

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

Quarterly report on results for the financial quarter ended 30 June 2014  
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
	30/06/14 RM'000	30/06/13 RM'000	30/06/14 RM'000	30/06/13 RM'000
Revenue	268,229	249,706	495,911	455,974
Cost of Sales	<u>(179,453)</u>	<u>(156,977)</u>	<u>(334,635)</u>	<u>(278,887)</u>
Gross Profit	88,776	92,729	161,276	177,087
Other Income	272	213	1,374	377
Distribution Expenses	(36,983)	(30,297)	(63,235)	(60,366)
Administrative Expenses	(6,173)	(5,534)	(12,915)	(11,671)
Other Operating Expenses	(13,042)	(10,917)	(22,777)	(20,693)
Results from Operating Activities	<u>32,850</u>	<u>46,194</u>	<u>63,723</u>	<u>84,734</u>
Finance Costs	(887)	(829)	(1,653)	(1,569)
Interest Income	841	1,402	1,902	2,813
Profit Before Taxation	<u>32,804</u>	<u>46,767</u>	<u>63,972</u>	<u>85,978</u>
Income Tax Expenses	(8,530)	(12,193)	(16,632)	(22,382)
Profit After Taxation	<u>24,274</u>	<u>34,574</u>	<u>47,340</u>	<u>63,596</u>
Other Comprehensive Income	-	-	-	-
Total comprehensive income for the period	<u>24,274</u>	<u>34,574</u>	<u>47,340</u>	<u>63,596</u>
Profit Attributable to:				
Equity holders of the Company	24,274	34,574	47,340	63,596
Non-controlling interest	-	-	-	-
	<u>24,274</u>	<u>34,574</u>	<u>47,340</u>	<u>63,596</u>
<b>EARNINGS PER SHARE</b>				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>37.95</u>	<u>54.00</u>	<u>73.95</u>	<u>99.35</u>

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

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**CONDENSED STATEMENT OF FINANCIAL POSITION**

	<b>AS AT END OF CURRENT QUARTER 30/06/14 (Unaudited)</b>	<b>AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/13 (Audited)</b>
<b>ASSETS</b>	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	78,409	77,176
Intangible assets	1,472	1,557
<b>TOTAL NON-CURRENT ASSETS</b>	<b>79,881</b>	<b>78,733</b>
Inventories	122,643	113,208
Trade and other receivables	58,428	35,482
Prepayments	912	583
Derivatives financial assets	-	185
Cash and cash equivalents	118,546	187,641
<b>TOTAL CURRENT ASSETS</b>	<b>300,529</b>	<b>337,099</b>
Assets classified as held for sale	-	629
<b>TOTAL CURRENT ASSETS</b>	<b>300,529</b>	<b>337,728</b>
<b>TOTAL ASSETS</b>	<b>380,410</b>	<b>416,461</b>
<b>EQUITY</b>		
Share capital	64,000	64,000
Retained profits	100,938	123,998
Attributable to equity holders of the Company	164,938	187,998
Non-controlling interest	-	-
<b>TOTAL EQUITY</b>	<b>164,938</b>	<b>187,998</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	5,882	5,695
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,882</b>	<b>5,695</b>
Trade and other payables	194,799	206,785
Provision	203	173
Derivatives financial liabilities	1,076	108
Current tax liabilities	13,512	15,702
<b>CURRENT LIABILITIES</b>	<b>209,590</b>	<b>222,768</b>
<b>TOTAL LIABILITIES</b>	<b>215,472</b>	<b>228,463</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>380,410</b>	<b>416,461</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)	2.58	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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The figures have not been audited.

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**For the period ended 30 June 2014**

	Share Capital RM'000	Distributable Retained profits RM'000	Attributable to equity holders of the Company RM'000	Non- Controlling Interest RM'000	Total RM'000
<b>6 month ended 30 June 2014</b>					
Balance at beginning of period	64,000	123,998	187,998	-	187,998
Movements during the period	-	47,340	47,340	-	47,340
Dividends paid	-	(70,400)	(70,400)	-	(70,400)
Balance at end of period	64,000	100,938	164,938	-	164,938
<b>6 month ended 30 June 2013</b>					
Balance at beginning of period	64,000	152,134	216,134	-	216,134
Movements during the period	-	63,596	63,596	-	63,596
Dividends paid	-	(83,200)	(83,200)	-	(83,200)
Balance at end of period	64,000	132,530	196,530	-	196,530

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

**DUTCH LADY MILK INDUSTRIES BERHAD** (5063-V)

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Quarterly report on results for the financial quarter ended 30 June 2014  
The figures have not been audited.**CONDENSED STATEMENT OF CASH FLOW**  
**For the period ended 30 June 2014**

	6 months ended 30/06/14 RM'000 (Unaudited)	6 months ended 30/06/13 RM'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers and other receivables	473,145	443,568
Cash paid to suppliers and employees	(449,602)	(363,537)
	<hr/>	<hr/>
Cash generated from operations	23,543	80,031
Income tax paid	(18,635)	(17,108)
	<hr/>	<hr/>
Net cash generated from operating activities	4,908	62,923
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions of property, plant and equipment	(5,252)	(7,551)
Additions of intangible assets	(96)	(68)
Proceeds from disposal of property, plant and equipment	1,496	5
Interest received	1,902	2,813
	<hr/>	<hr/>
Net cash used in investing activities	(1,950)	(4,801)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(1,653)	(1,569)
Dividends paid	(70,400)	(83,200)
	<hr/>	<hr/>
Net cash used in financing activities	(72,053)	(84,769)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(69,095)	(26,647)
Cash and cash equivalents brought forward	187,641	204,844
	<hr/>	<hr/>
Cash and cash equivalents carried forward	118,546	178,197
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	1,762	15,997
Deposits placed with licensed banks	116,784	162,200
	<hr/>	<hr/>
	118,546	178,197
	<hr/> <hr/>	<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)**  
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**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**

	Quarter ended 30/06/14 RM'000	Quarter ended 30/06/13 RM'000	Year to-date 30/06/14 RM'000	Year to-date 30/06/13 RM'000
In respect of the financial year ending 31 December 2014				
Interim dividends paid:				
- 50.00 sen (2013: 50.00 sen) per RM 1.00 ordinary share	32,000	32,000	32,000	32,000
Special interim dividend paid:				
- 60.00 sen (2013: 80.00 sen) per RM 1.00 ordinary share	38,400	51,200	38,400	51,200
	<hr/>	<hr/>	<hr/>	<hr/>
	70,400	83,200	70,400	83,200
Net dividend per share (sen)	110.00	130.00	110.00	130.00

## 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 30/06/14 RM'000	Quarter ended 30/06/13 RM'000
<b>Segment profit</b>		
Revenue	268,229	249,706
Profit After Taxation	24,274	34,574

## 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. **Operating Leases**

The existing operating lease obligations by the Company amounting to RM15.6 million.

### **13. Related Party Transactions**

The following are significant related party transactions:-

	Quarter ended 30/06/14 RM'000	Quarter ended 30/06/13 RM'000
Sales to related parties	7,292	5,695
Purchases from related parties	45,411	30,661
Know-how, Trademark License and Management Support fees	7,764	8,566
Shared services from related parties	1,535	624

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)**

- A. Revenue in the current quarter increased by 7.4% compared to the preceding year's corresponding quarter due to volume progression and price adjustments for partial recovery of substantial increases in dairy raw material costs. Profit before taxation for the current quarter was RM14.0 million lower compared to last year same quarter at RM32.8 million attributed to the increase of dairy raw material costs.
- B. Revenue for first half of 2014 grew by 8.8% compared to corresponding period in 2013. The growth was contributed by volume progression of existing products and new product introductions and price increases. Profit before tax decreased by 25.6% attributed to high dairy raw material prices, increase in fuel price and electricity tariff coupled with weakening ringgit Malaysia.

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

The Company's revenue in the current quarter was 17.8% higher compared to the preceding quarter mainly contributed by higher sales. The profit before taxation for the current quarter increased by RM 1.6 million mainly due to the higher revenue during the quarter as aforesaid.

### **16. Business Prospects**

The business environment is expected to remain competitive against the backdrop of 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 30/06/14 RM'000	6 Month Year-to-date 30/06/14 RM'000
Income tax for current period	8,530	16,445
Deferred tax for current period	-	187
Total taxation	<u>8,530</u>	<u>16,632</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 30/06/14 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 30 June 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	103,549	-	1,076

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 Q2 2013 as the Company only entered into forward exchange contract in September 2013.

## 25. **Proposed Dividend**

The Company did not propose any dividend in the current quarter.

## 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 30/06/14 RM'000	Year to-date 31/12/13 RM'000
Total retained profits:		
- Realised profit	107,578	129,867
- Unrealised loss	(6,639)	(5,869)
Total retained profits as per statement of financial position	<u>100,938</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

	Current Quarter ended 30/06/14	Comparative Quarter ended 30/06/13	6 month Cumulative to-Date 30/06/14	6 month Cumulative to-Date 30/06/13
<b>Basic earnings per share</b>				
Profit for the period (RM'000)	24,274	34,574	47,340	63,596
Weighted average number of ordinary shares in issue ('000)	64,000	64,000	64,000	64,000
Basic earnings per share (sen)	37.95	54.00	73.95	99.35

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 30/06/14 RM'000	Year to- date 30/06/13 RM'000
Interest income	1,902	2,813
Finance costs	(1,653)	(1,569)
Depreciation of property, plant and equipment	(4,017)	(3,847)
Amortisation of intangible assets	(189)	(196)
Impairment loss reversed on Intangible assets	8	-
Write (down)/back of inventories	(675)	(2,768)
Gain/(Loss) on disposal of property, plant and equipment	865	(2)
Loss arising from cash flow hedge		
- Realised	(77)	-
- Unrealised	(1,076)	-
Net gain/(loss) on foreign exchange		
- Realised	(145)	187
- Unrealised	318	(175)

By Order of the Board  
Izreen Fara Binti Ismail  
Company Secretary  
26 August 2014