

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 September 2017
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	9 months TO DATE	9 months TO DATE
	30/09/17 RM'000	30/09/16 RM'000	30/09/17 RM'000	30/09/16 RM'000
Revenue	281,836	279,592	795,476	776,062
Cost of Sales	<u>(182,668)</u>	<u>(160,919)</u>	<u>(490,714)</u>	<u>(441,865)</u>
Gross Profit	99,168	118,673	304,762	334,197
Other Income	28	(2,229)	34	-
Distribution Expenses	(34,747)	(46,273)	(109,796)	(119,370)
Administrative Expenses	(6,020)	(5,973)	(20,145)	(17,568)
Other Operating Expenses	<u>(15,623)</u>	<u>(10,314)</u>	<u>(47,442)</u>	<u>(48,540)</u>
Results from Operating Activities	42,806	53,884	127,413	148,719
Finance Costs	(718)	(771)	(2,219)	(2,243)
Interest Income	664	(324)	2,347	3,195
Profit Before Taxation	<u>42,752</u>	<u>52,789</u>	<u>127,541</u>	<u>149,671</u>
Income Tax Expenses	<u>(10,169)</u>	<u>(12,132)</u>	<u>(30,804)</u>	<u>(38,421)</u>
Profit After Taxation	<u>32,583</u>	<u>40,657</u>	<u>96,737</u>	<u>111,250</u>
Profit for the period/Total comprehensive income for the period	<u>32,583</u>	<u>40,657</u>	<u>96,737</u>	<u>111,250</u>
Profit Attributable to:				
Equity holders of the Company	32,583	40,657	96,737	111,250
Non-controlling interest	-	-	-	-
	<u>32,583</u>	<u>40,657</u>	<u>96,737</u>	<u>111,250</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>50.90</u>	<u>63.50</u>	<u>151.20</u>	<u>173.80</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

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

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 30 September 2017

	AS AT 30/09/17 RM'000 (Unaudited)	AS AT 31/12/16 RM'000 (Audited)
ASSETS		
Property, plant and equipment	90,711	95,657
Intangible assets	4,497	5,807
TOTAL NON-CURRENT ASSETS	95,208	101,464
Inventories	132,424	112,993
Trade and other receivables	101,803	90,581
Prepayments	2,942	2,184
Derivatives financial assets	-	-
Cash and cash equivalents	105,771	213,619
TOTAL CURRENT ASSETS	342,940	419,377
TOTAL ASSETS	<u>438,148</u>	<u>520,841</u>
EQUITY		
Share capital	64,000	64,000
Retained profits	89,429	101,493
Attributable to equity holders of the Company	153,429	165,493
TOTAL EQUITY	153,429	165,493
LIABILITIES		
Deferred tax liabilities	5,354	6,958
TOTAL NON-CURRENT LIABILITIES	5,354	6,958
Trade and other payables	269,032	335,360
Provision	173	155
Derivatives financial liabilities	1,604	71
Current tax liabilities	8,556	12,804
CURRENT LIABILITIES	279,365	348,390
TOTAL LIABILITIES	284,719	355,348
TOTAL EQUITY AND LIABILITIES	<u>438,148</u>	<u>520,841</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>2.40</u>	<u>2.59</u>

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITYFor the financial quarter ended 30 September 2017
(The figures have not been audited)

	Share Capital RM'000	Distributable Retained profits RM'000	Attributable to equity holders of the Company RM'000	Total RM'000
9 months ended 30 September 2017				
Balance at beginning of period	64,000	100,768	164,768	164,768
Movements during the period	-	96,737	96,737	96,737
Dividends paid	-	(108,800)	(108,800)	(108,800)
Balance at end of period	64,000	88,705	152,705	152,705
9 months ended 30 September 2016				
Balance at beginning of period	64,000	93,219	157,219	157,219
Movements during the period	-	111,250	111,250	111,250
Dividends paid	-	(70,400)	(70,400)	(70,400)
Balance at end of period	64,000	134,069	198,069	198,069

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWFor the financial quarter ended 30 September 2017
(The figures have not been audited)

	9 months TO DATE	9 months TO DATE
	30/09/17 RM'000	30/09/16 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	783,504	742,777
Cash paid to suppliers and employees	(743,097)	(577,852)
	<hr/>	<hr/>
Cash generated from operations	40,407	164,925
Income tax paid	(36,656)	(40,049)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	3,751	124,876
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(2,914)	(4,785)
Additions of intangible assets	(13)	(5)
Proceeds from disposal of property, plant and equipment		-
Interest received	2,347	3,195
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(580)	(1,595)
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CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,219)	(2,243)
Dividends paid	(108,800)	(70,400)
	<hr/>	<hr/>
Net cash used in financing activities	(111,019)	(72,643)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(107,847)	50,638
Cash and cash equivalents brought forward	213,619	160,391
	<hr/>	<hr/>
Cash and cash equivalents carried forward	105,772	211,029
	<hr/>	<hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	9,271	6,870
Deposits placed with licensed banks	96,500	204,159
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	105,771	211,029
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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 2016)

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 2016.

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 2016 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 30/09/17 RM'000	Quarter ended 30/09/16 RM'000
Segment profit		
Revenue	281,836	279,592
Profit After Taxation	32,682	40,657

10. Capital Commitments

	As at 30/09/17 RM'000	As at 30/09/16 RM'000
Property, plant and equipment		
Authorized but not contracted for	3,288	1,192
Contracted but not provided for	10,134	11,946

11. Subsequent Events

There were no material subsequent events 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. Operating Lease

The existing operating lease obligations by the Company amount to RM6.3 million.

14. Related Party Transactions

The following are significant related party transactions:-

	Quarter ended 30/09/17 RM'000	Quarter ended 30/09/16 RM'000
Sales to related parties	5,964	5,434
Purchases from related parties	118,969	57,723
Know-how, Trademark License and Management Support fees	6,958	5,745
Shared services from related parties	4,218	2,196

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)

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	9 Months To Date	9 Months To Date	Changes TY vs LY
	30/09/17	30/09/16	%	30/09/17	30/09/16	%
Revenue	281,836	279,592	0.8%	795,476	776,062	2.5%
Operating Profit	42,806	53,884	-20.6%	127,413	148,719	-14.3%
Profit Before Interest and Tax	42,088	53,113	-20.8%	125,195	146,476	-14.5%
Profit Before Taxation	42,752	52,789	-19.0%	127,541	149,671	-14.8%
Profit After Taxation	32,583	40,657	-19.9%	96,737	111,250	-13.0%
Attributable to Ordinary Equity Holders of the parent	32,583	40,657	-19.9%	96,737	111,250	-13.0%

A. Revenue in the current quarter increased by 1% compared to preceding year's corresponding quarter despite the challenging market condition. Lower Profit Before Tax by 19% compared to last year, due to higher material prices and weak Malaysian Ringgit.

B. Year to Date Company's revenue increased by 2.5%. Lower profit before tax by 15% driven by higher material prices and weak Malaysian Ringgit.

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

	Current Quarter	Preceding Quarter	Changes Q3 vs Q2
	30/09/17	30/06/17	%
Revenue	281,836	263,540	6.9%
Operating Profit	42,806	42,758	0.1%
Profit Before Interest and Tax	42,088	41,888	0.5%
Profit Before Taxation	42,752	42,687	0.2%
Profit After Taxation	32,583	32,234	1.1%
Attributable to Ordinary Equity Holders of the parent	32,583	32,234	1.1%

Compared to previous quarter, third quarter revenue increased by 6.9% supported by strong consumer and trade activities. Profit before tax is in line with preceding quarter, as higher revenue is offset by higher material cost.

17. Business Prospects

A. Current Prospects

The overall domestic market is expected to remain challenging with weak consumer sentiment, higher material prices and weak Malaysian Ringgit. Despite the headwinds, the Company has initiated continuous marketing campaigns leveraging on the strength of the Dutch Lady and Friso brands to protect and expand its market share with quality and nutritious product offerings.

B. Progress and steps to achieve financial estimate, forecast, projection and internal targets previously announced.
Not applicable.

18. Statement of the Board of Directors' Opinion on Achievability of Financial Estimate, Forecast, Projection and Internal Targets Previously Announced

Not applicable.

19. Financial Estimate, Forecast or Projection / Profit Guarantee

There was no financial estimate, forecast or projection and profit guarantee issued by the Company.

20. Taxation

Taxation is made up as follows: -

	Quarter ended 30/09/17 RM'000	Quarter ended 30/09/16 RM'000
Income tax for current period	11,049	13,421
Deferred tax for current period	(880)	(1,289)
Total taxation	<u>10,169</u>	<u>12,132</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.

21. Deferred Tax Liabilities

	As At 30/09/17 RM'000	As at 30/09/16 RM'000
At 1 January	6,958	6,394
Recognised in the statement of comprehensive income	(1,604)	(192)
At period end	<u>5,354</u>	<u>6,202</u>

22. Corporate Proposals

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

23. Company Borrowings

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

24. Material Litigation

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

25. Financial Instruments

Derivatives

The foreign exchange contracts which have been entered into by the Company are as follows:

Forward exchange contracts	As At 30/09/17 RM'000	As at 30/09/16 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	84,673	77,159
Assets	-	1,013
Liabilities	1,604	-

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.

26. Proposed Dividend

On 28 November 2017, the Company declared a standard interim dividend and special interim dividend in respect of the financial year ending 31 December 2017 as follows:-

- a) A standard single-tier interim dividend of 50.0 sen per RM1.00 ordinary share amounting to RM32.0 million, and
- b) A special single-tier interim dividend of 60.0 sen per RM1.00 ordinary share amounting to RM38.4 million.

All shareholders whose names appear on the Record of Depositors on 15 December 2017 shall be paid the above dividends on 27 December 2017.

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

- a) Securities transferred to the Depositor's Securities Account before 4.00pm on 15 December 2017, 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.

27. Retained Profits

The breakdown of the retained profits of the Company as at 30 September 2017, 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 30/09/17 RM'000	Year to-date 30/09/16 RM'000
Total retained profits:		
- Realised profit	96,240	139,866
- Unrealised gain/(loss)	(6,811)	(5,797)
Total retained profits as per statement of financial position	<u>89,429</u>	<u>134,069</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.

28. Earnings Per Share

	Quarter ended 30/09/17	Quarter ended 30/09/16
Basic earnings per share		
Profit for the period (RM'000)	32,583	40,657
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	50.90	63.50

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.

29. Notes to the Condensed Statement of Comprehensive Income

	Year to-date 30/09/17 RM'000	Year to-date 30/09/16 RM'000
Interest income	2,347	3,195
Finance costs	(2,219)	(2,243)
Depreciation of property, plant and equipment	(7,943)	(7,310)
Amortisation of intangible assets	(1,242)	(1,276)
Write back/(down) of inventories	2,955	901
Gain/(Loss) on disposal of property, plant and equipment	7	-
Net gain/(loss) on derivatives	71	958
Net foreign exchange gain/(loss)		
- Realised	(3,024)	(4,734)
- Unrealised	147	(608)

By Order of the Board
Chen Bee Ling
Company Secretary
28 November 2017