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**DUTCH LADY MILK INDUSTRIES BERHAD (196301000165 (5063-V))**  
(Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO:**

**PROPOSED DISPOSAL BY DUTCH LADY MILK INDUSTRIES BERHAD ("DLMI" OR "COMPANY") OF LANDS HELD UNDER DOCUMENTS OF TITLE PAJAKAN NEGERI 33305 LOT 78 SEKSYEN 13, PAJAKAN NEGERI 33306 LOT 79 SEKSYEN 13 AND PAJAKAN NEGERI 96122 LOT 48 SEKSYEN 13, ALL IN BANDAR PETALING JAYA, DAERAH PETALING, NEGERI SELANGOR ("LAND") TOGETHER WITH THE BUILDINGS ERECTED THEREON ("BUILDINGS") BEARING POSTAL ADDRESS NO 13, JALAN PROFESSOR KHOO KAY KIM (FORMERLY KNOWN AS JALAN SEMANGAT) 46200 PETALING JAYA, SELANGOR (THE LAND TOGETHER WITH THE BUILDINGS SHALL HEREINAFTER BE REFERRED TO TOGETHER AS "PROPERTY") TO UEM LAND BERHAD ("PURCHASER") FOR A TOTAL CASH SUM OF RM200,000,000.00 ("PURCHASE PRICE")**

The ordinary resolution in respect of the above proposal will be tabled at the Extraordinary General Meeting ("EGM") of the Company. The Notice of the EGM and the Form of Proxy of Dutch Lady Milk Industries Berhad have been circulated in accordance with the Company's Constitution and are available on the Company's website. The EGM of the Company will be held fully virtual through live streaming and online remote voting from the Broadcast Venue, Meeting Room, 12<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on 1 July 2021 at 2.00 p.m. Please follow the procedures set out in the Administrative Guide in order to register, participate and vote remotely. You are requested to complete the Form of Proxy and deposit it at the office of Boardroom Share Registrars Sdn Bhd at the Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not later than not less than 48 hours before the time appointed for the taking of the poll) or by electronic means using the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com/> not later than 48 hours before the time set for holding the Meeting or any adjournment thereof. Please refer to the Administrative Guide in the Notice of EGM. The lodging of the Form of Proxy will not preclude you from attending and voting at the Meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : 29, June 2021 at 2.00 p.m.

Date and time of Extraordinary General Meeting : 1, July 2021 at 2.00 p.m.

This Circular is dated 9 June 2021

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

"Bandar Enstek Land Acquisition"	: DLMI's purchase of three (3) parcels of freehold industrial land held under Geran 270934 Lot No. 61320, Geran 270935 Lot No. 61321 and Geran 270936 Lot No 61322 all in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan for a total cash consideration of RM56,790,320
"Board"	: Board of Directors of DLMI
"Buildings"	: Buildings erected on the Land
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"Constitution"	: The Constitution of DLMI, as amended from time to time
"DLMI" or "the Company"	: Dutch Lady Milk Industries Berhad (Registration No. 196301000165 (5063-V))
"EGM"	: Extraordinary General Meeting
"EPS"	: Earnings per share
"Land"	: The land located and held under documents of title Pajakan Negeri 33305 Lot 78 Seksyen 13 ("Lot 78"), Pajakan Negeri 33306 Lot 79 Seksyen 13 ("Lot 79") and Pajakan Negeri 96122 Lot 48 Seksyen 13 ("Lot 48"), all in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor bearing postal address No. 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) 46200 Petaling Jaya, Selangor
"Listing Requirements"	: The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time
"NA"	: Net asset
"New Facilities"	: Manufacturing and warehousing facilities, support facilities and office facilities to be constructed on freehold industrial land held under Geran 270934 Lot No. 61320, Geran 270935 Lot No. 61321 and Geran 270936 Lot No 61322 all in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan
"Proforma Statement"	: The proforma statement of financial position showing effects before and after the transaction based on DLMI's audited financial statements for the financial year ended 31 December 2020 together with the notes and the auditors' report

“Property”	: The Land together with the Buildings
“Proposed Disposal”	: The disposal of the Property by DLMI to the Purchaser
“Purchase Price”	: Ringgit Two Hundred Million (RM200,000,000.00)
“Purchaser”	: UEM Land Berhad (Registration No. 198201011169 (90894-P))
“RM”	: Ringgit Malaysia
“SPA”	: Conditional sale and purchase agreement entered into between DLMI and the Purchaser on 10 March 2021
“Tenancy”	: Tenancy of the Property for 2 years from the completion of the SPA, with an option to extend for two (2) further terms of 6 months each thereafter
“Valuation Report”	: Valuation of the Property carried out by PPC International Sdn Bhd on 20 January 2021
“Valuer”	: PPC International Sdn Bhd

In this Circular, unless there is something in the subject or context inconsistent herewith, the singular includes the plural and references to gender include both genders and the neuter.

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**DUTCH LADY MILK INDUSTRIES BERHAD  
(196301000165 (5063-V))**

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Selangor Darul Ehsan  
Malaysia.  
Tel : 603 7953 2600  
Fax : 603 7953 2700

Date: 9 June 2021

Board of Directors:

Datin Seri Sunita Mei-Lin Rajakumar (Chairperson/Independent Non-Executive Director)  
Tarang Gupta (Managing Director)  
Saw Chooi Lee (Senior Independent Non-Executive Director)  
Bernardus Hermannus Maria Kodden (Non-Independent Non-Executive Director)  
Dato' Dr Rosini binti Alias (Non-Independent Non-Executive Director)  
Tengku Nurul Azian binti Tengku Shahriman (Independent Non-Executive Director)  
Jean Serge Krol (Non-Independent Non-Executive Director)  
Darren Kong Kam Seong (Independent Non-Executive Director)

To: The Shareholders of DLMI

Dear Sir/Madam,

**PROPOSED DISPOSAL BY DUTCH LADY MILK INDUSTRIES BERHAD ("DLMI" OR "COMPANY") OF LANDS HELD UNDER DOCUMENTS OF TITLE PAJAKAN NEGERI 33305 LOT 78 SEKSYEN 13, PAJAKAN NEGERI 33306 LOT 79 SEKSYEN 13 AND PAJAKAN NEGERI 96122 LOT 48 SEKSYEN 13, ALL IN BANDAR PETALING JAYA, DAERAH PETALING, NEGERI SELANGOR ("LAND") TOGETHER WITH THE BUILDINGS ERECTED THEREON ("BUILDINGS") BEARING POSTAL ADDRESS NO 13, JALAN PROFESSOR KHOO KAY KIM (FORMERLY KNOWN AS JALAN SEMANGAT) 46200 PETALING JAYA, SELANGOR (THE LAND TOGETHER WITH THE BUILDINGS SHALL HEREINAFTER BE REFERRED TO TOGETHER AS "PROPERTY") TO UEM LAND BERHAD ("PURCHASER") FOR A TOTAL CASH SUM OF RM200,000,000.00 ("PURCHASE PRICE")**

**1. INTRODUCTION**

On 9 September 2020, the Board of Directors ("Board") of DLMI announced that a public tender to assess prospects of a potential sale of its current factory land located and held under documents of title Pajakan Negeri 33305 Lot 78 Seksyen 13 ("Lot 78"), Pajakan Negeri 33306 Lot 79 Seksyen 13 ("Lot 79") and Pajakan Negeri 96122 Lot 48 Seksyen 13 ("Lot 48"), all in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor ("Land") together with the buildings erected thereon ("Buildings") bearing postal address No 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) 46200 Petaling Jaya, Selangor (the Land together with the Buildings shall hereinafter be referred to together as "Property"). The abovesaid assessment was conducted by way of a public tender exercise which was closed on 9 December 2020. On 14 January 2021, the Board evaluated the bids which were submitted and decided on the Purchaser as the successful bidder. The Proposed Disposal is not a related party transaction. Following the completion of the assessment, the Board announced on 10 March 2021 that DLMI had entered into a conditional sale and purchase agreement ("SPA") with UEM Land Berhad (Registration No. 198201011169 (90894-P)) ("Purchaser"), to dispose of the Property for the Purchase Price ("Proposed Disposal").

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND SEEK THE APPROVAL FROM THE SHAREHOLDERS ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EXTRAORDINARY GENERAL MEETING ("EGM") OF THE COMPANY. THE NOTICE OF THE EGM AND THE FORM OF PROXY HAVE BEEN CIRCULATED IN ACCORDANCE WITH THE COMPANY'S CONSTITUTION. SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

## 2. DETAILS OF THE PROPOSED DISPOSAL

### 2.1 Description of the Property

DLMI is the registered proprietor of the Land bearing postal address No 13, Jalan Prof. Khoo Kay Kim (formerly known as Jalan Semangat), 46300 Petaling Jaya, Selangor Darul Ehsan, which is held under the following documents of title:

- (a) Pajakan Negeri 33305 Lot 78 Seksyen 13, measuring approximately 13461 square meters in area with a leasehold period of ninety-nine (99) years expiring on 23 November 2059 ("Lot 78");
- (b) Pajakan Negeri 33306 Lot 79 Seksyen 13 measuring approximately 6892 square meters in area with a leasehold period of ninety-nine (99) years expiring on 23 November 2059 ("Lot 79"); and
- (c) Pajakan Negeri 96122 Lot 48 Seksyen 13 measuring approximately 19839.91 square meters in area with a leasehold period of ninety-nine (99) years expiring on 20 October 2059 ("Lot 48"), together with the Buildings erected thereon as follows:

No	Lot No	Gross Floor Area	Buildings	Approximate Age
1	<b>Lot 48</b>	150,265 sq. feet	Alpha Storage - Single storey warehouse	<b>48 years</b>
2			Chilled Room and Processing Area - Three storey factory	
3			Quality Control Block - Double Storey office	
4			Canteen and Boiler House	
5			Guard House	
6	<b>Lot 78</b>	218,788 sq. feet	Block A - Four storey office building	<b>24 years</b>
7			Block B - Double storey factory	
8			Block C - Three storey warehouse with basement carpark	
9			Block F - Single storey warehouse	
10			Guard house, safety briefing room and ATM room	
11	<b>Lot 79</b>	38,125 sq. ft	Surau	<b>11 years</b>
12			Gamma store - single storey warehouse	
13			Pump house	
14			Guard house	

## **2. DETAILS OF THE PROPOSED DISPOSAL (CONTINUED)**

### **2.2 Occupancy of Buildings**

The Buildings are currently occupied by DLMI for its factory operations and will continue to be occupied by DLMI as a tenant following the completion of the SPA.

### **2.3 Encumbrances**

The Property is presently free from encumbrances.

### **2.4 Net Book Value**

The audited net book value of the Land and Buildings as at 31 December 2020 is RM22.6 million.

### **2.5 Valuation Report**

Upon receiving the bids during the public tender exercise, the feedback received was that bidders' interest is for the Land, which they will redevelop and not the Buildings, which the bidders intend to demolish. Accordingly, a valuation of the Property was carried out by PPC International Sdn Bhd ("**Valuer**"), an independent valuer registered with the Board of Valuers, Appraisers and Estate Agents Malaysia on 20 January 2021 ("**Valuation Report**") on a redevelopment basis i.e. the potential of the Land for mixed commercial development and ignoring all improvements on the Land. For the purposes of the valuation exercise, the material date of valuation is 20 January 2021. The Valuation Report and Valuation Certificate in respect of the Lands have been prepared in compliance with the Malaysian Valuation Standards (5<sup>th</sup> Edition 2015) issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

The Valuation Report states that further enquiries with Bahagian Perancangan Pembangunan, Majlis Bandaraya Petaling Jaya (MBPJ), revealed that the Land has been re-zoned for mixed commercial development designated for service apartments, purpose-built offices, hotels and other commercial developments.

On the redevelopment basis stated above, the Valuers appraised the Property at a market value of RM204,200,000.00. The valuation was carried out using the Comparison Method of Valuation which entails comparing the Property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market condition, size, shape and terrain of land, tenorial interest and restriction (if any), availability of infrastructure and vacant possession, development potential, zoning, approvals (if any) and other relevant characteristics.

**Please refer to Appendix II of this Circular for the Valuation Certificate.**

### **2.6 Basis and Justification of Arriving at the Purchase Price**

The Purchase Price was arrived at, based on a "willing buyer willing seller" basis and is justified after taking into consideration the highest bid received by way of a public tender exercise which was closed on 9 December 2020. The Purchase Price is further supported by the Valuation Report. The Purchase Price represents a 2.1% discount to the market value of the Property as ascribed by the Valuation Report.

## 2. DETAILS OF THE PROPOSED DISPOSAL (CONTINUED)

### 2.7 Information on the Purchaser

The Purchaser is wholly owned by UEM Sunrise Berhad and was incorporated in Malaysia as a public limited company on 7 October 1982 under the Companies Act, 1965. It's registered address is at Level U6, Block C5, Solaris Dutamas, No.1, Jalan Dutamas 1, Kuala Lumpur, Wilayah Persekutuan, and is principally in the business of property development, property investment, project procurement and management, and strategic investment holding.

The directors of the Purchaser are as follows:

Director	Date of Appointment
<b>Wong Koon Keng</b>	8 October 2018
<b>Zamri Bin Yusof</b>	14 February 2020
<b>Anuar Bin Kasim</b>	30 October 2020

The Purchaser is not a related party to the Company.

The Purchaser's parent company, UEM Sunrise Berhad ("UEM Sunrise"), is a public-listed company and was incorporated in Malaysia on 20 August 2008. It's registered address is at Level U6, Block C5, Solaris Dutamas, No.1, Jalan Dutamas 1, Kuala Lumpur, Wilayah Persekutuan and is principally in the business of investment holding and provision of shared services for its subsidiaries. It is the flagship company for township and property development businesses of UEM Group Berhad and Khazanah Nasional Berhad.

### 2.8 Mode of Settlement

The Purchase Price shall be satisfied in cash and is paid/to be paid as follows:

Details	Amount
Two percent (2%) of the Purchase Price ("Earnest Deposit") has been paid to DLMI's real estate agent as stakeholders on 26 January 2021	Ringgit Four Million (RM4,000,000)
Three percent (3%) of the Purchase Price ("RPGT Retention Sum") has been paid to the Purchaser's Solicitors, as stakeholders on 10 March 2021	Ringgit Six Million (RM6,000,000)
Five percent (5%) of the Purchase Price has been paid to DLMI on 10 March 2021	Ringgit Ten Million (RM10,000,000)
Ninety percent (90%) of the Purchase Price amounting to ("Balance Sum") shall be paid by the Purchaser to DLMI's solicitors, as stakeholders, within three (3) months from the date the SPA becomes unconditional	Ringgit One Hundred and Eighty Million (RM180,000,000)
<b>Total</b>	<b>Ringgit Two Hundred Million (RM200,000,000)</b>



## 2. DETAILS OF THE PROPOSED DISPOSAL (CONTINUED)

### 2.9 Expected Gain Arising from the Proposed Disposal

Based on the Purchase Price, the expected net gain to DLMI arising from the Proposed Disposal is approximately RM139.33 million after taking into account the following:

- (a) disposal of Land<sup>1</sup> at the audited net book value of approximately RM2.88 million as at 31 December 2020;
- (b) disposal of Buildings<sup>1</sup> at the audited net book value of approximately RM19.77 million as at 31 December 2020;
- (c) recognition of right-of-use assets of RM2.37 million and lease liability of RM17.13 million arising from the leaseback of the Land and Buildings;
- (d) the estimated expenses<sup>2</sup> to be incurred for the Proposed Disposal of approximately RM2.72 million; and
- (e) the estimated Real Property Gains Tax of RM14.55 million and tax impact of RM5.99 million on the disposal of the Land and Buildings.

**Notes:**

- (1) Based on the audited net book value of the Land and Buildings as at 31 December 2020.
- (2) Estimated expenses which comprise, amongst others, professional fees for advisors and lawyers, expenses to convene the forthcoming EGM and printing, dispatch and advertising expenses.

### 2.10 Contribution to DLMI's Net Profit

The proceeds raised from the Proposed Disposal is expected to contribute to a net gain of RM139.33 million, which is approximately 189.9% of the net profit based on the audited accounts of DLMI as at FYE 31 December 2020.

### 2.11 Original Cost and Date of Investment

Based on DLMI's records, the Property was previously acquired by DLMI as follows:

	Lot	Vendor	Purchase price	Date of agreement/ transfer
a)	Lot 48	Lengga Rubber Estates Limited	RM94,441.50	Date of transfer - 20 January 1966
b)	Lot 78	Malayan United Paper Products Sdn Bhd	RM2,968,982.50	Date of agreement - 7 April 1979
c)	Lot 79	FCW Housing & Realty Development Sdn Bhd and United Malaysian Steel Mills Berhad	RM3,000,000.00	Date of agreement - 22 December 1988

### 2.12 Liabilities to be Assumed by the Company

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Company pursuant to the Proposed Disposal.

### 2.13 Cash Company or Practice Note 17 ("PN 17") Issuer

The Proposed Disposal is not expected to result in the Company becoming a Cash Company (as defined under Paragraph 1.01 of the Listing Requirements) or a PN17 issuer.

## 2. DETAILS OF THE PROPOSED DISPOSAL (CONTINUED)

### 2.14 Utilisation of Proceeds

The Purchase Price arising from the Proposed Disposal is intended to be utilised in the following manner:

Utilisation	RM	Estimated timeframe for utilisation from the date of circular in June 2021
Estimated expenses in relation to the Proposed Disposal (professional fees for advisors and lawyers, RPGT, expenses to convene the forthcoming EGM and printing, dispatch and advertising expenses).	17,272,000*	Within 12 months
Payment of security deposit in relation to the Tenancy	1,500,000	Within 12 months
Construction of manufacturing and warehousing facilities, support facilities and office facilities on three (3) parcels of freehold land held under Geran 270934 Lot No. 61320, Geran 270935 Lot No. 61321 and Geran 270936 Lot No. 61322 in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan measuring approximately 40,470 square meters, 40,570 square meters and 50,860 square meters respectively, which were acquired by the Company on 17 December 2020	181,228,000**	Within 36 months
<b>Total</b>	<b>200,000,000</b>	

\* the estimated expenses in relation to the Proposed Disposal of RM17,272,000 is as follows:

Description	in RM'000
Real estate agency fees and advertising costs for tender exercise	2,167
Fees to auditors for preparation of proforma statement	85
Fees for consultants and lawyers	236
Fees to Independent Valuer for preparation of valuation report	106
Fees to Bursa Securities for review of valuation report and draft circular	30
Cost of EGM including cost of printing, dispatch and advertising of EGM notice	100
Real property gains tax (RPGT)	14,548
<b>Total</b>	<b>17,272</b>

\*\* The amount of RM181.2 million from the Purchase Price is estimated to be utilised towards the cost of constructing the New Facilities. As announced on 17 December 2020, the estimated cost of construction of the New Facilities is RM340 million. The costs are as follows:

Description	in RM'million
Civil engineering costs	130
Equipment costs	150
Others	60
<b>Total</b>	<b>340</b>

DLMI intends to finance the remainder of the construction cost of the New Facilities through internally generated funds. It is planned for construction of the New Facilities to commence in 2021 and to be completed within 3 years thereafter.

## **2. DETAILS OF THE PROPOSED DISPOSAL (CONTINUED)**

### **2.15 Salient Terms of the SPA**

Please refer to Appendix III of this Circular for the salient terms of the SPA.

## **3. RATIONALE FOR THE PROPOSED DISPOSAL**

**3.1** The principal activities of the Company are the production, distribution and marketing of dairy products. As announced on 17 December 2020, the Company has, on that date, completed the purchase of three (3) parcels of freehold industrial land held under Geran 270934 Lot No. 61320, Geran 270935 Lot No. 61321 and Geran 270936 Lot No 61322 all in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan for a total cash consideration of RM56,790,320 ("Bandar Enstek Land Acquisition"). It was also announced that the Company will, commencing 2021, take steps towards constructing manufacturing and warehousing facilities, support facilities and office facilities thereon ("New Facilities"). It is planned for construction of the New Facilities to be completed around 3 years thereafter.

**3.2** As indicated herein, it is an express condition of the Proposed Disposal that DLMI will be granted a tenancy of the Property for 2 years from the completion of the SPA (with an option to extend for two (2) further terms of 6 months each thereafter ("Tenancy"). Following the disposal of the Property, DLMI will continue its manufacturing activities on the Property as a tenant until the New Facilities are completely ready. DLMI will then fully operate from the New Facilities. Accordingly, the Proposed Disposal, the Bandar Enstek Land Acquisition and DLMI's investment in the New Facilities are all in line with DLMI's long-term plans of improving its manufacturing capabilities to keep up with the demand for its products and with new consumer trends which will strengthen its ability to provide the goodness and nutritional value of milk to its customers. Overall, the financial and operational impact from the COVID-19 pandemic has not been severe as the Company has placed a strong emphasis on people safety and on its primary processes. This has enabled DLMI to continue its operations and continue to nourish Malaysians.

**3.3** DLMI has been able to post strong business growth in the past years and the outlook is positive. However capacity expansion in the current location is limited. The benefit of the disposal of the Property and replacing with the New Facilities is that the New Facilities is expected to substantially increase DLMI's capacity and the site will have room for future expansion. This will also allow DLMI to bring new innovations into the market.

## **4. RISK FACTORS**

### **4.1 Non-Completion of the Proposed Disposal**

The completion of the Proposed Disposal is subject to the Company obtaining DLMI's Shareholders' Approval as set out in the SPA and in the event that DLMI Shareholders' Approval is not obtained, the Proposed Disposal will be terminated. The Board endeavours to take reasonable steps to ensure the completion of the Proposed Disposal. In the event that the Proposed Disposal is not completed, DLMI intends to finance the construction of the New Facilities through internally generated funds.

### **4.2 Contractual Risk**

DLMI may be subjected to certain contractual risk such as specific performance and payment of liquidated damages as a result of non-fulfilment of its obligations under the SPA. Nevertheless, the Company shall endeavour to ensure that it complies with its obligations under the SPA.

#### 4. RISK FACTORS (CONTINUED)

##### 4.3 Compulsory acquisition by the Government

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960. In such event, the amount of compensation to be awarded is based on the market value of the property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If the Property or part of the Property is compulsorily acquired by the Malaysian Government at a point in time when the market value of the Property is lower than the Purchase Price, the compulsory acquisition could adversely affect the value of the Property and have a negative effect on the financials of DLMI. Should such circumstances arise, DLMI shall endeavour to seek a fair compensation from the Malaysian Government based on its purchase consideration.

##### 4.4 COVID-19 Pandemic

The risks from the COVID-19 pandemic on economic situations and its impact on the market value of the Property has been addressed in the Valuation Report. The Valuers indicated in the Valuation Report that as regards the Petaling Jaya Commercial Property Market, the pandemic will not have a long-lasting impact on the future growth and performance of the commercial industry as the market is currently in a transitional period in light of the discovery and use of the vaccine.

#### 5. EFFECTS OF THE PROPOSED DISPOSAL

The effects of the Proposed Disposal on the share capital, substantial shareholders' shareholdings, earnings and earnings per share ("EPS"), net asset ("NA") per share and gearing of the Company are as follows:

##### 5.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued and paid-up share capital and the shareholdings of the substantial shareholders of the Company.

##### 5.2 Net Asset and gearing

Based on the audited net assets of DLMI as at 31 December 2020 and assuming that the Proposed Disposal had been effected at the end of the FYE 31 December 2020, the effect on the net asset per share and the gearing of the Company is as follows:

	Audited as at 31 December 2020 (RM'000)	After Proposed Disposal (RM'000)
Share capital	64,000	64,000
Retained Earnings	102,580	102,580
Shareholders Fund	166,580	309,454
No of shares in issue	64,000,000	64,000,000
Net asset per share	RM2.60	RM4.84
Total borrowings (RM '000)	16,705	16,705
Gearing ratio	0.1	0.05

## **5. EFFECTS OF THE PROPOSED DISPOSAL (CONTINUED)**

### **5.3 Earnings and earnings per share**

Based on the audited net assets of DLMI as at 31 December 2020, the Proposed Disposal is expected to result in a total net gain on disposal of approximately RM139.33 million. This will translate into an increase in earnings per share by approximately 2.18 sen based on the weighted average number of ordinary shares in issue of DLMI as at 31 December 2020.

## **6. HIGHEST PERCENTAGE RATIO APPLICABLE**

**6.1** Based on the audited financial statements of the Company for the financial year ended 31 December 2020, the highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02 (g) of the Main Market Listing Requirements is 120.06% which is the Purchase Price compared with the Net Assets of DLMI based on the latest audited financial statement of DLMI as at 31 December 2020.

## **7. APPROVALS REQUIRED**

**7.1** The Proposed Disposal is subject to the approval of DLMI's shareholders and is not subject to the approval of any regulatory authorities.

## **8. CONDITIONALITY OF THE PROPOSED DISPOSAL**

**8.1** The Proposed Disposal is not conditional upon any other corporate proposal(s) undertaken or to be undertaken by the Company.

## **9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

**9.1** None of the directors and/or major shareholders of the Company and/or persons connected with the directors and/or major shareholders (as defined in the Listing Requirements), have any interest, whether direct or indirect, in the Proposed Disposal.

## **10. CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

**10.1** As at the last practicable date, save for the Proposed Disposal, the Board confirms that there is no other outstanding corporate proposal announced by the Company but not yet completed.

## **11. DIRECTORS' RECOMMENDATION**

**11.1** The Board, having considered all aspects of the Proposed Disposal such as the basis of arriving at the Purchase Price, the terms and conditions of the SPA, the rationale and effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company. Accordingly, the Board recommends that shareholders vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

## **12. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR THE IMPLEMENTATION OF THE PROPOSED DISPOSAL**

**12.1** The Proposed Disposal is expected to complete in the 4<sup>th</sup> quarter of 2021. The indicative timetable for the implementation of the Proposed Disposal is set out below:

<b>Tentative Date</b>	<b>Event</b>
July 2021	Fulfilment of all conditions precedent for the SPA
October 2021	Completion of the Proposed Disposal

The timetable above is indicative and is subject to changes which may be necessary to facilitate implementation procedures. Any delay in an event will result in a delay of subsequent events.

### **13. EGM**

- 13.1** The EGM will be fully virtual through live streaming and online remote voting from the Broadcast Venue, Meeting Room, 12<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on 1 July 2021 at 2 p.m.

If you are unable to attend and vote at the virtual EGM, you should complete and return the Form of Proxy in accordance with the instructions printed thereon, to the Company's Share Registrars in care of Boardroom Share Registrars Sdn Bhd at Ground Floor or the 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan (Helpdesk No: +60 3 7890 4700, Fax No: +60 3 7890 4670) not less than forty-eight (48) hours before the time set for the EGM thereof.

The completion and lodgement of the Form of Proxy will not preclude you from attending and voting at the virtual EGM should you subsequently wish to do so..

### **14. PROFORMA STATEMENT OF FINANCIAL POSITION**

- 14.1** PricewaterhouseCoopers PLT has been appointed to prepare the proforma statement of financial position showing effects before and after the transaction based on DLMI's audited financial statements for the financial year ended 31 December 2020 together with the notes and the auditors' report ("Proforma Statement"). The Proforma Statement is set out in Appendix IV of this Circular.

### **15. FURTHER INFORMATION**

- 15.1** You are advised to refer to the appendices contained in this Circular for further information.

Yours faithfully,

For and on behalf of the Board of

**DUTCH LADY MILK INDUSTRIES BERHAD**

**TARANG GUPTA**

Managing Director

## **APPENDIX I**

### **FURTHER INFORMATION**

#### **1. RESPONSIBILITY STATEMENT**

The Circular has been reviewed and approved by the Directors of DLMI and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquiries, and to the best of the knowledge and belief, there are no false or misleading statements or other facts, the omission of which could make any statement herein false or misleading.

#### **2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST**

The Valuer, PPC International Sdn Bhd has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, certificate and all references to them in the form and context in which they appear. PPC International Sdn Bhd confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as the Valuer for the Property.

PricewaterhouseCoopers PLT has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name, report and all references to them in the form and context in which they appear. There is no situation of conflict of interest or potential conflict of interest in its capacity as the Company's auditors.

#### **3. MATERIAL CONTRACTS**

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by DLMI in the two (2) years preceding the date of this circular except for the following:

- (i) Sale and Purchase Agreement dated 18 March 2020 for the Company to purchase three (3) parcels of freehold land held under Geran 270934 Lot No. 61320, Geran 270935 Lot No. 61321 AND Geran 270936 Lot No 61322 in Mukim of Bandar Baru Enstek, District of Seremban from Pelaburan Hartanah Berhad for a total cash sum of RM56,790,320; and
- (ii) Sale and Purchase Agreement dated 10 March 2021 for the Company to sell its current factory land located and held under title Pajakan Negeri 33305 Lot 78 Seksyen 13, Pajakan Negeri 33306 Lot 79 Seksyen 13 and Pajakan Negeri 96122 Lot 48 Seksyen 13, all in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor together with the buildings erected thereon bearing postal address No. 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) 46200 Petaling Jaya, Selangor to UEM Land Berhad for a total cash sum of RM200,000,000.

#### **4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the last practicable date prior to the printing of the Circular, there are no material commitment and contingent liabilities incurred or known to be incurred by DLMI which, upon becoming due or enforceable, may have a material impact on the financial position of DLMI.

#### **5. MATERIAL LITIGATION CLAIMS AND ARBITRATION**

DLMI is not engaged either as plaintiff or defendant in any material litigation, claims and arbitration, and the Directors of DLMI do not have any knowledge of any proceeding pending or threatened against DLMI or of any other facts which are likely to give rise to any proceedings which may materially affect the position or business of DLMI.

## **6. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the registered office of the Company at Level 5 Quill 9, Jalan Prof. Khoo Kay Kim, 46300 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) the SPA and Tenancy Agreement;
- (ii) the Valuation Report;
- (iii) the Valuation Certificate as referred to in Appendix II of this Circular;
- (iv) the letter of consent referred to in Section 2 above;
- (v) audited financial statements of the Company for the past 2 years for the financial years ended 31 December 2019 and 31 December 2020;
- (vi) the Company's Constitution; and
- (vii) the proforma statement of financial position showing effects before and after the transaction based on DLMI's audited financial statements for the financial year ended 31 December 2020 together with the notes and the auditors' report as referred to in Appendix IV of this Circular.

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## APPENDIX II

### VALUATION CERTIFICATE



Chartered Surveyors, Registered Valuers & Estate Agents, Project & Property Managers, Development Consultants

8th Floor, Campbell Complex,  
98 Jalan Dang Wangi,  
50100 Kuala Lumpur, Malaysia.  
Tel : (603) 2692 3236 Fax : (603) 2692 6457  
E-mail: admin@ppc.com.my Website: www.ppc.com.my

#### VALUATION CERTIFICATE

Our Ref : PPC/21/V0055

19 February 2021

#### Board of Directors

Dutch Lady Milk Industries Berhad  
(A subsidiary of Royal FrieslandCampina N.V.)  
Level 5, Quill 9  
112 Jalan Prof. Khoo Kay Kim  
46300 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Dear Sirs/Madam,

#### REPORT AND VALUATION OF

PN 96122, PN 33305 AND PN 33306, LOT NOS. 48, 78 AND 79 RESPECTIVELY, SECTION 13  
TOWN OF PETALING JAYA, DISTRICT OF PETALING, STATE OF SELANGOR DARUL EHSAN  
(NO. 13, JALAN PROFESSOR KHOO KAY KIM [FORMERLY KNOWN AS JALAN SEMANGAT]  
46200 PETALING JAYA, SELANGOR DARUL EHSAN)

This valuation certificate has been prepared for submission to Bursa Malaysia Securities Berhad.

We refer to your instructions to carry out a valuation of the unexpired term in the 99-year leasehold interests in the abovementioned Property for the purposes of Submission to Bursa Malaysia Securities Berhad in relation to the proposed disposal and inclusion in the circular to the shareholders of the Property by Dutch Lady Milk Industries Berhad ("DLMI") ("Proposed Disposal").

In accordance with your instruction to value the above mentioned Property, we have inspected the above mentioned Property on 20 January 2021 which is also taken as the material date of valuation. We have also conducted a private title searches at the Selangor Registry of Land Title in Shah Alam on 20 January 2021.

The Basis of Valuation adopted by us is the "Market Value" which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

We have been specifically instructed to provide the Market Value of the Property on the basis that the Property comprise three (3) parcels of land potential for mixed commercial development and ignoring all improvements on the sites.

Our valuation is on the basis that vacant possession is available and the Property is free from all encumbrances.

The valuation was carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

Offices In Malaysia : Kuala Lumpur, Shah Alam, Penang & Alor Setar.



#### Directors

**Sr KAMARUDZAMAN SAAD, AMK**  
B. Sc. (Hons) Land Mgt,  
MRICS, FRISM, MPEPS, MMIPFM, ICVS  
**DATUK Sr SIDSAPESAN SITTAMPALAM, (SIDERS)**  
B. Sc. (Est Mgt) U.K., MBA (Real Est) Sydney,  
FRICS, FRISM, FPEPS, FMIPFM, ICVS

**DATO' Sr THIRUSELVAM ARUMUGAM (THIRU)**  
B. Surv. (Hons) Property Mgt,  
MRICS, FRISM, FPEPS, FMIPFM, ICVS

#### Associate Directors / Registered Valuers

**Sr NORAKMAL MOHD SALLEH @ ELIAS**  
B. Sc. (Hons) in Prop Mgt & Valuation, MRISM

## VALUATION CERTIFICATE (Cont'd)



### IDENTIFICATION OF PROPERTY

Legal Description	:	PN 96122, PN 33305 and PN 33306, Lot Nos. 48, 78 and 79 respectively, Section 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan shall be referred to as <b>"the Property"</b>																							
Address	:	Lot No. 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat), 46200 Petaling Jaya, Selangor Darul Ehsan																							
Property Type	:	Three (3) parcels of land with mixed commercial development potential																							
Tenure	:	<u>Lot 48</u> Leasehold 99 years expiring 20 October 2059  <u>Lots 78 and 79, Seksyen 13</u> Leasehold 99 years expiring 23 November 2059																							
Land Area	:	<table><tr><th rowspan="2">Lot Nos.</th><th colspan="3">Titular Land Area</th></tr><tr><th>Square Metres</th><th>Square Feet</th><th>Acres</th></tr><tr><td>48</td><td>19,839.9098</td><td>213,555.00</td><td>4.9025</td></tr><tr><td>78</td><td>13,461.0000</td><td>144,892.99</td><td>3.3263</td></tr><tr><td>79</td><td>6,892.0000</td><td>74,184.87</td><td>1.7031</td></tr><tr><td><b>Total</b></td><td><b>40,192.9098</b></td><td><b>432,632.86</b></td><td><b>9.9319</b></td></tr></table>	Lot Nos.	Titular Land Area			Square Metres	Square Feet	Acres	48	19,839.9098	213,555.00	4.9025	78	13,461.0000	144,892.99	3.3263	79	6,892.0000	74,184.87	1.7031	<b>Total</b>	<b>40,192.9098</b>	<b>432,632.86</b>	<b>9.9319</b>
Lot Nos.	Titular Land Area																								
	Square Metres	Square Feet	Acres																						
48	19,839.9098	213,555.00	4.9025																						
78	13,461.0000	144,892.99	3.3263																						
79	6,892.0000	74,184.87	1.7031																						
<b>Total</b>	<b>40,192.9098</b>	<b>432,632.86</b>	<b>9.9319</b>																						
Category of Land Use	:	Lot 48 - "Tiada" Lots 78 and 79 - "Perusahaan"																							
Registered Proprietor	:	Dutch Lady Milk Industries Berhad (Company No. 5063-V)																							
Express Condition	:	<u>Lot 48, Seksyen 13</u> "Bangunan Perniagaan"  <u>Lots 78 and 79, Seksyen 13</u> "Perusahaan"																							
Encumbrance	:	Nil																							

## VALUATION CERTIFICATE (Cont'd)



### GENERAL DESCRIPTION

The Property is situated at the intersection of Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) and Jalan 13/6, Section 13, Petaling Jaya, Selangor Darul Ehsan. It is located approximately 15 kilometres and 5 kilometres south-west and north-west to the Kuala Lumpur city centre and the Petaling Jaya New Town Centre respectively.

The Property is located within Section 13, Petaling Jaya, Selangor Darul Ehsan which is bordered by three popular roads in Petaling Jaya i.e. Jalan Universiti (now renamed as Jalan Professor Diraja Ungku Aziz), Jalan Kemajuan and Jalan Semangat (now renamed as Jalan Professor Khoo Kay Kim) and surrounded by established housing schemes such as Section 14, Section 19, Section SEA Park, Paramount Garden, SS2, SS14, SS19 and SS17.

The locality of Section 13 is being gentrified from a traditionally industrial area to commercial development. It is undergoing a transformation; i.e. the existing industrial premises as well as vacant industrial lands are being converted from industrial based premises and redeveloped into integrated commercial developments (high-rise office towers and service apartments) in a rapid pace to meet the growing demand for office / retail and service apartment units.

### PROPERTY DESCRIPTION

The Property consists of a parcel of commercial land identified as Lot 48 and two (2) adjoining parcels of industrial lands located across a drain reserve and identified as Lots 78 and 79 situated at the intersection of Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) and Jalan 13/6.

The combined land area of the Property is 40,192.9098 square metres (432,632.86 square feet / 9.9319 acres), made up as follows:-

Lot Nos.	Land Use	Titular Land Area		
		Square Metres	Square Feet	Acres
48	Commercial	19,839.9098	213,555.00	4.9025
78	Industrial	13,461.0000	144,892.99	3.3263
79	Industrial	6,892.0000	74,184.87	1.7031
<b>Total</b>		<b>40,192.9098</b>	<b>432,632.86</b>	<b>9.9319</b>

Lot 48 is a near rectangular in shape with a land area of about 19,839.9098 square metres (213,555.00 square feet / 4.9025 acres) whilst the adjoining Lots 78 and 79 forms a regular shaped development land with a combined land area of 20,353 square metres (219,077.86 square feet / 5.0293 acres).

It is generally flat in terrain and lies at about the same level with the frontage metalled road i.e. Jalan Professor Khoo Kay Kim. The site boundaries are plastered brickwalls and combination of plastered brickwalls surmounted with metal railing above. The entrance is secured by sliding metal gates hinged onto plastered brickwall.

At the time of our inspection, we noted that the sites were erected upon with several buildings and structures currently housing the Dutch Lady Milk Industries Berhad manufacturing plant and accommodating offices, detached factories/warehouses, canteen and other ancillary buildings/structures.

For purpose of this valuation, we have been specifically instructed to provide the Market Value of the Property on a redevelopment basis, that is as three (3) parcels of land potential for mixed commercial development and ignoring all improvements on the sites.



## VALUATION CERTIFICATE (Cont'd)



### PLANNING DETAILS

As indicated in the Document of Titles, Lot 48 is designated for commercial use whilst Lots 78 and 79 are designated for industrial use.

Further enquiries with Bahagian Perancangan Pembangunan, Majlis Bandaraya Petaling Jaya (MBPJ), revealed that the property has been re-zoned for mixed commercial development designated for service apartments, purpose-built offices, hotels and other commercial developments.

Based on the development guideline as stated in *Rancangan Kawasan Khas Seksyen 13, Petaling Jaya (No. Warta 1569)*, the maximum permissible plot ratio of the property is to be 1: 3.25 (as individual lots) and 1:3.5 (as combined parcel).






### METHOD OF VALUATION

We have adopted the **Comparison Approach** in this valuation and have not considered other approaches simply because the Property is considered to be commercial development potential lands although currently without the benefit of any approval for submission for redevelopment purposes as yet. Other valuation approaches as a check method will not be appropriate if development assumptions are made.

The **Comparison Approach** - Comparison Method entails comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market condition, size, shape and terrain of land, tenurial interest and restriction (if any), availability of infrastructure and vacant possession, development potential, zoning, approvals (if any) and other relevant characteristics.

# VALUATION CERTIFICATE (Cont'd)

## Sales Evidences (for Lot 48, commercial land)

Photo	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
					
Property	H.S.(D) 175809, Lot PT No. 11B, Locality of Jalan 223, Section 20, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan	Geran 313564 (Lot 60858), 336037 (Lot 47099) & 336044 (Lot 50368), Town of Petaling Jaya, District of Petaling, State of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan	HS (D) 262209, Lot PT 18, Town of Petaling Jaya, District of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan	Pajakan Negeri 91465 & 91466, Lot Nos. 2002 & 2003, Section 14, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan	Pajakan Negeri 3917 & 30108, Lot Nos. 1 & 102, Section 36, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsa
Address/Location	No 11B, Jalan 51/223, Sec 51A, Petaling Jaya, Selangor Darul Ehsan	Jalan 21/21, Seksyen 21, Petaling Jaya, Selangor Darul Ehsan	No. 18, Jalan Semangat, Seksyen 13, Petaling Jaya, Selangor Darul Ehsan	Along Jalan 51A/223, Petaling Jaya, Selangor Darul Ehsan	Intersection of Jalan Semangat & Jalan 19/136, Petaling Jaya, Selangor Darul Ehsan
Property Type	A parcel of commercial land for redevelopment purposes	Three (3) parcels of vacant commercial land	A parcel of industrial land with mixed development potential	Two (2) parcels of vacant commercial land	Two (2) parcels of industrial land with mixed development potential
Land Area (Sq. M.)	4,046.724	9,400.00	4,364.41	39,104.00	53,013.821
Land Area(Sq. Ft.)	43,559	101,181	46,978	420,912	570,636
Tenure	Leasehold 99 years (expiring 11/11/2070), with 51 years remaining	Freehold	Leasehold 99 years (expiring 7/4/2103), with 86 years remaining	Leasehold 99 years (expiring 7/4/2103), with 86 years remaining.	Lot 1 - Leasehold 99 years (expiring 29/9/2060), with 44 years remaining. Lot 102 - Leasehold 99 years (expiring 8/4/2062), with 46 years remaining.
Date of Transaction	9 July 2019	6 December 2018	30 November 2018	22 December 2017	8 June 2016
Sales Price (RM)	RM19,500,000.00	RM50,000,000.00	RM18,400,000.00	RM160,000,000.00	RM218,000,000.00
Analysed Land Value (p.s.f.)	RM447.67	RM494.17	RM391.67	RM380.13	RM382.03
Vendor	Pensonic Sales & Service Sdn Bhd	SEA Housing Corporation Sdn Bhd	Optical Communication Engineering Sdn Bhd	Kumpulan Darul Ehsan Berhad	Tobacco Importers and Manufacturers Sdn Berhad (a wholly-owned subsidiary of British American Tobacco (Malaysia) Berhad (BATM))
Purchaser	Chua Trading Company Sdn Bhd	Midas De Sdn Bhd	Sin Chew Media Corporation Berhad (a wholly-owned subsidiary of Media Chinese Securities Berhad)	Aneka Sepakat Sdn Bhd (a wholly-owned subsidiary of Paramount Corporation Berhad)	LGB Properties (M) Sdn Bhd
Remarks	The land erected upon with 4 storey office building with an annex 3-storey building which is about 40 years old. We believe that the land was purchased for redevelopment	-	The land erected upon with a 1 1/2-storey detached factory with an annex single storey and double-storey office which is about 25 years old. We believe that the land was purchased for redevelopment.	The land is presently used as open car park.-	The land erected upon with buildings and structures such as a 4-storey office, 2-storey warehouse with an annex 2-storey building, a 4-storey detached factory, 3 single storey factories and other ancillary buildings/structures which are about age of buildings of 14 to 54 years old. We believe that the land was purchased for redevelopment
Adjustments	Downward adjustment made on size whilst upward adjustment made on location, planning approval/ development ratio and time	Downward adjustment made on size, planning approval/ development ratio and tenure whilst upward adjustment made on location and time	Downward adjustment made on size, whilst upward adjustment made on land use, time and other	Downward adjustment made on tenure whilst upward adjustment made on location, size, planning approval/development ratio and time	Downward adjustment made on planning approval/development ratio whilst upward adjustment made on size, land use and time
Adjusted Unit Rate (rounded)	RM510.00	RM520.00	RM510.00	RM510.00	RM530.00
Deviation Rate	35%	75%	50%	65%	50%



## VALUATION CERTIFICATE (Cont'd)

### Notes:

A) Sales for Comparable 1, 3 and 5 we have analysed the sales on the basis they were sold with commercial redevelopment potential.

Generally for industrial lands sold in Petaling Jaya especially in the larger locality of Section 13 were purchased for commercial redevelopment such as Jaya One (previously was the Malaysian Feedmill plant), Plaza 33 (former site of Aluminium Company of Malaysia) and the Pacific Star & Pacific 63 (previously – Star Publishing). The ongoing Atwater (mixed residential service apartment development) by Paramount Property Development Sdn Bhd which is on the former Philip Malaysia site (followed by KDU University College as occupier) whilst the Lumi Section 13 service apartment by Thriven Global Bhd is the former site of Mudajaya Corporation Berhad.

#### i) Comparable 1

At the time of transaction i.e. 9 July 2019, this comparable was occupied by Pensonic Sale & Service Sdn Bhd for their office, warehouse and service centre. This comparable is currently located in the area zoned for industrial use as per "Draf Rancangan Tempatan Petaling Jaya 1 (Pengkubahan 3)". However, the category of land use and express condition on the title indicates it's for commercial use, although it appeared that they were allowed to continue using it for light industrial purposes.

Moreover, at the time of inspection, the building was more than 40 years old and appeared poor state of decorative repair. As such, we believe this comparable was purchased for redevelopment purposes given the comparable was designated for commercial use as per the title.

#### ii) Comparable 3

This comparable is located within the area zoned for commercial as indicated as per "Rancangan Kawasan Khas Seksyen 13, Petaling Jaya (No. Warta 1569)". As such we are of the opinion the transacted price of this comparable would reflect the commercial potential it's carries, which in essence means it was purchased with commercial redevelopment potential.

#### iii) Comparable 5

The site of this comparable was originally owned and occupied by the Tobacco Importers and Manufacturers Sdn Bhd (a wholly-owned subsidiary of British American Tobacco (Malaysia) Berhad and was purchased by a developer, LGB Properties (M) Sdn Bhd. As per Bursa Malaysia, General Announcement Ref. No. GA1-08062016-00029 dated 8 June 2016, this comparable was valued at the time of sale at RM216,800,000.00 for the land and the building value of RM45,700,000.00. The sale price was RM218,000,000.00 indicating the building value was ignored and was sold on the basis of its commercial redevelopment potential.

#### B) Adjustment for the Covid-19 pandemic

The period between 2016 – 2017, there were no evidences of appreciation of value during this period. However, 2018 to 2020 we have made a 5% per annum adjustment for time factor. During the period of Covid-19 pandemic, we have not factored any increase in value due to the pandemic. The pandemic generally had impacted a slow-down of the property market in respect of volume of sales without evidences of recorded depreciation in value. We are of the opinion that the impact from the pandemic to some extent was transitional in nature for such large properties albeit reduced volume of sales.

#### C) Basis of adjustment for conversion

The conversion premium involved for converting industrial land to commercial as per "Selangor Land Rules 2003 & Selangor Quarry Rules 2003" is 10% of the converted land value. We have added a 5% factor for the professional fee (surveyor's fee) and time factor required for the conversion process. As such we have deducted 15% of the commercial land value (Lot 48) to arrive at the industrial land value (Lot 78 & Lot 79) which in our opinion was reasonable in respect of industrial land value with commercial potential.







## VALUATION CERTIFICATE (Cont'd)

We are also aware that Lot 54, Section 13 is currently being transacted at a consideration of RM46,000,000.00 (approximately of about RM514 per square foot) as recently reported in The Edge Malaysia dated 27 January 2021. As this transaction is yet to be formally reported in any reliable sources, we have not analysed them amongst the other recorded transactions.

Vide a copy of Letter of Award issued by WTW Real Estate Sdn Bhd dated 18 January 2021 and subsequently the Letter of Acceptance issued by UEM Sunrise dated 26 January 2021, we noted that the Property is currently being purchased at a consideration of RM200,000,000.00 (RM462 per square foot). However the Sale and Purchase Agreement is yet to be executed.

### **Reconciliation of Value**

We have based our opinion of value on Comparison Approach whereby the analysis of comparable sales evidences indicates the value of the commercial land (Lot 48) to range from RM510.00 to RM530.00 per square foot after allowing for the necessary adjustments made to the comparables as shown above.

Based on the analysis, we note that Comparable No. 1 is the best comparable to be adopted as it indicates the lowest total adjustments in relation to its deviation. Therefore, based on Comparable No. 1, we are of the opinion that the Market Value of Lot 48 which is a parcel of commercial land is RM108,900,000.00 (approximately RM510 per square foot) whilst Lots 78 and 79 which are two (2) adjoining parcels of industrial land with mixed commercial development potential is RM95,300,000.00 (approximately RM435 per square foot). As such, the total Market Value of the Property is RM204,200,000.00 (approximately RM472 per square foot).

### **THE PANDEMIC IMPACT ON PETALING JAYA COMMERCIAL PROPERTY MARKET**

The property market in general is very much a function of demand and supply, economic factors and market sentiments. Although the Movement Control Order or the lockdown has been relatively relaxed, the market did not bounce back immediately as the pandemic is still present. The commercial market is relatively more affected than the other sectors as a result of the pandemic and excess supply available in the market. However, we expect the commercial market to gradually recover along with the economy in the second half of 2021.

As such, we are of the view that the Pandemic will not have a long-lasting impact on the future growth and performance of the commercial industry as the market is currently in a transitional period in the light of the discovery and use of the vaccine. Nevertheless, the asking prices of commercial lands in Section 13, Petaling Jaya are currently placed on the market for sale in the range of RM350 to RM500 per square foot.



## VALUATION CERTIFICATE (Cont'd)

### OPINION OF VALUE

Having regard to the foregoing, we are of the opinion that the **Market Value** of the unexpired term in the 99-year leasehold interests in the Property, PN 96122, PN 33305 and PN 33306, Lot Nos. 48, 78 and 79 respectively, Section 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan, having an unexpired term of about 38 years, on the basis that the Property comprise three (3) parcels of land potential for mixed commercial development and ignoring all improvements on the sites, with vacant possession and free from all encumbrances, as at 20 January 2021, is as follows:-

LOT NOS.	LAND USE	MARKET VALUE
Lot 48	Commercial	RM108,900,000.00
Lots 78 and 79	Industrial	RM95,300,000.00
<b>Total</b>	<b>RM204,200,000.00</b> <b>(Ringgit Malaysia: Two Hundred Four Million and Two Hundred Thousand Only).</b>	

For and on behalf of  
**PPC INTERNATIONAL SDN BHD**



**DATUK Sr SIDSAPESAN SITTAMPALAM**

Managing Director  
B. Sc. (Est. Mgt.) UK, MBA (Real Est.) Sydney  
FRICS, FRISM, ICVS, FPEPS, FMIPFM  
Registered Valuer (V-292)

Date: 19 February 2021

m/RBB



## **APPENDIX III**

### **SALIENT TERMS OF SPA**

The salient terms of the SPA are as follows:

#### **1. Sale and Purchase**

DLMI agreed to sell and the Purchaser agreed to purchase the Property for the Purchase Price upon the terms and conditions of the SPA and on the following basis:

- (a) on an “as is where is” basis free from all encumbrances, liens, caveats and restraints but subject to all conditions of title whether express or implied and the existing category of land use affecting the Property provided in the documents of title to the Property;
- (b) the sale shall exclude all machineries in on or within the Property and any of the fixtures and fittings related to the machineries which are not embedded to the Buildings;
- (c) on the express understanding and condition that the Purchaser shall grant to DLMI a tenancy of the Property (“**Tenancy**”) for a period of 2 years from the completion of the SPA with an option to extend for two (2) further terms of 6 months each.

#### **2. Payment of consideration**

- (a) two percent (2%) of the Purchase Price amounting to **Ringgit Four Million (RM4,000,000)** (“**Earnest Deposit**”) has been paid to DLMI’s real estate agent as stakeholders on 26 January 2021;
- (b) eight percent (8%) of the Purchase Price amounting to **Ringgit Sixteen Million (RM16,000,000)** (“**Balance Deposit**”, which sum together with the Earnest Deposit shall be referred to as “**Deposit**”) has been paid by the Purchaser in the manner set out below simultaneously with the execution of the SPA on 10 March 2021:-
  - (i) three percent (3%) of the Purchase Price amounting to **Ringgit Six Million (RM6,000,000)** (“**RPGT Retention Sum**”) has been paid to the Purchaser’s Solicitors, as stakeholders; and
  - (ii) five percent (5%) of the Purchase Price amounting to **Ringgit Ten Million (RM10,000,000)** has been paid to DLMI; and
- (c) ninety percent (90%) of the Purchase Price amounting to **Ringgit One Hundred and Eighty Million (RM180,000,000)** (“**Balance Sum**”) shall be paid by the Purchaser to DLMI’s solicitors, as stakeholders, within three (3) months from the date the SPA becomes unconditional.

#### **3. Conditions Precedent**

The SPA is conditional upon DLMI obtaining approval from its shareholders in general meeting (“**DLMI’s Shareholders’ Approval**”) for the sale and transfer of the Property in accordance with the terms of the SPA within a period of four (4) months from the date of the SPA or such other date to be mutually agreed between the parties (“**Approval Period**”).

#### 4. Termination of SPA

If DLMI's Shareholders' Approval is not obtained within the Approval Period, the SPA shall, unless extended by mutual agreement of the parties, lapse and terminate and be of no further effect whatsoever. DLMI shall refund or cause to be refunded to the Purchaser the Deposit free of interest within thirty (30) days of such termination.

If the SPA is terminated as a result of a default by the Purchaser, DLMI shall be entitled to either the remedy of specific performance thereof against the Purchaser together with all relief flowing therefrom or alternatively, in lieu of the relief of specific performance, DLMI shall be entitled at DLMI's option to terminate the SPA by written notice to the Purchaser whereupon the Deposit shall be forfeited to DLMI as agreed liquidated damages. If the remedy of specific performance is sought, DLMI may seek relief from the Court requiring the Purchaser to carry out the terms of the SPA and complete the purchase. If DLMI is in default of the SPA, the Purchaser shall be entitled to either the remedy of specific performance thereof against DLMI together with all relief flowing therefrom or alternatively, in lieu of the relief of specific performance, the Purchaser shall be entitled at the Purchaser's option to terminate the SPA by written notice to DLMI whereupon DLMI shall refund or cause to be refunded to the Purchaser all moneys paid by the Purchaser towards the Purchase Price, free from interest and further pay to the Purchaser a sum equivalent to the Deposit as agreed liquidated damages. If the remedy of specific performance is sought, the Purchaser may seek relief from the Court requiring DLMI to carry out the terms of the SPA and complete the purchase.

#### 5. Completion

Completion of the SPA shall take place on the date when the full amount of the Balance Purchase Price and the late payment interest, if any, are received by DLMI's solicitors in clear funds ("**SPA Completion Date**"). Late payment interest is payable by the Purchaser if the Balance Sum is not paid by the Purchaser to DLMI within three (3) months from the date when the SPA becomes unconditional ("**Completion Period**"). Late payment interest is calculated at the rate of eight percent (8%) per annum from the day next after the expiry of the Completion Period to the actual date of payment of the Balance Sum based on a three hundred and sixty five (365) day year on the actual number of days elapsed. For illustrative purposes, if the Completion Period expires on 30 September 2021, and the Balance Sum is not paid until 14 October 2021, then the interest payable is RM552,328.77 (RM180,000,000 x 8% x 14/365).

#### 6. Tenancy

Simultaneously with the execution of the SPA, DLMI (as tenant) and the Purchaser (as landlord) have executed a tenancy agreement ("**Tenancy Agreement**") in escrow, in order for DLMI to take a tenancy of the Property for 2 years commencing on the SPA Completion Date ("**Rental Term**") at a monthly rental of Ringgit Five Hundred Thousand (RM500,000.00), payable on or before the 7<sup>th</sup> day of each month. DLMI has the option to renew the tenancy by written notice for two (2) further terms of six (6) months each upon expiry of the Rental Term at the same monthly rental and subject also to the like covenants and provisions contained in the Tenancy Agreement.

#### 7. Possession

To give effect to the Tenancy, notwithstanding completion of the sale and purchase of the Property, vacant possession of the Property shall be retained by DLMI until the expiry or sooner determination of the Tenancy and will be delivered by DLMI to the Purchaser on an "as is where is" basis, that is, in the state and condition then existing as at the date of expiry or early termination of the Tenancy by DLMI, on the expiry or sooner determination of the Tenancy.

#### **APPENDIX IV**

**PROFORMA STATEMENT OF FINANCIAL POSITION SHOWING EFFECTS BEFORE AND AFTER THE TRANSACTION BASED ON DUTCH LADY MILK INDUSTRIES BERHAD'S AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 TOGETHER WITH THE NOTES AND THE AUDITORS' REPORT**

DUTCH LADY MILK INDUSTRIES BERHAD

PRO FORMA STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020

0364C/lh



**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**

The Pro Forma Statement of Financial Position ("SOFP") as at 31 December 2020 has been prepared for illustrative purposes only to show the effects on the audited Statement of Financial Position of Dutch Lady Milk Industries Berhad ("the Company") as at 31 December 2020 based on the assumptions that the proposal set out in Note 3 had been effected on that date, and should be read in conjunction with the notes thereon.

	<b>Audited 31 December 2020</b>	<b>Pro Forma After Proposal</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	199,721	179,953
Right-of-use assets	9,732	9,218
Intangible assets	957	957
Deposits	-	1,500
<b>Total non-current assets</b>	<b>210,410</b>	<b>191,628</b>
<b>CURRENT ASSETS</b>		
Inventories	151,016	151,016
Trade and other receivables	81,501	81,501
Prepayments	311	311
Cash and bank balances	55,605	236,833
Derivative financial assets	2	2
<b>Total current assets</b>	<b>288,435</b>	<b>469,663</b>
<b>TOTAL ASSETS</b>	<b>498,845</b>	<b>661,291</b>
<b>EQUITY</b>		
Share capital	64,000	64,000
Retained earnings	102,580	245,454
<b>Total equity</b>	<b>166,580</b>	<b>309,454</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	3,590	14,820
Deferred tax liabilities	4,494	2,608
<b>Total non-current liabilities</b>	<b>8,084</b>	<b>17,428</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	295,492	295,492
Provision	228	228
Current tax liabilities	6,723	11,056
Bank overdraft	16,705	16,705
Lease liabilities	2,893	8,788
Derivative financial liabilities	2,140	2,140
<b>Total current liabilities</b>	<b>324,181</b>	<b>334,409</b>
<b>TOTAL LIABILITIES</b>	<b>332,265</b>	<b>351,837</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>498,845</b>	<b>661,291</b>



**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

The Pro Forma Statement of Financial Position ("SOFP") as at 31 December 2020 has been prepared for illustrative purposes only to show the effects on the audited Statement of Financial Position of Dutch Lady Milk Industries Berhad ("the Company") as at 31 December 2020 based on the assumptions that the proposal set out in Note 3 had been effected on that date, and should be read in conjunction with the notes thereon. (Continued)

**Supplementary financial information**

	31 December 2020	After Proposal
Number of shares ('000)	64,000	64,000
Net assets per share (RM) <sup>(1)</sup>	2.60	4.84
Total borrowings (RM'000) <sup>(2)</sup>	16,705	16,705
Total equity (RM'000)	166,580	309,454
Gearing ratio (times) <sup>(3)</sup>	0.1	0.05

- (1) Net assets per share is calculated as total equity divided by number of shares in issue.  
(2) Total borrowings comprise the bank overdraft and excludes lease liabilities  
(3) Gearing ratio is calculated as total borrowings divided by total equity.





**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

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**1 INTRODUCTION**

The Pro Forma Statement of Financial Position of Dutch Lady Milk Industries Berhad ("the Company") as at 31 December 2020 (the "Pro Forma SOFP") together with the notes thereon, for which the Directors are solely responsible, have been prepared for illustrative purposes only, in connection with the proposed disposal of land together with the buildings erected thereon by the Company.

The Pro Forma SOFP together with the notes thereon have been prepared based on the assumptions that the proposal as set out in Note 3 had been effected on 31 December 2020.

**2 BASIS OF PREPARATION**

The Pro Forma SOFP as at 31 December 2020 has been prepared in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information for illustrative purposes only to show the effects of the proposal as set out in Note 3 on the Company's audited statement of financial position as at 31 December 2020 had the proposal been effected on 31 December 2020, and should be read in conjunction with the notes in this section. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transaction or event on the financial information presented had the transaction or event occurred on 31 December 2020. Further, such information does not purport to predict the Company's future financial position.

The Pro Forma SOFP as at 31 December 2020 has been prepared based on the audited statement of financial position of the Company as at 31 December 2020, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of the Company other than the adoption of the following accounting policy on sale and leaseback as a lessee:

- Sale and leaseback transactions (seller-lessee)

In a sale and leaseback transaction, the requirements of MFRS 15 *Revenue from Contracts with Customers* are applied to ascertain whether the transfer of an asset to the buyer-lessor qualifies as a sale.

If the transfer of an asset does not satisfy the requirements of MFRS 15 to be accounted for as a sale of the asset, the Company continues to recognise the asset. The consideration received for the transfer of the asset is recognised as a financial liability in accordance with MFRS 9 *Financial Instruments*.

If the transfer of an asset is accounted for as a sale, the Company derecognises the underlying asset and applies lessee accounting requirements to the sold asset if the Company leases it back from the buyer. A right-of-use asset measured at the proportion of the previous carrying amount that relates to the right of use retained is recognised and any gain or loss that relates to the rights transferred to the buyer-lessor is recognised.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Company makes the following adjustments to measure the sale proceeds at fair value:

- (a) any below-market terms shall be accounted for as a prepayment of lease payments; and
- (b) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

The audit report on the financial statements of the Company for the financial year ended 31 December 2020 used in the preparation of the Pro Forma SOFP was not subject to any qualification.



**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

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**3 PROPOSAL**

**3.1 Sale of Property**

The proposed disposal by the Company to UEM Land Berhad of the following properties for a total cash consideration of RM200.0 million:

- (a) land with document title Pajakan Negeri 33305 Lot 78 Seksyen 13, measuring approximately 13461 square meters in area with a leasehold period of ninety-nine (99) years expiring on 23 November 2059 ("Lot 78");
- (b) land with document title Pajakan Negeri 33306 Lot 79 Seksyen 13 measuring approximately 6892 square meters in area with a leasehold period of ninety-nine (99) years expiring on 23 November 2059 ("Lot 79");
- (c) land with document title Pajakan Negeri 96122 Lot 48 Seksyen 13 measuring approximately 19839.91 square meters in area with a leasehold period of ninety-nine (99) years expiring on 20 October 2059 ("Lot 48"); and
- (d) buildings erected thereon bearing postal address No. 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat), 46200 Petaling Jaya, Selangor.

(the land together with the buildings are collectively referred together as the "Property").

The proposed transaction is hereinafter referred to as the "Proposed Disposal". The total sales consideration from the disposal of the Property is RM200.0 million. The fair value of the Property is RM204.2 million. The difference of RM4.2 million is accounted for as a prepayment of lease payments. The fair value is based on the valuation carried out by PPC International Sdn Bhd, an independent valuer, on the Property on 20 January 2021.

**3.2. Leaseback of Property**

Upon completion of the Proposed Disposal, the Company will enter into a lease of the Property.

The lease of the Property will be by way of tenancy from UEM Land Berhad (the "Lessor") to the Company (the "Lessee") with the following key terms:

- (a) Term, extension and termination options

The tenure of the tenancy shall be for a fixed term of two years commencing from the completion of the Proposed Disposal. The Company has the option to renew the tenancy for a further two terms of six months each.

The Company is entitled to terminate the tenancy agreement during the renewal terms without being liable to pay any damages to the Lessor provided it gives to the Lessor not less than two months' prior notice in writing of its intention to terminate the tenancy agreement.

- (b) Rental

In addition to the RM4.2 million prepayment, the Company is contractually obliged to pay a monthly cash rental of RM500,000 during the term and any renewal terms.

- (c) Yielding Up

On termination of the tenancy agreement, the Company will deliver to the Lessor vacant possession of the Property and any fixtures and fittings that have not been removed by the Company on an "as-is-where-is" basis. There is no obligation to demolish the building on termination of the tenancy agreement.





**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**3 PROPOSAL (CONTINUED)**

**3.2. Leaseback of Property (continued)**

For the purposes of illustration in the Pro Forma SOFP, it is assumed that the Company will exercise the renewal terms. Therefore, the tenancy period is assumed to commence on 31 December 2020 and ending on 31 December 2023.

**4 PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION**

**4.1 Pro Forma**

The Pro Forma incorporates the effects of the Proposed Disposal and leaseback of Property as discussed in Note 3, as follows:

**4.1.1 Disposal of Property and subsequent leaseback**

It is assumed that the disposal of the Property satisfies the requirements of MFRS 15 to be accounted for as a sale of the asset. Therefore, for illustrative purposes, the Company has accounted for Proposed Disposal and subsequent leaseback as follows:

- (a) Derecognised the related buildings and land (classified as property, plant and equipment and right-of use asset respectively) at their respective net book values as at 31 December 2020 of RM19.768 million and RM2.879 million respectively;
- (b) Recognition of a right-of-use asset measured at the proportion of the previous carrying amount that is retained for use by the Company amounting to RM2.365 million. As the consideration for the Proposed Disposal does not equal the fair value of the Property, the difference of RM4.2 million is accounted for as a prepayment of lease payments in arriving at the retained right-of-use asset amount;
- (c) Recognition of a lease liability measured at the present value of the lease payments of RM500,000 per month for 36 months, discounted at an assumed incremental borrowing rate of 3.31% per annum as at 31 December 2020, amounting to RM17.125 million;
- (d) Recognition of a reduction in deferred tax liabilities and corresponding tax credit in respect of the right-of-use asset and lease liability, at the prevailing income tax rate of 24%, amounting to RM3.542 million;
- (e) Recognition of tax liability of RM4.333 million and increase in deferred tax liabilities RM1.656 million, at the prevailing income tax rate of 24%, arising from the disposal of the buildings;
- (f) Recorded a net gain on disposal of RM139.332 million representing gain on the carrying amount that relates to the rights transferred to the Lessor, net of estimated expenses of RM2.723 million, tax impact on disposal of buildings of RM5,989 and Real Property Gains Tax\* of RM14.549 million;
- (g) Recorded a non-current security deposit of RM1.5 million assumed paid to the Lessor in respect of the tenancy agreement. The discounting impact is assumed to be immaterial; and
- (h) Recorded the net proceeds of RM181.228 million as cash and bank balances.

*\* For illustrative purposes, RPGT is calculated at the prevailing rate of 10% as at 31 December 2020. RPGT is subject to change upon the actual disposal of the Property on the actual transaction date and actual RPGT amount charged by the Inland Revenue Board in accordance with the provisions of the Real Property Gains Tax Act 1976.*



**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**4 PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**4.1.2 Utilisation of proceeds**

For the purposes of illustration in the Pro Forma SOFP, it is assumed that the cash consideration of RM200.0 million has been received and utilised on 31 December 2020, in the following manner:

	RM'000
Total cash consideration received	200,000
Payment of estimated expenses in relation to the Proposed Disposal	(2,723)
Payment of RPGT to the Director General of Inland Revenue	(14,549)
Payment of security deposit in respect of the lease	(1,500)
Balance unutilised as at 31 December 2020	<u>181,228</u>

The Company intends to utilise the balance consideration of RM181.228 million to part-fund the construction of the new manufacturing and warehousing facilities, support facilities and office facilities on three parcels of freehold land in Bandar Baru Enstek. The construction has not been illustrated in this Pro Forma SOFP and the balance consideration have accordingly been included in cash and bank balances.

**5 NOTES TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION**

**5.1 Property, plant and equipment**

The movements in property, plant and equipment are as follows:

	RM'000
Audited as at 31 December 2020	199,721
Less: Disposal of buildings (Note 4.1.1(a))	(19,768)
Per Pro Forma SOFP	<u>179,953</u>

**5.2 Right-of-use assets**

The movements in right-of-use assets are as follows:

	RM'000
Audited as at 31 December 2020	9,732
Less: Disposal of land (Note 4.1.1(a))	(2,879)
Add: Leaseback of Property (Note 4.1.1(b))	2,365
Per Pro Forma SOFP	<u>9,218</u>



**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**5 NOTES TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**5.3 Deposits (non-current)**

The movements in deposits are as follows:

	<b>RM'000</b>
Audited as at 31 December 2020	-
Add: Security deposits assumed paid to the Lessor (Note 4.1.1(g))	1,500
Per Pro Forma SOFP	<u>1,500</u>

**5.4 Cash and bank balances**

The movements in cash and bank balances are as follows:

	<b>RM'000</b>
Audited as at 31 December 2020	55,605
Add: Proceeds from the Proposed Disposal (Note 4.1.2)	200,000
Less: Payment of estimated expenses in relation to the Proposed Disposal	(2,723)
Less: Payment of RPGT to the Director General of Inland Revenue	(14,549)
Less: Payment of security deposit in respect of the lease	(1,500)
Per Pro Forma SOFP	<u>236,833</u>

**5.5 Lease liabilities**

The movements in lease liabilities (non-current) are as follows:

	<b>RM'000</b>
Audited as at 31 December 2020	3,590
Add: Leaseback of Property (Note 4.1.1(c))	11,230
Per Pro Forma SOFP	<u>14,820</u>

The movements in lease liabilities (current) are as follows:

	<b>RM'000</b>
Audited as at 31 December 2020	2,893
Add: Leaseback of Property (Note 4.1.1(c))	5,895
Per Pro Forma SOFP	<u>8,788</u>

**5.6 Deferred tax liabilities**

The movements in deferred tax liabilities are as follows:

	<b>RM'000</b>
Audited as at 31 December 2020	4,494
Less: Deferred tax on recognition of right-of-use asset and lease liability (Note 4.1.1(d))	(3,542)
Add: Deferred tax impact on disposal of buildings (Note 4.1.1(e))	1,656
Per Pro Forma SOFP	<u>2,608</u>





**DUTCH LADY MILK INDUSTRIES BERHAD**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**5 NOTES TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**5.7 Current tax liabilities**

The movements in current tax liabilities are as follows:

	RM'000
Audited as at 31 December 2020	6,723
Add: Tax liability on disposal of buildings (Note 4.1.1(e))	4,333
Per Pro Forma SOFP	<u>11,056</u>

**5.8 Retained earnings**


The movements in retained earnings are as follows:

	RM'000
Audited as at 31 December 2020	102,580
Add: Deferred tax on recognition of right-of-use asset and lease liability (Note 4.1.1(d))	3,542
Add: Net gain on Proposed Disposal and subsequent leaseback (Note 4.1.1(f))	<u>139,332</u>
Per Pro Forma SOFP	<u>245,454</u>

**6 APPROVAL BY BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of Dutch Lady Milk Industries Berhad on 19 May 2021.

On behalf of the Board

  
 Tarang Gupta  
 Director

  
 Jean Serge Krol  
 Director





The Board of Directors  
Dutch Lady Milk Industries Berhad  
Level 5, Quill 9  
112, Jalan Prof. Khoo Kay Kim  
46300 Petaling Jaya  
Selangor  
Malaysia

19 May 2021

PwC/EMG/GWF/TT/OJJ/lh/0447B1

Dear Sirs,

**Report on the Compilation of Pro Forma Statement of Financial Position**

- 1 We have completed our assurance engagement to report on the compilation of the Pro Forma Statement of Financial Position of Dutch Lady Milk Industries Berhad (the "Company") as at 31 December 2020 (the "Pro Forma Statement of Financial Position"). The Pro Forma Statement of Financial Position which we have stamped for the purpose of identification, has been compiled by the Directors of the Company (the "Directors") for inclusion in the Circular to Shareholders to be dated 8 June 2021 in connection with the proposed disposal of land held under documents of title Pajakan Negeri 33305 Lot 78 Seksyen 13 ("Lot 78"), Pajakan Negeri 33306 Lot 79 Seksyen 13 ("Lot 79") and Pajakan Negeri 96122 Lot 48 Seksyen 13 ("Lot 48"), all in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor ("Land") together with the buildings erected thereon ("Buildings") bearing postal address No. 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) 46200 Petaling Jaya, Selangor (the Land together with the Buildings shall hereinafter be referred to together as "Property") by the Company (the "Proposal").
- 2 The basis of which the Directors have compiled the Pro Forma Statement of Financial Position are described in the Notes thereon to the Pro Forma Statement of Financial Position.
- 3 The Pro Forma Statement of Financial Position has been compiled by the Directors, for illustrative purposes only, to show the effects of the events or transactions as set out in the Notes thereon to the Pro Forma Statement of Financial Position on the Company's statement of financial position as at 31 December 2020 had the events or transactions been effected on that date. As part of this process, information about the Company's financial position has been extracted by the Directors from the Company's financial statements for the financial year ended 31 December 2020, on which an audit report has been published.

.....  
PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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**The Board of Directors**  
**Dutch Lady Milk Industries Berhad**  
**PwC/EMG/GWF/TT/OJJ/lh/0447B1**  
**19 May 2021**

**The Directors' Responsibility for the Pro Forma Statement of Financial Position**

- 4 The Directors are responsible for compiling the Pro Forma Statement of Financial Position on the basis set out in the Notes thereon to the Pro Forma Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

**Our Independence and Quality Control**

- 5 We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- 6 Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

- 7 Our responsibility is to express an opinion, about whether the Pro Forma Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis set out in the Notes thereon to the Pro Forma Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.
- 8 We conducted our engagement in accordance with International Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" ("ISAE 3420"), issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Statement of Financial Position on the basis set out in Notes thereon to the Pro Forma Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.
- 9 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.





**The Board of Directors**  
**Dutch Lady Milk Industries Berhad**  
**PwC/EMG/GWF/TT/OJJ/lh/o447B1**  
**19 May 2021**

**Reporting Accountants' Responsibilities (continued)**

- 10 The purpose of the Pro Forma Statement of Financial Position included in the Circular to Shareholders is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Company as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.
- 11 A reasonable assurance engagement to report on whether the Pro Forma Statement of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria as disclosed in Notes thereon used by the Directors in the compilation of the Pro Forma Statement of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:
  - The related pro forma adjustments give appropriate effect to those criteria; and
  - The Pro Forma Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.
- 12 The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the events or transactions in respect of which the Pro Forma Statement of Financial Position has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Statement of Financial Position.
- 13 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Our Opinion**

- 14 In our opinion, the Pro Forma Statement of Financial Position has been compiled, in all material respects, on the basis set out in Notes thereon to the Pro Forma Statement of Financial Position and in accordance with Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.



**The Board of Directors  
Dutch Lady Milk Industries Berhad  
PwC/EMG/GWF/TT/OJJ/lh/0447B1  
19 May 2021**

**Other Matter**

- 15 This report is issued for the sole purpose of inclusion in the Circular to Shareholders in connection with the Proposal and should not be used or relied upon for any other purpose. Our report is not to be disseminated to any third party in whole or in part. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants



**DUTCH LADY MILK INDUSTRIES BERHAD (196301000165 (5063-V))**

(Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

**EXTRACT OF ORDINARY RESOLUTION FOR PROPOSED DISPOSAL BY DUTCH LADY MILK INDUSTRIES BERHAD ("DLMI" OR "COMPANY") OF LANDS HELD UNDER DOCUMENTS OF TITLE PAJAKAN NEGERI 33305 LOT 78 SEKSYEN 13, PAJAKAN NEGERI 33306 LOT 79 SEKSYEN 13 AND PAJAKAN NEGERI 96122 LOT 48 SEKSYEN 13, ALL IN BANDAR PETALING JAYA, DAERAH PETALING, NEGERI SELANGOR ("LAND") TOGETHER WITH THE BUILDINGS ERECTED THEREON ("BUILDINGS") BEARING POSTAL ADDRESS NO 13, JALAN PROFESSOR KHOO KAY KIM (FORMERLY KNOWN AS JALAN SEMANGAT) 46200 PETALING JAYA, SELANGOR (THE LAND TOGETHER WITH THE BUILDINGS SHALL HEREINAFTER BE REFERRED TO TOGETHER AS "PROPERTY") TO UEM LAND BERHAD ("PURCHASER") FOR A TOTAL CASH SUM OF RM200,000,000.00 ("PURCHASE PRICE")**

As Special Business

**ORDINARY RESOLUTION - PROPOSED DISPOSAL BY DUTCH LADY MILK INDUSTRIES BERHAD ("DLMI" OR "COMPANY") OF LANDS HELD UNDER DOCUMENTS OF TITLE PAJAKAN NEGERI 33305 LOT 78 SEKSYEN 13, PAJAKAN NEGERI 33306 LOT 79 SEKSYEN 13 AND PAJAKAN NEGERI 96122 LOT 48 SEKSYEN 13, ALL IN BANDAR PETALING JAYA, DAERAH PETALING, NEGERI SELANGOR ("LAND") TOGETHER WITH THE BUILDINGS ERECTED THEREON ("BUILDINGS") BEARING POSTAL ADDRESS NO. 13, JALAN PROFESSOR KHOO KAY KIM (FORMERLY KNOWN AS JALAN SEMANGAT) 46200 PETALING JAYA, SELANGOR (THE LAND TOGETHER WITH THE BUILDINGS SHALL HEREINAFTER BE REFERRED TO TOGETHER AS "PROPERTY") TO UEM LAND BERHAD ("PURCHASER") FOR A TOTAL CASH SUM OF RM200,000,000.00 ("PURCHASE PRICE")**

**"THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where applicable) being obtained, approval be and is hereby given for the Company to dispose of** its current factory land located and held under documents of title Pajakan Negeri 33305 Lot 78 Seksyen 13 ("Lot 78"), Pajakan Negeri 33306 Lot 79 Seksyen 13 ("Lot 79") and Pajakan Negeri 96122 Lot 48 Seksyen 13 ("Lot 48"), all in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor ("Land") together with the buildings erected thereon ("Buildings") bearing postal address No 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) 46200 Petaling Jaya, Selangor (the Land together with the Buildings shall hereinafter be referred to together as "Property") ("Proposed Disposal") on the terms stipulated in the Sale and Purchase Agreement dated 10 March 2021 entered into between the Company and the Purchaser.

**THAT** the Board of Directors of DLMI ("Board") is hereby authorised to use the proceeds from the Proposed Disposal as set out in Section 2.14 of the circular to shareholders dated 9 June 2021 and the Board be and is hereby authorised to revise the use of proceeds from the Proposed Disposal in the manner as it deems fit and in the best interest of the Company.

**AND THAT** the Directors of the Company be and are hereby authorised to do all acts, deeds, things and to execute all necessary documents as they may consider necessary or expedient or in the best interest of the Company to give full effect to the Proposed Disposal with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by any relevant authorities and to deal with all matters relating thereto or deemed necessary by the Directors, and to take all steps and do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Disposal."