



FrieslandCampina 



Annual Report 2016



Dutch Lady Milk Industries Berhad



Dutch Lady Milk Industries Berhad is a subsidiary of Royal FrieslandCampina N.V.

www.frieslandcampina.com

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We believe in **Values**

Accountability

Ownership for making it happen

Action

Growth of people and business

Alignment

Clarity on how we win together





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Breakfast with the No. 1* Milk in Malaysia

Breakfast is the most important meal of the day. Complete your breakfast with the No. 1* milk in the country. Dutch Lady PureFarm is packed with wholesome nutrients such as calcium, protein and vitamins A, D3 and B2 to keep the whole family well-nourished throughout the day.



* Based on Retail Audit for 12 months ending July 2016 in Total Peninsular Malaysia (Copyright © 2016, The Nelson Company (M) Sdn Bhd)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Fourth Annual General Meeting of the Company will be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 28 April 2017 at 9 a.m. for the purpose of transacting the following business:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016, together with the Reports of the Directors and Auditors thereon (Please refer to Explanatory Note 1).
2. To approve the payment of Directors' fees and benefits of RM275,750 for the financial year ending 31 December 2017, to be made payable quarterly. **Resolution 1**
3. To re-elect Dato' Dr. Mhd. Nordin bin Mohd. Nor who retires by rotation pursuant to Article 94(a) of the Constitution of the Company. **Resolution 2**
4. To re-elect Piet Johannes Hilarides who retires by rotation pursuant to Article 94(a) of the Constitution of the Company. **Resolution 3**
5. To re-appoint Jaska Marianne de Bakker who was appointed during the year and retires pursuant to Article 97 of the Constitution of the Company. **Resolution 4**
6. To re-appoint Messrs. PricewaterhouseCoopers (AF: 1146) as the Company's auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions:

7. **PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 6**

"THAT approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature as stated in Section 2.1.4 with the specified classes of Related Parties as stated in Section 2.1.3 of the Circular to Shareholders dated 3 April 2017 which are necessary for the Company's day-to-day operations subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- (ii) the aggregate value of such transactions conducted pursuant to the Shareholders' Mandate during the financial year will be disclosed in the Annual Report for the said financial year;

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the Meeting the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 340(1) of the Malaysian Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting; whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. **RETENTION OF INDEPENDENT DIRECTORS OF THE COMPANY**
 - (i) **"THAT** approval be and is hereby given to Foo Swee Leng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non-Executive Director of the Company." **Resolution 7**
 - (ii) **"THAT** approval be and is hereby given to Boey Tak Kong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 8**

9. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY'S CONSTITUTION**

Special Resolution 9

"**THAT** the deletions, alterations, modifications and variations to the Articles of Association of the Company's Constitution be and are hereby approved;

AND THAT the Directors and Secretary of the Company be and are hereby authorised to carry out all the necessary formalities in affecting the above proposed amendments to the Constitution of the Company."

10. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act, 2016.

By Order of the Board

**IZREEN FARA BINTI ISMAIL
(MAICSA 7056439)**

Company Secretary
Petaling Jaya
3 April 2017

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/ proxies to attend and vote instead of him. A proxy need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
2. Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.
3. The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointer is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.
4. Only Members whose names appear in the Record of Depositors as at 5.00 p.m. on 24 April 2017 shall be entitled to attend and vote at the Meeting or appoint proxy/proxies to attend and vote on his behalf.
5. To be valid, the original instrument appointing a proxy, duly completed (and if applicable, the power of attorney or other authority under which it is originally signed or notorially certified copy of that power of authority) must be deposited with the Share Registrars in care of Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor (Helpdesk No. 03-7849 0777, Fax No. 03-7841 8151/8152), not less than 48 hours before the time set for holding the Meeting or any adjournment thereof. In the case of a poll, before the time appointed for the taking of the poll.
6. Registration and Door Gifts
Registration will commence at 7.30 a.m. on the day of the Meeting. Members and Proxies are advised to be punctual. For verification purposes, Members and Proxies are required to produce their original identification card at the registration counter.
In conformity with past practice, please take note that each Member or Proxy who is present shall be entitled to one (1) door gift only upon registration, irrespective of the number of Members he/she represent (e.g. in the event a Member and/or Proxy represents himself and/or two or more Members, he/she shall be entitled to one (1) door gift only).

7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, voting at the 54th Annual General Meeting of the Company will be conducted by poll rather than by show of hands. Independent Scrutineers will be appointed to observe the polling and verify the poll results.

Explanatory Notes to the Agenda

(i) First item of the Agenda

This item of the Agenda is meant for discussion only in accordance with the provision of Section 340(1)(a) of the Companies Act, 2016.

(ii) Resolution 6: Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Please refer to the Circular to Shareholders dated 3 April 2017.

(iii) Resolutions 7 and 8: Retention of Foo Swee Leng and Boey Tak Kong as Independent Directors of the Company

The Nomination Committee has assessed the independence of Foo Swee Leng and Boey Tak Kong who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

- (a) They fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus they would be able to function as check and balance, provide a broader view and bring with them an element of objectivity to the Board;
- (b) They provide the Board with a diverse set of experience, skill and expertise; as they are highly qualified persons who have been contributing in matters of internal control and risk management and business operations respectively;
- (c) They have performed their duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management; and
- (d) They do not hold any shares in the Company and have no business dealings with the Company, save and except as being a member of the Board of Directors of the Company.

(iv) Special Resolution 9: Proposed Amendments to the Articles of Association of the Constitution of the Company

Please refer to Appendix I of the Circular to the Shareholders dated 3 April 2017.

Corporate Information

BOARD OF DIRECTORS

CHAIRMAN

Dato' Zainal Abidin bin Putih
Senior Independent
Non-Executive Director

DIRECTORS

Saw Chooi Lee
Managing Director

Piet Johannes Hilarides

Non-Independent
Non-Executive Director

Boey Tak Kong

Independent
Non-Executive Director

Dato' Dr. Mhd. Nordin bin

Mohd. Nor
Non-Independent
Non-Executive Director

Foo Swee Leng

Independent
Non-Executive Director

Jaska Marianne de Bakker

Non-Independent
Non-Executive Director
(appointed w.e.f 1.1.2017)

Pieter van der Hoek

Non-Independent
Non-Executive Director
(resigned w.e.f 31.12.2016)

COMPANY SECRETARY

Izreen Fara binti Ismail

Chartered Secretary
(MAICSA 7056439)

WEBSITE

www.dutchlady.com.my

INVESTOR RELATIONS & ENQUIRIES

Mirjam van Thiel

Finance Director
finance.dept@frieslandcampina.com

AUDIT COMMITTEE

CHAIRMAN

Boey Tak Kong

MEMBERS

Dato' Zainal Abidin bin Putih

Foo Swee Leng

Dato' Dr. Mhd. Nordin bin
Mohd. Nor

NOMINATION COMMITTEE

CHAIRMAN

Foo Swee Leng

MEMBERS

Dato' Zainal Abidin bin Putih

Boey Tak Kong

REMUNERATION COMMITTEE

CHAIRMAN

Dato' Dr. Mhd. Nordin bin

Mohd. Nor

MEMBERS

Saw Chooi Lee

Jaska Marianne de Bakker

REGISTERED OFFICE

Level 5, Quill 9
112, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7953 2600
Facsimile : 03-7953 2700

REGISTRAR

SYMPHONY SHARE REGISTRARS SDN BHD

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7841 8000
Facsimile : 03-7841 8151

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Code: DLADY 3026

AUDITORS

PRICEWATERHOUSECOOPERS

(AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
PO Box 10192
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

PRINCIPAL BANKERS

PUBLIC BANK BERHAD

12, Jalan 14/14
46100 Petaling Jaya
Selangor Darul Ehsan

CITIBANK BERHAD

Level 45, Menara Citibank
No. 165 Jalan Ampang
50450 Kuala Lumpur

MALAYAN BANKING BERHAD

18A, Jalan 14/14
46100 Petaling Jaya
Selangor Darul Ehsan

SOLICITORS

KHAW & PARTNERS

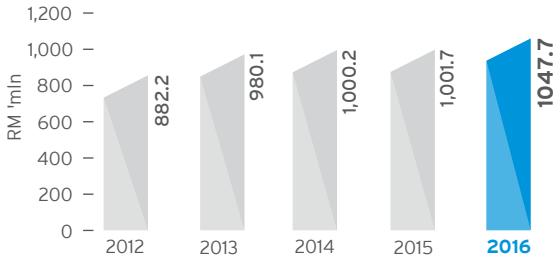
6th Floor
Menara Boustead
Jalan Raja Chulan
50200 Kuala Lumpur

WONG & PARTNERS

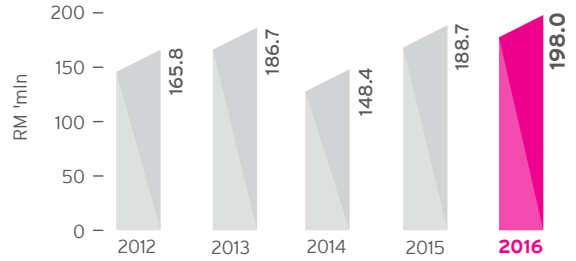
Level 21
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

5-Year Financial Summary

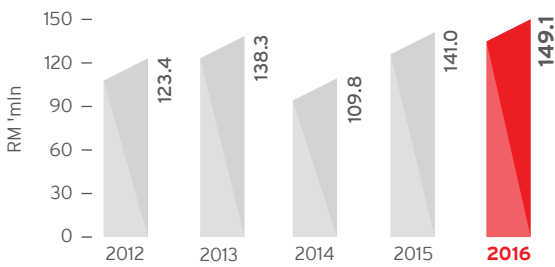
REVENUE



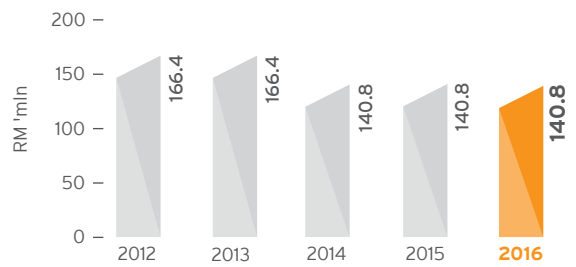
PROFIT BEFORE TAX



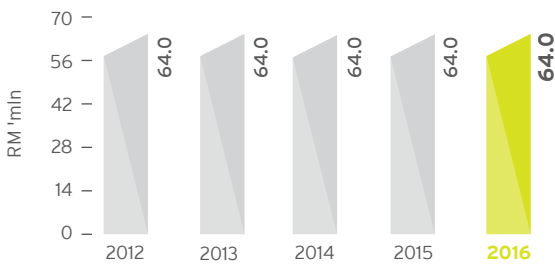
NET PROFIT FOR THE YEAR



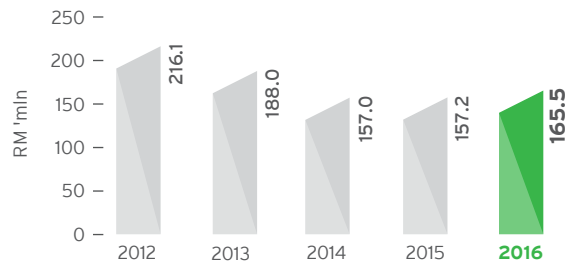
NET DIVIDEND PAID



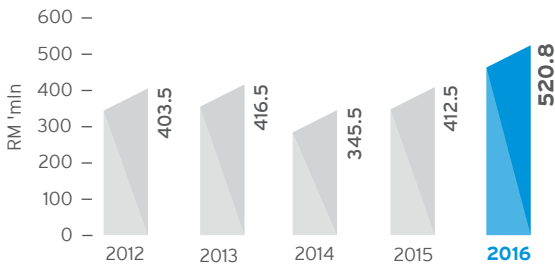
ISSUED & FULLY PAID CAPITAL



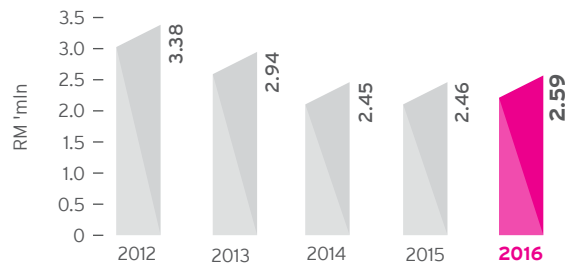
SHAREHOLDERS' FUNDS



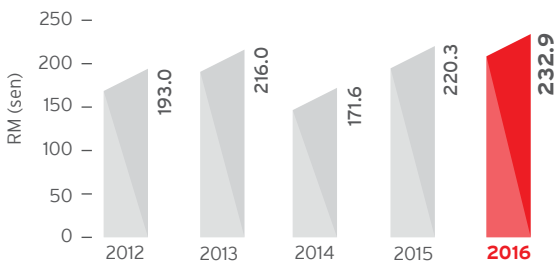
TOTAL ASSETS



NET ASSETS BACKING PER SHARE



EARNINGS PER SHARE (NET)





Tailored for Smart Milestones

Dutch Lady 4-Step Nutri Plan

Every stage of a child's development requires different nutrients. Our Nutri Plan with 5X DHA* is formulated to adapt to your child's growing nutritional needs, allowing mothers to focus on guiding their children to achieve foundation milestones that will help shape their future development and learning achievements.



* Compared to previous formulated milk powder for children formulation (year 2009).

Board of Directors

sitting, left to right

DATO' DR. MHD. NORDIN BIN MOHD. NOR

DATO' ZAINAL ABIDIN BIN PUTIH
Chairman

SAW CHOOI LEE
Managing Director

PIET JOHANNES HILARIDES
BOEY TAK KONG

standing, left to right

JASKA MARIANNE DE BAKKER

FOO SWEE LENG

IZREEN FARA ISMAIL
Company Secretary





Board of Directors' Profile



DATO' ZAINAL ABIDIN BIN PUTIH
Chairman/ Sr Independent
Non-Executive Director

Gender: Male
Nationality: Malaysian
Age: 71
Date of Appointment:
27 May 2009
Tenure of Directorship: 7 years
11 months

Membership of Board Committees:

- Audit Committee
- Nomination Committee

Qualifications:

- Chartered Accountant of the International Association of Chartered Certified Accountants (England & Wales)
- Member of the Malaysian Institute of Certified Public Accountants
- Chartered Accountant of the Malaysian Institute of Accountants

Working Experience:

Dato' Zainal Abidin has extensive experience in audit, management consulting and taxation, having been involved as a practicing accountant and consultant throughout his career. He was formerly the Country Managing Partner of Messrs. Hanafiah Raslan and Mohamad which merged with Messrs. Arthur Andersen in 1990 and was an Adviser with Messrs. Ernst & Young Malaysia, until his retirement on 31 December 2004.

He is also the past President of the Malaysian Institute of Certified Public Accountants, Malaysian Accounting Standards Board and previously served as a member of the Malaysian Communication and Multimedia Commission and a member of the Investment Panel of the Employees Provident Fund, amongst others.

Directorship in Other Public Companies and Listed Issuers:

- CIMB Bank Berhad
- Land and General Berhad
- Petron Malaysia Refining & Marketing Berhad
- Southeast Asia Special Asset Management Berhad
- Tokio Marine Insurance (Malaysia) Berhad.

He also holds directorships in several other private limited companies.

Other Information:

He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years and he does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.



PIET JOHANNES HILARIDES
Non-Independent
Non-Executive Director

Gender: Male
Nationality: Dutch
Age: 52
Date of Appointment:
1 January 2015
Tenure of Directorship: 2 years
3 months

Membership of Board Committee:
Nil

Qualifications:

Bachelor's degree in Economics and MBA from Erasmus University, Rotterdam in the Netherlands

Working Experience:

Piet Johannes Hilarides is currently an Executive Board Member of Royal FrieslandCampina N.V. ("RFC") and is currently the Chief Operating Officer for Business Group Consumer Products Asia since his appointment on 1 January 2015.

Prior to his current position, he was the Chief Operating Officer for Business Group Cheese Butter

and Milkpowder, and he has held various management positions within Friesland Food N.V., which subsequently was merged to form Royal FrieslandCampina N.V. He had also held various management positions in Melkunie, Pepsico and the Smiths Food Group prior to joining the RFC Group of Companies.

Other Information:

He has no directorships in other public companies and listed issuers.

He does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V.. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.



SAW CHOOI LEE
Managing Director/
Executive Director

Gender: Female
Nationality: Malaysian
Age: 53
Date of Appointment:
1 January 2014
Tenure of Directorship: 3 years
3 months

Membership of Board Committee:
Remuneration Committee

Qualifications:
Bachelor of Science in Business Administration and MBA from the University of Nebraska-Lincoln, USA

Working Experience:
Prior to this, Chooi Lee was the Managing Director for FrieslandCampina Mainland China, a position which she assumed in January 2011. She started her marketing career by joining the Unilever management training programme and since then, has held various senior managerial positions within the fast moving consumer goods industry.

She joined the Company in March 2003 as its Commercial Director until March 2008, where she was then appointed as the General Manager for FrieslandCampina Hong Kong from March 2008 to December 2010.

Other Information:
She has no directorships in other public companies and listed issuers.

She does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V.. She does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. She does not hold any shares in the Company. She attended all five Board Meetings held during the financial year.



BOEY TAK KONG
Independent
Non-Executive Director

Gender: Male
Nationality: Malaysian
Age: 62
Date of Appointment:
12 November 2001
Tenure of Directorship: 15 years
5 months

Membership of Board Committees:

- Audit Committee (Chairman)
- Nomination Committee

Qualifications:

- Chartered Accountant of the Malaysian Institute of Accountants
- Fellow of the Association of Chartered Certified Accountants (UK)
- Associate of the Institute of Chartered Secretaries & Administrators (UK)
- Member of the Institute of Marketing Malaysia
- Member of the Malaysian Institute of Management

Working Experience:
He has over 23 years of broad senior management experience in financial management, internal audit, general management, corporate affairs and regional business development with 5 major listed groups with listings in Malaysia, Singapore, United Kingdom, Australia and New Zealand.

His industry knowledge covers financial services, industrial equipment assembly and distribution, general insurance, textile manufacturing, property development, infrastructure project management and integrated timber processing and marketing business.

Presently, he is the Managing Director of Terus Mesra Sdn Bhd, a governance and leadership development training company.

Directorship in Other Public Companies and Listed Issuers:

- Censof Holdings Berhad
- Gadang Holdings Berhad
- Green Packet Berhad
- Ho Hup Construction Company Berhad

Other Information:
He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years and he does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.

Board of Directors' Profile



DATO' DR. MHD. NORDIN BIN MOHD. NOR

Non-Independent Non-Executive Director

Gender: Male
Nationality: Malaysian
Age: 70
Date of Appointment: 6 August 2003
Tenure of Directorship: 13 years 8 months

Membership of Board Committees:

- Audit Committee
- Nomination Committee (Chairman)

Qualifications:

Degree in Veterinary Science from the University of Queensland, Australia

Working Experience:

He was formerly the Director-General of the Department of Veterinary Services, Malaysia. He is also the Chairman of the Malaysian Animal Welfare Foundation and Patron of the Malaysian Feline Society. Presently, he is also an advisor to Prima Export Foods Sdn Bhd.

Directorship in Other Public Companies and Listed Issuers:
Sunzen Biotech Berhad

Other Information:

He does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.



FOO SWEE LENG

Independent Non-Executive Director

Gender: Male
Nationality: Malaysian
Age: 70
Date of Appointment: 18 June 1986
Tenure of Directorship: 30 years 10 months

Membership of Board Committees:

- Audit Committee
- Nomination Committee (Chairman)

Qualifications:

Degree in Economics from University Malaya

Working Experience:

He was formerly the Managing Director of the Company and the Regional Director of Friesland Asia Pacific, with over 40 years of experience in the fast moving consumer goods industry in the domains of commercial and business risk management.

Other Information:

He has no directorships in other public companies and listed issuers.

He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.



JASKA MARIANNE DE BAKKER

Non-Independent
Non-Executive Director

Gender: Female
Nationality: Dutch
Age: 46
Date of Appointment:
1 January 2017
Tenure of Directorship: 4 months

Membership of Board Committee:
Remuneration Committee

Qualifications:

- MSc in Econometrics from the University of Amsterdam
- MBA from Kellogg School of Management, Chicago, USA

Working Experience:

She is currently the Finance Director for Royal FrieslandCampina N.V. - Business Group Consumer Products Asia. Ms. de Bakker has extensive experience in the domains of controlling, accounting, tax, treasury, risk management and internal audit.

Other Information:

She has no directorships in other public companies and listed issuers.

She does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V. She does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. She does not hold any shares in the Company. She did not attend any Board Meetings held during the financial year in review since she was only appointed as Director of the Company on 1 January 2017.



IZREEN FARA ISMAIL

Company Secretary

Izreen Fara Ismail was appointed as the Company Secretary of Dutch Lady Milk Industries Berhad on 15 November 2011. She is the Secretary of the Board Committees of Dutch Lady Milk Industries Berhad.

She commenced her career in private legal practice and prior to joining the Company, Izreen was a Legal Manager with MISC Berhad. She has been with the Company since June 2011 and now heads the Company's Legal and Company Secretarial Department, responsible for all legal, company secretarial and compliance matters for Dutch Lady Milk Industries Berhad.

She is a Chartered Secretary (ICSA) and is an Associate of the Malaysian Institute of Chartered Secretaries and Administrators. She holds a Bachelor of Laws (Hons) from University of Bristol and was called to the Malaysian Bar. Izreen was in attendance at all five Board Meetings during the financial year in review.

Management Team Profiles



SAW CHOOI LEE
Managing Director

Female. Aged 53. Malaysian. Appointed as Managing Director on 1 January 2015. Chooi Lee was appointed to the Board as a Non-Independent Non-Executive Director on 1 January 2014 and was subsequently re-designated to Managing Director when she returned to helm the Company on 1 January 2015.

Prior to this, Chooi Lee was the Managing Director for FrieslandCampina Mainland China, a position which she assumed in January 2011. She started her marketing career by joining the Unilever management training programme and since then, has held various senior managerial positions within the fast moving consumer goods industry. She joined the Company in March 2003 as its Commercial Director until

March 2008, where she was then appointed as the General Manager for FrieslandCampina Hong Kong from March 2008 to December 2010.

Chooi Lee holds a Bachelor's degree in Science and has an MBA from the University of Nebraska-Lincoln, USA.

She has no directorships in other public companies and listed issuers. She does not have any family relationship with any director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has no convictions for any offences within the past five years.



MIRJAM VAN THIEL
Finance Director

Female. Aged 38, Dutch national. Appointed as Finance Director of Dutch Lady Milk Industries Berhad in March 2015. Prior to this position, Mirjam was Chief Financial Officer at H.J. Heinz Australia, New Zealand & Papua New Guinea upon her appointment in February 2014. Mirjam joined the H.J. Heinz Company in November 2002 and has held various managerial positions across Europe, Australia and Indonesia since.

Mirjam is a graduate in Management, Economics and Law from the Hogeschool in Utrecht in the Netherlands and has a Master in Financial Management and an Executive Master in Finance

and Control from the Nyenrode Business University in the Netherlands.

She has no directorships in other public companies and listed issuers. She does not have any family relationship with any director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has no convictions for any offences within the past five years.



ASHLEE NG
Marketing Director

Female. Aged 38. Malaysian. Appointed as the Marketing Director of Dutch Lady Milk Industries Berhad in March 2016. Prior to this position, she was the Director of the Personal Care Division for Unilever Malaysia, a position she assumed in February 2014. She has had experience in various marketing managerial roles within her 13 years' experience in Unilever Malaysia and Singapore, with responsibility for branding, marketing campaigns and communications and media strategies.

Ashlee holds a Master's Degree in Business Systems and a Bachelor's Degree in Marketing from Monash University, Australia.

She has no directorships in other public companies and listed issuers. She does not have any family relationship with any director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has no convictions for any offences within the past five years.



KATRINA NEO
Sales Director

Female. Aged 41. Malaysian. Assumed the role of Sales Director of Dutch Lady Milk Industries Berhad in December 2015. Prior to this, she was the Company's National Sales Manager - Modern Trade, a position she assumed in August 2012. She was previously the General Manager, Sales - Circulation for the New Straits Time Press Sdn Bhd and has held various sales managerial positions with various FMCG companies based in Malaysia.

Katrina holds a Bachelor's Degree in Commerce (Management and Marketing) from Curtin University of Technology, Australia.

She has no directorships in other public companies and listed issuers. She does not have any family relationship with any director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has no convictions for any offences within the past five years.



ROGIER VAN DER HEIJDEN
Operations Director

Male. Aged 42. Dutch national. Appointed as the Operations Director of Dutch Lady Milk Industries Berhad in December 2015. Prior to this position, he was the Procurement Director Asia for Royal FrieslandCampina N.V. based in Singapore, a position he assumed in July 2011. Before that, he has had various procurement roles within the Royal Friesland Campina group of companies and other multinational companies.

Rogier holds a Masters Degree in Business Economics from Tilburg University, the Netherlands.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years.



**MAHADEVAN
SIVARAMAKRISHNAN**
Human Resources Director

Male. Aged 49. Malaysian. Appointed as the Human Resources Director of Dutch Lady Milk Industries Berhad on September 2012. Prior to this, he was the Human Resource Manager of Danone Dumex Sdn Bhd. He has also held a variety of human resource positions in local companies of various industries.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years.

Devan holds a Bachelor's Degree in Commerce from Delhi Commercial University, India and a Bachelor of Science Degree in Business Administration (with a double major in Human Resource Management) from Hawaii Pacific University, Honolulu, Hawaii.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2016.

Dutch Lady Milk Industries Berhad ("Dutch Lady Malaysia") improved its performance in the financial year ended 31 December 2016, with a growth in revenue of 4.6% and a profit before tax of RM198.0 million, higher by 4.9% from RM188.7 million in the previous financial year.

It is with great pleasure that I congratulate Management for Dutch Lady Milk Industries Berhad to be ranked as the top performer for the FBM KLCI for its outstanding resilience in earnings despite a challenging 2016 economic condition.

In support of the Company's vision to continue providing Malaysians with trusted dairy nutrition, Dutch Lady Malaysia leverages on the strong Dutch Dairy heritage it has to nourish Malaysian families and children. With this, the Company made it a priority to ensure that its products and brands remained relevant and close to its consumers via portfolio improvements and exciting marketing and promotional activities.

Following the 2015 relaunch of Dutch Lady Growing Up Milk products and the introduction of the new Dutch Lady PureFarm brand for flavoured and unflavoured liquid milk, Dutch Lady® Malaysia relaunched its Friso Gold range of powdered milk for growing up children in 2016. The relaunch included a new improved formulation with LocNutri™ technology preserves dairy nutrients closer to its native state, thus building a stronger inside for young ones through easy digestion. With stronger immunity, a child can develop better learning and exploring experiences with their loved ones.

In promoting the fun in drinking milk for young Malaysians, within the flavoured and unflavoured liquid milk category, the Company had launched a limited edition of coconut flavoured milk, and revamped the kids range using Disney princesses and Marvel Superheroes packaging for the Dutch Lady 125 ml range.

The Company continues to place safety as its No. 1 priority within the organisation. For this, I compliment Management and its employees for the achievement in reaching more than 1,000 days without Lost Time Accidents within our premises. This would not have been possible without the dedication of everyone within the Company to drive safety within the organisation.

Good business conduct has also been a key message driven throughout the Company for the year. The Code of Business Conduct was refreshed and named as Compass, indicative of its nature to guide all the Company's employees towards ensuring high accountability and ethical practices in its business operations. Management paid close attention to the importance of integrity and good business conduct in the Company. To this effect, comprehensive communication

and awareness programme was run to achieve a high level of awareness and compliance within the Company's DNA.

For shareholders, a total of RM140.8 million was paid out as interim dividends during the year. I wish to remind shareholders, that the payment of special interim dividends is dependent on the Company's business and operational needs during the year.

The year 2017 sees a change in the Board composition with the appointment of Jaska Marianne de Bakker as the Board's new Non-Independent Non-Executive Director, thus increasing the women participation at Board level as encouraged by the Malaysian Code of Corporate Governance. We also bid farewell to Pieter van der Hoek. I wish to record our thanks and appreciation to Pieter who had served on the Board first as an alternate director in 2012 and later as a Board member in 2015.

We foresee it to be another challenging year ahead of us, in light of the current economic outlook, higher commodity prices and weak Malaysian Ringgit. Nonetheless, the Company will remain focused and committed to leveraging on the strength of the Dutch Lady brand and the quality offerings to Malaysian consumer.

As always, on behalf of the Board, I would like to convey our sincere thanks to the Management, employees and business partners of the Company for their efforts and commitment in 2016 despite the difficulties in the market and to wish them greater success in the current year.



DATO' ZAINAL ABIDIN BIN PUTIH
Chairman



Management Discussion & Analysis



OVERVIEW OF BUSINESS OPERATIONS

Dutch Lady Malaysia is a leading and established dairy company in Malaysia with over 50 years of presence based on over 140 years of Dutch dairy heritage. With Royal FrieslandCampina N.V. ("RFC"), one of the world's largest dairy co-operatives based in the Netherlands as the Company's ultimate holding company, Dutch Lady Malaysia is constantly looking to further strengthen its position as a leading local dairy player in Malaysia.

Based in Petaling Jaya, Selangor, Dutch Lady Malaysia was the first milk company in Malaysia to be listed on the Kuala Lumpur Stock Exchange. Today it continues to be locally focused to remain relevant and close to its consumers while benefited from the scale and size as a member of a global multinational organisation.

Our Products & Brands

Since 1963, Dutch Lady Malaysia has been spreading the goodness of milk through its range of quality products, which has evolved throughout the years and supported by exciting campaigns and marketing activities.

FINANCIAL RESULTS AND CONDITIONS

Review of Company Results and Financial Highlights

In 2016, the Company's revenue grew by 4.6% from RM1,001.7 million in 2015 to RM1,047.7 million. The increase in the Company's revenue was driven by the focus on three main categories: Dutch Lady Growing Up Milk products, Friso Gold® Growing Up Milk products and Dutch Lady Ready to Drink flavoured and unflavoured liquid milk. Profit before tax increased by 4.9% versus previous year, RM188.7 million in 2015

to RM198.0 million in 2016. The improvement in profit compared to the previous year was mainly contributed by higher sales and improved margins following lower dairy materials prices.

2016 topline growth was contributed by several product innovations and marketing campaigns throughout the year.

In Q2 2016, Dutch Lady Malaysia's collaboration with Disney® continued with the introduction of the new Disney® Princesses and Superheroes packaging for the Dutch Lady 125 ml range. The relaunch was supported by a variety of creative advertising, in-store and channel customised promotional activities. The first ever South East Asia Superheroes Camp was held in Singapore, where the participating kids got to meet their respective Disney heroes. In Q3 2016, the Friso Gold® Growing Up Milk range was relaunched with LocNutri™, a new improved formula and technology that preserves milk proteins closer to its native structure for easy digestion and enhanced immunity in young children.

Product innovation is important for the Company to remain relevant in a dynamic fast moving consumer goods market industry. With this in mind, Coconut Delight, a new limited edition flavoured Ready to Drink liquid milk was introduced to our consumers in Q4 2016. This allowed the Company to bring back the excitement and fun in drinking milk for the young teens and increase consumption accordingly.

Throughout the year, we continue to invest behind our brands with the following brand campaigns and activations:-

Quarter 1	Dutch Lady Growing Up Milk '4 Tahap Nutri Plan' new TVC campaign
Quarter 2	Dutch Lady Growing Up Milk 'Nilai Bijak' national consumer promotion
	Dutch Lady UHT Milk 'Syok Escape' consumer activation
	Dutch Lady World Milk Day Breakfast celebration
Quarter 3	Dutch Lady Ready to Drink Milk 'Berkat Susu dan Sahur' Ramadan campaign
	Dutch Lady Growing Up Milk 'Mak Kata, Saya Anak Bijak' National consumer promotion campaign
	Dutch Lady and Jr. NBA/Drink.Move. BeStrong activation
Quarter 4	Dutch Lady Marvel and Frozen Heroes Mission Camp
	Dutch Lady "Sebarkan Syok" introduction of UHT Coconut Delight limited edition flavour
	Friso Gold® Growing Up Milk new TVC campaign
	DL '2-A-Day' campaign to promote milk consumption in collaboration with Nutrition Society of Malaysia

For 2016, the Dutch Lady brand emerged as a Gold Winner of the 2016 Putra Brands People's Choice Award in the dairy beverages category. Also, Dutch Lady won YouTube Malaysia's Ad Awards 2016 as a winner in the Best 5 Seconds Intro Category.

Strategic Direction

FrieslandCampina has in place a strategic direction, named as Route 2020 strategy: sustainable growth and value creation. This will help to unlock the full potential of the RFC Group as an integrated entity whilst responding to the market challenges ahead.

During 2016, FrieslandCampina's Route 2020 was updated with a new purpose statement, Nourishing By Nature, which stands for better nutrition for the world, a good living for our farmers, now and for generations to come. The updated Route 2020 strategy was cascaded down throughout the RFC Group of Companies accordingly.

Locally for Dutch Lady Malaysia, we have defined our strategy to become a top dairy player leveraging our strong Dutch dairy heritage to nourish Malaysian families and children.

For 2016, Dutch Lady Malaysia's strategic priorities were to maintain its stronghold as the leading brand in Ready-to-Drink category and strengthen market leadership in the Growing Up Milk category for children.

Focus areas for the Company were to:

- Invest in the future to strengthen volume developments: Continue to provide quality and nutritious products for Malaysians
- "Execute to win": Understand shoppers' habit change and be available to meet their demands
- Strengthen our operational efficiency and effectiveness.

Aside from product innovation and enhancing relevancy to consumers and the organisation, Dutch Lady Malaysia embarked on a transformation programme to bring uniformity to its way of working in line with the global FrieslandCampina group of companies' planning and information systems, processes and data system management. This enabled the Company to integrate seamlessly within the FrieslandCampina network organisation, enabling it to have a more effective planning and decision making by making better use of FrieslandCampina's scale advantages. The whole programme, known as SUMMIT SAP, went live in May 2016 in Malaysia and the Company's business operations are already working on this new platform ever since.

In 2016, the FrieslandCampina business code of conduct was updated and renamed Compass. The Compass is a guideline for good business behaviour based on integrity, respect and transparency. A continuous programme is implemented to enhance employees' awareness of good business conduct within the Company and how they can contribute to good business conduct from their own respective roles and responsibilities.

Business Structure

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 reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as Management believes that such information is the most relevant in evaluating the results of the segment relative to other entities that operate within the industry.

The Company is operating as one single legal business entity and has not entered into any acquisition and disposal of subsidiaries and associated companies during the financial year under review.

Management Discussion & Analysis

Income Tax

With the higher profit before tax registered, the taxation charges for the financial year of 2016 under review of RM48.9 million was RM1.2 million higher compared to preceding financial year. The effective tax rate for the financial year of 2016 was 24.7%.

Cash and Bank Balances

As at 31 December 2016, the Company's cash and bank balances amounted to RM213.6 million compared to RM160.4 million in the last financial year.

The excess cash, other than for working capital purposes, was transferred to short term fixed deposits. The deposits were placed with licensed financial institutions, bearing interest at an average rate of 2.81% during the financial year of 2016.

Currently, the Company does not have any drawdown of banking facilities.

Dividends

For the financial year in review, the Company paid a total of RM140.8 million in interim dividends to its shareholders as both standard and special interim dividends.

Employees

As at 31 December 2016, there are 561 personnel employed under Dutch Lady Malaysia. Employees are remunerated on the basis of their job scope, experience, performance and prevailing industry practices, with an aim to be the preferred employer in the dairy industry. The Company's remuneration policy is reviewed on a regular basis, in line with FrieslandCampina Group of Companies' remuneration policy. As an incentive for the employees, performance based bonus is given to employees based on their individual evaluation for the financial year.

As at 31 December 2016, the Company does not offer an employee share option scheme to its employees.

Further details on the Company's employees and engagement activities can be further referred to in the Company's Sustainability Statement.

REVIEW OF OPERATING ACTIVITIES

Global & Local Dairy Conditions

In 2016, the demand for milk in the world market did not keep pace with global dairy production. As a result, dairy prices remained at a relative low level.

Weak Consumer Sentiments

At the end of 2015, the Malaysian consumer confidence was at the lowest in the last 4 years (2012-2015). Consumer confidence rebounded slightly in 2016 but remained at a pessimistic level and it was still at relatively low levels compared to its neighbouring countries. The weaker consumer sentiments saw a change in shopping habits, where purchasing basket sizes were reduced, shoppers were reducing their shopping frequency and switching to cheaper alternatives.

In order to address this adverse position, the Company took steps to ensure that availability of choices for our consumers in the form of product variety and different pack sizes, to remind consumers on the importance of having dairy in their diet and to enhance shoppers' activities, focusing on the goodness of milk and also fun in dairy nutrition for Malaysian families.

Currency Fluctuations

Throughout 2016, dairy raw material prices fluctuated together with the forex movements. To manage this accordingly, the Company has in place forward exchange contracts to mitigate this.

RISKS & EXPOSURE

Dutch Lady Malaysia is sensitive to various financial risks such as credit risk, interest rate risk, liquidity risk and currency risk. The aim of the general risk policy is to enable financial risk to be identified, analysed and when necessary, mitigated in order to prevent negative financial results.

Financial Management and Treasury Policy

The Company adopted certain policies on financial risk management for different risk exposures. During the year, the Company entered into US Dollar forward exchange contracts to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currency of the Company. The forward exchange contracts have maturities of less than one year after the end of the financial year end.

- **Credit Risk**

The Company has adopted a policy of only dealing with creditworthy customers, based on careful evaluation of the customers' financial condition and credit history, as a means of mitigating the risk of financial loss from defaults of payments. The Company also maintains a large number of customers so as not to limit high credit concentration in a single customer.

The Company's credit risk is also mitigated by an arrangement made with a licensed financial institution which enables selected trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. The Company has also set in place a credit monitoring policy and procedure in respect of its other trade customers.

- **Liquidity Risk**

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company's exposure to liquidity risk arises principally from both trade and other payables.

- **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows. During the financial year 2016 under review, the dairy raw materials prices declined compared to the previous financial year.

- **Currency Risk**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than functional currency of the Company. Primarily, the majority of currencies giving rise to this risk are US Dollars and Euros.

During the financial year 2016 under review, foreign currency exchange rates were unfavourable compared to the previous financial year.

- **Interest Rate Risk**

The Company is not exposed to a risk of change in cash flow due to changes in interest rates as the Company has no borrowing at the financial year end of 2016. The Company places short term deposits with licensed financial institutions which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

CAPITAL

Capital Equity & Structure

The Company's paid and issue capital consists of 64,000,000 ordinary shares of RM1.00 each, and a market price at RM63.7 per share bringing with it a market capitalisation value of RM4,076.8 million as at 31 December 2016.

Capital Commitments

The Company's total capital commitment authorised but not contracted for, as at 31 December 2016, amounted to RM11.9 million. This was principally the investments made in the upkeep of the factory premises located in Petaling Jaya and process improvements in the Company's systems and processes.

Capital expenditure for 2016 was RM17.1 million.

Charge on Assets

As at 31 December 2016, the Company has not pledged any assets to any financial institutions.

Contingent Liabilities

As at 31 December 2016, the Company has no material contingent liabilities.

Operating Leases

As at 31 December 2016, the Company has operating leases for its equipment, vehicles and premises. The details of operating leases are disclosed in note 21 to the audited financial statements for the financial year ended 2016.

OUTLOOK

The projected economic slowdown coupled with the higher projection of dairy raw material prices and weakening of the Malaysian Ringgit is expecting to result in a challenging climate for Dutch Lady Malaysia's business operations.

Optimising its business operations and cost reduction exercise throughout the organisation is envisaged for 2017 in order to offset the pressure on the results and further drive growth in the Company.

We recognise the importance of continuously investing to build our brands for sustainability and volume development. We remain focused to leverage on the established Dutch Lady brand and its quality offerings with winning market execution to win the hearts of our Malaysian consumers. All this will be supported by our AAA values inculcated within the organisation together with good business conduct.

Over a long term, the outlook for Dutch Lady Malaysia remains positive due to the strength of its brands and the increasing need and recognition of the goodness and nutritiousness of milk and its complementing dairy products amongst Malaysians.

Statement of Corporate Governance

The Board of Directors ("Board") is pleased to report to shareholders the manner in which the Company has applied the principles and recommendations as set out in the Malaysian Code of Corporate Governance 2012 ("the Code") pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("the Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company has complied with relevant Principles and Recommendations as set out in the Code. The Board having duly considered the rationale for any exceptions as set out and explained in this Annual Report is committed to comply with the Principles and Recommendations of the Code.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1. Clear Functions of the Board and Management

The Board acknowledges its key responsibilities in providing entrepreneurial leadership, directing the strategic plans, overseeing the Company's business affairs and management effectiveness.

Together with the Managing Director who has intimate knowledge of the Company's business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As part of its commitment, the Board supports the high standards of corporate governance and the development of best practices for the Company.

The Board retains full and effective control of and responsibility for the Company. This includes the following six specific responsibilities in the discharge of its duties:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed. The Board plays a supportive yet watchful role over the performance of Management;
- Reviewing principal risks to ensure the implementation of appropriate systems to manage these risks;
- Overseeing the succession planning and composition of the Board. The Board is also notified of the appointment, and where appropriate, replacement of senior management, in line with the guidelines as established by Royal FrieslandCampina N.V. ("RFC"), the ultimate holding company of the Company;
- Maintaining shareholders and investor relations for the Company; and

- Reviewing the adequacy and integrity of the Company's internal control and management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

For the financial year ended 2016, the Board carried out the following activities:-

- Took cognisance of the Company's business activities throughout the year.
- Approved the remuneration for the members of the various Committees of the Board.
- Approved the payment of two (2) interim dividends to the shareholders for the financial year ended 31 December 2016.
- Approved the Company quarterly results for the financial year ended 31 December 2016 and the audited financial statements for the financial year ended 31 December 2015.
- Approved the statements for insertion in the Company's Annual Report for the financial year ended 31 December 2016.
- Assessment on the effectiveness of the members of the Board, the Board and Committees of the Board.



Board Members Role	Key Role & Responsibilities
Independent Non-Executive Chairman	Primary role is to preside over Board Meetings of Directors and ensure an effective deliberation by all Board members in line with good corporate governance best practices.
Managing Director	Assumes overall responsibilities for the timely implementation of operating policies and execution of the Group's strategies in line with the Board's direction, monitor monthly progress and drives performance towards achieving its Business Plan goals and Management Key Performance Indicators ('KPIs').
Senior Independent Non-Executive Director	The Senior Independent Non-Executive Director acts as a point of contact for shareholders and other stakeholders with concerns which have not been resolved or those deemed inappropriate to be communicated through the normal official organisational channels.
Independent Non-Executive Director	Independent Non-Executive Directors review, monitor and query Management performance results against the Group's Business Plan milestones and KPIs while sharing their external perspective, professional experience and wisdom to enhance on the decision-making process.

The Board delegates the authority and responsibility of the Company's management and day-to-day operations to the Management Team, which consists of five corporate directors and led by the Managing Director. In addition thereto, the Management Team also carries out the following key duties and responsibilities:-

- Implementation of business plans and strategies.
- Carrying out the decisions that have been tabled to and have been approved by the Board.
- Communicating matters which require Board deliberation and/or approval accordingly.
- Enhancing overall data management and system administration controls.

The duties and responsibilities of the Management Team are in line with the RFC Corporate Manual, which sets out the general scope and authorisation limits of the management teams within the RFC Group of Companies ("RFC Group").

2. Board Charter

The Board has adopted a Board Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, the vision, mission, principles, as well as the policies and strategic development of the Company. The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Charter will periodically be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Charter was last reviewed in 2014, to incorporate changes to corporate governance requirements. The Charter is available for reference at the Company's website at www.dutchlady.com.my.

3. Formalised Ethical Standards

In discharging its responsibilities, the Board is guided by the RFC's Compass for good business conduct ("Compass"). The Compass plays an important role in the management of compliance risks and sets out the values, principles and guidelines as to how the Company conducts its business to ensure integrity, transparency and accountability. The Compass has, under its purview, underlying policies which include Doing Honest Business and Fair Competition policies, all of which are embedded in the Company's way of working and in the Company's Employee's handbook.

Statement of Corporate Governance

Under the Compass, employees and third party stakeholders have access to the Speak-Up Procedure, which serves as an avenue for employees and third party stakeholders to voice out their concerns on matters relating to Compass. The Speak-Up Procedure clearly sets out a well-defined process upon which Compass-related matters can be raised in confidence and in good faith.

The Compass and its underlying policies is supported by a comprehensive communication and training platform for all employees.

4. Company Strategies for Sustainability

The Board is committed to implementing responsible and sustainable corporate practices. The Company has embraced good corporate responsibility practices in the areas of stakeholder engagement, the community, workplace and environment. The corporate responsibility initiatives undertaken by the Company for the financial year 2016 are disclosed in pages 42 to 49 of this Annual Report.

5. Access to Information and Advice

Directors have access to timely and accurate information within the Company, which allows them to discharge their duties effectively and efficiently. At Board Meetings, the agenda and board papers are distributed in advance to enable Directors to have sufficient time to review the board papers and to obtain further explanation or clarification to facilitate the decision-making process and the meaningful discharge of their duties. Management Team and external advisors may also be invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

Management reports presented to the Board for the deliberation and/or approval would include the following information:-

- The Company's business and financial performance.
- Marketing and sales activities.
- Market developments and consumer trends.
- Industry issues and developments.
- Human resources, safety, environmental, legal and regulatory matters and updates thereof.
- Any latest development in the corporate, risk and regulatory framework affecting the RFC Group.

All proceedings of the Board and the Board Committees are minuted and signed by the Chairman of the meetings.

The Directors also have access to independent professional advice in furtherance of their duties.

6. Qualified Company Secretary

The Board is supported by a qualified Company Secretary who is a Chartered Secretary. The Company Secretary plays an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretary organises and attends all Board and Board Committee meetings and is responsible for ensuring that Board meeting procedures are followed and that the Company's statutory records are maintained accordingly at the registered office of the Company.

STRENGTHENING COMPOSITION

As appropriate, the Board has developed certain responsibilities to the Board Committees that operate within clearly defined terms of reference.

1. Nomination Committee

The Nomination Committee comprises three Directors, all of whom are Non-Executive Directors. The members of the Nomination Committee are:

1. Foo Swee Leng
(Independent Non-Executive Director)
- Chairman
2. Dato' Zainal Abidin bin Putih
(Independent Non-Executive Director)
3. Boey Tak Kong
(Independent Non-Executive Director)

The Board has decided and agreed that the Senior Independent Director of the Company be Dato' Zainal Abidin bin Putih, instead of the Chairman of the Nomination Committee. This is a departure from Recommendation 2.1 of the MCGG 2012, that stipulates that the Chairman of the Nomination Committee shall be the Senior Independent Director.

The appointment of new Directors is undertaken by the Board as a whole. The Nomination Committee recommends candidates suitable for appointment to the Board, and the final endorsement lies with the entire Board to ensure the required mix of skills, experience and expertise of members of the Board is sufficient to address the issues affecting the Company. In its deliberations, the Board is required to take into account the integrity, professionalism, skills, knowledge, expertise and experience of the proposed candidate. The Nomination Committee will also consider whether such candidate meets the requirements for independence as defined in Bursa Securities' Listing Requirements.

At least one-third of the Directors are required to retire by rotation each financial year in accordance with the Constitution of the Company and can offer themselves for re-election at the Annual General Meeting ("AGM").

Directors who are appointed by the Board to fill a casual vacancy during the year are subject to re-appointment by shareholders at the next AGM following their appointment.

The Nomination Committee's responsibility also includes the assessment of the effectiveness of the Board as a whole, examination of its size with a view to determine the impact of its number upon its effectiveness, the Committees of the Board and the individual Directors on an on-going basis, and to annually review the required skills and core competencies of Non-Executive Directors. The criteria for assessing the independence of an Independent Director includes the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company. This annual assessment is conducted via questionnaires, which is led by the Chairman of the Nomination Committee with the support of the Company Secretary.

The Nomination Committee also ensures that an orientation and induction programme is in place for new Board members.

The activities of the Nomination Committee during the financial year include the following:-

- Considered the nomination of a new member of the Board of Directors.
- Reviewed the composition of the Board and Board Committees, nominating the directors who are due for retirement and re-appointment and are eligible to stand for re-election and re-appointment accordingly.
- Assessed and evaluated the effectiveness of Directors through self and peer assessments, the effectiveness of the Managing Director, as well as effectiveness of the Board and the Board Committees.
- Assessed the independence of the Independent Non-Executive Directors and Audit Committee members of the Company.
- Reviewed the term of office and performance of the Audit Committee and each of its members.

The Nomination Committee meets as required. Two meetings were held during the financial year and attended by all Nomination Committee members. All recommendations of the Nomination Committee are subject to the endorsement of the Board.

2. Remuneration Committee

The Remuneration Committee comprises three directors, two of whom are non-executive directors. The members of the Remuneration Committee are:

1. Dato' Dr. Mhd. Nordin bin Mohd. Nor
(Non-Independent Non-Executive Director)
- Chairman
2. Saw Chooi Lee
(Managing Director)
3. Jaska Marianne de Bakker
(Non-Independent Non-Executive Director)
(Appointed on 1 January 2017)

Pieter van der Hoek resigned from the Board and the Remuneration Committee on 31 December 2016. He was replaced by Jaska Marianne de Bakker as a member of the Remuneration Committee on 1 January 2017.

Statement of Corporate Governance

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of Non-Executive Directors.

The determination of Non-Executive Directors' fees is a matter deliberated by the Remuneration Committee and approved by the Board as a whole. The Non-Executive Directors concerned abstain from the discussion of their own remuneration. The Board as a whole recommends the remuneration payable to the Non-Executive Directors and any changes thereof to the shareholders for approval at the AGM.

3. Directors' Remuneration

The policy for Directors' remuneration is to provide a remuneration package needed to attract, retain and motivate directors of quality required to supervise and/or manage the business of the Company.

For Executive Directors of the Company, the Company adheres to the human resource policies and procedures (which includes that of remuneration of employees who are appointed as Executive Directors of subsidiary companies of the RFC Group, including its performance appraisal system and compensation and benefits scheme). For Executive Directors of the Company, corporate and individual performance is rewarded through the use of an integrated pay benefits and bonus structure. Market competitiveness, business results and individual performance is also considered by the RFC Group in evaluating the Executive Directors' remuneration. The Executive Directors are not paid meeting attendance allowance or directors' fees.

The Non-Executive Directors are paid fixed annual directors fees as members of the Board and these are approved by shareholders at the Annual General Meeting. Non-Executive Directors are also paid an attendance allowance for each Board or Committee meeting that they attend. The Chairmen of the Board Committees receive a Board Committee Chairman allowance. In addition thereto, the members of the Audit Committee also receive a committee allowance.

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2016 is as follows:

	Executive Directors RM'000	Non- Executive Directors RM'000
Directors' fees	-	263
Meeting & Committee allowances	-	73
Salaries and other emoluments	1,496	83
Benefits in kind	34	-

The number of Directors whose total remuneration falls within the following bands are as follows:

Range of Remuneration (RM)	Executive Directors	Non- Executive Directors
50,001 to 100,000	-	3
100,001 to 150,000	-	1
1,000,000 to 1,500,000	1	-

Piet Johannes Hilarides and Jaska Marianne de Bakker, being Non-Executive Directors who are also Nominee Directors of RFC, are not paid Directors' fees in line with RFC Group's remuneration policies of RFC employees appointed as directors of subsidiary companies within RFC Group.

REINFORCE INDEPENDENCE

1. Board Composition and Balance

The Board comprises seven directors; three of whom are Non-Independent Non-Executive Directors, three are Independent Non-Executive Directors and one Executive Director within the meaning of Paragraph 1.01 of the Listing Requirements. The Board is required under Paragraph 15.02 of the Listing Requirements to ensure that it has one-third independent directors.

The Company is led by an experienced Board under a Chairman who is an Independent and Non-Executive Director. The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities.

Members of the Board are professionals from varied backgrounds and gender, bringing depth and diversity in experience, expertise and perspectives to the Company's business operations. The profiles of the members of the Board are as set out in pages 12 to 15 of this Annual Report.



The Board is ensured of a balanced view at all Board deliberations largely due to the presence of its non-executive directors that form a majority in the Board.

The Board acknowledges the importance of gender, age, nationality, ethnicity and socio-economic background diversity and recognises the benefits that it can bring. The Nomination Committee considers diversity generally when making appropriate appointments to the Board, taking into account relevant skills, age, experience, knowledge, personality and gender. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Company continuously works towards addressing this as and when vacancies arise and suitable

candidates are identified. The Company's prime responsibility, however, is the strength of the Board and the overriding aim in any new appointments must always be to select the best candidate available.

In this regard, upon the recommendation of the Nomination Committee, the Board of Directors had approved the appointment of Jaska Marianne de Bakker as the second female member of the Board, thus enabling the Company towards achieving a better balance of gender diversity of the Board's composition.

2. Assessments of Independent Directors

The Board has, as members, independent Non-Executive Directors who are independent from Management and major shareholders of the Company. The Independent Directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgment. Furthermore, the Independent Directors are professionals of high calibre and integrity, possessing in-depth knowledge of the Company's business whilst at the same time bringing with them independence and objectivity in the Board's decision-making process.

As aforementioned, and pursuant to the recommendations of the Code, the Board has and will carry out an annual assessment of the independence of its Independent Directors. The independence of each respective Director is assessed upon appointment and on an annual basis, and will be re-assessed upon any disclosure of new interests or relationship made by any such Director.

During the financial year, the Nomination Committee performed an annual assessment on the independence of all its Independent Directors and was satisfied that the Independent Directors continues to exercise independent and objective judgment and acted in the interest of the Company and its stakeholders accordingly.

Statement of Corporate Governance

3. Tenure of Independent Directors and Shareholders' Approval for Retention of Independent Directors

In line with the recommendation of the Code, the tenure of an Independent Director of the Company should not exceed a cumulative term of nine years. An Independent Director may continue to serve the Board subject to the re-designation of the Independent Director as a Non- Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine years, shareholders' approval will be sought. The Board believes that valuable contribution can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board notwithstanding their tenure on the Board.

Boey Tak Kong and Foo Swee Leng, two of the Independent Non-Executive Directors, have served the Board for more than nine years as an Independent Director. Notwithstanding their long tenure in office and based on the review and recommendation of the Nomination Committee, the Nomination Committee and the Board is unanimous in their opinion that both Boey Tak Kong and Foo Swee Leng's independence have not been impaired or compromised in any way. In view of the above, the Board resolves to seek the shareholders' approval to retain both Boey Tak Kong and Foo Swee Leng to serve as Independent Directors respectively.

The Board has identified Dato' Zainal Abidin bin Putih as its Senior Independent Director, to whom concerns of shareholders, Management and other stakeholders may be conveyed. He may be reached in care of the Company Secretary at finance.dept@frieslandcampina.com.

FOSTER COMMITMENT OF DIRECTORS

1. Board Meetings

The Board meets at least four times a year and has a formal schedule of matters reserved to it. Meetings for each financial year are scheduled in advance for the Directors to plan their respective schedules ahead of time. Additional meetings are held as and when required. The Board meets within two months of the end of each quarter of the financial year, whereat the Company's financial statements and results are deliberated and considered. The Board and its Committees are supplied with sufficient information to enable them to discharge their duties. During these meetings, the Board also appraises business proposals, reviews the management or performance of the business and any other strategic issues that affect or may affect the Company's business.

During the financial year, the Board met five times; whereat it deliberated and considered a variety of matters including the Company's financial results, the business plan and direction of the Company. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers are comprehensive and encompass all aspects of the matters being considered which enable the Board to look at both the quantitative and qualitative factors so that informed decisions are made.

The attendance of the directors at the Board Meetings is set out in the Directors' profile appearing on pages 12 to 15 of the Annual Report.

2. Directors' Training

All members of the Board, save and except for Jaska Marianne de Bakker who was recently appointed to the Board on 1 January 2017, have attended and successfully completed the Mandatory Accreditation Programme.

The Board has the responsibility of overseeing the training needs of their Directors. In addition to specific training programmes for its Directors annually, Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. The Company will, on a continuous basis, evaluate, assess and determine the training needs of its Directors.

For the year under review, all Directors attended briefings and trainings to enable them to effectively discharge their duties. Particulars of the development and training programmes attended by Directors are as set out on pages 34 and 35 of the Annual Report.

Throughout the year, the Directors received regular updates and briefings on regulatory, industry and legal developments, including information on significant changes in business and operational risks and procedures instituted to mitigate such risks, and that they continue to be able to exercise independent and objective judgment to act in the best interest of the Company.

UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

1. Audit Committee

The Company's Audit Committee assists and supports the Board's responsibility to oversee the Company's operations in the following manner:

- Provides a means for review of the Company's processes for producing financial data, its internal controls and independence of the Company's External and Internal Auditors.
- Reinforces the independence of the Company's External Auditors.
- Reinforces the objectivity of the Company's Internal Audit function.

The Audit Committee comprises four Directors (three of whom, including the Chairman, are Independent Non-Executive Directors). The members of the Committee are:

1. Boey Tak Kong
(Independent Non-Executive Director)
- Chairman
2. Dato' Zainal Abidin bin Putih
(Independent Non-Executive Director)
3. Foo Swee Leng
(Independent Non-Executive Director)
4. Dato' Dr. Mhd. Nordin bin Mohd. Nor
(Non-Independent Non-Executive Director)

The Audit Committee's terms of reference include the review of and deliberation on the Company's Financial Statements, the audit findings of the External Auditors arising from their audit of the Company's Financial Statements and the audit findings and issues raised by the Internal Auditors together with Management's responses thereon. The Finance Director, Internal Auditors and External Auditors attend meetings at the invitation of the Audit Committee.

The Audit Committee also reviews the Company's quarterly unaudited statements and final audited (12 months) Financial Statements before they are considered, deliberated and approved by the Board as well as oversees the review of related party transactions conducted by the Related Party Transactions ("RPT") Review Committee and any conflicts of interest situations during the year.

The Audit Committee Report for the financial year ended 31 December 2016 is contained on pages 36 to 39 of this Annual Report.

The Audit Committee's activities during the financial year are as set out on page 37 and 38 of this Annual Report.

2. Directors' Responsibility Statement in respect of Audited Financial Statements

The Board aims to provide and present a balanced and meaningful assessment of the Company's financial performance and prospects at the end of the financial year, primarily through the Financial Statements, the Chairman's Statement and the Management Discussion and Analysis in the Annual Report.

Directors are required pursuant to Section 251(2) of the Companies Act, 2016, to state whether, in their opinion, the Company's Financial Statements for the financial year are drawn up in accordance with approved accounting standards so as to give a true and fair view of the Company's financial position and financial performance of the Company for the financial year.

Statement of Corporate Governance

In preparing the Financial Statements, the Directors have:

- adopted suitable accounting policies and applied them consistently.
- made judgements and estimates that are prudent and reasonable.
- ensured applicable accounting standards have been followed.
- prepared the Financial Statements on an on-going basis.

The Company's quarterly and annual results announcements are released to shareholders within the stipulated time frame to reinforce the Board's commitment to provide a true and fair view of the Company's operations.

3. External Audit

The Company's independent external auditors, Messrs. PricewaterhouseCoopers, play an essential role to the shareholders by enhancing the reliability of the Company's Financial Statements and by giving assurance of that reliability to users of the Financial Statements.

The External Auditors have an obligation to bring any significant weaknesses in the Company's system of controls and compliance to the attention of Management, the Audit Committee and the Board.

During the year, the External Auditors provided both audit and non-audit related services as follows:-

- Statutory financial audit for Financial Year Ended 2016 - RM89,818
- Non-recurring opening balance review of the Company - RM10,000
- Review of the Statement on Risk Management and Internal Controls - RM20,000
- Review of the Statement of Realised and Unrealised Profits - RM12,000
- Non-recurring review for the SUMMIT Integration and Key Audit Matters - RM30,000

RECOGNISE AND MANAGE RISKS

1. Risk Management and Internal Controls

The Company's Statement on Risk Management and Internal Control is as set out on pages 50 to 53 of this Annual Report. This Statement provides an overview of the Company's approach in maintaining a sound system of risk assessment and management to safeguard the best interest of the Company and its stakeholders.

2. Internal Audit

The Company has an Internal Audit function that is supported by the RFC Group's Corporate Internal Audit Department.

Internal Audit reports to the Audit Committee. During the year, the Internal Auditors had four meetings with the Audit Committee. They reported on the Company's system of internal and operational controls with focus on key area of business risks.

The Internal Auditors' audit plan, nature and scope of the internal audit were approved by the Audit Committee prior to the commencement of their audit based on the Company's specially designed Internal Control Framework that aims at optimising the effectiveness and efficiency of the Company's internal controls. They reported on weaknesses in control procedures and made recommendations on areas for improvement.

They also reviewed the extent to which their recommendations have been implemented by the Company.

The Internal Audit function also carries out activities under the Enterprise Risk Management programme developed by the RFC Group and implemented by the Company. The programme incorporates a process of identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURES

Corporate Disclosures

The Company is fully committed in ensuring the dissemination of relevant and material information. Strong emphasis is being placed on timely dissemination of information to its shareholders.

During the year, Management carried out a closed group briefing session for the fund managers and investment analysts, besides attending to ad-hoc written queries on the Company's performance. From time to time, scheduled conference calls are also conducted with regards to the same.

STRENGTHENING RELATIONSHIP BETWEEN COMPANY AND ITS SHAREHOLDERS

1. Annual Report and General Meeting of Shareholders

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Company. As a listed issuer, the contents and disclosure requirements of the Annual Report are also governed by the Listing Requirements.

The Company's AGM is the principal forum for dialogue with its shareholders. It is the crucial mechanism in shareholder communication for the Company. At the Company's AGM, which is generally well attended, shareholders are presented with an overview of the Company's performance during the year. Shareholders have direct access to the Board at the AGM and are given the opportunity to ask questions during the open question and answer session prior to the moving of the motion to approve the proposed resolution. Shareholders are encouraged to ask questions about the resolutions being proposed and on the Company's operations in general.

During the year, in line with the revised Listing Requirements of Bursa Securities, all resolutions tabled at the Company's Fifty Third AGM were voted by poll voting. Leveraging on information technology for effective meeting procedures, an electronic polling system was put in place whereby all shareholders of the Company participated in the polling exercise. An independent scrutineer was appointed to validate the poll results. The decision each resolution put to poll as well as the name of the independent scrutineer were announced to Bursa Securities on the same day of the AGM.

2. Communication and Engagement with Investors and Stakeholders

In addition to shareholder participation at general meetings, the Board also encourages other channels of communication with its stakeholders. Management personnel responsible for investor relations activities meet regularly with equity research analysts, fund managers, institutional shareholders and investors on a one-to-one basis upon request. In these meetings, Management also addresses queries and/or concerns raised with regards to the Company's performance, market outlook, business operations and other matters affecting shareholders' interest.

Announcements are made on a timely basis to Bursa Securities and these are made electronically to the public via Bursa Securities website at www.bursamalaysia.com as well as on the Company's website.

The Company's website, www.dutchlady.com.my also provides corporate and financial information, as well as news, highlights, events and product information.

Statement of Corporate Governance

TRAINING PROGRAMMES ATTENDED BY DIRECTORS FOR FINANCIAL YEAR ENDED 2016

Director	Title of Training Programme	Organiser	Date
Dato' Zainal Abidin bin Putih	Briefing on New Auditors' Report by Ernst & Young	Land & General Berhad	7 Mar 2016
	TNB Board Breakout for Senior Management	Tenaga Nasional Berhad	8 Mar 2016
	Solar Energy Exhibition & Conference	Australian Solar Council, Melbourne	4 & 5 May 2016
	Energy Systems Conference 21st Century Challenges	Elsevier, London	14 & 15 Jun 2016
	TNB Board Development Programme 2016 : New Challenge for the Board of Directors : Cyber Risk	Tenaga Nasional Berhad	23 Jun 2016
	TNB Board Break-out Re-Imaging TNB	Tenaga Nasional Berhad	21 Jul 2016
	Touch 'n Go Innovation and Strategic Planning Workshop	Touch 'n Go Sdn Bhd	19 Aug 2016
	Khazanah Megatrends Forum 2016	Khazanah Nasional Berhad	26 & 27 Sep 2016
	CIMB 2017 Risk Posture Workshop for Board of Directors	CIMB Group	28 Sep 2016
	GIOD Pre-AMS Workshop	GIOD CIMB Group	4 Oct 2016
	Directors Training • Companies Act 2016 - Highlights & Key Changes • Security & Terrorism In Malaysia - A Very Real Threat? • Power Of Social Media & How It Impacts Our Business	British American Tobacco (Malaysia) Berhad	9 Nov 2016
	CIMB Group Annual Management Summit 2016	CIMB Group	11 & 12 Nov 2016
	Briefing on Amendments to Bursa Securities Malaysia Berhad's Listing Requirements	Petron Malaysia	16 Dec 2016
	Briefing on the Impact of the New Companies Act on Petron Malaysia	Petron Malaysia	16 Dec 2016
Boey Tak Kong	Ring the Bell for Gender Equality	Bursa Malaysia Securities Berhad	11 Mar 2016
	The Essence of Independence	Bursa Malaysia Securities Berhad & Iclif	28 Mar 2016
	The Strategy, the Leadership, the Stakeholders and the Board	Bursa Malaysia Securities Berhad	6 May 2016
	Sustainability Engagement Series For Directors/ Chief Executive Officer	Bursa Malaysia Securities Berhad & Insead	2 Jun 2016
	Driving Value Through Ethics	Malaysian Institute Of Accountants	14 Jun 2016
	Sustainability Reporting	KPMG	25 Aug 2016
	I Am Ready To Manage Risk	Bursa Malaysia Securities Berhad & PwC	5 Sep 2016
	Directors Training • Companies Act 2016 - Highlights & Key Changes • Security & Terrorism In Malaysia - A Very Real Threat? • Power Of Social Media & How It Impacts Our Business	British American Tobacco (Malaysia) Berhad	9 Nov 2016
	MIA International Accountants Conference - Strengthening The Profession For A Sustainable Future	Malaysian Institute Of Accountants	15 & 16 Nov 2016
	How To Leverage On AGMs For Better Engagement With Shareholders	Bursa Malaysia Securities Berhad & MAICSA	21 Nov 2016

Director	Title of Training Programme	Organiser	Date
Piet Johannes Hilarides	RFC Leadership Days	Royal FrieslandCampina N.V.	21 - 22 Jun 2016 20 - 22 Dec 2016
	Show & Tell Workshop	Royal FrieslandCampina N.V.	31 May - 1 Jun 2016
	How Brands Grow	Ehrenberg Institute	7 - 9 Sep 2016
Saw Chooi Lee	RFC Leadership Days	Royal FrieslandCampina N.V.	21 - 22 Jun 2016 20 - 22 Dec 2016
	Show & Tell Workshop	Royal FrieslandCampina N.V.	31 May - 1 Jun 2016
	How Brands Grow	Ehrenberg Institute	7 - 9 Sep 2016
	Directors Training • Companies Act 2016 - Highlights & Key Changes • Security & Terrorism In Malaysia - A Very Real Threat? • Power Of Social Media & How It Impacts Our Business	British American Tobacco (Malaysia) Berhad	9 Nov 2016
	Global Digital Transformatioin	Royal FrieslandCampina N.V.	16 Nov 2016
	iHUB Design Workshop	Royal FrieslandCampina N.V.	8 - 9 Dec 2016
Foo Swee Leng	Sustainability Engagement Series For Directors/ Chief Executive Officer	Bursa Malaysia Securities Berhad & Insead	31 May 2016
	Directors Training • Companies Act 2016 - Highlights & Key Changes • Security & Terrorism In Malaysia - A Very Real Threat? • Power Of Social Media & How It Impacts Our Business	British American Tobacco (Malaysia) Berhad	9 Nov 2016
	International Forum on The world economic outlook: Challenges n opportunities for Malaysian companies	Permodalan Nasional Berhad	30 May 2016
Dato' Dr. Mhd. Nordin bin Mohd. Nor	Sustainability Engagement Series For Directors/ Chief Executive Officer	Bursa Malaysia Securities Berhad & Insead	31 May 2016
	The Direction of Global Competition in Malaysia	Permodalan Nasional Berhad	2 Aug 2016
	Directors Training • Companies Act 2016 - Highlights & Key Changes • Security & Terrorism In Malaysia - A Very Real Threat? • Power Of Social Media & How It Impacts Our Business	British American Tobacco (Malaysia) Berhad	9 Nov 2016
	RFC Leadership Days	Royal FrieslandCampina N.V.	21 - 22 Jun 2016 20 - 22 Dec 2016
Pieter van der Hoek (resigned w.e.f 31.12.2016)	Show & Tell Workshop	Royal FrieslandCampina N.V.	31 May - 1 Jun 2016
	How Brands Grow	Ehrenberg Institute	7 - 9 Sep 2016

Audit Committee Report

Pursuant to Paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

1 MEMBERSHIP AND MEETING OF THE AUDIT COMMITTEE

Members of the Audit Committee and details of their attendance during the financial year ended 31 December 2016 are as follows:-

Name of Members	Total Meetings Attended in FYE 2016
Boey Tak Kong (Independent, Non-Executive Director) - Chairman	4 out of 4
Dato' Zainal Abidin bin Putih (Independent, Non-Executive Director)	4 out of 4
Foo Swee Leng (Independent, Non-Executive Director)	4 out of 4
Dato' Dr. Mhd. Nordin bin Mohd. Nor (Non-Independent Non-Executive Director)	4 out of 4

Boey Tak Kong and Dato' Zainal Abidin bin Putih, being members of the Malaysian Institute of Accountants, fulfil the requirement of Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Securities.

At the invitation of the Audit Committee, the Managing Director, relevant Management Team members, External and Internal Auditors attended the Audit Committee meetings and presented their reports on financial results, audit findings and other matters for the information and/or approval of the Audit Committee.

The Company Secretary acts as Secretary to the Audit Committee and shall circulate the minutes of meetings of the Audit Committee to all members of the Board. Detailed audit reports by the Internal Auditors and the respective Management response are circulated to members of the Audit Committee before each Meeting at which the said reports are tabled. The Board is later apprised of the relevant issues and the recommendation(s) of the Audit Committee are then tabled to the Board for its consideration and approval.

2 ROLE OF THE AUDIT COMMITTEE

An independent Audit Committee assists and supports the Board's responsibility to oversee the Company's operations in the following manner:-

- provides a means for the review of the Company's processes for producing financial data, its internal controls and independence of the Company's Internal and External Auditors.
- reviews and assesses the effectiveness of the risk management processes.
- determines and examines any related party transactions and conflict of interest situations.
- reinforces and assesses annually the performance and independence of the Company's External Auditors.
- reinforces the objectivity and ensures the effectiveness of the Company's Internal Audit function.

3 TERMS OF REFERENCE

The Audit Committee Terms of Reference is made available on the Company's corporate website at www.dutchlady.com.my.

4 SUMMARY OF ACTIVITIES

The Audit Committee met at scheduled times during the year, with due notices of meetings issued, and with agendas planned and itemised so that matters were deliberated and discussed in a focused and detailed manner. The minutes of each meeting held were distributed to each member of the Board at subsequent Board Meetings. The Audit Committee Chairman reported on each meetings to members of the Board.

A summary of its key activities carried out by the Audit Committee during the financial year is listed below:-

(a) Financial Reporting and compliance

The Company's quarterly and annual financial statements as well as announcements made to Bursa Securities were reviewed by the Audit Committee before submission to the Board for its subsequent approval. In doing so, the Audit Committee deliberated and focused on changes in major accounting

policies and practices as well as any material adjustments and/or issues affecting audit related matters to ensure compliance with Listing Requirements, Malaysia Accounting Standards Board ("MASB"), approved accounting standards and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements.

As part of their accounting oversight duties, the Audit Committee also reviews the external auditors' interim and annual audit reports, together with accompanying Management responses.

(b) Internal controls and enterprise risk management

The Audit Committee took note of the risk management activities related to the Company as implemented by the RFC Internal Control Framework and the Enterprise Risk Management programme. The Audit Committee Chairman participated in the Annual Enterprise Risk Management Assessment exercise together with the Management Team.

During the year under review, the Audit Committee had four meetings with the Internal Auditors. During the engagement, the Audit Committee discussed the results arising from the Internal Audit activities, and recommendations by the Internal Auditors on the systems controls and weaknesses, and ensured that corrective actions were taken by Management.

(c) External audit

At the Annual General Meeting held on 26 April 2016, the shareholders had approved the appointment of Messrs. PricewaterhouseCoopers as the auditors of the Company, succeeding Messrs. KPMG. The reappointment of Messrs. PricewaterhouseCoopers will be tabled for the shareholders' approval at the forthcoming Annual General Meeting.

Throughout the financial year, the Audit Committee had one meeting with Messrs. KPMG and two meetings with Messrs. PricewaterhouseCoopers without the presence of Management. The Audit Committee is pleased to report that there was no significant matter of disagreement that arose between the External Auditors and Management.

To reinforce the independence and objectivity of the External Auditors, the Audit Committee reviewed all non-audit services to be performed by the External Auditors.

During the financial year, the fees incurred in respect of non-audit related matters amounted to RM20,000 for the Review of the Statement on Risk Management and Internal Controls.

The Audit Committee reviewed the annual audit plan in view of the changes to the financial standards and Listing Requirements relating to financial reporting disclosures.

(d) Other Matters

During the financial year, the Audit Committee also carried out the following activities:-

- reviewed the Company's dividend proposal.
- considered the quantum, timing and cash flow impact of dividend payments, and recommended the same to the Board for approval.
- reviewed the related party transactions, and any conflict of interest situations during the financial year.

This was also done via the formation of the RPT Review Committee, for which Boey Tak Kong (who is also the Chairman of the Audit Committee) also serves as Chairman of the RPT Review Committee. During the financial year ended 31 December 2016, one RPT Review Committee meeting was convened whereat the recurrent related party transactions for the year was presented and tabled for review.

Audit Committee Report

- reviewed the Circular on Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for shareholders' approval.
- reviewed the Company's Annual Report prior to submission to the Board for their perusal and approval, to ensure compliance in accordance with the provisions of the Companies Act 2016 and the applicable approved accounting standards as per MASB Standards.
- discussed with the External Auditors any issues arising from the final audit (in the absence of the Management).

5 Key Audit Matters Considered by the Audit Committee in relation to the FYE 2016 accounts

(a) Use of estimates in revenue recognition arising from rebates and discounts given to customers

The Company's revenue is recognised net of rebates and discounts. Recognition of rebates and discounts is based on the expected entitlement of the Company's customers earned up to the reporting date subject to their respective trading agreement and promotions run. The Company applies estimates for its conditional rebates and promotional discounts with its customers, whereby the amount payable is based on conditions achieved as set out in their respective trading agreements.

The Audit Committee reviewed and agreed with Management's treatment of the revenue recognition arising from rebates and discounts given to customers.

(b) New system implementation

The Company replaced its accounting system from SAP Align system to SAP SUMMIT system with effect from 1 May 2016. The new system included sales and distribution, costing, material management, financial accounting and controlling and quality management modules. Given the level of investment, complexity and strategic importance to the RFC Group, the Audit Committee received regular updates from Management on the progress of the integration roll-out plan throughout the year.

The Audit Committee was satisfied on the implementation of the SUMMIT accounting system and its subsequent integration with the Company's business operation processes.

6 Internal Audit Function

The Company has an Internal Audit function that reports to the Audit Committee.

The Internal Auditors are empowered with strict accountability for confidentiality and proper safeguarding of records and information, is authorised full, free, and unrestricted access to any and all of the Company's records, physical properties, to carrying out any internal audit or investigation engagement.

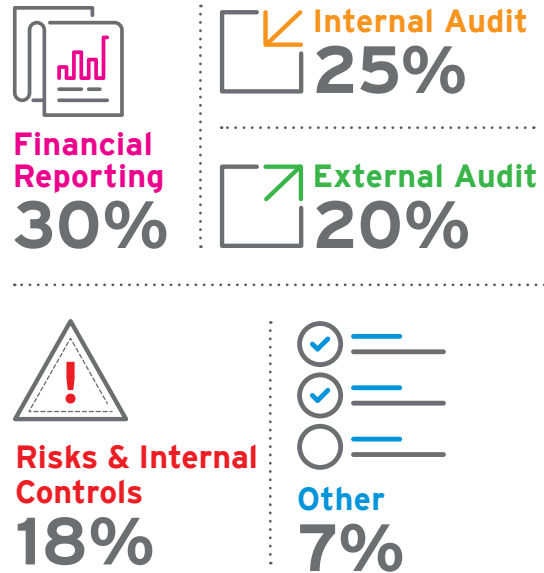
The Internal Audit function also carries out risk management activities implemented by the Company under the Enterprise Risk Management programme developed by the RFC Group. The programme incorporates a process of identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies.

During the financial year, the Internal Auditors undertook the following activities:

- (a) prepared the internal audit plan for the year, which is reviewed and approved annually by the Audit Committee, and updated where necessary by the Audit Committee.
- (b) completed a total of 26 internal audit engagements as per the approved 2016 audit plan and 12 Management requests.

- (c) prepared the internal audit programme based on the internal audit plan, for each activity or process to be audited.
- (d) maintained the Company's Internal Control Framework, including periodically reviewing controls, organising self-assessments and ensured proper functioning of the system.
- (e) discussed with auditees, process owners and Management on the results of the audit for each activity or process, and the recommendations for action plan to mitigate the identified risk or control work flow improvements.
- (f) on a quarterly basis, reviewed the Enterprise Risk Assessment updates, which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan where necessary.
- (g) reported to the Audit Committee on a quarterly basis, the internal audit findings on risk management, control and governance issues identified during the risk based audits, together with recommendations for improvements in the processes and control framework.
- (h) followed up on all the action plans recommended from the previous internal audit reports to ensure that all matters arising are adequate addressed by the Management.

Type of Activity spent by the Audit Committee for FYE 2015
(% of time spent)



Costs amounting to RM560,426 were incurred in relation to the internal audit function for the financial year ended 31 December 2016.

Friso
GOLD



Saying YES to Experiences

Stronger Inside with Friso Gold®

With over 140 years of dairy expertise, Friso Gold® strives to ensure that every can of formulated milk powder for children produced is of high quality. Our new LocNutri™ technology preserves the native structure of milk proteins, making it easily digestible for your child so that they stay strong inside to experience life outside.



Sustainability Statement

Sustainability and responsibility remains a key pillar of our business strategy. As a leading dairy company, we are committed to demonstrate responsible corporate conduct across all aspects of our operations.

This Sustainability Statement was prepared in accordance with the with the guidelines set out in the Main Market Listing Requirements relating to Sustainability Statement in Annual Report of Listed Issuers (“Guidelines”) issued by Bursa Malaysia Securities Berhad and covers the Company’s business operations in Malaysia.

CORPORATE RESPONSIBILITY STRATEGY: DAIRY WITH A PURPOSE

Our mission is to create shared value to all our stakeholders through our strategic initiatives, in line with that of our Corporate Headquarters, Royal FrieslandCampina N.V. (“RFC”). Based on the global theme of nourishing by nature, Dutch Lady Malaysia leverages on the Dutch dairy heritage and the unique global milk chain in a sustainable way. As one of the leading dairy players in Malaysia, we are committed to demonstrate responsible corporate conduct across all aspects of our operations.

Managing Sustainability

Sustainability is embedded within the Company and is led from the top. Sustainability matters are managed by various departments within Dutch Lady Malaysia.

Based on the Economic, Environmental and Social (“EES”) framework as set out in the guidelines and in line with Dutch Lady Malaysia’s vision of helping Malaysians move forward with trusted dairy nutrition, we aspire to demonstrate our commitment to sustainability within the following four areas:-

- Marketplace
- Environment
- Community
- Workplace

Dutch Lady Malaysia will continue to build its sustainable practices in every aspect of its business operations in line with RFC’s sustainability strategy. We believe in leading responsibly and creating shared value to all our stakeholders through our strategic corporate responsibility initiatives.

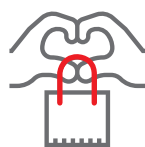
STRATEGY:
**TO BECOME A TOP DAIRY PLAYER LEVERAGING ON OUR STRONG DUTCH DAIRY HERITAGE
TO NOURISH MALAYSIAN FAMILIES AND CHILDREN**

OUR STAKEHOLDERS:



CONSUMERS:

We understand our consumers needs and provide quality and nutritious dairy products
(We share the ‘Goodness of Milk’)



CUSTOMERS:

- We are committed maximise customer value through our high standards in quality, efficiency, innovation and sustainability
- We work with the Government in improving the lives of Malaysian
(#1 dairy company)



EMPLOYEES

We invest in our employees, by offering excellent career opportunities, continuous development and a conducive work environment
(A Great Place to Work)



SOCIETY

- We help improve the lives of our community
 - We help local dairy farmers raise their income and improve their quality of milk
(We care)
-

MARKETPLACE

Balanced Nutrition

As the world population increases, so has the need to ensure consistent and sustainable provision of quality nutrition. Our parent company, Royal FrieslandCampina N.V. places this as one of the four cornerstones of its own CSR priorities - to ensure sufficient nutritious food to help combat undernourishment and a shortage of nutrients.

Locally, Dutch Lady Malaysia aims to continue our efforts in combating obesity and nutrient deficiency by ensuring that our products are responsibly manufactured, healthy and available in various choices and portion sizes. We constantly looked at ways in educating our consumers on healthy eating and lifestyle and emphasising the importance of sports and exercise.

- **Drink.Move.BeStrong**



Dutch Lady Malaysia believes that every child's growth and development is heavily influenced by both nutrition and physical activity. As such, our Drink.Move.BeStrong ("DMBS") campaign that was launched in 2014, is a platform for the Company to encourage an active lifestyle amongst Malaysian youths whilst promoting the nutritional goodness and importance of milk in their physical growth and development. This is done through various avenues which is supported with nutritional talks and exercise programmes.

Coming to its third year running, the DMBS campaign was yet another success. For 2016, Dutch Lady Malaysia's continued partnership with the Jr. NBA served as an effective platform to promote physical activity through basketball and, at the same time, create awareness and education on an active and healthy lifestyle. It was a fruitful year for us in 2016 with a record of a 50% increase in the total participation in our Jr. NBA program versus 2015, with a total of 5,037 participants.

Part of our program expansion strategy in 2016 was to reach out to more kids and teenagers in the rural areas in Peninsular Malaysia. This was conducted via in-school clinics and we had successfully recruited more than 3,000 participants, contributing 65% of the total no. of participants who had signed-up our 2016 Jr. NBA Program. Also, we had ventured to Northern Region for the first time in our program and we had reached and engaged with 759 young Malaysian basketball players from 68 schools located in the 3 main cities via our cluster clinics.

Dutch Lady Malaysia also activated a 5-day Jr. NBA National Training Camp for 2016. A series of engagement activities were organised with extended school clinic programs to the camp to drive higher awareness and affinity of Jr. NBA program with our target audiences beyond the school touchpoint.

When the first DMBS Training Camp was initiated, Dutch Lady Malaysia fuelled the athletic dreams of 11 Jr. NBA Alumni Star Players with nutritious milk and professional basketball training opportunity. In providing continuity to the Jr. NBA program, a gathering was organised in September 2016 with our past Jr. NBA players and their family members to share with us their DMBS journey. Through this mini gathering, it emphasised the importance of parental support in realising the dreams of these future players besides spreading the message of physical and emotional strength by adopting a healthy lifestyle practice as they did.

- **National School Milk Programme**

Dutch Lady Malaysia's continued participation in the *Program Susu 1Malaysia* (PS1M). This gave the Company an important platform to spread the goodness and benefits of milk to school children, which ultimately supports our aim of heightening the awareness of the importance of a healthy lifestyle with trusted dairy nutrition for the benefit of our future generation.



Sustainability Statement

For 2016, our collaboration with the Ministry of Education Malaysia saw Dutch Lady Malaysia directly spread the goodness of milk to more than 150,000 selected school children from almost 800 primary schools in the states of Kelantan and Terengganu. With the Ministry of Education's support, a series of educational road shows were also conducted to educate the school teachers and students on proper milk handling and the benefits of milk consumption in totality.

In 2016 Dutch Lady Malaysia also continued the partnership with the Ministry of Education on *Anugerah 3K*, the 3K Awards Programme - Health, Cleanliness, Safety. The national awards programme is aimed at educating schoolchildren (in primary and secondary schools) on the importance of improving the school environment with regards to hygiene, health and safety and recognising their achievements accordingly. The Company's involvement in the *Anugerah 3K* programme is via the 3C Special project (*Cabaran. Cergas.Ceria*) inspired by our Drink.Move.BeStrong campaign. A *Larian Cergas Ceria* activity was carried out in October 2016 which saw almost 1,500 students take part in a 3-kilometer run in Pengkalan Chepa Kelantan together with fun fitness activities as a concerted effort to inculcate a healthy lifestyle as well as improve the health and well-being of the surrounding community.

Halal Supply Chain

Dutch Lady Malaysia and all its employees are committed to provide Halal products to its consumers. We have in place a Halal Policy which sets out the Company's commitment towards adhering to the Halal requirements as set out by JAKIM with regards to the highest standards of hygiene, quality, safety and sanitary conditions throughout the manufacturing and distribution of our products. The Company has an Internal Halal Committee, who undertakes a collective responsibility towards the adherence to the Halal Policy in our business operations and ensures Halal compliance throughout the supply chain.

To demonstrate our strong commitment to Halal within the product supply chain, a Halal Showcase was carried out in September 2016. In sharing Halal best practices and showcasing our achievements in support of the country's Halal agenda, this enabled Dutch Lady Malaysia to foster close engagement with key stakeholders from the Department of Islamic Development Malaysia (JAKIM) and the Halal Industry Development Corporation. In conjunction thereto, a Halal Week was also held to raise awareness about Halal compliance internally amongst all Dutch Lady Malaysia employees.

Commitment to Food Quality and Safety

The RFC Group safeguards food safety and food quality with FoQus. FoQus supports the RFC Group and the Company in the development of an increasingly robust production process. With FoQus, strict requirements are enforced to ensure that all our products and the way in which it is produced meets our own high standards on food safety, quality, labour safety and environment.

As we are committed to the safety and quality of our products, we have on our premises an accredited quality control laboratory. The Company strives to continuously support the factory production site more effectively with regards to microbe testing of products manufactured and raw milk delivered to the factory premises. FoQus - an RFC global internal quality and food safety management system - is set in place for all RFC operating companies where each production location is required to undergo a periodic audit verification to ensure that the products and manufacturing processes meet the RFC high standards on quality and food safety. As a result of our continuous commitment, Dutch Lady Malaysia successfully achieved an 'A' score, one of the highest amongst the RFC Business Group Consumer Products Asia.





Corporate and Personal Conduct

To us, sustainability means carrying out our business in a socially responsible and holistic manner to ensure continued growth and success for the benefit of both the present and future generations. In pursuing this, we are guided by RFC's Compass, our code for good business conduct. This code of Conduct and its corresponding policies provides the basic principles of integrity, respect and transparent business behaviour of the Company and its employees in all our business undertakings. All our employees are expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships. Employees are contractually bound to abide by the Compass code for good business conduct in their business activities and with external stakeholders such as our customers and suppliers. Bribery and corruption are not tolerated. Employees are encouraged to report any malpractices without fear or favour with the establishment of the Speak-Up procedure which allow an employee to address any concerns regarding a non-compliance with Compass to the Company's local trusted representatives or an external contact at the RFC Groups' head office.

The Compass and its corresponding policies (which include the Speak-Up Procedure, Doing Honest Business and Fair competition policies) are cascaded to all employees within the Company via a comprehensive communication and training programme.

In line with this, the Company's suppliers and vendors are also required to sign the FrieslandCampina Suppliers' Business Practices when onboarding as a provider of goods and/or services to Dutch Lady Malaysia.

Responsibility to shareholders and investors

We recognise the importance of maintaining transparency and accountability to our shareholders and investors. In line with good governance practices, we place utmost importance on compliance, accountability and transparency in the disclosure of information to our stakeholders. We frequently engage research analysts and the media about our Company's performance, new product launches and corporate social activities. The Company's website at www.dutchlady.com.my provides corporate and financial information as well as news, highlights, events, product information and nutritional advice. Further details on the various channels utilised for timely engagement with our shareholders and investors can be found in our Statements on Corporate Governance and Risk Management & Internal Control of this Annual Report.

Sustainability Statement

ENVIRONMENT

We remain committed towards our responsibility on environmental issues in the conduct of our business. It combines our responsibility with our business objectives for long-term sustainable development. Our Safety, Health and Environmental (SHE) Policy outlines our commitment and position on this.

Energy Water and Waste Management

Conservation of resources is an important priority for the Company. Despite an increase in production volume, our Operations team, with the support of our parent company, have put in place strategy and actions to decrease our energy footprint. For 2016, the Company achieved a further reduction of 3% from our total energy usage in 2015. In this regard, our energy ratio of the total usage of energy compared to the factory production levels had reduced to 1.19 in 2016 (compared to a ratio of 1.22 in 2015).

We made conscious efforts in improving our manufacturing processes and continuously work towards reducing electricity consumption throughout the Company. In this regard, we installed a new chiller system on our premises in Q4 2016. With this new chiller system, Dutch Lady Malaysia would expect a 10% reduction in total consumption of electricity compared to the previous years'.

As part of its manufacturing production, natural gas is a major consumption within its manufacturing plant. To ensure optimal and effective consumption of natural gas, the operations team consistently monitors the running of the boiler system, which is already on an efficiently running Direct Control Combustion Control system. Our efforts on the same have resulted in a 7% reduction on the usage of natural gas in the Company.

Ongoing efforts to ensure reduction of water wastage via continuous maintenance of its piping systems are set in place. We have a systematic procedure for the disposal of market-returned products, used packaging materials and scheduled waste. Scheduled audits and plant maintenance are also carried out to ensure optimum usage of our energy resources. We believe all these efforts contribute to a cleaner and greener environment.

Sustainable Sourcing

Dutch Lady Malaysia believes in an efficient and sustainable production chain. Besides Dairy, various raw materials are used like palm oil and cocoa, and packaging materials like paper and cardboard.

Dairy raw materials are sourced via the parent company, Royal FrieslandCampina N.V., as well as from local farmers. Local farmers are supported via the Dairy Development Programme (see the chapter on Improving Dairy Self-Sufficiency).

Our parent company, Royal FrieslandCampina N.V. is a member of the Round Table on Sustainable Palm Oil (RSPO). In line with this, we have, since 2011, manufactured our products using 100% sustainable palm oil.

The same effort has been put in place for cocoa, another major ingredient used. We use only sustainable cocoa that meets the UTZ2 Certified criteria. In addition, the procurement of starch as a raw material for our production is from SEDEX certified suppliers.

Aside from sourcing sustainable (agricultural) raw materials, we have also demonstrated our commitment to responsible forestry by using the Forest Stewardship Council (FSC)-certified materials as the primary packaging used for our Dutch Lady UHT milk.

In Malaysia, Dutch Lady Malaysia was the first manufacturer to use FSC-certified packaging since mid-2013. This is easily identified through the FSC logo on the printed on the products. Our efforts do not stop merely at primary packaging but it continues to secondary packaging as the majority of materials used by our Company are from sustainable sources.

COMMUNITY

Spreading the Goodness in Dairy

Milk is an important source of nutrition for the development of our physical and intellectual health. In Malaysia, the average milk consumption is relatively low compared to other Asian countries. Therefore, along with our purpose of helping Malaysians move forward with trusted dairy nutrition, we have played an active role in supporting deserving organisations through sponsorship and donation of our dairy products, especially where the well-being and health and nutrition of families and children are concerned.

In celebration of the 2016 World Milk Day, we commemorated the occasion by helping Malaysians share the goodness of milk with their loved ones by delivering boxes of tasty and nutritious goodness to our fans and consumers who participated in the "Spread the Goodness of Milk" campaign on Facebook. In addition, more than 4,000 Dutch Lady PureFarm milk packs were distributed to the surrounding community, underprivileged, general public and media via our Milk Drop campaign.

Improving Dairy Self-Sufficiency

Dutch Lady Malaysia and the Department of Veterinary Service (DVS) together with the Netherlands Embassy have been working together since 2008 to help local dairy farmers make their business more sustainable. Through our Dairy Development Programme (DDP), we have been empowering Malaysian farmers on a year to year basis.

Since the launch of the Farmer2Farmer (F2F) programme in 2013, the F2F Programme has helped improve milk quality and volume as well as local farmers' livelihoods through the development and enhancement of their dairy farming skills. The F2F Programme is one of the integral activities of Dutch lady Malaysia's Dairy Development Programme that has transformed, advanced and contributed to the sustainability and growth of the Malaysian dairy industry.

In 2016, the F2F Programme continued to support the Malaysian dairy farmers' progress through the sharing and transferring of best practices, knowledge and expertise to create and improve income opportunities of local dairy farmers. A two week F2F training with three RFC Co-operative member farmers benefitted 60 selected local farmers from the states of Perak and Melaka. The one-to-one training sessions held at local farms focused on good dairy farm management, milking and production best practices, calf rearing, breeding and fertility and other related skills.



Community Outreach

In Dutch Lady Malaysia, our community outreach programmes are based on our vision in helping Malaysians move forward with trusted dairy nutrition. Our outreach activities include spreading the goodness of milk in the Goodness of Dairy (GooD) programme. Through the GooD programme, the public is provided with a better understanding of dairy, such as the benefits of drinking milk, the importance of milk in a balanced diet, as well as where milk comes from. Throughout the year, Dutch Lady Malaysia's reached out to various organisations including schools, NGOs, orphanage homes, enrichment centres in support of their respective CSR-centric activities.



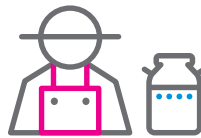
DUTCH LADY MALAYSIA IS THE **Largest** FRESH MILK PURCHASER IN **2016**, ACCOUNTING FOR:

21%

OF TOTAL PENINSULAR PRODUCTION

40%

OF TOTAL MILK TO PROCESSORS



DLMI SUPPORTS AROUND **200 farmers** ACROSS **6 states** IN MALAYSIA, HELPING TO CREATE APPROXIMATELY **500 job opportunities** IN THE LOCAL DAIRY INDUSTRY.

WORKPLACE

Being the No. 1 Employer in Dairy

Dutch Lady Malaysia provides a working environment characterised by fairness, respect and integrity. We are committed to equal opportunities at all levels of our business, both at recruitment stage and through opportunities for development and promotion. Dutch Lady Malaysia is also committed to principles of diversity, and our employee profile reflects a broad variety of gender, ethnicity and age.

An overview of workforce statistics as at 31 December 2016:-

Category	EXECUTIVE		NON-EXECUTIVE	
		56%		44%
Gender	MALE		FEMALE	
		66%		34%
Age Group	<30	30 TO <40	40 TO <50	50 AND ABOVE
	18%	42%	23%	17%
Diversity	MALAY	CHINESE	INDIAN	OTHERS
	53%	40%	5%	2%

Sustainability Statement

To further support working mothers within the Dutch Lady Malaysia workforce, the Company has in place extended maternity leave of 90 calendar days with full pay. New fathers also benefit from a three day paternity leave upon arrival of a new addition to the family. Lactation rooms are also available for our breastfeeding working mothers as we believe that breast milk is best for babies.

We are an employer that respects its employees and inspires them to fulfil their potential. We have a rigorous performance management system that provides opportunities for employees and managers to discuss performance, opportunities for development and a chance to raise any issues or concerns. This reflects our commitment to treat everyone fairly and consistently, responding to their needs and supporting their career progression, thus enabling us to be a high performing organisation that is agile to changing economic conditions.

Dutch Lady Malaysia promotes the AAA culture values that stand for Accountability, Alignment and Action in our daily work. Employees in Dutch Lady Malaysia work according to the AAA mindset and behaviour, which is essential to our team-based organisation enabling us to reach our strategic goals. All employees are introduced to the AAA values during their initial onboarding process. For 2016, Dutch Lady Malaysia ran its employee engagement activities in support of the AAA values to further promote and embed the same values within each employees' DNA. The AAA values are also an essential part of the feedback during appraisals in the talent management cycle. During 2016 the AAA Award was introduced to recognise exceptional behaviour and celebrate the successes of employees in inculcating AAA values in contributing towards the Company's growth. The top 3 winners of the AAA Awards were presented at the Company's year-end annual dinner.

Employee Engagement

We ensure open two-way communication channels are available to all employees through various initiatives. Town hall meetings are regularly held at both the corporate office and factory site as means to provide employees with business updates and to facilitate better understanding of the Company's objectives and directions. In addition, our senior executives are constantly engaged via workshops to enhance cross functional alignment in the execution of the Company's strategies and plans. The Management Team also conducts skip level meetings with junior level employees as part of getting them immersed into the business and which also provides a platform for valuable feedback that would further enhance the way of working within the organisation.



Employees have access to a shared portal on the Intranet, where they can gain updated information on the Company and the RFC Group as well as acquire necessary documents and schedules. The Company's internal employees' newsletter, also known as SUARA, is published periodically to highlight key updates that have happened in the last few months. Plant managers in the Operations Division have Daily Report Meetings every morning to keep each other informed.

In line with the Company's mission to underline the spirit of winning together as a family, various activities have been carried out in 2016. The Perfect Attendance award was held in August 2016 to appreciate and recognise our factory employees who had consistently demonstrated commitment to their job through excellent attendance record. Dutch Lady Malaysia also has in place a long standing Recreational & Sports Club in furthering our employee engagement efforts whereby throughout the year, various sports activities were carried out. At the end of 2016, a year end Annual Dinner, with the theme "Dutch Lady celebrates you!" was organised to celebrate all employees on their dedication and efforts throughout the year.

Employee engagement also extends beyond employees to their family members, who have opportunities to gather and get to know families of other employees. In continuation of our support towards educational excellence for the young generation, an Education Excellence Award is presented to employees' children who have shown commendable excellence in their examinations. For 2016, there were a total of 14 Education Excellence Award recipients who were recognised for their outstanding achievements in their examinations.

Safety Remains our No. 1 Priority

We are committed in ensuring a safe environment for our employees, contractors and visitors who work on-site through our demonstration of safe work practices. Concerted efforts are continually made to create awareness on the responsibility of keeping everyone safe when working within the vicinity of our workplace.

In July 2016, the production plant in Petaling Jaya celebrated 1,000 consecutive accident-free days, an achievement which was a result of 'felt leadership'; which focuses on employee welfare, commitment from senior management and factory supervisors as well as a concerted effort from all employees and third party contractors. In recognition of this feat, Dutch Lady Malaysia was awarded the FrieslandCampina Safety Award which is awarded to RFC operating companies who have successfully reached this safety milestone. Management and all employees continuously work at further improving its safety actions and levels accordingly.

In further developing a strong safety culture within our Company, a hearts and minds programme was developed and cascaded throughout the business operations to encourage all employees to continuously engage on all aspects of safety in their day to day business activities. Demonstration of safety leadership and calling each other to account ensure that safety is embedded within the DNA of all employees. Employees are constantly reminded on keeping safety top most of mind, be at the factory operations or within the corporate office, with Safety Policy and Emergency cards and poster made available to all. In addition, defensive driving training sessions were carried out to ensure the enhanced safety of our sales employees and we also carried out annual fire drill and first aid sessions.

Safety also extends to all the Company's suppliers and visitors. In this regard, all visitors, and third party contractors and suppliers who visit the factory premises are required to sign on a Safety Compliance Statement which contained the "7 Life Saving Rules" to ensure top most attention to safety when visiting and/or performing work for Dutch Lady Malaysia.

Training & Development

Our people are paramount to our sustainable success. We aim to grow global leaders equipped with the knowledge and skills to keep us at the forefront of the industry. We are passionate about talent management and development, which includes on the job training, mentorship programmes, specific skill development programmes, performance improvement plans and job realignment programmes that allow our people to learn and grow in the workplace.

Being a progressive and team-based organisation, our commitment to human capital growth, leadership and development extends within the region via our functional academies and globally, through RFC's leadership programmes via the FrieslandCampina Academy. The FrieslandCampina Academy enables the RFC Group to unleash talent as an accelerator for achieving business results. Our Malaysian employees have been identified to participate in the FrieslandCampina Asia Leadership and Learn To Grow Programmes, which enables them to grow within the RFC Group and develop into the next class of high potential leaders within the organisation. Under the participation of these leadership programmes, Dutch Lady Malaysia employees have been placed on either short term or long term assignments in RFC Group's global offices.

In investing towards the growth of our employees, for 2016, Dutch Lady Malaysia clocked a total of 432 training man-days from 34 training programs conducted for staff at all levels, including the unionised staff. We also establish a compulsory syllabus for all new staff to ensure proper assimilation into our working culture. This creates an impetus for us to strive for greater achievements and continuously build our talent pipeline.

Nurturing Talent

Dutch Lady Malaysia understands that the future lies in the hands of the younger generation. Hence, we place emphasis on cultivating and nurturing the future generation with the right skills, knowledge and values essential to shaping a brighter tomorrow.

In addition to the Educational Excellence Award presented to employees' children, the Company also actively participates in career fairs to remain attractive to the workforce as a No. 1 Dairy Employer. Our efforts was identified in the industry and we were conferred as one of the winners of Malaysia's Best Employer Brand Awards for 2016 by the Employer Branding Institute as well as recognised as a sector finalist as one of Malaysia's 100 Leading Graduate Employers for FMCG by Talent Corp and GradMalaysia.



Statement on Risk Management and Internal Control

The Board is pleased to provide this Statement on Risk Management and Internal Control which outlines the nature of risk management and internal control within Dutch Lady Milk Industries Berhad for the year under review.

RESPONSIBILITY AND ACCOUNTABILITY

The Board has overall responsibility for the Company's management of risk and system of internal controls, which includes the adoption of Internal Control Framework (ICF) established by Royal FrieslandCampina N.V. (RFC). ICF requires controls to be tested either quarterly, half yearly or yearly, depends on their criticality, to ensure its effectiveness, adequacy and integrity. The Board is responsible for identifying the key business risks faced by the Company and for determining the course of actions to manage those risks. The Company continually evaluates and manages risks and reviews the planned actions.

The Board has received assurance from the Managing Director and the Finance Director that the Company's risk management and internal control system is adequate and operating effectively, in all material aspects.

The Board maintains full control over strategic, financial, organisational and compliance matters and has put in place an organisational structure with formal lines of responsibility and delegation of authority. The Board and the Audit Committee have delegated to Management the implementation of system of risk management and internal controls within an established framework throughout the Company.

RISK MANAGEMENT

The Company implemented the Enterprise Risk Management programme in August 2012 based on the framework that was developed and issued by RFC. The programme establishes an enterprise risk assessment (ERA) for identifying, evaluating, monitoring, reporting and managing significant business risks that affect the achievement of the Company's objectives and policies, on an annual basis.

Key business risks are identified during the business planning process and are reviewed annually by the Board and the Audit Committee, as part of the normal governance process, taking cognisance of changes in the regulatory and business environment. This is to ensure the adequacy and integrity of evaluation within the system of risk management and internal controls.

The Enterprise Risk Management programme encompasses the following, with the potential business risks being escalated to the Audit Committee and the Board for their consideration:

- i) Identification and assessment of risks;
- ii) Increase risk awareness amongst key personnel; and
- iii) Mitigation of risks by means of the relevant control mechanisms and action plans.

INTERNAL CONTROL STRUCTURE AND PROCESSES

The system of internal controls is designed to safeguard the assets of the Company, to ensure the maintenance of proper accounting records and to provide reliable financial information for use within the business and for publication. However, these controls provide only reasonable and not absolute assurance against material error, misstatement, loss or breach of set regulations.

The principal features of the Company's internal control structure are summarised as follows:

- **Board Committees**

The functions and responsibilities of the various committees of the Board of Directors are defined in the terms of reference. These include the Audit Committee, the Nomination Committee and the Remuneration Committee.

- **Organisational Structure and Responsibility Levels**

The Company has an organisational structure with formal lines of responsibility and authorisation procedures within which senior management operates and is accountable for.

- **Authority Levels, Acquisitions and Disposals**

There are authorisation procedures and delegated authority levels for major tenders, major capital expenditure projects, acquisitions and disposal of businesses and other significant transactions.

Investment decisions are delegated to Management in accordance with authority limits. Appraisal and monitoring procedures are applied to all major investment decisions.

Board of Directors' approval is required for key treasury matters including equity and loan financing, approving material acquisitions and disposal of assets not in the ordinary course of business, investment in capital projects, approving cheque signatories and the opening of bank accounts.

On top of this, the FrieslandCampina Corporate Manual includes the procedures and guidelines in which responsibilities and authorisations are stipulated and are applicable for the day to day management of the Company.

- **Procedure and Control Environment**

In addition to internal controls, the Directors have ensured that health and safety regulations, environmental controls and political risks have been considered, and relevant laws and regulations complied with. The quality of the Company's products is of paramount. Quality Assurance, Quality Control and meeting customers' requirements are prime considerations and these are achieved by the Company being FSSC 22000 certified. Ultimately, the aim of the Company is to deliver safe food to consumers, whilst demonstrating compliance with the prevailing laws and regulations.

In addition, strong emphasis is also given to food safety with Good Manufacturing Practices and HACCP (Hazard Analysis and Critical Control Point) System that cover all plants.

The Company has in place the ISO 14001 Environment Management System, a systematic management approach to the environmental concerns of the Company, and OHSAS 18001, the Occupational Health and Safety Assessment Series for the protection of employees from hazards and the mitigation of work related injuries and health-related issues.

Since 2011, the Company has embarked upon FoQus, a broad based quality system. The frequency of FoQus audit, usually once in one to three years, depends on the grade obtained by the Company in the last FoQus audit. This ensures that products produced by the Company and the way in which they are being produced meet the necessary high standards on food safety, quality, labour safety and environment.

The Company has formal guidelines on safety, health and environment which apply to all employees and third party contractors.

The integrity and competence of personnel are continuously assessed through the Performance Management System, talent assessment programme, management organisation development and Hay Reward Management System.

- **Standards of Business Ethics**

Employees are contractually bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers.

In this regard, the RFC Group's code for good business conduct, *Compass*, plays an important role in the management of compliance risk. This code of conduct and its underlying guidelines (which include the Speak-Up Procedure, Fair Competition guidelines and Doing Honest Business, amongst others) forms the basis of the honest, respectful and transparent business conduct of the Company's employees and third parties with whom the Company transacts with. Compliance with this code of conduct and the guidelines is cascaded to all employees by means of a comprehensive communication and training programme, with designated local trusted representatives, set in place.

The *Compass* is supported globally by RFC Corporate Headquarters with an established integrity committee and a reporting platform that is available to employees 24 hours a day, seven days a week so they can, in confidence, express their concerns regarding a suspected infringement of the code or a guideline.

In line with this, the Company has an Employee Handbook that guides the Company's employees in their day to day conduct. Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

Suppliers are also bound by the "RFC Business Practices for Suppliers" to ensure honest conduct of business is being practiced within the Company's business operations.

Statement on Risk Management and Internal Control

- **Formalised Strategic Planning and Operating Plan Processes**

The Company performs business planning and budgeting process each year, to establish plans and targets against which performance is monitored on a monthly basis by Management.

The Company formulated a Sales & Operations Planning process to align product demand and supply together with financial resources in order to provide the Company with defined business strategies and priorities. In addition, the process also aims to continuously improve business performance, especially on the improvement in customer services levels, forecasting accuracy and inventory turnover.

- **Reporting and Review**

The Company's Management Team monitors the monthly reporting and reviews the financial results and forecasts for all the businesses within the Company against the operating plans and annual budgets. The results are communicated to employees at the Company's town hall sessions. A separate monthly financial reporting booklet is also disseminated to the Management Team members, with periodical meetings organised with core business managers.

The Managing Director reports on a quarterly basis to the Audit Committee and the Board of Directors on significant changes in the business and external environment in which the Company operates.

- **Financial Performance**

The preparation of quarterly and full year financial results and the state of affairs, as published to shareholders, are reviewed by the Audit Committee and later approved by the Board.



- **Assurance Compliance**

The Board, Audit Committee and Management review quarterly the Internal Audit reports and monitor the status of implementation of corrective actions that are prepared by the Internal Audit team to address internal control weaknesses noted.

- **Internal Control Framework**

The Company has in place an Internal Control Framework (ICF) based on the framework that was developed and issued by Royal FrieslandCampina N.V. (RFC). The ICF comprises of prescribed control measures that are evaluated by means of regular internal assessments for which if shortcomings are discovered, improvement measures are set in place and regularly tracked.

During the year, the Company continued the execution and self-assessment testing of the ICF controls and procedures.

- **Update on Developments**

Quarterly reporting is made to the Board on legal, accounting and environmental developments where applicable. Briefings are also conducted to keep employees informed of changes to legislation or local by-laws that are expected to affect the Company's operations or the way the Company conducts its business, where relevant.

INTERNAL AUDIT FUNCTION

The Internal Audit independently focuses on the key areas of business and operations risk based on the audit plan approved annually by the Audit Committee. Internal audit report is presented on a quarterly basis to the Audit Committee.

The Internal Audit team highlights to the Audit Committee and Management on areas for improvement and follows-up on the progress of implementation of the agreed actions arising from the internal audit report.

The Audit Committee in turn reviews the effectiveness of the system of internal controls in operation and reports the results thereon to the Board.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Directors have reviewed the effectiveness, adequacy and integrity of the system of risk management and internal controls in operation during the financial year through the monitoring process set out above.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

Taking into account the limitations that are inevitably inherent in any risk management and internal control system, and the possibilities for improving the system, the Company's risk management and internal control systems provide a reasonable degree of assurance that:

- The Board will be informed quarterly of the degree to which the Company's strategic, operational and financial objectives are being achieved;
- The internal and external financial reporting do not contain any material misstatement and that the risk management and internal control systems functioned effectively during 2016; and
- The Company has complied with the relevant legislation and regulations.

This Statement is prepared in accordance with the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers (Guidelines) issued on 31 December 2012, in line with the Paragraph 15.26(b) of the Bursa Securities' Listing Requirements and Principle 6 of the Malaysian Code of Corporate Governance 2012 as issued by the Securities Commission Malaysia.

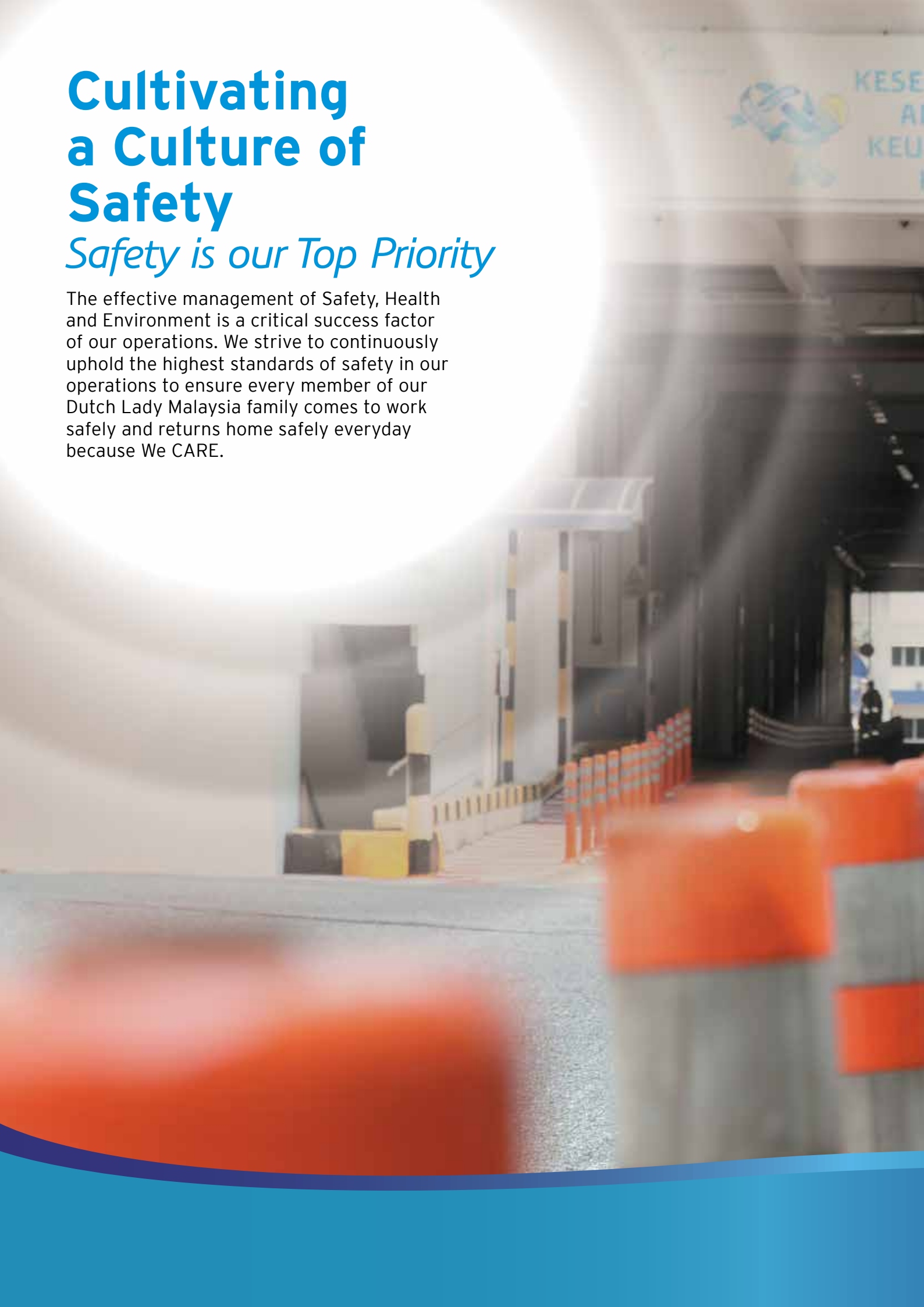
THE REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

Cultivating a Culture of Safety

Safety is our Top Priority

The effective management of Safety, Health and Environment is a critical success factor of our operations. We strive to continuously uphold the highest standards of safety in our operations to ensure every member of our Dutch Lady Malaysia family comes to work safely and returns home safely everyday because We CARE.



LAMATAN
DALAH
TAMAAN
KAMI



Directors' Report

For the Year Ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. The Company markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso Gold and Dutch Lady PureFarm. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	RM'000
Net profit for the year	149,074

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- (i) a first interim ordinary dividend of 50.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM32,000,000 in respect of the financial year ended 31 December 2016 on 19 May 2016;
- (ii) a first special interim ordinary dividend of 60.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM38,400,000 in respect of the financial year ended 31 December 2016 on 19 May 2016;
- (iii) a second interim ordinary dividend of 50.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM32,000,000 in respect of the financial year ended 31 December 2016 on 29 December 2016; and
- (iv) a second special interim ordinary dividend of 60.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM38,400,000 in respect of the financial year ended 31 December 2016 on 29 December 2016.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2016.

In respect of the financial year ending 31 December 2017, the first interim and special interim ordinary dividends declared on 28 February 2017 by the Directors are 50.00 sen and 60.00 sen per ordinary share respectively totalling RM32,000,000 and RM38,400,000 respectively, to be paid on 21 April 2017.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Zainal Abidin bin Putih
Dato' Dr. Mhd. Nordin bin Mohd. Nor
Foo Swee Leng
Boey Tak Kong
Saw Chooi Lee
Piet Johannes Hilarides
Jaska Marianne De Bakker (appointed on 1 January 2017)
Pieter van der Hoek (resigned on 31 December 2016)

In accordance with Article 94(a) of the Company's Constitution, Dato' Dr. Mhd. Nordin bin Mohd. Nor and Piet Johannes Hilarides shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

In accordance with Article 97 of the Company's Constitution, Jaska Marianne de Bakker who was appointed since the date of the last report, shall retire at the forthcoming Annual General Meeting of the Company and being eligible, offers herself for re-election.

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at the end of the financial year held shares or had beneficial interest in the shares of the Company or of its related corporations during and at the end of the financial year. Under the Company's Constitution, the Directors are not required to hold any shares in the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salaries of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors' Report

For the Year Ended 31 December 2016

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Saw Chooi Lee

.....
Jaska Marianne De Bakker

Petaling Jaya
28 February 2017

Statement of Financial Position

As at 31 December 2016

	Note	2016 RM'000	2015 RM'000
Assets			
Property, plant and equipment	3	95,657	90,831
Intangible assets	4	5,807	5,099
Total non-current assets		101,464	95,930
Inventories	5	112,993	99,067
Trade and other receivables	6	90,581	55,172
Prepayments		2,184	909
Derivative financial assets	7	–	1,056
Cash and cash equivalents	8	213,619	160,391
Total current assets		419,377	316,595
Total assets		520,841	412,525
Equity			
Share capital	9	64,000	64,000
Retained earnings		101,493	93,219
Total equity		165,493	157,219
Liabilities			
Deferred tax liabilities	10	6,958	6,394
Total non-current liability		6,958	6,394
Trade and other payables	11	335,360	231,136
Provision	12	155	118
Current tax liabilities		12,804	16,657
Derivative financial liabilities	7	71	1,001
Total current liabilities		348,390	248,912
Total liabilities		355,348	255,306
Total equity and liabilities		520,841	412,525

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Revenue – sales of goods		1,047,725	1,001,663
Cost of sales		(603,852)	(580,947)
Gross profit		443,873	420,716
Other income		4,909	6,587
Distribution expenses		(167,342)	(157,873)
Administrative expenses		(24,995)	(24,330)
Other expenses		(59,851)	(56,609)
Results from operating activities		196,594	188,491
Interest income		4,508	3,854
Finance costs		(3,120)	(3,608)
Profit before tax	13	197,982	188,737
Tax expense	15	(48,908)	(47,757)
Net profit for the year/Total comprehensive income for the year		149,074	140,980
Basic and diluted earnings per ordinary share (sen)	16	232.9	220.3

Statement of Changes in Equity

For the Year Ended 31 December 2016

	Note	Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total equity RM'000
At 1 January 2015		64,000	93,039	157,039
Net profit/Total comprehensive income for the year		–	140,980	140,980
Dividends to owners of the Company	17	–	(140,800)	(140,800)
At 31 December 2015/1 January 2016		64,000	93,219	157,219
Net profit/Total comprehensive income for the year		–	149,074	149,074
Dividends to owners of the Company	17	–	(140,800)	(140,800)
At 31 December 2016		64,000	101,493	165,493

Note 9

Statement of Cash Flows

For the Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Cash flows from operating activities			
Cash receipts from customers and other receivables		1,015,951	991,271
Cash paid to suppliers and employees		(754,063)	(754,249)
Cash generated from operations		261,888	237,022
Income tax paid		(52,197)	(36,430)
Net cash from operating activities		209,691	200,592
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(16,936)	(24,487)
Purchase of intangible assets	4	(115)	(84)
Proceeds from disposal of property, plant and equipment		–	655
Interest received		4,508	3,854
Net cash used in investing activities		(12,543)	(20,062)
Cash flows from financing activities			
Interest paid		(3,120)	(3,608)
Dividends paid	17	(140,800)	(140,800)
Net cash used in financing activities		(143,920)	(144,408)
Net increase in cash and cash equivalents		53,228	36,122
Cash and cash equivalents at 1 January		160,391	124,269
Cash and cash equivalents at 31 December	8	213,619	160,391

Notes to the Financial Statements

Dutch Lady Milk Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business/Registered office

Level 5, Quill 9
No. 112, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. The Company markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso Gold and Dutch Lady PureFarm.

The immediate and ultimate holding companies are FrieslandCampina DLMI Malaysia Holding BV and Royal FrieslandCampina N.V. respectively. Both companies are incorporated in the Netherlands.

These financial statements were authorised for issue by the Board of Directors on 28 February 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Company has applied the following amendments for the first time for the financial year beginning on 1 January 2016:

- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The adoption of these amendments did not have any impact on the current period or any prior period.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative” introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 “Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses” clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine ‘the date of transaction’ when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (continued)

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 “Revenue from Contracts with Customer” replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (continued)

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Company plans to apply the abovementioned accounting standards, amendments and interpretations when effective.

The Directors are in the process of making an assessment of the potential impact from the adoption of these standards to the financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed below and in Note 3 – estimation of impairment loss on property, plant and equipment.

(i) Trade spend accruals

Trade spend accruals of RM73.5 million (2015: RM84.2 million), which consists primarily of trade rebates and promotional discounts, are based on agreed trading terms and promotional activities with trade customers and distributors. Trade spend accruals are recognised under the terms of these agreements, to reflect the expected rebates, promotional activities and historical experience. These accruals are reported within Trade and Other Payables (Note 11). The estimates for these accruals are regularly reviewed by senior management of the Company.

Notes to the Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are derivatives (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) **Derecognition**

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

- buildings 10 - 25 years
- plant and machinery 5 - 33 years
- motor vehicles 5 years
- furniture and equipment 5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted as appropriate.

(d) Leased assets

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets

(i) Computer software

Computer software that is acquired by the Company, which has finite useful life, is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Costs that are directly associated with identifiable computer software and that will probably generate economic benefits exceeding cost beyond one year or cost savings to the Company, and are not integral to other equipment are recognised as intangible assets. These costs include the employee costs of software development and an appropriate portion of relevant overheads.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful life of computer software for the current and comparative periods is 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(ii) Other assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. Ordinary shares are classified as equity.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(m) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Earnings per ordinary share

The Company presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(o) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(p) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
Cost								
At 1 January 2015		5,639	58,254	101,716	762	12,404	18,936	197,711
Additions		–	–	–	–	–	24,487	24,487
Disposals		–	–	(5,006)	(372)	–	–	(5,378)
Written off		–	–	(339)	–	(237)	–	(576)
Transfers		–	4,321	12,515	607	2,431	(19,874)	–
Transfer to intangible assets	4	–	–	(3,861)	–	–	–	(3,861)
<hr/>								
At 31 December 2015/ 1 January 2016		5,639	62,575	105,025	997	14,598	23,549	212,383
Additions		–	–	–	–	–	16,936	16,936
Written off		–	–	(1,367)	–	–	–	(1,367)
Transfers		–	2,783	12,711	–	3,305	(18,799)	–
Transfer to intangible assets	4	–	–	–	–	–	(2,292)	(2,292)
<hr/>								
At 31 December 2016		5,639	65,358	116,369	997	17,903	19,394	225,660
<hr/>								
Depreciation and impairment loss								
At 1 January 2015								
Accumulated depreciation		2,309	29,033	67,003	569	9,093	–	108,007
Accumulated impairment loss		–	–	–	–	–	6,893	6,893
		2,309	29,033	67,003	569	9,093	6,893	114,900
Depreciation for the year		75	2,924	4,674	134	1,248	–	9,055
Impairment loss	3.3	–	–	2,427	–	–	–	2,427
Disposals		–	–	(3,975)	(279)	–	–	(4,254)
Written off		–	–	(339)	–	(237)	–	(576)
At 31 December 2015/ 1 January 2016								
Accumulated depreciation		2,384	31,957	67,363	424	10,104	–	112,232
Accumulated impairment loss		–	–	2,427	–	–	6,893	9,320
		2,384	31,957	69,790	424	10,104	6,893	121,552
Depreciation for the year		75	3,005	5,331	141	1,266	–	9,818
Written off		–	–	(1,367)	–	–	–	(1,367)
At 31 December 2016								
Accumulated depreciation		2,459	34,962	71,327	565	11,370	–	120,683
Accumulated impairment loss		–	–	2,427	–	–	6,893	9,320
		2,459	34,962	73,754	565	11,370	6,893	130,003

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
Carrying amounts							
At 1 January 2015	3,330	29,221	34,713	193	3,311	12,043	82,811
At 31 December 2015/ 1 January 2016	3,255	30,618	35,235	573	4,494	16,656	90,831
At 31 December 2016	3,180	30,396	42,615	432	6,533	12,501	95,657

- 3.1** Included in property, plant and equipment of the Company are fully depreciated assets, which are still in use, with an aggregate cost of approximately RM64,530,000 (2015: RM60,238,000).
- 3.2** Leasehold land relates to the lease of land with unexpired lease period of less than 50 years for the Company's factory buildings, office complex and warehouse located in Petaling Jaya. The lease will expire in 2059 and the Company does not have an option to purchase the leased land at the expiry of the lease period. Leasehold land are amortised over the lease term of the land.
- 3.3** During the previous financial year, due to the optimisation on the newer production machinery with higher capacity and efficiency, the Company tested the other production machinery for impairment and recognised an impairment loss of RM2,427,000.

4. INTANGIBLE ASSETS

	Note	Computer software RM'000	Capital work-in progress RM'000	Total RM'000
Cost				
At 1 January 2015		9,155	498	9,653
Additions		–	84	84
Transfer from property, plant and equipment	3	3,861	–	3,861
At 31 December 2015/1 January 2016		13,016	582	13,598
Additions		–	115	115
Transfers		582	(582)	–
Transfer from property, plant and equipment	3	2,292	–	2,292
At 31 December 2016		15,890	115	16,005
Amortisation				
At 1 January 2015				
Accumulated amortisation		7,894	–	7,894
Amortisation for the year		605	–	605
At 31 December 2015/1 January 2016				
Accumulated amortisation		8,499	–	8,499
Amortisation for the year		1,699	–	1,699
At 31 December 2016				
Accumulated amortisation		10,198	–	10,198
Carrying amounts				
At 1 January 2015		1,261	498	1,759
At 31 December 2015/1 January 2016		4,517	582	5,099
At 31 December 2016		5,692	115	5,807

Notes to the Financial Statements

5. INVENTORIES

	2016 RM'000	2015 RM'000
At cost:		
Finished goods	43,102	51,090
Raw materials	61,649	41,692
Packaging materials	7,698	6,226
Spare parts	544	59
	112,993	99,067
Recognised in profit or loss:		
Inventories recognised as cost of sales	489,585	494,364
Provision/(Reversal of provision) for obsolescence of inventories	1,900	(646)

The provision/(reversal of provision) for obsolescence of inventories is included in cost of sales.

6. TRADE AND OTHER RECEIVABLES

	Note	2016 RM'000	2015 RM'000
Trade			
Trade receivables		78,539	41,956
Less: Accumulated impairment on trade receivables		(3,953)	(3,953)
Net trade receivables	6.1	74,586	38,003
Amounts owing by related companies	6.2	6,423	7,152
		81,009	45,155
Non-trade			
Amounts owing by related companies	6.2	–	935
Other receivables		6,835	6,602
Deposits		2,737	2,480
		9,572	10,017
		90,581	55,172

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

6.1 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and financial liabilities that have been set off for presentation purposes:

	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2016				
Trade receivables	6	74,586	–	74,586
Trade payables	11	(219,770)	–	(219,770)
2015				
Trade receivables	6	65,863	(27,860)	38,003
Trade payables	11	(189,303)	27,860	(161,443)

The Company has determined that the offsetting criteria of certain trade receivables against trade payables are no longer met with effect from financial year ended 31 December 2016. Accordingly, these trade receivables and trade payables are reported on a gross basis for the financial year ended 31 December 2016.

6.2 The amounts owing by related companies are unsecured, interest free and repayable on demand.

7. Derivative financial assets/(liabilities)

	2016			2015		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
– Forward exchange contracts	27,051	–	(71)	85,862	1,056	(1,001)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's payables denominated in currencies other than the functional currency of the Company. All of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Notes to the Financial Statements

8. CASH AND CASH EQUIVALENTS

	2016 RM'000	2015 RM'000
Cash and bank balances	38,995	8,891
Deposits placed with licensed banks	174,624	151,500
	213,619	160,391

The deposits placed with licensed banks bear an average interest of 2.81% (2015: 3.70%) per annum and have maturity periods ranging from 7 to 90 days (2015: 5 to 182 days).

Bank balances are held at call with licensed banks and earn no interest.

9. SHARE CAPITAL

	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '000
Ordinary shares of RM 1 each:				
Authorised	100,000	100,000	100,000	100,000
Issued and fully paid	64,000	64,000	64,000	64,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

10. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	–	–	(9,388)	(8,282)	(9,388)	(8,282)
Inventories	845	405	–	(72)	845	333
Accrued expenses	1,361	1,512	–	–	1,361	1,512
Provisions	37	29	–	–	37	29
Other items	187	14	–	–	187	14
Tax assets/(liabilities)	2,430	1,960	(9,388)	(8,354)	(6,958)	(6,394)

Movement in temporary differences during the year

	At	Recognised	At	Recognised	At
	1.1.2015 RM'000	in profit or loss RM'000	31.12.2015/ 1.1.2016 RM'000	in profit or loss RM'000	31.12.2016 RM'000
Property, plant and equipment	(6,882)	(1,400)	(8,282)	(1,106)	(9,388)
Inventories	(192)	525	333	512	845
Receivables	228	(228)	–	–	–
Accrued expenses	1,396	116	1,512	(151)	1,361
Provisions	57	(28)	29	8	37
Other items	(1,311)	1,325	14	173	187
	(6,704)	310	(6,394)	(564)	(6,958)

Note 15

Note 15

Notes to the Financial Statements

11. TRADE AND OTHER PAYABLES

	Note	2016 RM'000	2015 RM'000
Trade			
Amounts owing to related companies	11.2	74,759	35,842
Trade payables	6.1, 11.1	219,770	161,443
		294,529	197,285
Non-trade			
Amounts owing to related companies	11.2	19,733	932
Accrued expenses		19,978	31,117
Other payables		1,120	1,802
		40,831	33,851
		335,360	231,136

11.1 Certain financial assets and financial liabilities for the previous financial year which have been set off for presentation purposes are shown in Note 6.1.

11.2 The amounts owing to related companies are unsecured, interest free and repayable on demand.

12. PROVISION

	Employees' pension contribution	
	2016 RM'000	2015 RM'000
At 1 January	118	229
Addition during the year	37	40
Utilised during the year	–	(52)
Reversal during the year	–	(99)
At 31 December	155	118

Employees' Pension Contribution

Provision for employees' pension contribution reflects provisions made for additional contributions to be made to the statutory Employees Provident Fund that would vest upon unionised staff having completed five years of service. The provision has been made on the assumption that all relevant staff will complete their five year term and that therefore their benefits will vest in its entirety.

13. PROFIT BEFORE TAX

	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible assets	1,699	605
Auditors' remuneration:		
- Statutory audit - current year	142	114
- Other services	20	50
Depreciation of property, plant and equipment	9,818	9,055
Loss on disposal of property, plant and equipment	-	469
Net loss on derivatives	126	5,474
Impairment loss recognised:		
- Property, plant and equipment	-	2,427
Net loss/(gain) on foreign exchange:		
- Realised	(230)	(11,860)
- Unrealised	710	112
Personnel expenses (including key management personnel):		
- Wages, salaries and others	54,463	53,245
- Contributions to state plans	7,816	7,558
Operating lease rental in respect of:		
- Premises	2,481	2,072
- Equipment	5,049	4,721
- Vehicles	1,353	1,772
Finance cost	3,120	3,608
Provision/(Reversal of provision) for obsolescence of inventories	1,900	(646)

Notes to the Financial Statements

14. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2016 RM'000	2015 RM'000
Directors:		
- Fees	263	255
- Remuneration	1,569	1,229
- Benefits-in-kind	34	17
- Other emoluments	83	66
	1,949	1,567
Other key management personnel:		
- Wages, salaries and others	3,741	3,958
- Contributions to state plans	283	207
	4,024	4,165
	5,973	5,732

Directors' remuneration includes salaries, allowance and all other Directors related expenses.

Other key management personnel comprise persons other than Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

15. TAX EXPENSE

Recognised in profit or loss

	Note	2016 RM'000	2015 RM'000
Current tax expense			
- current year		48,754	49,382
- over provision in prior year		(410)	(1,315)
		48,344	48,067
Deferred tax expense			
Origination and reversal of temporary differences	10	564	(310)
Total income tax expense		48,908	47,757

15. TAX EXPENSE (CONTINUED)

	2016 RM'000	2015 RM'000
Reconciliation of tax expense		
Profit before tax	197,982	188,737
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	47,516	47,184
Non-deductible expenses	2,342	1,888
Income not subject to tax	(186)	–
Over provision in prior year	(410)	(1,315)
Utilisation of tax incentive	(354)	–
	48,908	47,757

16. EARNINGS PER ORDINARY SHARE**Basic and diluted earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2016	2015
Net profit for the year (RM'000)	149,074	140,980
Average number of ordinary shares of RM1 each in issue ('000)	64,000	64,000
Basic and diluted earnings per ordinary share (sen)	232.9	220.3

There are no potential dilutive ordinary shares in issue as at 31 December 2016, and therefore, diluted earnings per share equal basic earnings per share.

Notes to the Financial Statements

17. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2016			
Single tier first interim 2016 ordinary	50.00	32,000	19.05.2016
Single tier first special interim 2016 ordinary	60.00	38,400	19.05.2016
Single tier second interim 2016 ordinary	50.00	32,000	29.12.2016
Single tier second special interim 2016 ordinary	60.00	38,400	29.12.2016
Total amount		<u>140,800</u>	
2015			
Single tier first interim 2015 ordinary	50.00	32,000	19.05.2015
Single tier first special interim 2015 ordinary	60.00	38,400	19.05.2015
Single tier second interim 2015 ordinary	50.00	32,000	18.12.2015
Single tier second special interim 2015 ordinary	60.00	38,400	18.12.2015
Total amount		<u>140,800</u>	

After the end of the reporting period, the following dividends were declared on 28 February 2017 by the Directors. These dividends will be recognised in subsequent period.

	Sen per share	Total amount RM'000
2017		
First interim 2017 ordinary	50.00	32,000
First special interim 2017 ordinary	60.00	38,400
Total amount		<u>70,400</u>

18. OPERATING SEGMENTS

The Company operates principally in Malaysia and in one major business segment being manufacturing and distribution of a wide range of dairy products. The Company's Board of Directors (the chief operating decision maker) reviews internal management reports in respect of this segment at least on a quarterly basis.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

Net revenues of approximately RM130.3 million (2015: RM114.5 million) are derived from a single external customer.

19. FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”);
- (b) Fair value through profit or loss (“FVTPL”):
 - Held for trading (“HFT”); and
- (c) Financial liabilities measured at amortised cost (“FL”).

	Carrying amount 2016 RM'000	L&R/ (FL) 2016 RM'000	FVTPL - HFT 2016 RM'000	Carrying amount 2015 RM'000	L&R/ (FL) 2015 RM'000	FVTPL - HFT 2015 RM'000
Financial assets						
Trade and other receivables	90,581	90,581	–	55,172	55,172	–
Derivative financial assets	–	–	–	1,056	–	1,056
Cash and cash equivalents	213,619	213,619	–	160,391	160,391	–
	304,200	304,200	–	216,619	215,563	1,056
Financial liabilities						
Trade and other payables	(335,360)	(335,360)	–	(231,136)	(231,136)	–
Derivative financial liabilities	(71)	–	(71)	(1,001)	–	(1,001)
	(335,431)	(335,360)	(71)	(232,137)	(231,136)	(1,001)

19.2 Net gains and losses arising from financial instruments

	2016 RM'000	2015 RM'000
Net gains/(losses) from:		
Fair value through profit or loss	(126)	(5,474)
Loans and receivables	(303)	4,268
Financial liabilities measured at amortised cost	(3,297)	5,489
	(3,726)	4,283

Notes to the Financial Statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management

The Company has exposure to the following risks relating to financial instruments:

- Credit risk
- Liquidity risk
- Market risk

19.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has adopted a policy of only dealing with creditworthy customers, based on evaluation of the customers' financial condition and credit history, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risk arises principally from its receivables from customers and related companies and deposits placed with licensed banks.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company performs credit evaluations on customers requiring credit over a certain amount.

The Company has entered into an arrangement with a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. This has resulted in the financial institution assuming the debts to the Company and credit risk is effectively transferred to the financial institution.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

A significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 60 days which are deemed to have higher credit risk, are monitored individually. The Company believes that, generally no allowance for doubtful debts is necessary in respect of trade receivables that are neither past due nor impaired as these receivables are mainly arising from trade debtors that have good records of payment in the past.

Other receivables and deposits are neither past due nor impaired. The Company believes that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

19. FINANCIAL INSTRUMENTS (CONTINUED)**19.4 Credit risk (continued)****Receivables (continued)**

Exposure to credit risk, credit quality and collateral (continued)

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2016			
Not past due	56,123	–	56,123
Past due 1 – 30 days	15,789	–	15,789
Past due 31 – 90 days	1,994	–	1,994
Past due over 90 days	4,633	(3,953)	680
	78,539	(3,953)	74,586
2015			
Not past due	32,556	–	32,556
Past due 1 – 30 days	5,447	–	5,447
Past due 31 – 90 days	–	–	–
Past due over 90 days	3,953	(3,953)	–
	41,956	(3,953)	38,003

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2016 RM'000	2015 RM'000
At 1 January	3,953	4,980
Impairment loss written off	–	(1,027)
At 31 December	3,953	3,953

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

The individually impaired receivables relate to customers who are under ongoing litigation.

Notes to the Financial Statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Credit risk (continued)

Related company balances

Risk management objectives, policies and processes for managing the risk

The Company undertakes trade and non-trade transactions with a number of related companies. The Company monitors the repayment from its related companies on a regular basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Company regularly follows up on timely settlement of the amount owing by related companies. The related companies are not required to place any collateral with the Company.

As at the end of the reporting period, there was no indication that the amount owing by related companies is not recoverable as substantially all of these amounts are aged less than a year.

Deposits placed with licensed banks

Risk management objectives, policies and processes for managing the risk

Credit risk arises from deposits with licensed banks and financial institutions. The deposits are placed with credit-worthy financial institutions with high credit rating. The Company considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Company has only placed deposits with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

As deposits are only placed with licensed banks, management does not expect the banks to fail to meet their obligations.

The deposits placed with licensed banks are unsecured.

Derivative financial assets

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial asset in the statement of financial position.

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000
2016				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	335,360	–	335,360	335,360
<i>Derivative financial liabilities</i>				
Forward exchange contracts (net settled)	71	–	71	71
	335,431		335,431	335,431
2015				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	231,136	–	231,136	231,136
<i>Derivative financial liabilities</i>				
Forward exchange contracts (net settled)	1,001	–	1,001	1,001
	232,137		232,137	232,137

Notes to the Financial Statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

19.6.1 Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily United States Dollar (USD), New Zealand Dollar (NZD), Singapore Dollar (SGD), Euro (EUR), Australia Dollar (AUD), Thai Baht (THB), Indonesia Rupiah (IDR) and Great Britain Pound (GBP).

Risk management objectives, policies and processes for managing the risk

The Company uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in							
	USD RM'000	NZD RM'000	SGD RM'000	EUR RM'000	AUD RM'000	THB RM'000	IDR RM'000	GBP RM'000
2016								
Amounts owing by related companies	2,600	–	–	3,283	–	–	–	–
Cash at bank	61,820	–	–	–	–	–	–	–
Trade payables	(8,694)	(467)	(160)	(1,481)	(1,200)	(13,999)	(1,586)	(218)
Amounts owing to related companies	(35,058)	–	–	(32)	–	(6)	(11,923)	–
	20,668	(467)	(160)	1,770	(1,200)	(14,005)	(13,509)	(218)
2015								
Amounts owing by related companies	1,697	–	–	1,865	–	–	–	–
Cash at bank	1,047	–	–	–	–	–	–	–
Trade payables	(3,265)	(3)	(397)	(2,408)	(624)	(2,531)	–	–
Amounts owing to related companies	(6,697)	–	–	(910)	–	(203)	(1,024)	–
	(7,218)	(3)	(397)	(1,453)	(624)	(2,734)	(1,024)	–

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.6 Market risk (continued)

19.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2015: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Equity		Profit or loss	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
USD	(1,571)	541	(1,571)	541
EUR	(135)	109	(135)	109
THB	1,064	205	1,064	205
IDR	1,027	77	1,027	77

A 10% (2015: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant. The movements in other currency exchange rates are not expected to have any significant effect on the profit or loss.

19.6.2 Interest rate risk

The Company is not exposed to a risk of change in cash flows due to changes in interest rates as the Company has no borrowings as of the financial year end. The Company places short term deposits with licensed banks which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

19.6.3 Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk comprises equity price risk and commodity price risk.

The Company is not exposed to any other price risk.

Notes to the Financial Statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.7 Fair value information

The carrying amounts of cash and cash equivalents and short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value together with their carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
2016					
Financial assets					
Forward exchange contracts	–	–	–	–	–
Financial liabilities					
Forward exchange contracts	–	(71)	–	(71)	(71)
2015					
Financial assets					
Forward exchange contracts	–	1,056	–	1,056	1,056
Financial liabilities					
Forward exchange contracts	–	(1,001)	–	(1,001)	(1,001)

Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is based on the quoted price provided by the licensed banks with which the foreign exchange contracts are entered into.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the asset or liability.

20. CAPITAL MANAGEMENT

The Company defines capital as share capital (Note 9) and this is unchanged from the prior year.

The Company's objectives when managing capital are to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as results from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to shareholders.

The return on capital at 31 December 2016 and 31 December 2015 were as follows:

	2016 RM'000	2015 RM'000
Results from operating activities (RM'000)	196,594	188,491
Total equity attributable to owners of the Company (RM'000)	165,493	157,219
Return on capital (%)	118.8	119.9

The Company monitors and maintains a prudent level of total equity attributable to the owners of the Company to ensure it is adequate to balance the support for future development of the business and the payment of dividends to owners of the Company.

21. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016 RM'000	2015 RM'000
Less than one year	4,329	6,350
Between one and five years	4,014	7,828
	8,343	14,178

Operating lease payments represent rentals payable by the Company for certain vehicles, forklifts, machinery and premises. Leases are negotiated and fixed for a term of between 3 to 5 years.

Notes to the Financial Statements

22. CAPITAL COMMITMENTS

	2016 RM'000	2015 RM'000
Property, plant and equipment		
Authorised but not contracted for	11,863	19,104
Contracted but not provided for	560	217

23. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 6 and Note 11.

	2016 RM'000	2015 RM'000
Management fee paid to immediate holding company - FrieslandCampina DLMI Malaysia Holding B.V.	(112)	(108)
Purchase of fully packed dairy products and raw materials from fellow subsidiaries - FrieslandCampina Nederland Holding B.V.	(223,915)	(257,288)
- P.T. Frisian Flag Indonesia	(67,154)	(44,723)
- FrieslandCampina AMEA Pte Ltd	(67,742)	(55,622)
Sales of fully packed dairy products to fellow subsidiaries - FrieslandCampina Nederland Holding B.V.	4,275	5,455
- FrieslandCampina (Singapore) Pte Ltd	14,671	16,729
Know-how, trademark license and management support fees paid to fellow subsidiary - FrieslandCampina Nederland B.V.	(27,031)	(24,695)
Information, communication and technology services paid to fellow subsidiary - FrieslandCampina Nederland Holding B.V.	(10,669)	(7,397)
Shared services received from fellow subsidiary - FrieslandCampina Service Centre Asia Pacific Sdn Bhd	294	251

24. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	2016 RM'000	2015 RM'000
Total retained earnings		
- realised	109,231	99,670
- unrealised	(7,738)	(6,451)
	101,493	93,219

The determination of realised and unrealised profits is based on the Guidance on 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 the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 59 to 98 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2016 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 24 on page 99 to the financial statements has been compiled in accordance with the Guidance on 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 the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Saw Chooi Lee

.....
Jaska Marianne De Bakker

Petaling Jaya
28 February 2017

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mirjam Joanna Ghislaine van Thiel, the Officer primarily responsible for the financial management of Dutch Lady Milk Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 99 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya on 28 February 2017.

.....
Mirjam Joanna Ghislaine van Thiel

Before me:



No. 29-3-1, Jalan Teknologi 2/6E,
The Core Kota Damansara,
47810 Petaling Jaya, Selangor

Independent Auditors' Report

To the Members of Dutch Lady Milk Industries Berhad
(Incorporated In Malaysia)
(Company No. 5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Dutch Lady Milk Industries Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 98.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Independent Auditors' Report

To the Members of Dutch Lady Milk Industries Berhad
(Incorporated in Malaysia)
(Company No. 5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Use of estimates in revenue recognition arising from rebates and discounts given to customers</p> <p>Revenue is recognised net of rebates and discounts. Rebates and discounts recognised are based on the expected entitlement earned up to reporting date under each customer trading agreement and promotions run.</p> <p>The Company has two categories of rebates and discounts where estimates are used:</p> <ul style="list-style-type: none"> • Conditional rebates • Promotional discounts <p>Conditional rebates and promotional discounts are triggered when certain conditions are met. The amount payable is based on conditions achieved, multiplied by rates contracted with each customer in their trading agreements.</p> <p>We focused on this area given the subjectivity in estimating the sales volumes or values on which to determine related accruals at the reporting date.</p> <p>Refer to Note 1(d)(i) (Use of estimates and judgements) and Note 2(l)(i).</p>	<ul style="list-style-type: none"> • We evaluated and tested the operating effectiveness of controls in relation to the authorisation of rebates and promotional activities and the determination of year end accruals. • We evaluated the reasonableness of management's estimates on meeting volume or sales targets in relation to conditional rebates and promotional discounts. We have performed a comparison of actual sales volume and values achieved by the customer against the sales volume and values recorded. • We have tested the accruals of unclaimed rebates and promotional discounts to subsequent claims after the year end. <p>There were no material exceptions noted from our procedures.</p>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>New system implementation</p> <p>The Company changed its accounting system from SAP Align (R3) system to SAP SUMMIT (PE1 OBB) system with effect from 1 May 2016. The new system includes Sales and Distribution, Costing, Material Management, Financial Accounting and Controlling and Quality Management modules.</p> <p>We focused on this area because the financial accounting and reporting functions are heavily dependent on the information technology (“IT”) system. There is a risk that automated accounting controls and related IT dependent manual controls are not designed and operating effectively, and there is a risk of loss of key financial data being migrated, which could lead to financial errors and inaccurate financial reporting.</p> <p>Refer to the Audit Committee Report on pages 30 to 39 of the Annual Report.</p>	<ul style="list-style-type: none"> • We tested material opening balances as at 1 May 2016 from the previous system to the new system for accuracy and completeness. We have checked the classification of the financial statement line items from the previous system to the new system for consistency. • We utilised our IT audit specialists to test the controls specifically established over the implementation process and migration of key financial data from the previous system to the new system. Our IT audit specialists gained an understanding of the project governance framework, data migration scope, and data migration results performed by the migration teams. • We utilised our IT audit specialists to evaluate and test the effectiveness of Information Technology General Controls over Access to Application and Data, Program Changes and Computer Operations relating to the new system, as well as IT dependent controls within critical business processes.

Information other than the financial statements and auditors’ report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors’ Report and the complete 2016 Annual Report, but does not include the financial statements of the Company and our auditors’ report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

To the Members of Dutch Lady Milk Industries Berhad
(Incorporated in Malaysia)
(Company no. 5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 24 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

NG GAN HOOI

(No. 2914/04/17 (J))
Chartered Accountant

Kuala Lumpur
28 February 2017

Recurrent Related Party Transactions

of a Revenue or Trading Nature

At the Fifty-Third Annual General Meeting of the Company held on 26 April 2016, the Company had obtained a general mandate from its shareholders' for recurrent related party transactions of a revenue or trading nature, to be entered into by the Company ("RRPT Mandate").

The RRPT Mandate is valid until the conclusion of the forthcoming Fifty-Fourth Annual General Meeting of the Company to be held on 28 April 2017. The Company proposes to seek a renewal of the existing RRPT Mandate and a new RRPT Mandate at its forthcoming Fifty-Fourth Annual General Meeting. The renewal of the existing RRPT Mandate and the new RRPT Mandate, if approved by the shareholders, will be valid until the conclusion of the Company's next Annual General Meeting. Details of the RRPT Mandate being sought is provided in the Circular to Shareholders dated 3 April 2017 sent together with the Annual Report.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the Listing Requirements of Bursa Securities, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 31 December 2016 are as follows:

Related Party	Nature of Transaction	Value of Transaction RM'000
FrieslandCampina Nederland Holding B.V., the Netherlands and its subsidiaries	Purchase and sale of fully packed dairy products and raw materials	228,190
P.T. Frisian Flag Indonesia, Indonesia	Purchase of fully packed dairy products and raw materials	67,154
FrieslandCampina AMEA Pte Ltd, Singapore	Purchase of fully packed dairy products	67,742
FrieslandCampina (Singapore) Pte Ltd, Singapore	Sale of fully packed dairy products	14,671
FrieslandCampina Nederland B.V. (formerly known as Friesland Brands B.V.), the Netherlands	Know-how, Trademark licence and Management support fees	27,031
FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands	Corporate fees	112
FrieslandCampina Nederland Holdings B.V.	ICT and Communications services	10,669
FrieslandCampina Service Centre Asia Pacific Sdn Bhd	Shared services	294

Additional Compliance Information

OTHER COMPLIANCE INFORMATION

In compliance with the Listing Requirements of Bursa Securities, the following information is provided:-

MATERIAL CONTRACTS

For the financial year, there were no material contracts entered into by the Company (not being contracts entered into in the ordinary course of business) involving directors and substantial shareholders.

FEES FOR SERVICES RENDERED BY THE EXTERNAL AUDITORS

During the financial year, the Company paid the following fees for professional services rendered by the External Auditors to the Company:-

1. In relation to audit services, RM141,818.
2. In relation to non-audit services, RM20,000.

UTILISATION OF PROCEEDS

The Company did not carry out any corporate exercise to raise funds during the financial year.

Analysis of Shareholdings

ANALYSIS OF SHAREHOLDINGS AS AT 28 FEBRUARY 2017

Class of Shares	Ordinary shares		
Voting Rights	On show of hands	:	1 vote
	On a poll	:	1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
Less than 100 shares	159	3.25	1,472	0.00
100 to 1,000 shares	3,104	63.37	1,572,819	2.46
1,001 to 10,000 shares	1,399	28.56	4,902,461	7.66
10,001 to 100,000 shares	204	4.17	5,609,248	8.76
100,001 to Less than 5% of issued shares	30	0.61	13,091,300	20.46
5% and above the issued shares	2	0.04	38,822,700	60.66
	4,898	100.00	64,000,000	100.00

Name of 30 Largest Shareholders	No. of Shares	% of Holdings
1. FrieslandCampina DLMI Malaysia Holding B.V.*	32,614,800	50.96
2. AmanahRaya Trustees Berhad* – Amanah Saham Bumiputera	6,207,900	9.70
3. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	2,407,100	3.76
4. Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	2,002,000	3.13
5. AmanahRaya Trustees Berhad – Amanah Saham Didik	1,010,400	1.58
6. AmanahRaya Trustees Berhad As 1Malaysia	720,000	1.13
7. AmanahRaya Trustees Berhad – Amanah Saham Gemilang For Amanah Saham Kesihatan	642,600	1.00
8. AmanahRaya Trustees Berhad – Amanah Saham Bumiputera 2	620,000	0.97
9. Yong Siew Lee	566,000	0.88
10. AmanahRaya Trustees Berhad – Amanah Saham Malaysia	500,450	0.78
11. Yeo Khee Bee	440,900	0.69
12. AmanahRaya Trustees Berhad – Amanah Saham Nasional 3 Imbang	419,250	0.66
13. Aun Huat & Brothers Sdn Berhad	416,500	0.65
14. DB (Malaysia) Nominee (Asing) Sdn Bhd – SSBT Fund W4B0 For WASATCH International Opportunities Fund	380,600	0.59

Name of 30 Largest Shareholders		No. of Shares	% of Holdings
15.	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	360,700	0.56
16.	AmanahRaya Trustees Berhad – Amanah Saham Gemilang For Amanah Saham Persaraan	210,500	0.33
17.	AmanahRaya Trustees Berhad – Public Dividend Select Fund	203,100	0.32
18.	DB (Malaysia) Nominee (Asing) Sdn Bhd – BNYM SA/NV for Invesco Asean Equity Fund	200,000	0.31
19.	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Chan See Min Realty Sdn Bhd (E-KUG)	200,000	0.31
20.	AmanahRaya Trustees Berhad – Amanah Saham Gemilang For Amanah Saham Pendidikan	196,000	0.31
21.	Maybank Nominees (Tempatan) Sdn Bhd – National Trust Fund (IFM Eastspring) (410140)	182,900	0.29
22.	Quek Guat Kwee	162,400	0.25
23.	Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
24.	Citigroup Nominees (Asing) Sdn Bhd – CBNY For DFA Emerging Markets Small Cap Series	135,500	0.21
25.	AmanahRaya Trustees Berhad – Public Islamic Treasures Growth Fund	133,700	0.21
26.	Maybank Nominees (Tempatan) Sdn Bhd – National Trust Fund (IFM Maybank)	131,200	0.21
27.	CIMB Commerce Trustee Berhad – Public Focus Select Fund	130,600	0.20
28.	Chow Kok Meng	119,400	0.19
29.	AmanahRaya Trustees Berhad – Public Mutual PRS Growth Fund	118,800	0.19
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd – SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	118,100	0.18
Total		51,707,700	80.79

* Registered in the Company's Register as Substantial Shareholders

Analysis of Shareholdings

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	%	Indirect	%
1. FrieslandCampina DLMI Malaysia Holding B.V.	32,614,800	50.96	0	0
2. Amanahraya Trustees Berhad - Amanah Saham Bumiputera	6,207,900	9.70	0	0

DIRECTORS' SHAREHOLDINGS

Name	Direct	%	Indirect	%
1. Dato' Zainal Abidin bin Putih	-	-	-	-
2. Saw Chooi Lee	-	-	-	-
3. Foo Swee Leng	-	-	-	-
4. Boey Tak Kong	-	-	-	-
5. Dato' Dr. Mhd. Nordin bin Mohd. Nor	-	-	-	-
6. Piet Johannes Hilarides	-	-	-	-
7. Jaska Marianne de Bakker	-	-	-	-

PARTICULARS OF PROPERTIES AS AT 31 DECEMBER 2016

Location of Property	13 & 15, Jalan Semangat, Petaling Jaya	Lot 79, Jalan 13/6, Petaling Jaya
Brief description	Factory buildings and office complex	Warehouse
Approximate land area	358,482 sq. ft.	74,135 sq. ft.
Tenure leasehold land	Leasehold land expiring in the year 2059	Leasehold land expiring in the year 2059
Date of acquisition	21.10.1960 & 19.03.1980	12.01.1989
Age of property	Between 37 years to 57 years	28 years
Net Book Value (RM 'mIn)	18.8 mIn	2.2 mIn

Proxy Form



CDS Account	
No. of Shares held	

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)
(incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

I/We
(Full name in block letters, NRIC No. / Company No.)

of

being a member/members of DUTCH LADY MILK INDUSTRIES BERHAD, hereby appoint:

Full name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

And/or (delete as appropriate)

Full name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fifty-Fourth Annual General Meeting of the Company to be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 28 April 2017 at 9 a.m. and any adjournment thereof, in respect of my/our shareholding in the manner indicated below:-

Resolution No.	Resolution	For	Against
Resolution 1	Approve the payment of Directors' fees and benefits for the financial year ending 31 December 2017, to be paid quarterly		
Resolution 2	Re-election of Dato' Dr. Mhd. Nordin bin Mohd. Nor		
Resolution 3	Re-election of Piet Johannes Hilarides		
Resolution 4	Re-appointment of Jaska Marianne de Bakker		
Resolution 5	Re-appointment of Messrs. PricewaterhouseCoopers as the Company's Auditors		
Resolution 6	Approve the Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 7	Approve the retention of Foo Swee Leng as an Independent Director of the Company		
Resolution 8	Approve the retention of Boey Tak Kong as an Independent Director of the Company		
Resolution 9	Approve the amendments to the Articles of Association of the Company's Constitution		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instruction, your proxy will vote or abstain as he/she thinks fit.

Signed thisday of 2017

Signatures(s) of Shareholder/Attorney
(if Shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

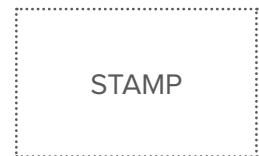
By submitting the proxy form, the member and its proxy(ies) consents to the Company (and /or its agents / service providers) to the collection, usage and disclosure of their personal data (which may include sensitive data) therein in accordance with the Personal Data Protection Act 2010 for the purpose of the AGM, including any adjournment thereof.

Notes:-

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
2. Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.
3. This instrument appointing the proxy must be signed by the Member or the attorney duly authorised in writing, or if the appointer is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.
4. Only Members, whose names appearing the Record of Depositors as at 5.00 p.m. on 24 April 2017 shall be entitled to attend and vote at the Meeting or appoint proxy/proxies to attend and/or vote on his behalf.
5. To be valid, the instrument appointing the proxy, duly completed (and, if applicable, the power of attorney or other authority under which it is signed or notarially certified copy of that power of attorney) must be deposited at the in care of the Symphony Share Registrars Sdb Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor (Helpdesk No. 03-7849 0777, Fax No. 03-7841 8151/8152), not less than 48 hours before the time set for holding the Meeting or any adjournment thereof (or in the case of poll, before the time appointed for the taking of the poll).
6. Registration and Door Gifts Registration will commence at 7.30 a.m. on the day of the Meeting. Members and Proxies are advised to be punctual. For verification purposes, Members and Proxies are required to produce their original identification card at the registration counter.

In conformity with past practice, please take note that each Member or Proxy who is present shall be entitled to one (1) door gift only upon registration, irrespective of the number of Members he/she represent (e.g. in the event a Member and/or Proxy represents himself and/or two or more Members, he/she shall be entitled to one (1) door gift only).
7. Pursuant to Paragraph 8.29A of the Main Market Listing requirements, voting at the 54th Annual General Meeting of the Company will be conducted by poll rather than a show of hands. Independent scrutineers will be appointed to observe the polling process and verify the poll results.

Please fold here to seal



SHARE REGISTRAR

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301, Petaling Jaya
Selangor

Please fold here to seal



FrieslandCampina



Dutch Lady Milk Industries Berhad (5063-V)
Level 5, Quill 9, 112, Jalan Semangat, 46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia

www.dutchlady.com.my



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