

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

Quarterly report on results for the financial quarter ended 31 March 2014
The figures have not been audited.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER CURRENT QUARTER ENDED	COMPARATIVE QUARTER ENDED	CUMULATIVE QUARTER 3 month CUMULATIVE TO DATE	3 month CUMULATIVE TO DATE
	31/03/14 RM'000	31/03/13 RM'000	31/03/14 RM'000	31/03/13 RM'000
Revenue	227,682	206,268	227,682	206,268
Cost of Sales	<u>(155,182)</u>	<u>(121,910)</u>	<u>(155,182)</u>	<u>(121,910)</u>
Gross Profit	72,500	84,358	72,500	84,358
Other Income	1,102	164	1,102	164
Distribution Expenses	(26,252)	(30,069)	(26,252)	(30,069)
Administrative Expenses	(6,742)	(6,137)	(6,742)	(6,137)
Other Operating Expenses	<u>(9,735)</u>	<u>(9,776)</u>	<u>(9,735)</u>	<u>(9,776)</u>
Results from Operating Activities	30,873	38,540	30,873	38,540
Finance Costs	(766)	(740)	(766)	(740)
Interest Income	1,061	1,411	1,061	1,411
Profit Before Taxation	31,168	39,211	31,168	39,211
Income Tax Expenses	<u>(8,102)</u>	<u>(10,189)</u>	<u>(8,102)</u>	<u>(10,189)</u>
Profit After Taxation	23,066	29,022	23,066	29,022
Other Comprehensive Income	-	-	-	-
Total comprehensive income for the period	<u>23,066</u>	<u>29,022</u>	<u>23,066</u>	<u>29,022</u>
Profit Attributable to:				
Equity holders of the Company	23,066	29,022	23,066	29,022
Non-controlling interest	-	-	-	-
	<u>23,066</u>	<u>29,022</u>	<u>23,066</u>	<u>29,022</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>36.00</u>	<u>45.35</u>	<u>36.00</u>	<u>45.35</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

Quarterly report on results for the financial quarter ended 31 March 2014

CONDENSED STATEMENT OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 31/03/14 (Unaudited)	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/13 (Audited)
	RM'000	RM'000
ASSETS		
Property, plant and equipment	76,751	77,176
Intangible assets	1,463	1,557
TOTAL NON-CURRENT ASSETS	78,214	78,733
Inventories	139,922	113,208
Trade and other receivables	51,047	35,482
Prepayments	774	583
Derivatives financial assets	-	185
Cash and cash equivalents	146,570	187,641
TOTAL CURRENT ASSETS	338,313	337,099
Assets classified as held for sale	-	629
TOTAL CURRENT ASSETS	338,313	337,728
TOTAL ASSETS	416,527	416,461
EQUITY		
Share capital	64,000	64,000
Retained profits	147,064	123,998
Attributable to equity holders of the Company	211,064	187,998
Non-controlling interest	-	-
TOTAL EQUITY	211,064	187,998
LIABILITIES		
Deferred tax liabilities	5,882	5,695
TOTAL NON-CURRENT LIABILITIES	5,882	5,695
Trade and other payables	185,230	206,785
Provision	190	173
Derivatives financial liabilities	253	108
Current tax liabilities	13,908	15,702
CURRENT LIABILITIES	199,581	222,768
TOTAL LIABILITIES	205,463	228,463
TOTAL EQUITY AND LIABILITIES	416,527	416,461

Net assets per share attributable to ordinary equity holders of the Company (RM)

3.30

2.94

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013)

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Quarterly report on results for the financial quarter ended 31 March 2014

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2014**

	Share <u>Capital</u> RM'000	Distributable Retained <u>profits</u> RM'000	Attributable to equity holders of <u>the Company</u> RM'000	Non- Controlling <u>Interest</u> RM'000	<u>Total</u> RM'000
3 month ended 31 March 2014					
Balance at beginning of period	64,000	123,998	187,998	-	187,998
Movements during the period	-	23,066	23,066	-	23,066
Dividends paid	-	-	-	-	-
Balance at end of period	<u>64,000</u>	<u>147,064</u>	<u>211,064</u>	<u>-</u>	<u>211,064</u>
3 month ended 31 March 2013					
Balance at beginning of period	64,000	152,134	216,134	-	216,134
Movements during the period	-	29,022	29,022	-	29,022
Dividends payable	-	-	-	-	-
Balance at end of period	<u>64,000</u>	<u>181,156</u>	<u>245,156</u>	<u>-</u>	<u>245,156</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013)

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CONDENSED STATEMENT OF CASH FLOW
For the period ended 31 March 2014

	3 months ended 31/03/14 RM'000 (Unaudited)	3 months ended 31/03/13 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	212,162	193,014
Cash paid to suppliers and employees	(243,731)	(194,389)
	<hr/>	<hr/>
Cash used in operations	(31,569)	(1,375)
Income tax paid	(9,708)	(9,358)
	<hr/>	<hr/>
Net cash used in operating activities	(41,277)	(10,733)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(1,585)	(4,169)
Additions of intangible assets	-	(68)
Proceeds from disposal of property, plant and equipment	1,496	5
Interest received	1,061	1,411
	<hr/>	<hr/>
Net cash generated from / (used in) investing activities	972	(2,821)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(766)	(740)
	<hr/>	<hr/>
Net cash used in financing activities	(766)	(740)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(41,071)	(14,294)
Cash and cash equivalents brought forward	187,641	204,844
	<hr/>	<hr/>
Cash and cash equivalents carried forward	146,570	190,550
	<hr/>	<hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	4,670	3,550
Deposits placed with licensed banks	141,900	187,000
	<hr/>	<hr/>
	146,570	190,550
	<hr/>	<hr/>

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013)

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 2013.

These are the Company's interim financial statements for part of the period covered by the Company's first MFRS framework annual financial statements and MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards' had been applied.

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 2013 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.

6. 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.

7. 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.

8. Dividends

There were no dividends paid for the financial period under review.

9. **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 31/03/14 RM'000	Quarter ended 31/03/13 RM'000
Segment profit		
Revenue	227,682	206,268
Profit After Taxation	23,066	29,022

10. **Subsequent Events**

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

11. **Changes in Composition of the Company**

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

12. **Contingent Liabilities**

The existing operating lease obligations by the Company amounting to RM17.6 million.

13. **Related Party Transactions**

The following are significant related party transactions:-

	Quarter ended 31/03/14 RM'000	Quarter ended 31/03/13 RM'000
Sales to related parties	5,678	3,497
Purchases from related parties	48,545	23,105
Know-how, Trademark License and Management Support fees	6,526	7,058
Shared services from related parties	2,494	1,289

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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

Revenue in the current quarter increased by 10.4% compared to the preceding year's corresponding quarter due to inflation adjustment and volume progression. Profit before taxation for the current quarter was RM8.0 million lower compared to last year same quarter at RM31.2 million attributed to the increase of dairy raw materials prices coupled with weakening ringgit Malaysia for the quarter.

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

The Company's revenue in the current quarter was 13.4% lower compared to the preceding quarter mainly contributed by lower market growth. The profit before taxation for the current quarter was lower by RM 12.4 million mainly due to the lower revenue and higher cost of sales during the quarter as aforesaid.

16. Business Prospects

Dutch Lady Milk Industries Berhad expects the business environment to remain challenging with high dairy raw material prices, foreign exchange pressure and less robust consumer confidence. The Company remains committed to leveraging the strength of the Dutch Lady brand and harnessing its operational efficiency.

17. Statement on Revenue or Profit Estimate, Forecast, Projection or Internal Targets Previously Announced or Disclosed in a Public Document

Not applicable.

18. Profit Forecast

The Company did not issue any profit forecast during the financial period under review.

19. Taxation

Taxation is made up as follows: -

	Quarter ended 31/03/14 RM'000	Quarter ended 31/03/13 RM'000
Income tax for current period	7,915	10,189
Deferred tax for current period	187	-
Total taxation	<u>8,102</u>	<u>10,189</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.

20. Deferred Tax Liabilities

	Quarter ended 31/03/14 RM'000	As at 31/12/13 RM'000
At 1 January	5,695	4,854
Recognised in the statement of comprehensive income	187	841
At period end	<u>5,882</u>	<u>5,695</u>

21. Corporate Proposals

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

22. Company Borrowings

There were no borrowings or debt securities as at the end of the financial period under review.

23. Material Litigation

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

24. Financial Instruments**Derivatives**

As at 31 March 2014, the foreign exchange contracts which have been entered into by the Company are as follows:

Forward exchange contracts	Nominal Value (RM'000)	Assets (RM'000)	Liabilities (RM'000)
Derivatives held for trading at fair value through profit or loss for US Dollar	50,547	-	253

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.

There are no comparative figures in Q1 2013 as the Company only entered into forward exchange contract in September 2013.

25. Proposed Dividend

On 25 February 2014, the Company has declared a standard interim dividend and special interim dividend in respect of the financial year ending 31 December 2014 as follows:-

- a) A standard single-tier interim dividend of 50.0 sen per share amounting to RM32.0 million, and
- b) A special single-tier interim dividend of 60.0 sen per share amounting to RM38.4 million.

All shareholders whose names appear on the Record of Depositors on 29 April 2014 shall be paid the above dividends on 20 May 2014.

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

- a) Securities transferred to the Depositor's Securities Account before 4.00pm on 29 April 2014, 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.

26. Retained Profits

The breakdown of the retained profits of the Company as at 31 December 2013, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Year to-date 31/03/14 RM'000	Year to-date 31/12/13 RM'000
Total retained profits:		
- Realised profit	152,881	129,867
- Unrealised loss	(5,817)	(5,869)
Total retained profits as per statement of financial position	<u>147,064</u>	<u>123,998</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

27. Earnings Per Share

	Quarter ended 31/03/14	Quarter ended 31/03/13
Basic earnings per share		
Profit for the period (RM'000)	23,066	29,022
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	36.00	45.35

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.

28. Notes to the Condensed Statement of Comprehensive Income

	Year to- date 31/03/14 RM'000	Year to- date 31/03/13 RM'000
Interest income	1,061	1,411
Finance costs	(766)	(740)
Depreciation of property, plant and equipment	(2,008)	(1,924)
Amortisation of intangible assets	(94)	(94)
Write (down)/back of inventories	(194)	291
Gain/(Loss) on disposal of property, plant and equipment	865	(2)
Loss arising from cash flow hedge	(330)	-
Net gain/(loss) on foreign exchange		
- Realised	(423)	(117)
- Unrealised	317	129

By Order of the Board
Izreen Fara Binti Ismail
Company Secretary
27 May 2014