

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

Quarterly report on results for the financial quarter ended 30 June 2010
The figures have not been audited.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED	COMPARATIVE QUARTER ENDED	6 month CUMULATIVE TO DATE	6 month CUMULATIVE TO DATE
	30/06/10 RM'000	30/06/09 RM'000	30/06/10 RM'000	30/06/09 RM'000
Revenue	188,929	176,631	362,040	345,197
Cost of Sales	<u>(120,342)</u>	<u>(119,933)</u>	<u>(229,056)</u>	<u>(242,619)</u>
Gross Profit	68,587	56,698	132,984	102,578
Other Income	208	322	438	493
Interest Income	143	32	244	38
Distribution Costs	(27,793)	(25,116)	(48,389)	(45,299)
Administrative Expenses	(5,312)	(4,656)	(10,635)	(9,382)
Other operating Expenses	<u>(10,287)</u>	<u>(7,394)</u>	<u>(20,813)</u>	<u>(15,875)</u>
Profit From Operations	25,546	19,886	53,829	32,553
Finance Costs	-	-	-	(1)
Profit Before Taxation	25,546	19,886	53,829	32,552
Taxation	<u>(6,628)</u>	<u>(4,497)</u>	<u>(14,099)</u>	<u>(8,410)</u>
Profit for the period	18,918	15,389	39,730	24,142
Other Comprehensive Income:				
Changes in fair value of cash flow hedge	(795)	-	(795)	-
Deferred tax on fair value of cash flow hedge	198	-	198	-
Total comprehensive income for the period	<u>18,321</u>	<u>15,389</u>	<u>39,133</u>	<u>24,142</u>
Attributable to:				
Equity holders of the Company	18,918	15,389	39,730	24,142
Minority Interest	-	-	-	-
	<u>18,918</u>	<u>15,389</u>	<u>39,730</u>	<u>24,142</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>29.56</u>	<u>24.05</u>	<u>62.08</u>	<u>37.72</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

DUTCH LADY MILK INDUSTRIES BERHAD

(5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 30/06/10 (Unaudited)	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/09 (Audited)
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, Plant and Equipment	77,743	78,621
Prepaid leased payments	3,668	3,706
Intangibles assets	3,789	4,879
	85,200	87,206
CURRENT ASSETS		
Inventories	68,677	57,552
Trade receivables	97,518	86,630
Other receivables and prepaid expenses	6,017	2,401
Amounts owing by related companies	9,792	5,469
Cash and bank balances	67,060	41,732
TOTAL CURRENT ASSETS	249,064	193,784
TOTAL ASSETS	334,264	280,990
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued Capital	64,000	64,000
Unappropriated Profit	132,718	115,985
Equity attributable to equity holders of the Company	196,718	179,985
Minority Interest	-	-
TOTAL EQUITY	196,718	179,985
NON-CURRENT LIABILITIES		
Deferred Tax Liabilities	4,391	4,150
	4,391	4,150
CURRENT LIABILITIES		
Trade payables	53,987	53,547
Other payables and accrued expenses	41,257	16,438
Amount owing to related companies	30,598	21,920
Provisions	318	283
Current tax liabilities	6,995	4,667
	133,155	96,855
TOTAL LIABILITIES	137,546	101,005
TOTAL EQUITY AND LIABILITIES	334,264	280,990
Net assets per share attributable to ordinary equity holders of the Company (RM)	3.07	2.81

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

DUTCH LADY MILK INDUSTRIES BERHAD

(5063-V)

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2010**

	Issued Capital RM'000	Distributable Reserve - Unappropriated profit RM'000	Attributable to equity holders of the Company RM'000	Minority Interest RM'000	Total RM'000
6 months ended 30 June 2010					
Balance at beginning of period	64,000	115,985	179,985	-	179,985
Movements during the period (Cumulative)	-	39,133	39,133	-	39,133
Dividends payable	-	(22,400)	(22,400)	-	(22,400)
Balance at end of period	<u>64,000</u>	<u>132,718</u>	<u>196,718</u>	<u>-</u>	<u>196,718</u>
6 months ended 30 June 2009					
Balance at beginning of period	64,000	97,585	161,585	-	161,585
Movements during the period (Cumulative)	-	24,142	24,142	-	24,142
Dividends paid	-	-	-	-	-
Balance at end of period	<u>64,000</u>	<u>121,727</u>	<u>185,727</u>	<u>-</u>	<u>185,727</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

DUTCH LADY MILK INDUSTRIES BERHAD

(5063-V)

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS
For the period ended 30 June 2010**

	6 months ended 30/06/10 RM'000	6 months ended 30/06/09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	343,601	336,141
Cash paid to suppliers and employees	(304,903)	(302,420)
	<hr/>	<hr/>
Cash generated from operations	38,698	33,721
Income tax paid	(11,530)	(5,259)
	<hr/>	<hr/>
Net cash from operating activities	27,168	28,462
	<hr/>	<hr/>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions of property, plant and equipment	(2,284)	(11,089)
Proceeds from disposal of property, plant and equipment	200	5
Interest received	244	38
	<hr/>	<hr/>
Net cash used in investing activities	(1,840)	(11,046)
	<hr/>	<hr/>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid	-	(1)
	<hr/>	<hr/>
Net cash used in financing activities	-	(1)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	25,328	17,415
Cash and cash equivalents brought forward	41,732	23,792
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Cash and cash equivalents carried forward	67,060	41,207
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(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

NOTES

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Company as at and for the year ended 31 December 2009.

The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2009 except as described below:

FRS 101 (revised), Presentation of Financial Statements

The Company has applied revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Company presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

FRS 139 Financial Instruments: Recognition and Measurement

This standard establishes principle of recognising and measuring financial assets, financial liabilities and contract to buy and sell non-financial items and permit hedge accounting only under strict circumstances. In accordance with the requirement of this standard, the Company assessed its derivatives to see if they qualify for hedge accounting, and following that, have designated its derivatives arising from the forward foreign exchange contracts as cash flow hedges. The Company recognises the changes in its fair value directly in equity, to the extent that the hedges are effective. The Company has no financial instrument for the financial year ended 31 December 2009 so no retrospective adjustment is required.

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 2009 was not subject to any audit qualifications.

3. Seasonal and Cyclical Factors

The milk and milk 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 quarter under review.

9. Segmental Analysis

No segmental information has been provided as the Company operates principally in Malaysia and in one major business segment.

10. Valuation of prepaid leased payments

There were no changes or amendments to the valuation of prepaid leased payments from the previous annual audited financial statements.

11. Subsequent Events

There were no material subsequent events as at 11 August 2010 that will affect the financial results of the financial period under review.

12. Changes in Composition of the Company

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

13. Contingent Liabilities

There were no other contingent liabilities as at 11 August 2010 other than operating lease obligations by the Company amounting to RM4.3 million.

14. Related Party Transactions

The following are significant related party transactions:-

	As at end of quarter 30/06/10 RM'000	6 month Year-to-date 30/06/10 RM'000
Sales to related parties	10,520	20,076
Purchases from related parties	29,267	59,836
Know-how and Trademark License fees	4,984	9,596
Call centre services from related party	1,234	1,515

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

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

The Company's revenue for the current quarter was 7% higher compared to the preceding year's corresponding quarter driven by higher prices and better sales mix. The profit before taxation for the financial quarter was higher at RM25.5 million, mainly attributed to better sales mix and favourable exchange rate.

For the six months ended 30 June 2010, the Company's revenue was improved by 5% mainly due to on-going marketing activities. Profit before taxation was 65% higher than last year same period due to better sales mix and favourable exchange rate.

16. Comments on Material Changes in Profit Before Taxation

The Company's revenue improved by 9.1% compared to the preceding quarter mainly due to increased marketing activities and introduction of new product packs.

The profit before taxation for the current quarter was lower at RM25.5 million compared to the preceding quarter of RM28.3 million, mainly due to higher advertising and promotion activities, and the onset of higher dairy raw material cost.

17. Business Prospects

The Board of Directors expects that the year 2010 will be challenging due to world dairy raw material prices that are expected to increase in the second half of the year coupled with intense market competition.

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

Not applicable.

19. Profit Forecast

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

20. Taxation

Taxation is made up as follows: -

	As at end of quarter 30/06/10 RM'000	6 month Year to-date 30/06/10 RM'000
Income tax for current period	6,387	13,858
Deferred tax for current period	241	241
Total taxation	<u>6,628</u>	<u>14,099</u>

21. Deferred Tax Liabilities

	As at end of quarter 30/06/10 RM'000	As at 31/12/09 RM'000
At 1 January 2010 (2009)	4,150	2,300
Recognised in the statement of comprehensive income	241	1,850
At 30 June 2010 (31 Dec 2009)	<u>4,391</u>	<u>4,150</u>

22. Sale of Unquoted Investments and / or Properties

There were no sales of investments or properties during the financial period under review.

23. Purchase or Disposal of Quoted Securities

- There were no purchases or disposals of quoted securities during the financial period under review.
- There were no investments in quoted securities as at the end of the financial period under review.

24. Corporate Proposals

There were no corporate proposals announced but not completed as at 11 August 2010.

25. Company Borrowings

There were no borrowings or debt securities as at the end of the reporting period.

26. Financial Instruments

Derivatives

As at 30 June 2010, the foreign currency contracts which have entered into by the Company to hedge its foreign purchases in foreign currency are as follows:

Forward Foreign Currency Contracts Designated as Cash Flow Hedges	Contract Value (RM'000)	Fair Value (RM'000)	Difference (RM'000)
US Dollar			
- Less than 1 year	82,504	81,709	795
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
TOTAL	82,504	81,709	795

Derivative financial assets and liabilities are recognised, and subsequently measured at fair value. The fair value of the derivatives are determined based on market rate (primarily exchange rate) to calculate the present value of all estimated flows associated with each derivatives at the balance sheet date. The Company's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency purchases, where cash flow hedging can be obtained.

Changes in fair values for derivatives that are designated as cash flow hedges are recognised directly to other comprehensive income, to the extent that they are effective, with the ineffective portion being recognised in the income statement. For derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair value are recognised in the income statement in the period in which they arise.

Credit Risks

The above financial instruments were executed with creditworthy financial institution that in line with the Company's policy.

Cash Requirement

The Company will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

Unrealised unappropriated profits

The unrealised portion within unappropriated profits (retained earnings) as at 30 June 2010 relate to net fair values movements of the Company's derivatives that are designated as cash flow hedges as at 30 June 2010.

27. Material Litigation

There were no material litigations against the Company as at 11 August 2010.

28. Proposed Dividend

The company did not propose any dividends for the current quarter.

29. Earnings Per Share

	Current Quarter ended 30/06/10	Comparative Quarter ended 30/06/09	6 month Cumulative to-date 30/06/10	6 month Cumulative to-date 30/06/09
Basic earnings per share				
Profit for the period (RM'000)	18,918	15,389	39,730	24,142
Weighted average number of ordinary shares in issue ('000)	64,000	64,000	64,000	64,000
Basic earnings per share (sen)	29.56	24.05	62.08	37.72

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.

By Order of the Board
Huang Shi Chin
Company Secretary
18 August 2010
cc. Securities Commissions