 months TO DATE	12 months TO DATE
	31/12/19 (Unaudited) RM'000	31/12/18 (Audited) RM'000	31/12/19 (Unaudited) RM'000	31/12/18 (Audited) RM'000
Revenue	281,757	271,154	1,066,662	1,048,568
Cost of Sales	<u>(175,017)</u>	<u>(166,906)</u>	<u>(661,942)</u>	<u>(632,317)</u>
Gross Profit	106,740	104,248	404,720	416,251
Other Income	362	549	3,371	10,494
Distribution Expenses	(46,758)	(43,005)	(168,191)	(162,522)
Administrative Expenses	(4,973)	(6,265)	(28,156)	(28,764)
Other Operating Expenses	<u>(20,193)</u>	<u>(15,742)</u>	<u>(70,902)</u>	<u>(61,594)</u>
Results from Operating Activities	35,178	39,785	140,842	173,865
Finance Costs	(1,101)	(1,034)	(3,697)	(3,431)
Interest Income	232	101	455	858
Profit Before Taxation	34,309	38,852	137,600	171,292
Income Tax Expenses	<u>(7,642)</u>	<u>(8,549)</u>	<u>(34,642)</u>	<u>(41,843)</u>
Profit After Taxation	26,667	30,303	102,958	129,449
Profit for the period/Total comprehensive income for the period	<u>26,667</u>	<u>30,303</u>	<u>102,958</u>	<u>129,449</u>
Profit Attributable to:				
Equity holders of the Company	26,667	30,303	102,958	129,449
Non-controlling interest	-	-	-	-
	<u>26,667</u>	<u>30,303</u>	<u>102,958</u>	<u>129,449</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>41.70</u>	<u>47.35</u>	<u>160.90</u>	<u>202.30</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

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

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 31 December 2019

	AS AT 31/12/19 RM'000 (Unaudited)	AS AT 31/12/18 RM'000 (Audited)
ASSETS		
Property, plant and equipment	123,482	122,297
Right-of-use assets	3,977	-
Intangible assets	1,675	2,956
TOTAL NON-CURRENT ASSETS	129,134	125,253
Inventories	135,024	131,050
Trade and other receivables	112,852	112,381
Prepayments	5,052	3,819
Derivatives financial assets	-	190
Cash and cash equivalents	61,532	32,109
TOTAL CURRENT ASSETS	314,460	279,549
TOTAL ASSETS	443,594	404,802
EQUITY		
Share capital	64,000	64,000
Retained profits	80,417	41,459
Attributable to equity holders of the Company	144,417	105,459
TOTAL EQUITY	144,417	105,459
LIABILITIES		
Deferred tax liabilities	6,794	6,539
Lease Liabilities	340	-
TOTAL NON-CURRENT LIABILITIES	7,134	6,539
Trade and other payables	264,928	266,388
Provision	207	191
Derivatives financial liabilities	1,887	1,059
Current tax liabilities	7,663	9,994
Bank overdraft	16,724	15,172
Lease Liabilities	634	-
CURRENT LIABILITIES	292,043	292,804
TOTAL LIABILITIES	299,177	299,343
TOTAL EQUITY AND LIABILITIES	443,594	404,802
Net assets per share attributable to ordinary equity holders of the Company (RM)	2.26	1.65

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the financial quarter ended 31 December 2019

(The figures have not been audited)

	Share <u>Capital</u> RM'000	Distributable Retained <u>profits</u> RM'000	Attributable to equity holders of <u>the Company</u> RM'000	<u>Total</u> RM'000
12 months ended 31 December 2019				
Balance at beginning of period	64,000	41,459	105,459	105,459
Movements during the period	-	102,958	102,958	102,958
Dividend payable	-	-	-	-
Dividends paid	-	(64,000)	(64,000)	(64,000)
Balance at end of period	<u>64,000</u>	<u>80,417</u>	<u>144,417</u>	<u>144,417</u>
12 months ended 31 December 2018				
Balance at beginning of period	64,000	40,010	104,010	104,010
Movements during the period	-	129,449	129,449	129,449
Dividend payable	-	-	-	-
Dividends paid	-	(128,000)	(128,000)	(128,000)
Balance at end of period	<u>64,000</u>	<u>41,459</u>	<u>105,459</u>	<u>105,459</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

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

CONDENSED STATEMENT OF CASH FLOW

For the financial quarter ended 31 December 2019

	12 months TO DATE	12 months TO DATE
	31/12/19 (Unaudited) RM'000	31/12/18 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	1,068,445	1,057,103
Cash paid to suppliers and employees	(913,940)	(896,760)
	<hr/>	<hr/>
Cash generated from operations	154,505	160,343
Income tax paid	(36,718)	(39,893)
	<hr/>	<hr/>
Net cash generated from operating activities	117,787	120,450
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(19,846)	(34,263)
Additions of intangible assets	(192)	(15)
Proceeds from disposal of property, plant and equipment	73	-
Interest received	455	857
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(19,510)	(33,421)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,640)	(3,431)
Dividends paid	(64,000)	(128,000)
Payment of principal portion of lease liabilities	(2,766)	-
	<hr/>	<hr/>
Net cash used in financing activities	(70,406)	(131,431)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	27,871	(44,402)
Cash and cash equivalents brought forward	16,937	61,339
	<hr/>	<hr/>
Cash and cash equivalents carried forward	44,808	16,937
	<hr/>	<hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	61,532	32,109
Bank overdraft	(16,724)	(15,172)
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	44,808	16,937
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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 2018)

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 2018.

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 2018 except for the newly issued Malaysia Financial Reporting Standards (MFRS), interpretations and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2019:

- MFRS 16: Leases
- IC Interpretation 23: Uncertainty over Income Tax Treatments
- Amendments to MFRS 112: Income Taxes

Other than MFRS 16, the adoption of the above did not have any significant effect on the interim financial statements upon their initial application. The Company has adopted the standards retrospectively from 1 January 2019, with the practical expedients permitted under the standards. Comparatives for 2018 are not restated.

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 2018 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 31/12/19 RM'000	Quarter ended 31/12/18 RM'000
Segment profit		
Revenue	281,757	271,154
Profit After Taxation	26,667	30,303

8. Capital Commitments

	As at 31/12/19 RM'000	As at 31/12/18 RM'000
Property, plant and equipment		
Authorised but not contracted for	(594)	13,880
Contracted but not provided for	801	5,256

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 31/12/19 RM'000	Quarter ended 31/12/18 RM'000
Sales to related parties	4,377	7,994
Purchases from related parties	77,830	115,583
Know-how, Trademark License and Management Support fees	5,907	6,707
Shared services from related parties	4,416	4,909

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	12 Months To Date	12 Months To Date	Changes TY vs LY
	31/12/2019	31/12/18	%	31/12/2019	31/12/18	%
Revenue	281,757	271,154	3.9%	1,066,662	1,048,568	1.7%
Operating Profit	35,178	39,785	-11.6%	140,842	173,865	-19.0%
Profit Before Interest and Tax	34,077	38,752	-12.1%	137,145	170,434	-19.5%
Profit Before Taxation	34,309	38,853	-11.7%	137,600	171,292	-19.7%
Profit After Taxation	26,667	30,303	-12.0%	102,958	129,449	-20.5%
Attributable to Ordinary Equity Holders of the parent	26,667	30,303	-12.0%	102,958	129,449	-20.5%

The Company recorded 9.3% volume growth (in kilograms) in the quarter generating 3.9% higher revenue versus same quarter in 2018. Full year volume grows at 6.2% with a corresponding revenue growth of 1.7% versus same period last year. The volume growth is in line with our ambition to increase consumption of milk in Malaysia and thus uplifting the health status of Malaysians. This growth is driven by innovations focusing on occasions and affordability.

Current quarter Profit before Tax decreased by 11.7% mainly driven by pricing strategy, coupled with increase of raw material prices, and negative exchange rate impact.

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

RM '000	Current Quarter	Preceding Quarter	Changes Q4 vs Q3
	31/12/2019	30/09/19	%
Revenue	281,757	276,313	2.0%
Operating Profit	35,178	35,648	-1.3%
Profit Before Interest and Tax	34,077	34,758	-2.0%
Profit Before Taxation	34,309	34,865	-1.6%
Profit After Taxation	26,667	25,204	5.8%
Attributable to Ordinary Equity Holders of the parent	26,667	25,204	5.8%

The Company recorded 2% volume growth (kilograms) and 2.0% higher revenue than previous quarter. Profit Before Tax however decreased by 1.6% driven by continuous investment in advertising and promotional spend to drive increased penetration of milk consumption in the country and higher dairy purchase price in Q4'2019.

14. Business Prospects

A. 2020 Prospects

The Outlook for 2020 is expected to stay volatile, economic slowdown is expected due to various domestic and global uncertainties, foreign exchange uncertainty and any regulatory changes. The global dairy price is expected to increase in 2020 versus 2019. However in this challenging market, DLMI will stay focused on building the long term future driven by our purpose to 'Nourish Malaysians'. We recognize the importance of continuously investing to build our brands and its quality offerings with winning market execution to win the hearts of our Malaysian consumers. At the same time DLMI will continue to put efforts to improve operational efficiency to stay agile and adapt to macro-economic changes.

Over a long term, the outlook for Dutch Lady Milk Industries Berhad remains positive due to the strength of its brands and the increasing need and recognition of the goodness and nutritional value of milk and its complementing dairy products amongst Malaysians. We are committed to invest and grow milk consumption in Malaysia. The company will continue to focus on driving penetration of milk via innovations to capture multiple occasions. Affordability of milk will continue to be high on agenda of the company to ensure sustainable growth of the dairy in Malaysia, to help Malaysians become stronger and nourished. We will also continue to scale our Dairy Development Program to increase both the quality and quantity 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 31/12/19 RM'000	Quarter ended 31/12/18 RM'000
Income tax for current period	9,274	7,259
Deferred tax for current period	(1,632)	1,290
Total taxation	<u>7,642</u>	<u>8,549</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 31/12/19 RM'000	As At 31/12/18 RM'000
At 1 January	6,539	6,608
Recognised in the statement of comprehensive income	255	(69)
At period end	<u>6,794</u>	<u>6,539</u>

19. Corporate Proposals

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

20. Company Borrowings

	As at 31/12/19 RM'000	As at 31/12/18 RM'000
Unsecured short term borrowing		
Bank overdraft	<u>16,724</u>	<u>15,172</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 31/12/19 RM'000	As At 31/12/18 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	115,176	120,132
Assets	-	190
Liabilities	1,887	1,059

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 31/12/19	Quarter ended 31/12/18
Basic earnings per share		
Profit for the period (RM'000)	26,667	30,303
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	41.70	47.35

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 28 November 2019, the Company has declared a standard single-tier interim dividend of RM0.50 per share amounting to RM32.0 million in respect of the financial year ending 31 December 2019.

All shareholders whose names appear on the Record of Depositors on 13 December 2019 shall be paid the above dividends on 24 December 2019.

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

- a) Securities transferred to the Depositor's Securities Account before 5.00pm on 13 December 2019, 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 31/12/19 RM'000	Year to-date 31/12/18 RM'000
Interest income	455	858
Finance costs		
- Interest expense	(3,640)	(3,431)
- Finance charge from lease liabilities	(57)	-
Depreciation of property, plant and equipment	(15,604)	(12,806)
Amortisation of ROU assets	(2,736)	-
Amortisation of intangible assets	(1,500)	(1,558)
Write back/(down) of inventories	(777)	(1,038)
Gain/(Loss) on disposal of property, plant & equipment	73	-
Net gain/(loss) on derivatives	(1,017)	2,311
Net foreign exchange gain/(loss)		
- Realised	(2,241)	2,705
- Unrealised	864	375

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
25 February 2020

