



FrieslandCampina 
nourishing by nature



DUTCH LADY MILK INDUSTRIES BERHAD ANNUAL REPORT 2021



NOURISHING OUR NATION

NOURISHING OUR NATION

>> As Malaysia's leading dairy company, Dutch Lady Milk Industries Berhad continues to make great strides in our journey of growth as we stay true to our Purpose of Nourishing Our Nation.

We are committed to Nourishing Malaysians with trusted and sustainable dairy nutrition for now and generations to come. We will also continue supporting the national health agenda whilst striving to improve the nutritional status of Malaysians.



Overview



ESTABLISHED IN
1963



600
EMPLOYEES



**HALAL
PRODUCER**

>50 YEARS & IMPLEMENTED
HALAL COMPLIANCE SYSTEM
SINCE 1963



**RM284.5
MILLION**
2021 PROFIT



**3.75
MILLION**
ESTIMATED ANNUAL
CONSUMERS



DDP HAS PRODUCED
37.9 MILLION
LITRES OF FRESH MILK
FROM 2011 - 2021



74%
PACKAGING RECYCLABLE &
CIRCULAR



118 MILLION
PACKS



2 MILLION
STUDENTS

TABLE OF CONTENT

CORPORATE AND GOVERNANCE

6	Notice of Annual General Meeting	26	Chairperson's Statement
12	Corporate Information	30	Management Discussion & Analysis
13	5-Year Financial Summary	40	Corporate Governance Overview Statement
14	Profiles of Board of Directors and Company Secretary	60	Audit & Risk Committee Report
20	Management Team Profiles	69	Statement of Risk Management and Internal Control
		76	Sustainability Report

FINANCIAL REPORTS

102	Directors' Report	109	Statement of Cash Flows
106	Statement of Financial Position	110	Notes to the Financial Statements
107	Statement of Profit or Loss and Other Comprehensive Income	153	Statement by Directors
108	Statement of Changes in Equity	153	Statutory Declaration
		154	Independent Auditors' Report

ADDITIONAL INFORMATION

159	Recurrent Related Party Transactions of a Revenue or Trading Nature
160	Analysis of Shareholdings
	<ul style="list-style-type: none">• Proxy Form

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>>
Soft copy version of Dutch Lady Milk Industries Berhad Annual Report 2021

TRUSTED BY
GENERATIONS FOR

**150
YEARS**



OUR BRAND PORTFOLIO



>60

**PRODUCTS
WITH
HEALTHIER
CHOICE LOGO**



MaxGro

Hi Opt

NE
ST
PA



MS 1500
1069-01/2004

High in Nutrients: High Protein, Calcium, Iron, Magnesium, Vitamin A, D3, E, B1, B2, B3, B6, B12 and C content.

~ 9EAA: 9 Essential Amino Acids.

High# In Nutrients

Optimal Growth For Your Child

NEW
PACK

NEW
TWIN
PACK



2 x
600g
PEK



MaxGro
1-9 TAHUN
BIASA



TINGGI#
DALAM
NUTRIEN

NUTRIEN
PENTING
UNTUK
TUMBESARAN

9
EAA

DHA

15 x 27g
MAKANAN PENDIETAN
BERFORMULA

TINGGI#
DALAM
NUTRIEN

NUTRIEN
PENTING
UNTUK
TUMBESARAN

9
EAA

DHA

2 x 600g
MAKANAN PENDIETAN
BERFORMULA

DUTCH LADY	
Protein	10.00%
Laktosa	10.00%
Glukosa	10.00%
Asam Lemak	10.00%
Asam Amino	10.00%
Asam Nukleik	10.00%
Asam Karbonat	10.00%
Asam Sitrat	10.00%
Asam Malat	10.00%
Asam Aspartat	10.00%
Asam Glutamat	10.00%
Asam Glisarat	10.00%
Asam Laktat	10.00%
Asam Oksalat	10.00%
Asam Perasetat	10.00%
Asam Sukinat	10.00%
Asam Tartarat	10.00%
Asam Valerat	10.00%
Asam Sukinat	10.00%
Asam Malat	10.00%
Asam Aspartat	10.00%
Asam Glutamat	10.00%
Asam Glisarat	10.00%
Asam Laktat	10.00%
Asam Oksalat	10.00%
Asam Perasetat	10.00%
Asam Sukinat	10.00%
Asam Tartarat	10.00%
Asam Valerat	10.00%
Asam Sukinat	10.00%
Asam Malat	10.00%
Asam Aspartat	10.00%
Asam Glutamat	10.00%
Asam Glisarat	10.00%
Asam Laktat	10.00%
Asam Oksalat	10.00%
Asam Perasetat	10.00%
Asam Sukinat	10.00%
Asam Tartarat	10.00%
Asam Valerat	10.00%



Scan this code
for more info

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Ninth Annual General Meeting (“59th AGM”) of the Company will be carried out fully virtual through live streaming and online remote voting from the Broadcast Venue at Gallery 3, Level 3, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia on Wednesday, 25 May 2022 at 10.00 a.m. for the purpose of transacting the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021, together with the Reports of the Directors and Auditors thereon (Please refer to Explanatory Note to the Agenda (i)).
2. To approve the proposed increase and payment of Directors’ fees of up to RM500,000 for the financial year ending 31 December 2022, to be made payable quarterly (Please refer to Explanatory Note to the Agenda (ii)). **Resolution 1**
3. To approve the payment of Directors’ benefits of up to RM100,000 to Non-Executive Directors for the financial year ending 31 December 2022 (Please refer to Explanatory Note to the Agenda (ii)). **Resolution 2**
4. To re-elect the following Directors who retire by rotation pursuant to Rule 105 of the Constitution of the Company: **Resolutions 3 and 4**
 - (a) Mr. Bernardus Hermannus Maria Kodden; and
 - (b) Ms. Saw Chooi Lee
5. To re-appoint Ms. Ramjeet Kaur Virik who was appointed during the year and retires pursuant to Rule 86.3 of the Constitution of the Company. **Resolution 5**
6. To re-appoint PricewaterhouseCoopers PLT (LLP0014401-LCA & AF: 1146) as the Company’s auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

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

7. **PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)** **Resolution 7**

“**THAT** approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature with the specified classes of Related Parties as stated in Sections 2.4 and 2.3 of the Circular to Shareholders dated 26 April 2022 which are necessary for the Company’s day-to-day operations subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the aggregate value of such transactions conducted pursuant to the Shareholders' Mandate during the financial year will be disclosed in the Annual Report for the said financial year;

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

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the Meeting the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

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

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

By Order of the Board

KATINA NURANI BINTI ABD RAHIM
(L.S. No. 9652)

SSM Practising Certificate No. 201908001190
Company Secretary
Petaling Jaya
26 April 2022

NOTES

- In light of the COVID-19 pandemic, in the interest of our stakeholders' health and safety, the Fifty-Ninth Annual General Meeting ("59th AGM") will be conducted fully virtual through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities which are available on Boardroom Smart Investor Portal at <https://meeting.boardroomlimited.my>. With RPEV facilities, members may exercise their rights to participate and vote at the 59th AGM through the following modes of communication: i) Typed text in the Meeting Platform ii) E-mail questions to finance.dept@frieslandcampina.com prior to the Virtual Meeting iii) You may submit questions in advance on the AGM resolutions and Annual Report 2021 not later than 10.00 a.m. on Monday, 23 May 2022 via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, and select "SUBMIT QUESTION" to pose questions ("Pre-AGM Meeting Questions"). The Company has appointed Boardroom Share Registrars Sdn Bhd ("Boardroom") as the Poll Administrator for the 59th AGM to facilitate the Virtual Meeting. Please follow the procedures set out in the Administrative Guide for the 59th AGM below to register, participate and vote remotely via RPEV facilities.
- The Broadcast Venue of the 59th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the 59th AGM. Members will not be allowed to attend the 59th AGM in person at the Broadcast Venue on the day of the 59th AGM.
- A Member entitled to attend and vote at the 59th AGM of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

4. Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.
5. The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointer is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. For the purpose of determining members who shall be entitled to attend the 59th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **18 May 2022** ("General Meeting Record of Depositors"). Only depositors whose names appear on the Record of Depositors as at **18 May 2022** shall be entitled to attend the said meeting or appoint proxies to attend and vote on their behalf.
7. To be valid, the original instrument appointing a proxy, duly completed (and if applicable, the power of attorney or other authority under which it is originally signed or notarially certified copy of that power of authority) must be deposited at the office of Boardroom Share Registrars Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof (or in the case of poll, not less than 24 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 Administrative Guide below.
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 59th AGM will be put to vote by way of poll.

Explanatory Notes to the Agenda

(i) First item of the Agenda

This item of the Agenda is meant for discussion only in accordance with the provision of Section 340(1)(a) of the Companies Act, 2016. As such this item on the Agenda is not put forward for voting.

(ii) Resolutions 1 and 2:

The Company is seeking for shareholders' approval for the proposed increase and payment of the Directors' fees and the payment of benefits for the financial year ending 31 December 2022, as follows:

Directors' Fees and Benefits	2021 (per annum)	2022 (per annum)
Chairperson's Fees	RM122,411	RM126,083
Non-Executive Directors' fees (other than FC DLMI's Nominee Directors)	RM69,777	RM71,870
Chairperson of Audit & Risk Committee fees	RM8,593	RM8,851
Member of Audit & Risk Committee fees (other than FC DLMI's Nominee Directors)	RM5,729	RM5,901
Chairperson of Nominating & Remuneration Committee fees	RM1,719	RM1,771
Meeting Attendance allowance	RM1,300 per meeting	RM1,300 per meeting

The calculation is based on the estimated number of scheduled and/or special Board and Board Committees' Meetings and on the assumption that all the Directors will remain in office until the financial year ending 31 December 2022.

(iii) Resolutions 3, 4 and 5

The Board through its Nominating & Remuneration Committee ("NRC") had assessed each of the retiring Directors, and considered the following: (i) If there is any evidence of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, the retiring Directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole; and (ii) The retiring Director's performance and contribution based on the Directors' Peer Assessment results.

For item (i), the NRC considered and did not find evidence of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect the retiring Directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole, save and except that Mr. Bernardus Hermannus Maria Kodden and Ms. Ramjeet Kaur Virik are Board representatives of the majority shareholder Royal FrieslandCampina N.V (RFC). Accordingly,

NOTICE OF ANNUAL GENERAL MEETING

Mr. Bernardus Hermannus Maria Kodden and Ms. Ramjeet Kaur Virik are Non-Independent Board members. None of the retiring Directors hold any shares in the Company whether directly or indirectly, have any family relationships with any other director or substantial shareholder of the Company nor do they have any personal interest in any business arrangement involving the Company.

For item (ii), the NRC found that each of the retiring Directors had performed well based on the performance criteria evaluated.

Based on the above, the Board approved the NRC's recommendation and supports the re-election of Mr. Bernardus Hermannus Maria Kodden and Ms. Saw Chooi Lee who retire in accordance with Rule 105 of the Company's Constitution, and the re-appointment of the Ms. Ramjeet Kaur Virik who retires in accordance with Rule 86.3 of the Company's Constitution.

(iv) Resolution 7: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Please refer to the Circular to Shareholders dated 26 April 2022.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of individuals who are standing for election as Directors

(Pursuant to Paragraph 8.27(2) of the Bursa Securities Listing Requirements)

No individual is seeking election as a Director at the forthcoming 59th AGM of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

No general mandate to issue securities in the Company is being sought at the forthcoming 59th AGM of the Company.

Personal Data Privacy:

By registering for the remote participation and electronic voting meeting and/or submitting an instrument appointing a proxy(ies) and/or representative(s) to participate, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the processing of the member's personal data by the Company (or its agents) for the Meeting and matters related thereto, including but not limited to: (a) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof); (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and (c) for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) undertakes and warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Company (or its agents) processing of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will fully indemnify the Company in respect of any penalties, liabilities, legal suits, claims, demands, losses and damages as a result of the member's failure to provide accurate and correct information of the personal data or breach of the member's undertaking and/or warranty as set out herein.

ADMINISTRATIVE GUIDE FOR THE FIFTY-NINTH ANNUAL GENERAL MEETING ("59TH AGM")

Meeting Platform	: https://meeting.boardroomlimited.my
Day and Date	: Wednesday, 25 May 2022
Time	: 10.00 a.m.
Broadcast Venue	: Gallery 3, Level 3, New World Petaling Jaya Hotel, Paradigm, 1, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor
Mode of Communication	: 1) Typed text in the Meeting Platform 2) E-mail questions to finance.dept@frieslandcampina.com prior to the Meeting. 3) Submit question via Boardroom Smart Investor Portal at https://investor.boardroomlimited.com prior to the meeting

Broadcast Venue

- Shareholders/proxies are not allowed to present and participate at Dutch Lady Milk Industries Berhad's 59th AGM via the Broadcast Venue as the venue is only meant to facilitate the conduct of the Virtual Meeting.

Annual Report 2021

- Members are encouraged to download a digital copy of the Annual Report 2021 from the Company's website in the interest of preserving the environment. The Annual Report 2021 can be downloaded from the Company's website www.dutchlady.com.my.




NOTICE OF ANNUAL GENERAL MEETING

- If you need a copy of the printed Annual Report 2021, kindly complete the enclosed Request Slip and send the same to the Company's Share Registrar, Board Share Registrars Sdn Bhd.
- Any request for the Annual Report 2021 would be forwarded to the requestor within four (4) market days from the date of receipt of the written request.

Proxy

- Shareholders who are unable to remote participate in Dutch Lady Milk Industries Berhad's 59th AGM are encouraged to appoint the Chairperson of the Meeting to vote on their behalf.
- You may deposit the Proxy Form electronically with the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd using 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. Kindly follow the link at <https://investor.boardroomlimited.com> to login and select E-PROXY LODGEMENT" to deposit your Proxy Form electronically.
- If you wish to remote participate the Virtual Meeting yourself, please do not submit any Proxy Form. You will not be allowed to participate the Virtual Meeting together with a proxy appointed by you.
- If you have submitted Proxy Form prior to the Virtual Meeting and subsequently decide to appoint another person or wish to participate in the Virtual Meeting by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty-eight (48) hours before the Meeting.

Poll Voting (For Virtual Meeting)

- The voting will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Boardroom Share Registrars Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting (e-Voting).
- For the purposes of this AGM, the remote participation and e-voting will be carried out via the following voting devices:-
 - Personal smart mobile phones ,
 - tablets  or
 - Laptops 
- There are 2 methods for members and proxies who wish to use their personal voting device to vote as follows:-
 - Using QR Scanner Code given in the email to you **OR**
 - Using website URL <https://meeting.boardroomlimited.my>
- The polling will only commence after the announcement of poll voting session open by the Chairperson and until such time when the Chairperson announces the closure of poll.
- The Scrutineers will verify the poll result reports upon closing of the poll session by the Chairperson. Scrutineers will announce the results thereafter and the Chairperson will declare whether the resolutions put to vote were successfully carried or not.

Remote Participation and Electronic Voting

- Please note that this option is available to **(i) individual members; (ii) corporate shareholder; (iii) Authorised Nominee; and (iv) Exempt Authorised Nominee.**
- If you choose to participate in the meeting online, you will be able to view a live webcast of the Meeting, post questions to the Board and submit your votes in real time whilst the meeting is in progress.
- Kindly follow the steps below on how to request for login ID and password.

Step 1 - Register Online with Boardroom Smart Investor Portal (for first time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2. Submit request for Remote Participation user ID and password.]

- Access website <https://investor.boardroomlimited.com>
- Click <<Login>> and click <<Register>> to sign up as a user.
- Complete registration and upload softcopy of MyKAD (front and back) or Passport in JPEG, PNG or PDF format.
- Please enter a valid email address and wait for Boardroom's email verification.
- Your registration will be verified and approved within one (1) business day and an email notification will be provided.

NOTICE OF ANNUAL GENERAL MEETING

Step 2 - Submit Request for Remote Participation User ID and Password

[Note: The registration for remote access will be opened on 26 April 2022]

Individual Members

- Login to <https://investor.boardroomlimited.com> using your user ID and password above.
- Select "Virtual Meeting" from main menu and select the correct Corporate Event "Dutch Lady Milk Industries Berhad 59th Virtual Meeting.
- Read and agree to the terms and conditions.
- Enter your CDS account and thereafter submit your request.

Corporate Shareholders

- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.

Please also provide a copy of Corporate Representative's MyKad (Front and Back) in JPEG, PNG or PDF format or Passport as well as his/her email address.

Authorised Nominee and Exempt Authorised Nominee

- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Form of Proxy to submit the request.
- Authorised Nominee and Exempt Authorised Nominee must also provide a copy of the Proxy Holder's MyKad (Front and Back) or Passport in JPEG, PNG or PDF format as well as his/her email address.

- a. You will receive a notification from Boardroom that your request has been received and is being verified.
- b. Upon system verification against the General Meeting Record of Depositors as at 18 May 2022, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
- c. You will also receive your remote access user ID and password along with the email from Boardroom if your registration is approved.
- d. Please note that the closing time to submit your request is at 10:00 a.m. on 23 May 2022 (48 hours before the Virtual Meeting).

Step 3 - Login to Virtual Meeting Portal

[Please note that the quality of the connectivity to Virtual Meeting Portal for live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

- a. The Virtual Meeting portal will be open for login starting one (1) hour before the commencement of Virtual Meeting at 10:00 a.m. on 25 May 2022.
- b. Follow the steps given to you in the email along with your remote access user ID and password to login to the Virtual Meeting portal. (Refer to Step 2 above)
- c. The steps will also guide you how to view live web cast, ask questions and vote.
- d. The live web cast will end and the Messaging window will be disabled the moment The Chairman announces the closure of the Virtual Meeting.
- e. You can now logout from Virtual Meeting Portal.

Live Webcast, Question and Voting at the Virtual Meeting

The Login User Guide for participation, posing questions and voting at the 59th AGM, will be emailed to the shareholders together with the remote access user ID and password once their registration have been approved.

Shareholders who participate the Virtual Meeting are able to view the Company's presentation or slides via the live web-streaming.

The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by shareholders which are related to the resolutions to be tabled at the 59th AGM, as well as financial performance/prospect of the Company.

Shareholders may proceed to cast votes on each of the proposed resolutions, to be tabled at the 59th AGM, after the Chairman has opened the poll voting session on the resolutions. Shareholders are reminded to cast their votes before the poll is closed.

No recording or photography of the virtual AGM proceedings is allowed without the prior written permission of the Company.

Shareholders/Proxies must ensure that you are connected to the internet at all times in order to participate and vote when the virtual AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

Enquiry

Please email to the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at bsr.helpdesk@boardroomlimited.com if you have queries pertaining to the remote participation and electronic voting, prior to the virtual Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRPERSON

Datin Seri Sunita Mei-Lin Rajakumar

Independent Non-Executive Director
(appointed 27.02.2019)

DIRECTORS

Ramjeet Kaur Virik

Non-Independent Executive Director
Managing Director
(appointed 02.07.2021)

Saw Chooi Lee

Senior Independent Non-Executive Director
(appointed on 01.01.2014 and re-designated to Independent Non-Executive Director on 15.01.2020)

Bernardus Hermannus Maria Kodden

Non-Independent Non-Executive Director
(appointed 01.01.2018)

Dato' Dr. Rosini binti Alias

Non-Independent Non-Executive Director
(appointed 16.03.2018)

Tengku Nurul Azian binti Tengku Shahrman

Independent Non-Executive Director
(appointed 25.06.2018)

Jean Serge Krol

Non-Independent Non-Executive Director
(appointed 19.07.2019)

Darren Kong Kam Seong

Independent Non-Executive Director
(appointed 14.04.2021)

COMPANY SECRETARY

Katina Nurani binti Abd Rahim
Licensed Secretary
(L.S. No. 9652)
SSM Practising Certificate No.
201908001190

REGISTERED OFFICE

Level 5, Quill 9,
112, Jalan Prof. Khoo Kay Kim
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7953 2600
Facsimile : 03-7953 2700

STOCK EXCHANGE LISTING

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

AUDIT & RISK COMMITTEE

CHAIRPERSON

Tengku Nurul Azian binti Tengku Shahrman

MEMBERS

Saw Chooi Lee
Darren Kong Kam Seong
Dato' Dr. Rosini binti Alias
Jean Serge Krol

REGISTRAR

BOARDROOM SHARE REGISTRARS SDN BHD

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7890 4800
Facsimile : 03-7841 8151

AUDITORS

PRICEWATERHOUSECOOPERS PLT (LLP0014401-LCA & AF 1146)

Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

PRINCIPAL BANKERS

PUBLIC BANK BERHAD

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

CITIBANK BERHAD

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

MALAYAN BANKING BERHAD

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

NOMINATING & REMUNERATION COMMITTEE

CHAIRPERSON

Saw Chooi Lee

MEMBERS

Bernardus Hermannus Maria Kodden
Tengku Nurul Azian binti Tengku Shahrman
Darren Kong Kam Seong

WEBSITE

www.dutchlady.com.my

INVESTOR RELATIONS & ENQUIRIES

Arent Naber

Finance Director
finance.dept@frieslandcampina.com

5-YEAR FINANCIAL SUMMARY

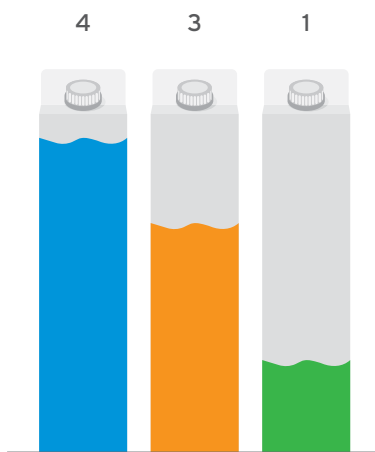


PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY

COMMITTEE MEMBER KEY

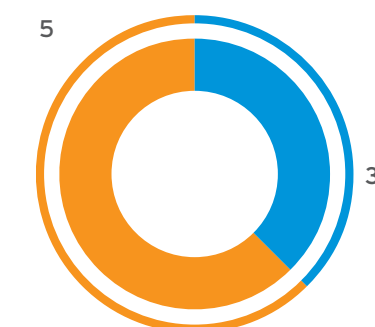
- A** Audit & Risk Committee
- N** Nominating & Remuneration Committee

BOARD COMPOSITION



- Independent Non-Executive Directors
- Non-Independent Non-Executive Directors
- Executive Directors

GENDER



- Male
- Female



DATIN SERI SUNITA MEI-LIN RAJAKUMAR
Chairperson and Independent Non-Executive Director

Malaysian	Female	Age 53
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Date of Appointment: 27 February 2019

Tenure of Directorship: 3 years 1 month

Board Meeting Attendance in 2021: 4/4

Membership of Board Committee: None

Datin Seri Sunita was a member of Dutch Lady Milk Industries Berhad's board committees up to 27 September 2021 when she relinquished her positions in all board committees.

Present Directorship in Other Public Companies and Listed Issuers:

- Berjaya Corporation Berhad

Non-listed public company

- MCIS Insurance Berhad
- Zurich General Insurance Malaysia Berhad
- Climate Governance Malaysia Berhad

Academic/Professional Qualification(s):

- LLB (Honours), Bristol University
- Qualified as Member of the Institute of Chartered Accountants of England & Wales in 1994

Working Experience:

Datin Seri Sunita's career began at the Audit and Insolvency Divisions of Ernst & Young in London. Thereafter she was attached to the Corporate Finance Department of RHB Investment Bank Berhad in Kuala Lumpur before becoming a consultant at MIMOS Berhad, where she was invited to manage a foreign technology venture capital fund. She is appointed to the board of trustees of several charities and is involved in a spectrum of community-based activities. She has a cumulative 20 years of experience sitting on boards ranging from technology start-up companies to listed companies, and is a strong advocate of climate governance, having founded the country chapter of the World Economic Forum's climate governance initiative.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



RAMJEET KAUR VIRIK

Executive Director

Malaysian	Female	Age 45
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Date of Appointment: 2 July 2021

Tenure of Directorship: 8 months

Board Meeting Attendance in 2021: 2/2

Membership of Board Committee:

None

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Academic/Professional Qualification(s):

- Bachelor of Science Degree in Economics, Banking and Finance, London School of Economics, United Kingdom.

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Ramjeet has been with FrieslandCampina for 10 years. Prior to her current appointment, Ramjeet was the Marketing Director for the Consumer Dairy Business of the Company since 2018. Before that, she was the International Marketing Manager at FrieslandCampina Asia based in Singapore, and Marketing Manager at PT Frisian Flag Indonesia.

She has more than 20 years of experience in various commercial roles, namely in marketing, sales and shopper functions. Her career started in other leading fast-moving consumer goods organisations such as British American Tobacco (M) Sdn Bhd and Heineken Malaysia Berhad (previously known as Guinness Anchor Berhad).



SAW CHOOI LEE

Senior Independent Non-Executive Director



Malaysian	Female	Age 58
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Date of Appointment: 1 January 2014

Re-designation to Independent Director: 15 January 2020

Tenure of Directorship as Independent Director: 2 years 2 months

Board Meeting Attendance in 2021: 4/4

Membership of Board Committee:

- Nominating & Remuneration Committee (Chairperson)
- Audit & Risk Committee

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Academic/Professional Qualification(s):

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

Working Experience:

Ms. Saw was formerly the Managing Director for Dutch Lady Milk Malaysia and Singapore from 2015 to 2017. She was then re-designated as a Non-Independent Non-Executive Director in January 2018.

Ms. Saw started her marketing career by joining the Unilever management training programme and since then, she has held various senior managerial positions within the fast-moving consumer goods industry. She first joined the Company in March 2003 as its Commercial Director. From March 2008 to 2010, she was appointed as the General Manager for FrieslandCampina Hong Kong. She was then promoted to become the Managing Director for FrieslandCampina Mainland China from 2011 to 2014.

She also teaches at the Graduate Business School - MBA Program, Universiti Kebangsaan Malaysia and mentors in the Women in Leadership (WIL) programme by Lead-Women Malaysia Organisation.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



**BERNARDUS HERMANNUS
MARIA KODDEN**

Non-Independent Non-Executive Director



Dutch	Male	Age 48
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Date of Appointment: 1 January 2018

Tenure of Directorship: 4 years 2 months

Board Meeting Attendance in 2021: 4/4

Membership of Board Committee:

- Nominating & Remuneration Committee

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Academic/Professional Qualification(s):

- BA in International Economics/Modern Japanese Studies University of Rotterdam in the Netherlands
- MA International Relations, University of Gronigen in the Netherlands
- MBA from University of Bradford/NIMBAS University

Working Experience:

Mr. Kodden assumed the position of President of Business Group, Specialised Nutrition for Royal FrieslandCampina N.V on 1 January 2018. Prior to that, he was the Managing Director for FrieslandCampina, Branded Netherlands. He has also held various director and managerial positions for Infant & Toddler Nutrition, Brand and Innovation and Sales within Royal Friesland Foods and later FrieslandCampina N.V. He has extensive experience in the areas of sales, marketing, general management and crisis management.



DATO' DR. ROSINI BINTI ALIAS

Non-Independent Non-Executive Director



Malaysian	Female	Age 64
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Date of Appointment: 16 March 2018

Tenure of Directorship: 4 years

Board Meeting Attendance in 2021: 4/4

Membership of Board Committee:

- Audit & Risk Committee

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Academic/Professional Qualification(s):

- Doctor of Veterinary Medicine, DVM, Universiti Pertanian Malaysia

Working Experience:

Dato' Dr. Rosini was formerly the Deputy Director-General of the Department of Veterinary Services (DVS), Malaysia. Her career in the veterinary and agricultural sector spans over 30 years, and her contribution and service to the veterinary sector has been recognised through state honours and by industry patrons in 2015 and 2017.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



TENGGU NURUL AZIAN BINTI TENGGU SHAHRIMAN

Independent Non-Executive Director



Malaysian	Female	Age 59
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Date of Appointment: 25 June 2018

Tenure of Directorship: 3 years 9 months

Board Meeting Attendance in 2021: 4/4

Membership of Board Committee:

- Audit & Risk Committee (Chairperson)
- Nominating & Remuneration Committee

Present Directorship in Other Public Companies and Listed Issuers:

- Sunway REIT Management Sdn Bhd (management company of Sunway REIT)
- FM Global Logistics Holdings Berhad (formerly known as Freight Management Holdings Berhad)

Academic/Professional Qualification(s):

- Advocate and Solicitor of the High Court of Malaya
- Barrister-at-Law - The Honourable Society of Inner Temple
- School of Oriental & African Studies, London University, LLB (Hons)

Working Experience:

Tengku Nurul Azian was formerly the Executive Vice President & Partner of PEMANDU Associates Sdn Bhd, a management consulting firm focused on public sector transformation and business turnaround with global experience.

She started her career in 1988 as an Advocate and Solicitor with Messrs. Shook Lin & Bok before pursuing a career in investment banking in 1992. She has over 18 years of broad experience in investment banking and corporate finance, the last position held as Head of Corporate Finance in RHB Investment Bank Berhad, a member of RHB Banking Group, the 4th largest fully integrated financial services group in Malaysia.

In 2010, she was appointed as the Director of Education and Human Capital Development in the Performance Management and Delivery Unit (PEMANDU) and held this position until 2017.

She is also a Board member of Pemimpin GSL, Malaysia, a member of the Global School Leaders network, an organisation involved in providing school leadership programs to head teachers in approximately 195 schools and sits on the Board of Governors of her alma mater, Convent Bukit Nanas.



JEAN SERGE KROL

Non-Independent Non-Executive Director



Dutch	Male	Age 51
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Date of Appointment: 19 July 2019

Tenure of Directorship: 2 years 8 months

Board Meeting Attendance in 2021: 4/4

Membership of Board Committee:

- Audit & Risk Committee

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Academic/Professional Qualification(s):

- Post-master Degree Certified Controller (RC), Vrije Universiteit, Amsterdam
- Post-master Degree Certified Public Accountant (RA), Rijksuniversiteit Groningen (RUG), Groningen
- Master of Economics (Drs.), Auditing variant, Rijksuniversiteit Groningen (RUG), Groningen

Working Experience:

Mr. Krol joined FrieslandCampina in 2002 as Commercial Controller Friesland Foods Cheese, Wolvega. He then held the position as a Finance Director at FrieslandCampina Thailand, Bangkok from 2006 to 2010 and as Finance Director at FrieslandCampina DOMO, Amersfoort from 2010 to 2015 before assuming the position as Finance Director of FrieslandCampina China, Shanghai in May 2015. In July 2019, he was appointed as the Director of Finance for FrieslandCampina's Specialised Nutrition Business Group.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



DARREN KONG KAM SEONG
Independent Non-Executive Director



Malaysian	Male	Age 44
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Date of Appointment: 14 April 2021

Tenure of Directorship: 11 months

Board Meeting Attendance in 2021: 3/3

Membership of Board Committee:

- Audit & Risk Committee
- Nominating & Remuneration Committee

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Academic/Professional Qualification(s):

- Fellow Member of the Association of Chartered Certified Accountants (ACCA)
- Member of the Malaysian Institute of Accountants (MIA)
- Associate member of the Association of Certified Fraud Examiners (ACFE)
- Member of the Certified Practising Accountants, Australia (CPA)
- Member of the Institute of Corporate Directors Malaysia (ICDM)
- Member of the Singapore Institute of Directors (SID)
- BSc (Hons) in Applied Accounting, Oxford Brookes University, United Kingdom

Working Experience:

Mr. Darren Kong is currently Managing Director, Corporate Strategy & Alliance of Fusionex Group, an established multi-award winning data technology provider that specialises in Analytics, Big Data, Machine Learning and Artificial Intelligence. Prior to venturing into the ICT sector, he has held senior management and finance positions in industries covering property development, property management and the automotive industry. His area of work involves various organisations from enterprises to small businesses, establishing partnership with trade and industrial associations and government agencies.

Mr. Darren Kong is a fellow member of the Association of Chartered Certified Accountants (ACCA), a member of the Malaysian Institute of Accountants (MIA), a member of Certified Practising Accountant (CPA) Australia, a member of Institute of Corporate Directors Malaysia (ICDM), a global associate member of Singapore Institute of Directors (SID) and an associate member of the Association of Certified Fraud Examiners (ACFE). He graduated from Oxford Brookes University, United Kingdom with a BSc (Hons) in Applied Accounting and a professional qualification from the Association of Chartered Certified Accountants. He also holds a Certificate in Data Analytics (CertDA) from ACCA, a Certificate in Digital Marketing Specialist from Malaysian Institute of Management, a Certified Digital Transformation Professional (International Program) from CASUGOL and a Certificate in Google Cloud Big Data & Machine Learning.



KATINA NURANI BINTI ABD RAHIM
Company Secretary

Malaysian	Female	Age 47
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Date of Appointment: 6 April 2018

Board Meeting Attendance in 2021: 4/4

Directorship in Public Listed Companies:
Nil

Academic/Professional Qualification(s):

- LLB (Honours), University of Nottingham, United Kingdom
- Bar Vocational Course, University of Wales, Cardiff, United Kingdom
- Barrister-at-Law of England & Wales (Lincoln's Inn)
- Advocate & Solicitor of the High Court of Malaya
- Licensed Company Secretary

Working Experience:

Katina was admitted as an Advocate & Solicitor of the High Court of Malaya in 1999 after which she practiced in several law firms in Kuala Lumpur before joining the Usaha Tegas Group as Legal Counsel in 2005. Subsequently, she was attached to Lafarge Malaysia Berhad from March 2011 to March 2018 where she was the Head Counsel for Cement and Drymix businesses and the Company Secretary. She then joined the Company on 15 March 2018 as the Legal & Company Secretarial head. She is a licensed company secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001.

Save as disclosed, the Directors and the Company Secretary do not have any family relationship with any Director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V., do not have any conflict of interest with the Company, has not been convicted of any offence within the past five years, has not been imposed any penalty by the relevant regulatory bodies during the financial year 2021.



ENJOY THE FLAVOURS FOR A STRONG ME, A STRONGER US



**PACKED WITH PROTEIN
AND EVEN MORE CALCIUM***

*Increase in value of Calcium is only applicable to Dutch Lady UHT Full Cream and milk powder variants of plain, honey flavoured and chocolate flavoured.

MANAGEMENT TEAM PROFILES

RAMJEET KAUR VIRIK

Managing Director



Malaysian

Female

Age 45

Appointed: July 2021

Academic/Professional Qualification(s):

- Bachelor of Science Degree in Economics, Banking and Finance, London School of Economics, United Kingdom.

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Ramjeet has been with FrieslandCampina for 10 years. Prior to her current appointment, Ramjeet was the Marketing Director for the Consumer Dairy Business of the Company since 2018. Before that, she was the International Marketing Manager at FrieslandCampina Asia based in Singapore, and Marketing Manager at PT Frisian Flag Indonesia.

She has more than 20 years of experience in various commercial roles, namely in marketing, sales and shopper functions. Her career started in other leading fast-moving consumer goods organisations such as British American Tobacco (M) Sdn Bhd and Heineken Malaysia Berhad (previously known as Guinness Anchor Berhad).

ARENT NABER

Finance Director



Dutch

Male

Age 35

Appointed: September 2020

Academic/Professional Qualification(s):

- Leading to Succeed program, Ashridge University, United Kingdom
- Executive Master in Finance and Control, Tias Nimbas Business School, Netherlands
- Master of Science in Financial Management, Nyenrode Business University, Netherlands

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Prior to his current role as Finance Director, Arent was the Customer Finance Manager for FrieslandCampina Philippines - Alaska Milk Corporation since 2017. Prior to that, Arent held various positions in FrieslandCampina since 2009 including Manager Corporate Internal Audit and Supply Chain Finance Manager FrieslandCampina Domo USA 2015 - 2017.

MANAGEMENT TEAM PROFILES

ZATUR BINTI HASSIM

Marketing Director



Malaysian

Female

Age 43

Appointed: November 2019

Academic/Professional Qualification(s):

- Degree in Biomedical Science, National University of Malaysia
- Leading to Succeed Program, Ashridge University, United Kingdom
- MBA Essential Certificate, London School of Economics and Political Science

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Zatur has more than 20 years of experience in pharmaceutical and FMCG, with the last 8 years focusing specifically on Nutrition/Dairy. Before assuming her current role, Zatur was the Specialised Nutrition Director for the Company and prior to that, she was Specialised Nutrition Director at FrieslandCampina Nigeria.

She joined FrieslandCampina in Singapore as International Medical Marketing Manager in October 2013. Zatur was then invited to move to Nigeria in 2015 where she led the Specialised Nutrition portfolio as Marketing Manager before moving into the Specialised Nutrition Director role in 2018. Prior to joining FrieslandCampina, Zatur worked with Sanofi-Aventis, GlaxoSmithkline Pharmaceutical, Wyeth Pharmaceutical and Kimberly-Clark.

MUHAMMAD ABDUL HADI BIN ABDULLAH

Corporate Affairs Director



Malaysian

Male

Age 54

Appointed: September 2018

Academic/Professional Qualification(s):

- Bachelor of Communications (Honours), University Science of Malaysia
- Leaders of the Future Programme, Ashridge Business School, Hertfordshire, United Kingdom

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

In addition to his role as Corporate Affairs Director for the Company, Hadi was also appointed as FrieslandCampina's Public Affairs Coordinator for AMEA Region. Prior to joining the Company, Hadi was the Manager, Government & Corporate Affairs with JT International Berhad from 2001 to 2018.

Hadi has over 29 years' experience in various roles in the areas of government & external relations, regulatory affairs, corporate communications, public relations, CSR and corporate branding. He previously held positions at Communication Resource Group Public Relations Sdn Bhd, Kuala Lumpur Sentral Sdn Bhd (a member of the Malaysian Resources Corporation Berhad Group of Companies), Malaysian Resources Corporation Berhad and Dialog Group Berhad.

Effective 1 December 2020, Hadi has been appointed as Public Affairs AMEA Region Coordinator. Hadi will take a seat in the most important regional bodies and partner the local teams within Asia, Middle East and Africa region, acting as a sparring business partner for regional public affairs.

MANAGEMENT TEAM PROFILES

ANJALI VELAYUDHAN MENON

Human Resources Director



Indian

Female

Age 40

Appointed: January 2022

Academic/Professional Qualification(s):

- Leadership Program, Executive Education, London Business School, United Kingdom
- Certified Master Performance Coach, JMC Academy, Malaysia
- Hallos Relationship Practitioner, Hallos Relationship Community, Spain
- The Change Cycle Practitioner, The Change Cycle Series, USA
- 360 Degree Profiler Practitioner, Korn Ferry, India
- Thomas Emotional Intelligence Certified Practitioner, Thomas International, United Kingdom
- Post Graduate Diploma in Management, Human Resources (Major) & Marketing (Minor), Symbiosis Center for Management and Human Resource Development, India
- Bachelor of Engineering, Computer Engineering, North Maharashtra University, India

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Prior to her current role as Human Resources Director, Anjali was the Regional Head of Talent Centre of Competence, for Nestlé in Asia Pacific and Sub-Saharan Africa Region, based in Kuala Lumpur since 2018. Prior to that, Anjali has held various positions in Nestlé since 2006, including Corporate People Development and Employee Communications Lead for South Asia (based in India), and Change, Organisation Design and Communications Lead for Indochina (based in Thailand) between 2013 - 2018.

SANDER JANMAAT

Program Director



Dutch

Male

Age 46

Appointed: October 2018

Academic/Professional Qualification(s):

- Management Development Program, Ashridge Business School, UK
- Food Economics (MSc), Wageningen University, The Netherlands
- Dairy Process Technology, HAS University, The Netherlands
- Business Administration, Fulton Montgomery Community College, USA

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Before assuming his current role, Sander was the Operations Director at DLMI. He also held different roles within Asia, amongst others Performance Excellence Manager with Frisian Flag Indonesia and prior to that Plant Manager and later Site Manager at Alaska Milk Corporation in the Philippines.

He started his career in 2000 with Calvé Delft, a part of Unilever N.V. and joined FrieslandCampina in 2001. He has over 19 years of experience in operations, continuous improvement, project management and supply chain and has held various management positions in the Netherlands, France, USA, Philippines and Indonesia.

MANAGEMENT TEAM PROFILES

WILSON CHUA

Sales Director



Malaysian

Male

Age 37

Appointed: January 2022

Academic/Professional Qualification(s):

- Dare to lead program, Vlerick Business School, Ghent, Belgium
- Bachelor of Business in Information Technology University of Coventry, England

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Prior to his current role as Sales Director, Wilson was the National Customer Development Manager - Modern Trade & GT Chilled for Dutch Lady Milk Industries Berhad. Wilson is equipped with 14 years of sales experience and joined the company in April 2016. Prior to DLMI, he worked in Reckitt Benckiser, Unilever and local company Nibong Tebal Enterprise, all in various sales capacity. At DLMI, he was part of multiple sales transformation projects and was a part of the Future Leader Cohort 2018.

TAN POH LIAN

Plan & Deliver Lead



Malaysian

Female

Age 45

Appointed: April 2021

Academic/Professional Qualification(s):

- Advanced Diploma in Business Administration (Association of Business Executive, ABE UK)

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Poh Lian started her career with FrieslandCampina in 2013 when she joined as Supply Planning Manager.

Since then, she had progressively expanded her role to encompass Shipping, Logistics and then Warehousing as a Plan & Deliver Manager prior to her current role as a Customer Supply Chain Lead.

She started her Supply Chain career with Unilever. During her tenure, Poh Lian had also been part of Finance, GL reporting and was also tasked to lead outsourcing transformation of the Accounts Payable function before moving back to Supply Chain as Demand and Supply Manager.

She has more than 13 years of experience in various managerial positions, managing different part of the supply chain.

Save as disclosed, the members of the Management Team do not have any family relationship with any Director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V., do not have any conflict of interest with the Company, has not been convicted of any offence within the past five years, has not been imposed any penalty by the relevant regulatory bodies during the financial year 2021, and do not hold any shares in the Company.



Made in The
Netherlands

Natural Nutrient  **Easy**
With small molecules & soft s



Friso
GOLD

to Digest
structure.



CHAIRPERSON'S STATEMENT



Nourishing Our Nation

Datin Seri Sunita Mei-Lin Rajakumar
Chairperson

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2021.

Facing Headwinds

2021 proved to be an extension to the previous year's unprecedented challenges facing our country, community and businesses across all industries. Economic headwinds coupled with the COVID-19 pandemic produced an environment of uncertainty, impacting traditional ways of working and disrupted established business models.

At Dutch Lady Milk Industries Berhad ("DLMI"), we have managed to thus far, weather this economic and COVID-19 storm mainly due to the resilience and agility of our talented workforce and business partners. These factors continue to be critical for the ongoing success of our business operations.

The sustainability of our purpose, 'Nourishing our Nation' continues to guide us in these difficult times. Recognised as 'essential services' by the Government during the Movement Control Order (MCO), DLMI continued to provide our popular nutritious products to further the national health agenda.

We remain resolutely guided by FrieslandCampina's global mantra on people safety, focus on our primary processes, staying connected and making impactful decisions with the future in mind.

Persevering through the COVID-19 Storm

Despite the challenges faced in 2021, DLMI posted a 3% revenue growth to RM1.13 billion, resulting in a Profit Before Tax of RM284.5 million.

Our purpose of Nourishing Our Nation could not have been more clearer during this pandemic. With the greenlight from the Government to operate during the MCO in 2021, DLMI worked purposefully, delivering quality dairy products to all parts of the country and simultaneously supported the Government's national health agenda.

CHAIRPERSON'S STATEMENT



PROFIT BEFORE TAX

RM284.5 MILLION



REVENUE RM1.13 BILLION

+3%



RM32 MILLION

dividends paid to shareholders



It is indeed heartening to see children grow up on these products and in turn, nourish their own children with the same trusted brand. We are deeply gratified that it is Malaysians, our customers, who have made DLMI the No. 1 dairy company in Malaysia.



Supporting the Nation's Wellbeing

Since our establishment in 1963, DLMI has contributed much to the nation's wellbeing. Consistently aligned to our core purpose, we continue to deliver innovative dairy products. We remain very excited to support and nourish the generations of Malaysians yet to come.

To elevate our overall business operations, DLMI has infused our Leadership Philosophy into our everyday operations, to maximise our business foundation model on the 4Ps: Purpose, People, Performance and Potential.

Purpose

Throughout our 58 years of operating in the country, DLMI has remained steadfast to our purpose of Nourishing Our Nation by encouraging the consumption of nutritious milk products. We now have a wide range of well-loved iconic products, covering our Dutch Lady Liquid Milk range, Dutch Lady and Friso Gold formulated milk powder for children, and Yogurt range.

It is indeed heartening to see children grow up on these products and in turn, nourish their own children with the same trusted brand. We are deeply gratified that it is Malaysians, our customers, who have made DLMI the No. 1 dairy company in Malaysia.

We shoulder this responsibility as a sacred trust. DLMI strongly supports the Government's national health agenda regarding non-communicable diseases, i.e., stunting, obesity and micronutrient deficiencies in children. To boost nutritional levels of our dairy products, we constantly reformulate our products based on consumer research and nutritional deficiencies. This includes reducing sugar and fat content as well as increasing calcium, protein, vitamins and minerals.

We continue to partner the authorities and healthcare stakeholders, exploring avenues to increase access to nutrition in our quest to a healthier Malaysia.

People

We stand proud in recognition of our people who make DLMI and our brands great. It is their expertise and experience that drives our continued business growth.

During the ongoing pandemic, our primary focus has been on ensuring the safety, health and mental wellbeing of our people. Besides the mandatory requirements, we implemented further measures such as frequent testing using Rapid Test Kits, driving vaccination campaigns, pushing the work-from-home approach for office-based employees with full focus to support our primary processes, manufacturing and sales.

Having an agile mindset and framework proved hugely beneficial in adapting to these changes. This helped to ensure a seamless transition to a digital platform, with employees using virtual tools and data analytics in day-to-day decision making and adapting to the New Way of Working.

Performance

Our 2021 results showing internal topline growth is a strong testament to the strength of our trusted brands to meet the needs of consumers in this fast-paced and rapidly evolving environment. To our valued customers, we extend our heartfelt thanks for your strong support and confidence.

DLMI is cognisant that in order to grow market share, productivity and profitability are critical factors. Immersed in a performance-oriented culture, DLMI is committed to increase productivity across all aspects of its operation, from logistics of supply, to storage and distribution.

CHAIRPERSON'S STATEMENT

Our winning profitability formula which has served us well in 2021 will continue well into 2022. We will strive to achieve our topline numbers and align our business parameters with the environmental outlook. The business will keep close watch on our mix, pricing and stock levels as well as managing costs and maintaining a healthy cash level. Achieving our target gross margin will enable us to continue to invest in our key assets - our strong brands and committed staff.

With this combination of factors, we are confident we will continue to achieve our targets now and for years to come.

Potential

As Malaysia remains a very important market with a bright outlook, we will be investing RM400 million in our new manufacturing plant at Techpark in Bandar Enstek, Negeri Sembilan to support the company's long-term expansion plans in Malaysia. This demonstrates DLMI's continued commitment to nurturing the goodness of milk and growing milk consumption in Malaysia.

This upcoming facility, at close to 33 acres, is three times the size of our existing factory in Petaling Jaya and will allow us to double our production capacity. It was chosen for its strategic location, connected by excellent infrastructure and road linkages to all urban centres and ports. Additionally, it is located within an Industrial Park with Halal status, a distinctive advantage in the local market.

We take great pride in building a Smart Factory with Industry 4.0 standards that will create a myriad of future opportunities to benefit the nation. Our new facility will also incorporate green and high-technology, improved sustainability and efficiencies with future innovations that include energy efficient utilities, zero-losses processing, reuse of rainwater as well as improved recyclability.

DLMI will continue adopting new strategies to ensure continuity and sustainability of the business to win in the market.

Sustainability Commitment

Sustainability across our value chain is a critical element in our business, ensuring our ability to provide trusted quality, safe and affordable nutrition to a growing population. We call this our 'Grass to Glass' philosophy.

On this philosophy, we have built our Company's sustainability roadmap, outlining four specific areas: Nourishing Malaysians with better and affordable nutrition, leading sustainable actions at the farm, striving for a balance with nature via our carbon footprint reduction and post-consumption initiatives.



“**Sustainability across our value chain is a critical element in our business, ensuring our ability to provide trusted quality, safe and affordable nutrition to a growing population. We call this our 'Grass to Glass' philosophy.**”

These areas are further aligned with FrieslandCampina's 'Nourishing A Better Planet', which in turn drives support for 7 out of the 17 United Nations' Sustainable Development Goals.

In the course of creating high-quality affordable nutritional products as our main objective and nourishing our nation, we also remember that water management is a core component of DLMI's Sustainability roadmap. DLMI embarked on a tributary cleaning project of Sungai Penchala to revitalise its ecosystem from August to December 2021. We welcome future collaborations with other businesses, residents, students, state agencies and local government so we can work together and learn to be better river guardians together.

At industry level, DLMI will continue to play an active role in driving and advocating the recyclable and circular packaging agenda through the Malaysian Recycling Alliance Berhad (MAREA), aiming ultimately for a sustainable, recycling ecosystem.

We are also part of the CEO Action Network (CAN), a closed-door peer-to-peer informal network of CEOs and Board members, focusing on sustainability advocacy, capacity building and action and performance. Such networking opens up opportunities to forge partnerships that are committed to responsible business practices and sustainable development.

CHAIRPERSON'S STATEMENT

Industry Awards and Recognition

I am proud to share that we won 2 gold and 1 bronze award at the Employee Experience Awards Malaysia 2021.

1. Best Employee Wellness Strategy (Gold)
2. Best Organisation Upskilling and Reskilling Strategy (Gold)
3. Best Crisis Management & Leadership (Bronze)



The Employee Experience Awards rewards top-notch Human Resource (HR) teams and individuals with business stories that inspire, educate and move the dial on employee experience and are judged by a panel of top HR leaders.

This recognition serves as an amazing testimony of a truly nourishing organisation and the impact made by nurturing our people via Body.Mind.Soul (BMS) and growing our people through talent development.

I am also immensely proud that DLMI continues to be the strong number 1 dairy company* in Malaysia in 2021, with Dutch Lady leading in the liquid milk and mainstream IFT segments.

Our other brand, Friso Gold, was also awarded The Motherhood Choice Award 2021 by The World Brands Foundation (TWBF). The Motherhood's Choice Award seeks out favorite brands for pregnancy, maternity, toddler and kids' products and services in line with the Government's commitment to regulate and improve child safety measures and aims to showcase top quality, safe and innovative products that are endorsed by mothers from all over the world.

*Dairy includes liquid milk, infant milk, yogurt/yogurt drink/cultured milk

Dividends

During the financial year ended 31 December 2021, a total of RM32 million was paid out as standard and special interim dividends to shareholders. This represents a 13% distribution of the Company's net profit attributable to shareholders. I wish to remind shareholders that the payment of any special and extraordinary interim dividends is very much dependent on the Company's profitability, business and operational needs during the year as well as for the future.

Board and Management Changes

In 2021, we saw some changes to the Board composition. I assumed the role of Chairperson, following the close of the Company's 58th Annual General Meeting (AGM). I would like to take this opportunity to thank Dato' Zainal Abidin bin Putih for being Chairman and Independent Director of the Board for 12 years and I wish to extend our utmost gratitude to him for his contribution through the years.

In 2021, we welcomed Darren Kong Kam Seong to DLMI as our newest member of the Board. We also saw several changes to our management team. DLMI's Managing Director, Tarang Gupta left the Company to further his career at FrieslandCampina in the Philippines and he was succeeded by DLMI's Marketing Director of Consumer Dairy, Ramjeet Kaur Virik. We then bid farewell to our Sales Director, Katrina Neo as she embarked on a new career and we warmly welcomed Wilson Chua, our National Customer Development Manager who assumed the role of Sales Director. We also welcomed Anjali Menon, our new Human Resource Director as Sharon Foo began the next phase of her journey at FrieslandCampina as well as Inderjit Singh who joined us as Head of Internal Audit. We thank Tarang, Katrina and Sharon for their contribution to the Company.

Acknowledgement

Whilst the pandemic continues to significantly roil social and economic networks almost everywhere in the world, it has also demonstrated that people are able to face these challenges head on and adapt for better outcomes. I have seen this resilience and grit in our Management team, employees and business partners alike and applaud them for their commendable team spirit.

I take this opportunity to also thank the members of the Board for their dedication and direction in guiding the company progressively forward through this very challenging period.

Looking at the team we have, the resources, the experience and expertise, I have every confidence that DLMI will continue to persevere with high performance and success in the year ahead.

[#NourishingOurNation](#)
[#StrongMeStrongerUs](#)

Datin Seri Sunita Mei-Lin Rajakumar
Chairperson

MANAGEMENT DISCUSSION & ANALYSIS

Nourishing by Nature



Distributing over
180,000
milk packs
to key frontliners and
partnered various
Non-Government
Organisations, Key
Opinion Leaders and
Foodbanks



Our Dairy Development
Programme (DDP) has
helped produce
37.9 million
LITRES OF MILK



Ramjeet Kaur Virik
Executive Director

**Datin Seri Sunita
Mei-Lin Rajakumar**
Chairperson

MANAGEMENT DISCUSSION & ANALYSIS

Purpose: Nourishing Our Nation During Unprecedented Times

Everything we do at DLMI is driven by our Purpose. Nourishing Our Nation with trusted and sustainable dairy nutrition, is our mantra to continue to achieve accelerated growth. More so during this COVID-19 pandemic and beyond, we continued to empower Malaysians to focus on nutrition. As a leading dairy company in Malaysia, we support the Government’s national health agenda to mitigate the public health crisis such as non-communicable diseases i.e. stunting, obesity and micronutrient deficiencies in children to improve the nutritional status of Malaysians.

Nourishing Our Nation guided by our leadership philosophy focusing on our 4Ps: Purpose, People, Performance and Potential has helped us meet the needs of our shareholders, consumers and communities, while caring for our environment. This strategy helps us address key challenges facing our Company during the COVID-19 pandemic including a highly competitive operating environment, a rapidly changing retail landscape, and an ever evolving regulatory, social and cultural landscape.



Everything we do at Dutch Lady Milk Industries Berhad’s (DLMI) is driven by our Purpose. Nourishing Our Nation with trusted and sustainable dairy nutrition, is our mantra to continue to achieve accelerated growth.



As an organisation categorised in the ‘essential’ sector, DLMI was given the necessary approvals by the Government to operate during the Movement Control Order, hence allowing us to continue advocating the Government’s national health.

In the wake of the COVID-19 pandemic, pivoting was necessary to help us navigate unprecedented times while continuing to meet the needs of our consumers. We realised the importance of delivering products, experiences and services that meet our customers’ new needs with empathy and care during the pandemic. Our agility helped us to evolve quickly as we observed shifts in the behaviour of consumers during the pandemic. From a conventional journey, we have embarked on a new, unexplored one. We have learned to adapt and adopt new ways of working. More importantly, it has also taught us how to turn adversity into opportunity.

Besides ensuring full product availability throughout these challenging times, including the floods at the end of 2021 that impacted many different communities across the country, DLMI continued to nourish key frontliners and partnered various Non-Government Organisations, Key Opinion Leaders and Foodbanks by distributing over 180,000 milk packs. We take great pride in being able to make a difference in society by supporting our Rakyat.

MANAGEMENT DISCUSSION & ANALYSIS

Driving The Nation's Sustainable Dairy Farming

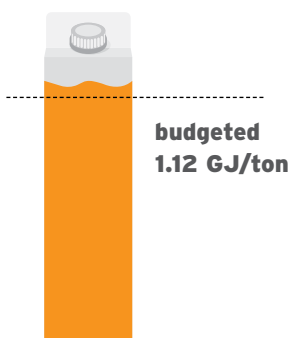
DLMI achieved a milestone in April 2021 when we established a strategic public-private partnership by signing a Memorandum of Collaboration with the Department of Veterinary Services (DVS) to boost our nation's supply of quality local fresh milk and to achieve a fully sustainable milk supply for the future. The collaboration allows DLMI to partner the Government, especially the Ministry of Agriculture and Food Industry to support the growth of the local dairy industry. This is in line with the Government's goal to achieve 100 percent Self-Sufficiency of local fresh milk by 2025 as part of the National Dairy Industry Development Programme. Since 2011, our Dairy Development Programme (DDP) has helped produce 37.9 million litres of milk while our Farmer2Farmer (F2F) Programme has benefitted more than 536 farmers. In 2021, we introduced a new digital F2F format that revolved around video blogs and was aptly named F2F Vlogs. Via this initiative, a total of 70 local dairy farmers were trained virtually during the COVID-19 pandemic.

Environmental Sustainability

DLMI is constantly working to reduce our environmental footprint. Efforts to care for our environment are practiced every day across our business for example through purchasing 100% green electricity. As such, we're committed to using less energy and water, reducing waste and decreasing emissions. In 2021, we achieved an Energy ratio of 1.20 GJ/ton and Water ratio of 3.23 m³/ton against the budgeted 1.12 GJ/ton and 3.59 m³/ton, respectively. This was done by implementing a few mechanical and systematical initiatives including energy recovery from steam condensate, reducing and reusing water usage from our manufacturing facility, compressed air optimisation through installation of booster pumps and air receiver tanks as well as energy conservation.

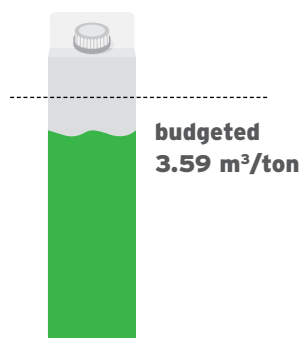
Energy ratio

Achieved
1.20 GJ/ton



Water ratio

Achieved
3.23 m³/ton



Tributary Cleaning: Revitalisation of Sungai Penchala Ecosystem

Public-private partnerships are vital in mapping and addressing environmental and societal needs. DLMI is happy to lead the path for effective and sustainable measures to ensure sustainable development of our river ecosystem - a key natural resource we need to preserve. As such, DLMI began tributary cleaning of Sungai Penchala in partnership with Selangor Maritime Gateway, an initiative by the Selangor Government to clean, rehabilitate and develop areas along the Sungai Klang ecosystem to make it an engine of growth for the state. During the clean-up from 15 August right up to 31 December 2021, a total of 11.1 metric ton of waste was removed from Sungai Penchala. DLMI has also recently embarked on a partnership with the Global Environment Centre, a highly reputable organisation that shares a common goal in caring for the environment with various activities and solutions driven on river care. We look forward to supporting relevant activities pertaining to the river care of Sungai Penchala especially in driving greater effectiveness in river monitoring in the community via education and provision of the right infrastructure and tools. Our tributary cleaning efforts were recognised by the Selangor state government to be amongst the five key public-private collaborations involved in the cleaning, rehabilitation and sustainable development of Klang river.

We realise that that greater collaboration is critical for efficient sustainable plans, particularly in shaping broader solutions. We will continuously engage with our local community in Petaling Jaya to join us in this mission as we strive to catalyse meaningful and substantial change for our river and ecosystem.

Investing in our PEOPLE: People Growth = Business Growth

Our Purpose, next to our brand, would not be realised without our greatest asset: our PEOPLE. When COVID-19 hit Malaysia, it reshaped the landscape of work and productivity as health and safety took priority, which carried on through 2021. Staying strong and connected together during this unprecedented time was pivotal, even more so with the various location demographics in the workforce: the manufacturing plant, our corporate office and field workforce - where the method of care and attention differs. With all these external challenges, the collective contributions and strength of our People, mattered more than ever.

MANAGEMENT DISCUSSION & ANALYSIS

Through the course of 2021, we had carried out various initiatives in ensuring our People stayed connected through strong adoption of CARE (C-Connected; A-Appreciated; R-Responsive; E-Energised) principles, wellness initiatives to remain engaged and energised, and enabled a forward, flexible way of working through Agile Transformation.

Despite all external challenges, we continue to invest in our People, and will continue doing so for years to come.

Capability Building

We remain committed and passionate about talent management and development as our employees are drivers of sustainable success. Hence, various initiatives have been deployed to enhance capability building:

- 01** Local employee participation in FrieslandCampina Academy programmes (Nourishing Leadership, Future Leader) - in developing the next class of high potential leaders
- 02** Driving Coaching Culture via the Solution Focused Coaching programme (74 pax which accounts for **75%** of our Business Leadership Team + selected Talent across DLMI involving up to 3,552 man-hour spent)
- 03** Enterprise Agile Transformation: Introducing the Agile fundamentals; Agile Coaching (Total 106 pax of employees has went through Agile Fundamental training; 768 of Agile coaching hours)
- 04** Employee Growth and Development: 10,259 training man-hours from 81 training programmes completed by our employees throughout the year in 2021, this translate to average of **12.28** hours per employee in DLMI. Compulsory syllabus established

Winning Through Volatility - Body.Mind.Soul (BMS)

The current volatile business landscape represents a challenge to employees where mental, spiritual and physical energies are shifting. This amplified the relevance of personal energy management - that an Engaged, Enabled, and Energised workforce is key in motivating our business forward.

In 2021, many wellness-focused initiatives were deployed via our Employee Engagement model, Body.Mind.Soul (BMS), which included:

- 1** 10 virtual fitness sessions (Zumba, Muay Thai)
- 2** 10 virtual Mindfulness sessions
- 3** 10 Talk sessions by doctors, medical professionals, clinical psychologists: focused on Health and Wellness, Mental Health, and Employee Care (COVID-19, Vaccination Isolation)
- 4** 3 mini competitions (DLMI What's Cookin'), also in conjunction with festivities and RFC's Diversity Month
- 5** 3 Milk Donation Drives in partnership with Blue Brigade
- 6** 27 Relax with Ramjeet Sessions from August to November 2021
- 7** 9 Energy Workshop sessions for Departments (Resilience Strategies for Transformational Change) and Team Energisers (Terrarium and The Map)
- 8** 13 Fun Visuals (internal communication) on Self-Care, Mental Health, and Gratitude
- 9** 3 informative visuals during notable International World Days
- 10** 1 Employee Assistance Provider - NALURI (Support Hotline)

MANAGEMENT DISCUSSION & ANALYSIS

Celebrating notable International World Days - the highlights:



Body.Mind.Soul is a continuous program while riding the waves of volatility, in keeping our People feeling energised, supported, and valued. For now, we are encouraged knowing that with this employee experience, our PEOPLE remain energised to continue WINNING through volatility.

From the above, honouring HR's commitment to workplace transformation as well as growing and nurturing our People, we have won 2 GOLD and 1 BRONZE Awards at the 2021 Employee Experience Awards Malaysia, external awards, that rewards top-notch HR teams and individuals with business stories that inspire, educate and move the dial on employee experience (EX). The awards are judged by a panel of top HR leaders.



This recognition serves as a strong testimony of a truly Nourishing organisation and the impact made: People Growth = Business Growth!

Keeping People Connected During Unprecedented Times

In light of the COVID-19 pandemic and the impact on businesses, Dutch Lady Milk Industries Berhad has undergone many sudden changes to adapt to the crisis: the organisation resorted to a full Working From Home (WFH), implemented changes in shift for Productions, and there was the urgent need for DLMI to continuously Nourish Malaysians with our trusted dairy nutrition.

With all these rapid changes during these unprecedented times, the strength and contributions of our People mattered more than ever to ensure that business stayed afloat, stemming from the organisation's Purpose to Nourish Malaysians.

With the support and direction from the top management as well as strong inter-department collaboration, all this was made possible through our USP: a strong adoption of the 'CARE' principles.

Many initiatives were deployed as follows:

- 1 Keeping employees informed on COVID-19 SOPs and developments
- 2 COVID-19 on-site Testing (Factory)
- 3 RTK Home Saliva Test Kits for Office Employees
- 4 COVID-19 Vaccination (**Stats: 99% Fully Vaccinated as at 31 December 2021**)
- 5 Distribution of Care Packs (Masks, Vitamin C, Hand Sanitiser)
- 6 EAP Support - Mental Health (isolation)
- 7 Talks by doctors to ease fear, uncertainties on COVID-19 and COVID-19 Vaccination
- 8 Talks on managing isolation and stress (well-being)
- 9 Charity Opportunities (Milk Donation) via Blue Brigade

MANAGEMENT DISCUSSION & ANALYSIS

10 COVID-19 Vaccination for employees: In collaboration with Corporate Affairs and PIKAS

11 Buddy System for COVID-19 Positive staff

12 COVID-19 Allowance

13 Support framework - Employee Death by COVID-19

14 COVID-19 Vaccination Leave granted

15 Visuals on Appreciation, Self-Care, and Gratitude, recognising signs of anxiety, depression, burnout

With the leadership of People Organisation in providing CARE for our employees through the Blue Brigade, ultimately, the satisfaction of the whole organisation emerging **stronger together** during unprecedented times in fulfilling our Purpose, is priceless.

Embracing the new normal: Return To Office

The COVID-19 pandemic has changed the work landscape and redefined the way we work, collaborate and interact with each other. To remain productive and competitive and also riding the waves of volatility (with so many SOP changes, etc), it was important to review the existing process and focus on what makes sense to employees in DLMI.

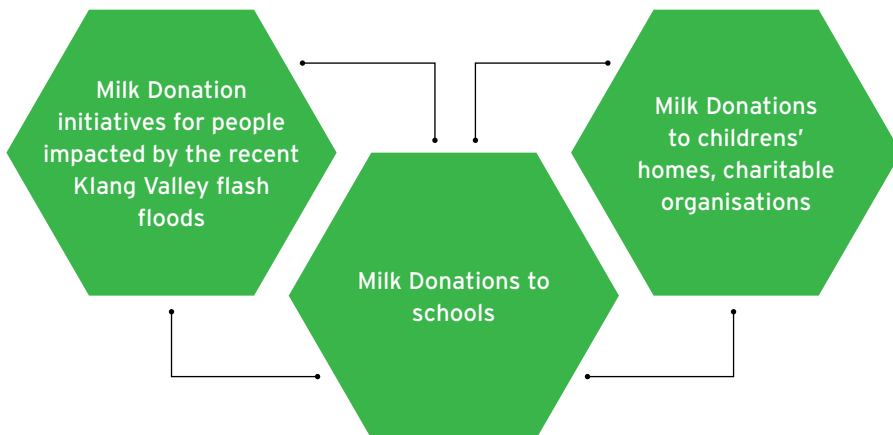
In embracing the new normal, the Return To Office (RTO) initiative was introduced and designed to enable a flexible way of working, where the office is utilised for collaboration activities and facilitates employees working out of office. The RTO also at the same time, promotes inclusion as the needs, personalities and demographics of employees were carefully considered.

The last few months of 2021 represented a pilot for the Return To Office, a test and learn - where employees had their Team Days Rosters, parking arrangement and Our Way of Working (OWOW) Subsidy and Enablers communicated.

Employees inputs, suggestions, corporation to SOP compliance and constructive feedback on RTO were also greatly valued during this time - truly emphasising the made BY YOU, FOR YOU element!

Corporate Social Responsibility (CSR): Our Purpose

In emphasising the CARE principles, partnerships with DLMI Blue Brigade (employee-led CSR team) in carrying out various initiatives such as mobilising support during times of crisis, ensuring that DLMI continues to fulfil our Purpose of Nourishing Malaysians with our trusted dairy nutrition:

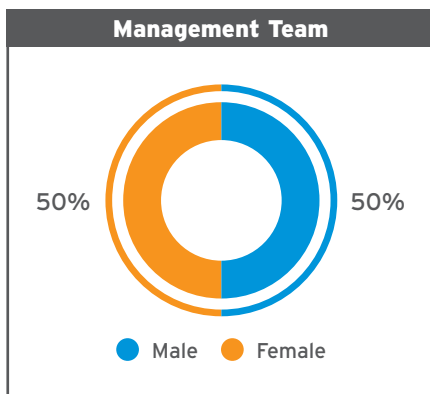


MANAGEMENT DISCUSSION & ANALYSIS

Diversity and Inclusion

In 2018, McKinsey & Co. corroborated that Gender equality drives economic growth and improves business performance. USD 4.5 trillion could be added to the Asia Pacific economics by 2025 through advancing women’s equality. By having balanced representation in management, businesses can boost revenue by 19%.

For this reason, DLMI Board of Directors are deliberately equally gender balanced, setting the right tone at the top. Similarly, our Management Team is also equally gender balanced, something we are really proud of as an organisation.



DLMI is committed to sustaining an inclusive and high performing culture. In 2021, DLMI’s Board of Directors together with the Managing Director (previous), Tarang Gupta, had signed the Women’s Empowerment Principles (WEPs), established by the UN Women and United Nations Global Compact.

The signing of the WEPs demonstrates robust commitment by CEOs, of the highest calibre, to collaborate with multi-stakeholder networks on issues such as increased representation of women in key decision-making roles, equal pay for work of equal value, gender-responsive supply chain practices and zero tolerance against sexual harassment in the workplace.

This partnership will therefore permit and accelerate the overarching objective of increasing women’s representation at the leadership level and across entire organisations and the marketplace.

For DLMI, the key opportunities are to support driving gender equality and moving into 2022, the focus would be Psychological Safety and Inclusion.

Performance: Winning Inside and Outside!

While we have been true to our purpose in Nourishing Malaysian, 2021 has really been the year where that purpose is clearly brought to live. Movement Control Orders (MCO) has changed the way consumer consume and perceive dairy. Not only the nutritional value of our milk is highly appreciated during this time, the delicious taste of our products has also leads to various creative ways of consumptions during this unprecedented time.

All this has led to strong overall volume growth of +7% vs 2020. Within the total Dairy category, our market share improved to 26.6% (+1p.p. vs 2020 and +2.9p.p vs 2019, Nielsen Retail Audit Dec 2021), where we remain a strong #1 Dairy Player in Malaysia, showing the trust and connection we have with our Malaysian consumers.

Within Consumer Dairy segment, after a spike in 2020 due to lockdown and panic buying, the Liquid Milk category normalised in 2021 with -1% value decline. Despite the category decline, Dutch Lady continued to drive growth of +4%, giving us 38.7% value share (+2p.p. vs 2020, Nielsen Retail Audit Dec 2021) further strengthening our market leadership. Dutch Lady is also high on household penetration, with almost 6 out of 10 households in Malaysia consuming Dutch Lady products (52 wks, Kantar HH Panel, Dec 2021).

The growth is contributed by the continuous efforts to ensure supply continuity despite restrictions and SOPs, and impactful consumer campaigns such as Ramadan & Morning Campaigns, and successful innovation such as Dutch Lady Banana Flavored Milk range, Juicy Milk Mango and reinventing our communication approach to stay connected to our consumers during the new norm.



MANAGEMENT DISCUSSION & ANALYSIS



The Mainstream Growing Up milk (GUM) for 1-3 years old experienced a decline compared to previous year as consumers balance their overall spend impacted by the pandemic. This led to a 12% category decline in penetration (Kantar 52 week Dec 2021) with a similar drop for the Dutch Lady GUM Brand. The decline for the GUM Mainstream also reflected a 5% drop in value vs the previous year, however Dutch Lady GUM sales remained rather flat resulting in an increase in value share in the mainstream segment to 43.6%. This is contributed by our key 2021 meaningful campaign; Dana Sejuta Harapan in quarter two of 2021. The campaign sought to benefit both the parent and child, whereby we worked with SSPN-i to award 40 Child Education funds (with Insurance plan) and 160 smart devices to aid children in their education while away from school.

Efforts also continue in the Specialised Diet segment of MaxGro to support the Optimal Growth of Malaysian children in an effort to minimise the Stunting issue faced in Malaysia. MaxGro has gained 4.5% value share in this segment in the past year since launch with an expansion of portfolio in second half of the year with larger pack sizes and portion packs and now has achieved third position within this segment.

In 2021, Friso Gold continued to dial up product superiority via the launch of Novas Signature Milk which contains small molecules & soft structure, high-quality milk produced by our farms & premium bred cows in the Netherlands to enable Good Digestion for Stronger Inside. We leveraged on 150 years' celebration of our Dutch Dairy heritage in Q3, 2021 to further amplify brand trust & expertise. Having a pool of strong advocates called Friso Gold Mombassadors, we led digital share of voice and positive sentiments were up to 10x more than the next brand. As a result, Friso hit the highest number of buyers for IFFO & GUM (Kantar, 24 weeks data), doubling up GUM buyers by Nov '21, contributed by a strong focus in driving penetration. This led to Friso hitting its highest market share (YTD Nov '21 @ 10.3%) in the past 3 years.

2021 has not only changed the way consumer consumed dairy. It has also changed the way consumer shop which led to emerging of the e-commerce channel for convenience and increased relevancy of neighborhood stores like 99Speedmart and Baby Stores which show growth of 16% vs PY. With the growth of neighborhood stores, hypermarket suffers a sharp decline of 17% due to lower traffic. With all the changes in the channel dynamic in 2021, our sales team has also adapted our approach to ensure product's availability across the country.

At the same time, 2021 has also been a year where data automation has been accelerated. Usage of data for market insights by our sales team has helped in improving operational efficiency and improve brands profitability through effective promotions. At the same time keep up with the ever-changing retail landscape to cater to the shopper behavior and needs.

Winning Profitably in unprecedented and uncertain times

Despite stricter COVID-19 restrictions, DLMI realised a 3% revenue growth versus 2020. The revenue growth is resulting from continued strong in-home consumption of our three main categories - Dutch Lady liquid milk, Dutch Lady Growing Up Milk and Friso Growing Up Milk Products. During the COVID-19 pandemic DLMI has been able to continue to drive its purpose of Nourishing the Malaysian people.

Profit performance details are broken down in profit resulting from sales of products sourced from the existing manufacturing facilities (profit from existing operations) and reported profit including the exceptional results in relation to the construction of the future manufacturing expansion in Bandar Baru Enstek.

Profit before tax from existing operations is improving to RM142.8 million at index 141 versus previous year on the back of a strong focus to improve long-term business profitability. Increasing input cost as a result of increasing global dairy raw materials, supply chain disruptions, one-off COVID cost are more than offset by topline growth, focus on Revenue Growth Management activities (e.g. mix management of channel and portfolio) and improvement of the Return on Investment of commercial activities. This result is a testament to DLMI's focus to Win Profitably supported by an agile mindset and relying on usage of data in all our decision making.

During the year 2021, prices of global dairy raw materials have been escalating resulting from continued strong global demand for milk as an essential good, lower production of milk in large milk producing countries and continued supply chain disruptions leading to delays of incoming goods.

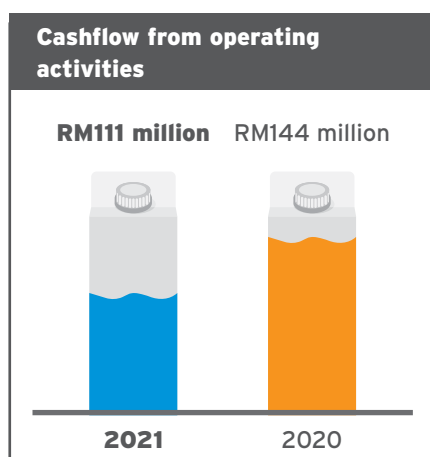
MANAGEMENT DISCUSSION & ANALYSIS

Reported profit in 2021 DLMI is exceptionally high resulting from the completion of the sales of the land underlying the manufacturing facilities in Petaling Jaya. This income is partially offset by the start of accelerated depreciation of existing assets that will not be transitioned to the new site in Bandar Baru Enstek. Reported profit before tax is RM284.5 million at index 292 versus previous year.

Cashflow from operating activities was at negative RM15 million inclusive of a prepayment to a related company amounting to RM126 million. When excluding the prepayment cashflow from operating activities is at RM111 million which is a decrease of RM33 million versus 2020 mainly resulting from higher input cost and requirements to build inventory to weather the global supply chain challenges.

Property, Plant and Equipment (PPE) increased to RM206 million resulting from the start-up of the investment in the new manufacturing facilities in Bandar Baru Enstek offset by the write-off of the land and buildings underlying existing facilities in Petaling Jaya as part of the completion of the beforementioned sale of land.

Based on our 2021 result, DLMI paid to its shareholders a total of RM32.0 million in interim dividends consisting of two standard dividends of RM0.25 each.



Outlook

For 2022 economic recovery is anticipated, however unprecedented inflationary headwinds are making the outlook for 2022 uncertain and volatile. Due to global supply chain challenges and strong demand for milk as an essential product, prices of global dairy raw materials are affected and are at an all-time high. Global uncertainties can continue to impact the economic situation and foreign exchange developments.

DLMI will stay focused on its purpose of 'Nourishing Malaysians with its trusted and sustainable dairy nutrition'. In order to deliver on this purpose healthy gross margins are essential in order to continue to invest behind our brands and people. These assets will drive long term engagement with DLMI as an employer of choice and continue to increase penetration of milk.

DLMI is determined to invest in Malaysia even in these trying times. In 2020, we announced the plans to invest RM400 million between the years of 2021 and 2025 for our future manufacturing activities.

DLMI will continue to focus on optimising the companies cashflow to battle the inflationary headwinds and secure sufficient funding of the new manufacturing facilities.

Over the long term, the outlook for DLMI remains positive due to the strength of our brands, and the increasing need and recognition of the goodness and nutritional value of milk amongst Malaysians.



Reported profit in 2021 DLMI is exceptionally high resulting from the completion of the sales of the land underlying the manufacturing facilities in Petaling Jaya.



COMPANY SOLVENCY

88%
2021

27%
2020



ABSOLUTE CASH DEVELOPMENT

RM118.3 million
2021

RM38.9 million
2020

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

GOVERNANCE PRINCIPLES

Principle

A

Board Leadership and Effectiveness



More information please refer page 41

Principle

B

Effective Audit and Risk Management



More information please refer page 56

Principle

C

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders



More information please refer page 58



Introduction

The Board of Directors (“**Board**”) of Dutch Lady Milk Industries Berhad (“**DLMI**” or “**Company**”) is fully committed to maintaining a high standard of Corporate Governance within the Company through its support and application of the principles and practices as set out in the Malaysian Code on Corporate Governance 2021 (“**Code**”). DLMI’s Corporate Governance framework lays down the structure, processes and lines of authority that governs how its businesses are directed, managed and controlled while ensuring compliance with the applicable laws, rules and regulations, the Company’s Constitution and adherence to good Corporate Governance practices. The Board believes that a sound Corporate Governance structure is essential for the mitigation of risks, the cultivation of good business ethics, and is vital to ensure sustainability and progressive business growth. The Board shall continue to evaluate its governance practices in response to evolving best practices and changing requirements.

The Board is pleased to report on governance compliance activities adopted in line with the Principles as set out in the Code that were applied throughout the financial year ended 31 December 2021 (“**FY2021**”) in this Corporate Governance Overview Statement (“**CG Overview Statement**”). The Principles have, in all material respects, been applied to achieve their intended outcomes, to the extent that they were found to be suitable and appropriate to the Company’s circumstances. Where appropriate, this CG Overview Statement also seeks to disclose all information that is required pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”) and any other requirements.

The application of the Practices set out in the Code throughout FY2021 will also be disclosed to Bursa Malaysia Securities Berhad in a prescribed format (“**CG Report**”) which will be published together with the Company’s Annual Report. The CG Report may be downloaded from the Company’s corporate website (www.dutchlady.com.my).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Principle

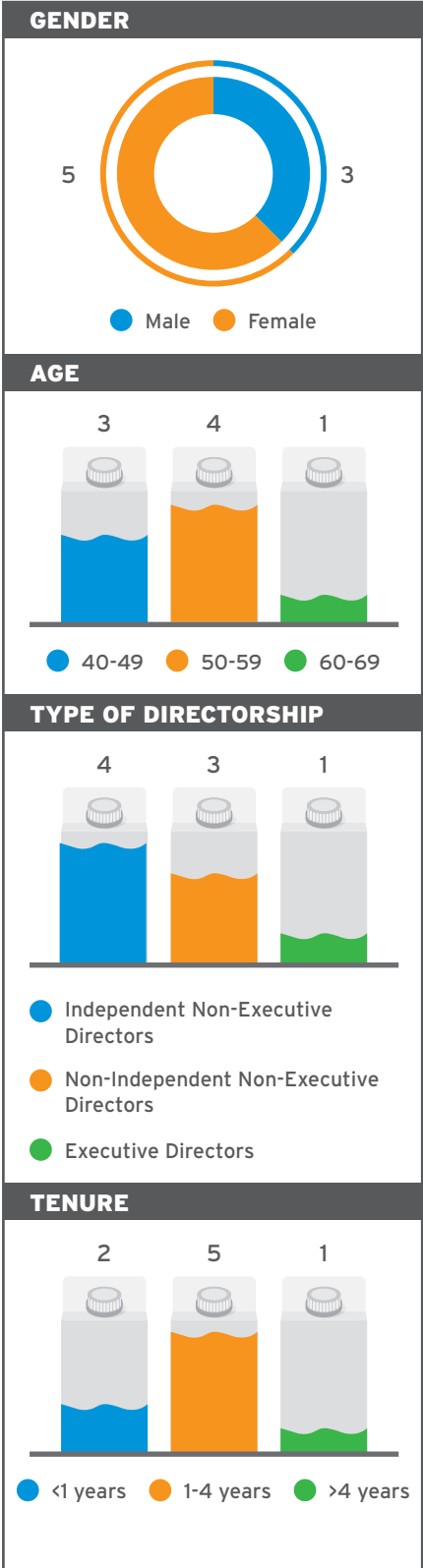
A BOARD LEADERSHIP AND EFFECTIVENESS

Board's Responsibilities
(Practice 1.1)

The Board is collectively responsible to the Company's shareholders for the direction and oversight of the Company and plays an active role in the development of Company's strategy. The Board met regularly throughout the year to approve the strategic objectives of the Company, to lead the Company within a framework of effective controls which enable risk to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set.

The Board reserves full decision-making powers, after taking into consideration the policies, procedures and guidelines of the Royal FrieslandCampina N.V. ("RFC") Group, on the following matters:

- a Conflict of interest relating to a substantial shareholder or a Director or person connected to such substantial shareholder or Director;
- b Material acquisitions and disposition of assets not in the ordinary course of business;
- c Investment in capital expenditure projects;
- d Authority levels;
- e Treasury policies;
- f Risk management policies;
- g Key human resource issues; and
- h Related party transactions.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Roles and Their Responsibilities

Chairperson and Managing Director

(Practice 1.2, 1.3 and 1.4)

The roles of the Chairperson and the Managing Director (“MD”) are separately held and the division of their responsibilities is clearly defined. The Chairperson is an independent director who has never assumed an executive position in the Company. The MD is an appointee of the major shareholder and heads the Company’s management team.

The Chairperson is responsible for the operation and leadership of the Board. The Chairperson ensures that the Board is effective and that the Company is guided by good corporate governance practices. She facilitates robust dialogue during Board meetings and draws out diverse perspectives from the Board members. She also ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies at board meetings.

The MD is responsible for leading and managing the Company’s business within a set of authorities delegated by the Board. She is also responsible for the implementation of Board strategy and policy. Commencing from 27 September 2021, the Chairperson is no longer a member of any of the Board committees and the Chairperson does not attend or otherwise participate in any of these committee meetings.

Independent Directors

The primary responsibility of Independent Non-Executive Directors is to protect and safeguard the interest of minority shareholders and other stakeholders. The effective participation of Independent Non-Executive Directors serves to promote greater transparency, accountability and balance in the Board’s decision making process.

Senior Independent Director

On 25 May 2021, Ms. Saw Chooi Lee succeeded Dato’ Zainal Abidin bin Putih as the Board’s Senior Independent Director, following Dato’ Zainal’s retirement. In this capacity, Ms. Saw provides an avenue for shareholders and the Directors to express any concerns that they may have affecting the Company.

Non-Independent Non-Executive Directors

The Non-Independent Non-Executive Directors each occupy, or have occupied, senior positions in industry, bringing valuable external perspectives to the Board’s deliberations through their working experience and business insight from other sectors enabling them to contribute significantly to Board decision-making process.

Company Secretary

(Practice 1.5)

The Company Secretary is a licensed secretary qualified to act as Company Secretary under Section 235 of the Companies Act 2016 and has a secretarial practicing certificate from the Companies Commission of Malaysia under Section 241(4) of the Companies Act 2016. She is a qualified lawyer and provides legal and company secretarial advice to the Company’s management team and the Board as a whole. All Board members have access to the advice and services of the Company Secretary in carrying out their duties. The Company Secretary facilitates overall compliance and adherence with the Listing Requirements, the Companies Act 2016 and the recommendations in the Malaysian Code on Corporate Governance (as amended from time to time).

Board Meeting Materials

(Practice 1.6)

Board meeting papers for all meetings are generally provided to Directors seven days in advance of the date of the proposed meetings. All proceedings of Board meetings are minuted and circulated to the Board members well in advance of the next Board meeting including with follow up action items duly updated.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Meeting Attendance

The Board convenes at least four (4) scheduled Board meetings during each financial year. More meetings will be scheduled depending on business requirements, where appropriate. In FY2021, four (4) Board meetings were held in total. In addition to the scheduled Board meetings, all of the Board members also attended the Company's Annual General Meeting ("AGM"), the Company's Extraordinary General Meeting ("EGM") and a Budget and Strategy Workshop ("Workshop").

The Directors' attendance at Board meetings, the Annual General Meeting, the Extraordinary General Meeting and the Workshop held for the year ended 31 December 2021 are as follows:-

Board Members

Dato' Zainal Abidin bin Putih⁽¹⁾

(Chairperson, Senior Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM N/A	Workshop N/A
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Datin Seri Sunita Mei-Lee Rajakumar⁽²⁾

(Chairperson, Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Mr. Tarang Gupta⁽³⁾

(Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Ms. Ramjeet Kaur Virik⁽⁴⁾

(Executive Director)

Board Meetings 100%		AGM N/A	EGM N/A	Workshop 1/1
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Ms. Saw Chooi Lee⁽⁵⁾

(Senior Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Mr. Bernardus Hermannus Maria Kodden

(Non-Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Dato' Dr. Rosini binti Alias

(Non-Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Tengku Nurul Azian binti Tengku Shahrman

(Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Mr. Jean Serge Krol

(Non-Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Mr. Darren Kong Kam Seong⁽⁶⁾

(Independent Non-Executive Director)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Company Secretary

Ms. Katina Nurani binti Abd Rahim

(Company Secretary)

Board Meetings 100%		AGM 1/1	EGM 1/1	Workshop 1/1
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Notes:

- ⁽¹⁾ Retired as Chairperson and Senior Independent Director on 25 May 2021
- ⁽²⁾ Appointed as Chairperson on 25 May 2021
- ⁽³⁾ Resigned as Director on 2 July 2021

- ⁽⁴⁾ Appointed as Director on 2 July 2021
- ⁽⁵⁾ Re-designated to Senior Independent Director on 25 May 2021
- ⁽⁶⁾ Appointed as Director on 14 April 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Key activities

During the year, key activities of the Board include:

- Reviewing and approving the 4th quarter and full year financial results for the financial year ended 31 December 2020.
- Reviewing and approving the Director's Report and Audited Accounts for the financial year ended 31 December 2020.
- Reviewing and approving the quarterly financial results up to the 3rd quarter for the financial year ended 31 December 2021.
- Reviewing the financial report on the Company's quarterly performance and outlook for the year.
- Approving dividend payments and reviewing the solvency position of the Company.
- Reviewing and approving the Company's strategy and business plans.
- Receiving updates on risk management status and sustainability initiatives.
- Attending and participating in the Budget 2022 and Strategy Workshop.
- Receiving and approving the Company's Annual Budget and Capex Budget for FY2022.
- Reviewing and approving the Company's Recurrent Related Party Transactions, subject to the approval of the shareholders.
- Receiving updates on the Recurrent Related Party Transactions by the Company.
- Reviewing and approving the updated Board Charter, Terms of Reference of the Audit & Risk Committee, Terms of Reference of the Nominating and Remuneration Committee and Remuneration Policy.
- Reviewing and approving the Independent Director Tenure Policy.
- Reviewing the audit report findings of the Internal Audit, its recommendations and Management responses.
- Reviewing the audit reports of the External Auditor.
- Reviewing the term of office and assess the retirement of Directors by rotation, the retention of Directors and eligibility for re-election or retention.
- Reviewing and approving the recommendation for the proposed director fees and the related benefits to be paid to the Non-Executive Directors for FY2022, subject to the approval of the shareholders.
- Reaffirming and ratifying the Circular Resolutions passed by the Board.
- Reviewing, approving and noting the Company's announcements which had been released to Bursa.
- Evaluating and approving the sale of the Company's land in Section 13 Petaling Jaya, Selangor and the related announcement to Bursa.
- Reviewing and approving the circular to shareholders relating to the Company's sale of its land in Section 13 Petaling Jaya, Selangor.
- Assessing and recommending the re-appointment of the Company's External Auditor for the financial year ending 31 December 2021 and for the Directors to fix their remuneration.
- Reviewing and approving the draft Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandates for Recurrent Related Party Transaction of revenue or trading nature.
- Reviewing and approving the Statement on Internal Control and Risk Management for the Annual Report 2020.
- Preparing for and attending the 2021 AGM.
- Preparing for and attending the 2021 EGM.

Board Charter (Practice 2.1)

The Board has adopted a Board Charter since 2014, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, the vision, mission, shared values and principles, as well as the policies and strategic development of the Company. The Board Charter specifies clearly the roles and responsibilities of the Board, the Board Committees, individual directors and management. The Board reviews and updates the Charter periodically. The latest update to the Board Charter was approved by the Board in November 2021. The Charter is available on the Company's website at www.dutchlady.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company's Code of Conduct (Practice 3.1)

The Board is guided by the RFC code for good business conduct which is known as Compass. Compass is designed to set a certain standard for all employees and officers of the Company. It promotes integrity in the workplace with focus on safety, rights of employees and human rights, sustainability and avoidance of conflicts of interest. Compass also promotes integrity in business practices with focus on anti-bribery and anti-corruption, gifts and hospitality, fair competition, and fair communication. Finally, Compass focusses on the protection of the Company's interests with focus on protection of confidential information, data protection, integrity of financial reporting and the prevention of fraud. Compass plays an important role in the management of compliance risks and sets out the values, principles and guidelines as to how the Company conducts its business to ensure integrity, transparency and accountability.

Compass has, under its purview, underlying policies which includes topics such as Avoiding Conflicts of Interest, Protection of Confidential Information, Privacy, Doing Honest Business (Anti-Bribery and Corruption) and Fair Competition. Compass is embedded in the Company's working culture and encapsulated in the Company's Employee handbook. A copy of Compass is available on the Company's website at www.dutchlady.com.my.

Doing Honest Business - the Company's Anti-Bribery & Corruption Policy

The Company has adopted RFC's anti-bribery and corruption policy which is known as the "Doing Honest Business" policy. This policy, which must be observed by all of the Company's directors and employees at all times, is a policy to conduct business in an honest and ethical manner. The policy has been localised to set out values in Malaysian Ringgit for easier application by the Company's employees and stakeholders. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. A Gift and Internal Events and Corporate Sponsorship Policy is also contained within this topic which clearly and prohibits any form of bribery, gratification or facilitation payments. Employees will be guided by these policies in their day to day dealings. To ensure that adequate monitoring of all anti-corruption compliance matters is carried out, the Company's Legal Counsel has been charged with the responsibility to review and monitor all procedures, advise and report to Management and the Board of Directors on these matters.

To further enforce the Company's zero-tolerance approach to bribery and corruption, the Company also requires its business partners to conduct business dealings fairly and honestly by requiring them to carry out business in the manner set out in the Business Practices for Business Partners Policy.

A copy of the Doing Honest Business - Gifts Policy and Business Practices for Business Partners are available on the Company's website at www.dutchlady.com.my.

MACC Corporate Liability

The Company has taken steps to ensure that it is in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Section 17A) which introduces, amongst others, new corporate liability for companies, arising from corrupt acts committed by employees or person associated with the company. The Company continuously takes steps to ensure that its existing anti-bribery and corruption policies and procedures are adequate and meets the Guidelines for Adequate Procedures as prescribed by Section 17A. Since then, the Company has continued to review and assess the corruption risks and procedures to ensure that they remain efficient and effective. Trainings, briefings, and communication on the topic were provided to employees and stakeholders throughout FY2021 to ensure that the importance and significance of the provision were not overlooked.

Whistleblowing - the Speak Up Procedure (Practice 3.2)

All the Company's employees and other stakeholders are strongly encouraged to and have access to its whistleblowing procedure known as the "Speak-Up". The Speak-Up procedure serves as an avenue for employees and other stakeholders to voice out their concerns on matters relating to Compass and to raise any suspicions of wrongdoing, malpractice or impropriety in the management of the Company's business and affairs. The Speak-Up procedure clearly sets out a well-defined process upon which Compass-related matters can be raised in confidence and anonymity (if so requested), in good faith, and without fear of reprisal. The Company has also established a procedure whereby certain Speak Up Reports which are of a financial or fraudulent nature will be escalated to the Company's Audit & Risk Committee. A copy of the Speak Up Procedure is available on the Company's website at www.dutchlady.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Personal Data Protection

The Company handles and uses personal data in accordance with the Personal Data Protection Act 2010 ("PDPA"). The Company has adopted the Friesland Campina Privacy Policy which outlines the requirements for the Company and its employees in handling personal data.

Sustainability

(Practice 4.1, 4.2, 4.3 and 4.4)

Management is conscious and serious about the Company's responsibility towards sustainability issues and its role in the Company's long-term strategic plans. Management is committed towards ensuring responsible corporate conduct is demonstrated and practised in the Company's daily activities across all aspects of the Company's operations. The Board together with Management takes responsibility for the governance of sustainability in the Company including setting the Company's sustainability strategies, priorities and targets. The Board takes into account sustainability considerations when exercising its duties including among others the development and implementation of Company strategies, business plans, major plans of action and risk management. Strategic management of material sustainability matters are driven by the Management and updates are provided to the Board every quarter on the Company's sustainability challenges, goals and achievements. The Board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the Company and its business, including climate-related risks and opportunities.

The performance evaluation of senior Management is carried out in accordance with human resource policies of RFC group. DLMI's performance in formulating the Company's sustainability strategy and addressing the company's material sustainability goals, risks and opportunities is a part of the assessment. Sustainability is also taken into account when evaluating the performance of the Board. In particular, it is considered during the evaluation whether conversations on Environmental, Social and Governance (ESG) form part of the Board Agenda and if progress on sustainability initiatives are monitored at the Board level.

Further details on the Company's sustainability strategy including the Company's sustainability priorities and targets as well as performance against these targets are contained in the Sustainability Statement.

Tenure of directorship

(Practice 5.1, 5.3 and 5.4)

The Nominating & Remuneration Committee ("NRC") ensures that the composition of the board is refreshed periodically. To ensure that this is achieved, the Board has in November 2021, adopted a policy to limit the tenure of an independent director to 9 years without further extension. The policy is available on www.dutchlady.com.my. Accordingly, there shall be no further annual re-election of directors apart from those re-elected due to retirement by rotation or retirement of those who were appointed during the year (see Practice 5.7 below).

Board Composition

(Practice 5.2)

Currently the Board consists of 4 independent and 4 non-independent directors. Of the 4 non-independent directors, 3 are nominees of Royal FrieslandCampina N.V, and 1 is a nominee of Permodalan Nasional Berhad. As such, a majority (5 out of 8) of the Board members represents the Company's minority shareholders.

The Company's major shareholder is a foreign co-operative of farmers. The Board considers that the current composition fairly reflects the foreign direct investment and the investment of the minority shareholders. The proportion of independent directors ensures effective checks and balances on the Board and the independent directors effectively safeguard the interest of the minority shareholders.

Details of all Directors and their biographies are provided in the Annual Report.

Appointments to the Board

(Practice 5.5)

The Company's Board consists of qualified individuals with a good mix of operational and commercial experience. Members of the Board have both local and international experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Appointment Process

(Practice 5.6)

In respect of the appointment of all directors, the NRC considers shortlisted candidates based on their profiles, professional achievements and personality assessments. Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The NRC then ensures that the candidates are suitable and of sufficient caliber for recommendation for the approval of the Board by reviewing the profiles of candidates and where deemed appropriate, conducting interviews with the shortlisted candidates.

Election and Re-Election of Directors

(Practice 5.7)

In compliance with the Company's Constitution, one third of the Directors shall retire by rotation at each AGM. Directors who are appointed during the year shall also retire at the next AGM. The Company's Constitution further provides that all Directors shall retire from office at least once in every three years.

In the forthcoming AGM, Ms. Saw Chooi Lee and Mr. Bernardus Hermannus Maria Kodden will retire by rotation in accordance with Rule 105 of the Company's Constitution and Ms. Ramjeet Kaur Virik will retire in accordance with Rule 86.3 of the Company's Constitution as she was appointed during the year.

The NRC considered and did not find evidence of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect the abovenamed retiring Directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole, save and except that Mr. Bernardus Hermannus Maria Kodden and Ms. Ramjeet Kaur Virik are Board representatives of RFC and as such Mr. Bernardus Hermannus Maria Kodden and Ms. Ramjeet Kaur Virik are Non-Independent Board members. None of the retiring Directors hold any shares in the Company whether directly or indirectly, have any family relationships with any other director or substantial shareholder of the Company nor do they have any personal interest in any business arrangement involving the Company.

The NRC also reviewed and assessed the performance of the retiring Directors on the following criteria:-

- Integrity & Ethics - they behave with honesty and honourably at all times
- Strategic Perspective - they understand the implications of issues, trends and events on the organisation and its capabilities
- Judgement and Decision Making - they are able to understand principal issues and use experience to offer sound advice
- Teamwork - they work constructively with fellow board members and contributes to board activities and discussions
- Communication - they are able to express himself clearly and effectively

The NRC found that the retiring Directors have performed well based on the above performance criteria.

In light of the above, the NRC submitted its recommendation to the Board and the Board has approved and recommends the re-election of Ms. Saw Chooi Lee, Mr. Bernardus Hermannus Maria Kodden and Ms. Ramjeet Kaur Virik to the shareholders for approval.

Composition of the Nominating & Remuneration Committee

(Practice 5.8)

The NRC establishes for itself the procedure and frequency of its meetings, but shall meet at least once annually. The quorum for the meeting shall consist of any two independent non-executive Directors appointed to the NRC. The Managing Director, other Board members and any other persons may be invited to attend the meetings as necessary.

Activities of the Nominating & Remuneration Committee

The activities of the NRC during the financial year were as follows:








- a) Leading the process for Board appointments and making recommendations of new members to the Board;
- b) Review the composition of the Board and Board Committees;
- c) Make recommendations to the Board on the remuneration of the Non-Executive Directors;
- d) Nominate the directors who are due for retirement and eligible to stand for re-election at the AGM;
- e) Assess the effectiveness of the Board as a whole, the Committees of the Board and the individual directors on an on-going basis;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- f) Review the recommendations on Board Effectiveness made by external consultant following the Board Evaluation carried out in FY2020 and propose actions to be taken arising therefrom; and
- g) Review the required skills and core competencies of the Managing Director.

The terms of reference of the NRC are available on the Company's website, www.dutchlady.com.my.

The Committee met two (2) times in FY2021 and the attendance of each individual is set out below:

Current Members		Former members	
Ms. Saw Chooi Lee⁽¹⁾ (Chairperson, Senior Independent Non-Executive Director)	Attendance 100% 	Dato' Zainal Abidin bin Putih⁽³⁾ (Chairman, Senior Independent Non-Executive Director)	Attendance 100% 
Mr. Bernardus Hermannus Maria Kodden (Member, Non-Independent Non-Executive)	Attendance 100% 	Datin Seri Sunita Mei-Lin Rajakumar⁽⁴⁾ (Member, Independent Non-Executive Director)	Attendance 100% 
Tengku Nurul Azian (Member, Independent Non-Executive Director)	Attendance 100% 	Secretary	
Mr. Darren Kong Kam Seong⁽²⁾ (Member, Independent Non-Executive Director)	Attendance 100% 	Ms. Katina Nurani binti Abd Rahim (Company Secretary)	Attendance 100% 

Notes:

⁽¹⁾ Appointed as Chairperson of NRC on 25 May 2021

⁽²⁾ Appointed as Member of NRC on 27 September 2021

⁽³⁾ Retired as Chairperson of NRC on 25 May 2021

⁽⁴⁾ Resigned as Member of NRC on 27 September 2021

Training and Development

Induction programs are conducted for newly appointed Directors, which include briefings by members of Management and the Company Secretary. The Directors will be provided with the necessary information to assist them in understanding the operations of the Company, current issues and corporate strategies as well as the management structure of the Company and the RFC Group. All Directors have attended and successfully completed the Mandatory Accreditation Program as required under the Listing Requirements.

In addition, the Directors are encouraged to attend continuous education programs, talks, seminars, workshops and conferences to enhance their skills and knowledge and to ensure that they are kept abreast with new developments in the business environment, corporate governance and enhance their skills and knowledge.

The Directors who were on the Board in FY2021 attended the following training programs during the year to further enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:

Director	Date of Training	Course Details	Organiser
Datin Seri Sunita Mei-Lin Rajakumar *Datin Seri Sunita attended 88 courses in FY2021, some of which are as follows:	12 January	Risk, Strategy and Governance - How Integrated Thinking Can Support Boards in Creating Long-Term Value	Malaysian Institute of Accountants
	19 January	Ensuring Equality, Inclusive Growth and Access to Opportunities	United Nations Department of Economic and Social Affairs
	27 January	Davos Agenda: Carbon Markets: A Conversation with Bill Gates, Mark Carney, Annette Nazareth and Bill Winters	World Economic Forum

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date of Training	Course Details	Organiser
	3 - 4 February	Basics of Climate Change and Organisational Greenhouse Gas Accounting	Malaysian Institute Accountants
	25 February	LeadWomen UN's Women Empowerment Principles Campaign Awareness Session	LeadWomen
	25 February	Royal FrieslandCampina Sustainability Strategy	Dutch Lady Milk Industries Berhad
	3 March	Moving from Sustainability to Climate Action in the Palm Oil Sector	Climate Governance Malaysia
	16 March	World Bank Flagship Report 'Aiming High - Navigating the Next Stage of Malaysia's Development' Launch	World Bank Group
	23 March	Climate Change: The Evolving Role of Non-Executive Boards	Climate Governance Global Summit, World Economic Forum
	25 March	Accelerating Corporate Climate Action Goal 13 Impact Platform	Climate Governance Global Summit, World Economic Forum
	14 April	Is there a Race Towards a Global Green Recovery?	Institute of Strategic and International Studies
	1 June	Implementing Amendments in the Malaysian Code on Corporate Governance	Asian School of Business
	2 June	Dialogue on The Role of Independent Director in Embracing Present and Future Challenges	BNM-FIDE FORUM
	8 June	Framing the Future for Nature and Climate	ASEAN-UK COP26
	9 June	Dialogue on The Future of Malaysia's Financial Sector	BNM-FIDE FORUM
	17 June	The Future of Malaysia's International Climate Commitments	Institute of Strategic & International Studies Malaysia (ISIS)
	29 June	Voluntary Carbon Markets	Ministry of Environment and Water (KASA)
	7 July	MCCG Revision 2021 - Changing the Game in Corporate Governance	ICDM
	12 July	Round Table on Property Sector I "Reducing Embodied Carbon in the Built Environment"	Climate Governance Malaysia-CEO Action Network
	19 July	Round Table on Energy Sector II "Low Carbon Mobility"	Climate Governance Malaysia-CEO Action Network
	30 August	Round Table on Energy Sector V "Carbon Sinks"	Climate Governance Malaysia-CEO Action Network
	3 September	"Making Informed Decisions About Climate Risks" with S&P Global, in collaboration with the Institutional Investors Council	Climate Governance Malaysia

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date of Training	Course Details	Organiser
	4 September	Public relations training on crisis management	Dutch Lady Milk Industries
	9 September	The Net Zero Journey: What Board Members Need to Know Part II	Climate Governance Malaysia
	28 September	Bursa Malaysia's Focus Group Sessions [Session 10: Key capital market stakeholders]	Bursa Malaysia
	28 October	Cyber Kill Chain and Cybersecurity Capabilities	Deloitte
	12 November	Dialogue: "The 2050 Net Zero Carbon Emissions Target: Finance's Role"	FIDE FORUM
	15 - 18 November	LESA 2021 (Leadership For Enterprise Sustainability Asia)	Asia School of Business
	26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad
	2 December	Sesi pembangunan kapasiti dan kesedaran pemegang taruh bagi Nationally Determined Contribution (NDC) Malaysia kepada Paris Agreement yang telah dikemaskini selaras dengan keputusan UNFCCC	Ministry of Environment and Water (KASA)
Ramjeet Kaur Virik	22 - 23 February	Solution Focused Coaching - Module 1	HC Consultants Group
	28 February	Sustainability Essential	ACE Academy
	22 - 23 March	Solution Focused Coaching - Module 2	HC Consultants Group
	19 - 20 April	Solution Focused Coaching - Module 3	HC Consultants Group
	1 June	Lead to Win Cohort 5 Launch Webinar	London Business School
	8 June	GA-Legal Essentials for Marketing	Horizon e-Learning/ Friesland Campina
	7 - 8 September	Mandatory Accreditation Program	Asia School of Business
	15 September	Lead to Win C5 Peer Development Group session I	London Business School
	21 September	Lead to Win C5 M1 W1 The New Normal	London Business School
	23 September	Lead to Win C5 M1 W1 Aligning the Organisation I	London Business School
	28 September	Lead to Win C5 M1 W2 Leading through Strengths I	London Business School
	29 September	Lead to Win C5 M1 W2 Peer Development Group session II	London Business School
	30 September	Lead to Win C5 M1 W2 Aligning the Organisation II	London Business School
	5 October	Lead to Win C5 M1 W3 Leading through Strengths II	London Business School
	7 October	Lead to Win C5 M1 W3 What Needs to Change?	London Business School
	12 October	Lead to Win C5 M1 W4 Coaching Skills Workshop	London Business School
	14 October	Lead to Win C5 M1 W4 Coaching Skills Workshop	London Business School
	24 October	GA-Compass Module 1	Horizon e-Learning/ Friesland Campina

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date of Training	Course Details	Organiser
	24 October	GA-Compass Module 2	Horizon e-Learning/ Friesland Campina
	2 November	Lead to Win C5 Peer Development Group session III	London Business School
	26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad
	29 November	Lead to Win C5 M2 W1 Translating Strategy into Action	London Business School
	30 November	Lead to Win C5 M2 W1 Experimentation & Causal Chains	London Business School
	1 December	Lead to Win C5 M2 W1 Execution Risks & Hypotheses	London Business School
	2 December	Lead to Win C5 M2 W1 Experimental Design & Next Steps	London Business School
	1 - 4 December	Management Team Away Day	HC Consultants Group
	6 December	ACE Workshop 1	ACE Academy
Saw Chooi Lee	25 February	Royal FrieslandCampina Sustainability Strategy	Dutch Lady Milk Industries Berhad
	19 March	Critical Thinking	MP Muar
	19 April	Work Based Learning Connecting Higher Education Industry & Future Talents	Taylor College, Zubedy & HRDF
	20 April	Increasing Expectations on Reporting & Disclosure	Climate Governance Malaysia
	4 May	Unlocking Future Opportunities Focusing on Digital Innovation, Business Scalability & Sustainability	HSBC Malaysia
	4 June	ESG in Malaysia - Priority or Fad by Datuk Muhammad Umar Swift CEO Bursa Malaysia	ICAEW Malaysia
	13 July	2021 Asia Pacific Emerging Women Leadership Program (as Panelist)	ConocoPhillips
	21 - 22 September	Sustainable Reset: The Role of NRC in a Post-Pandemic World	Institute of Corporate Directors Malaysia
	26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad
6 December	AOB Conversation with Audit Committees	Securities Commission of Malaysia	
Bernardus Hermannus Maria Kodden	25 February	Royal FrieslandCampina Sustainability Strategy	Dutch Lady Milk Industries Berhad
	26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date of Training	Course Details	Organiser
Dato' Dr. Rosini Alias	25 February	Royal FrieslandCampina Sustainability Strategy	Dutch Lady Milk Industries Berhad
	7 July	MCCG Revision 2021 - Changing the Game in Corporate Governance	Institute of Corporate Directors Malaysia
	14 July	Rising Above COVID-19: Reimagining Work in Malaysia & Beyond	Permodalan Nasional Berhad
	7 September	Prosedur Import/Eksport Haiwan dan Produk Haiwan Serta Pemeriksaan Veterinar	Jabatan Perkhidmatan Veterinar (DVS)
	19 October	Climate Change: A New Green Deal for Malaysia	Permodalan Nasional Berhad
	29 October	Shariah Awareness Strengthening Shariah Culture	Permodalan Nasional Berhad
	26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad
Tengku Nurul Azian Tengku Shahrman	25 February	Royal FrieslandCampina Sustainability Strategy	Dutch Lady Milk Industries Berhad
	15 - 16 March	Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness	Asia School of Business
	27 May	Reimagining your Business with AI	Federation of Public Listed Companies Bhd
	22 - 23 September	Business Foresight Forum (BFF) 2021 Virtual Conference	Securities Industry Development Corporation
	19 November	Driving Sustainability through Digital Governance	Tricor
	23 November	Building an Inclusive Digital Economy - Empowering People and Enabling Business for a Digital Malaysia	Malaysian Institute of Management
	26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad
	29 November	SC's Audit Oversight Board Conversation with Audit Committees	Securities Commission of Malaysia
	2 December	Fraud Risk Management Workshop 2021	PricewaterhouseCoopers
	13 December	Powertalk Global Series, ASEAN Board Trends Survey 2022: What Keeps You Awake At Night?	Institute of Corporate Directors Malaysia
Jean Serge Krol	21 February	FrieslandCampina Road Safety - Life saving rules E-learning	FrieslandCampina
	25 February	Royal FrieslandCampina Sustainability Strategy	Dutch Lady Milk Industries Berhad
	19 July	FrieslandCampina Compass Code of Conduct E-learning	FrieslandCampina
	19 July	FrieslandCampina Purchase policy E-learning	FrieslandCampina
	26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date of Training	Course Details	Organiser
Darren Kong Kam Seong	27 January	ACCA 6 th APAC Thought Leadership Forum: Growth Recovery Leveraging on Analytics Driven Forward-Based Insights	ACCA
	25 February	Royal FrieslandCampina Sustainability Strategy	Dutch Lady Milk Industries Berhad
	19 March	Certificate In Data Analytics	ACCA
	23 March	Building the Mindsets of Tomorrow	Institute of Corporate Directors Malaysia
	10 April	Certificate in Digital Marketing Specialist	Malaysian Institute of Management
	20 - 22 April	Board Dynamics Bootcamp	Institute of Corporate Directors Malaysia
	28 April	Funding Options for SMEs	CPA Australia
	6 May	Innovate for Exponential Growth	Institute of Corporate Directors Malaysia
	19 May	PIKOM Digital Summit 2021	PIKOM
	20 May	Governance in SMEs - SMEs, A Key Strategic Business Partner in the Supply Chain	Malaysian Institute of Corporate Governance
	27 May	Corporate Governance in South East Asia: What Investors Need to Know	Asian Corporate Governance Association
	1 June	Implementing Amendments in the Malaysian Code on Corporate Governance	Asia School of Business
	23 June	8 th ACCA Asia Pacific Thought Leadership Forum. Rethinking Risks: Opportunities In The Midst Of A Prolonged Crisis	ACCA
	24 June	Power to the people: building a data-driven organisation	The Economist
	30 June - 2 July	Certified Digital Transformation Professional	CASUGOL
	7 July	Is Your Team Future Ready	Peoplelogy
	4 August	The Tech Edge for ESG	Asia IOT Business Platform
	2 September	Google Cloud Platform - Big Data & Machine Learning	Fusionex/Google Cloud
	23 September	The Cooler Earth Sustainability Summit 2021	CIMB/CEO Action Network
	24 November	Asia's Climate-Change Challenge	Financial Times Live
26 November	2022 Strategy Workshop	Dutch Lady Milk Industries Berhad	
6 December	Securities Commission's AOB Conversation with Audit Committees	Securities Commission of Malaysia	

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Diversity

(Practice 5.9 and 5.10)

The Board acknowledges the importance of gender diversity and recognises the benefits that it can bring. The Board's prime focus on is the strength of the Board and therefore the overriding aim in any new appointments must always be to select the best candidate available. With this in mind, the Board shall at all times make best endeavors to have at least 30% women Directors on the Board. Currently, out of the 8 members on the Board, 5 are women. As such the Board comprises of 63% women directors.

The Company also seeks to maintain strong women representation in its Management Team. Currently, out of the 8 members on the Management Team, 4 are women. As such the Management Team comprises of 50% women.

Following the Malaysia Board Diversity Study & Index which was carried out by Willis Tower Watson, DLMI was amongst the top 10 companies of the Malaysia Board Diversity Index 2021- Large-Cap. As part of this holistic study, Willis Towers Watson analysed disclosed data for a total of 312 companies listed on Bursa Malaysia and assessed each company's Board Diversity across the following eight dimensions, Gender, Age, Tenure, Independence, Culture, International Expertise, Domain Expertise, and Industry Expertise. Based on this analysis, Dutch Lady Milk Industries Berhad stood out as an exemplary company.

Board Evaluation

(Practice 6.1)

The Board undertakes an internal annual evaluation of the Board's effectiveness. An evaluation by External Consultants was carried out in FY2020 and moving forward, evaluation by External Consultants will be carried out on a periodic basis. In FY2021, the NRC reviewed the proposals given by the External Consultant and took steps to implement the same. These includes taking steps to strengthen Board interactions with Management, improving the structure of the Board Committees and Board Committee meetings, and taking steps to improve the process on board succession and recruitment.

In FY2021, an internal evaluation was carried out which was led by the NRC Chairperson and facilitated by the Company Secretary. The evaluation was conducted on the Board, the Nominating & Remuneration Committee, the Audit & Risk Committee, the Managing Director and on each individual Board member through a peer evaluation. It was found that the Board and Board Committees had foundational good practices in place. Key findings in relation to the effectiveness of the Board are as follows:

- The Board would focus on ensuring that all the Directors exhibit the requisite business acumen and are knowledgeable about future trends that could potentially affect the business. To do this, recommendations on suitable business related trainings will be provided to the Board by the Company Secretary, as guided by the Nomination & Remuneration Committee and discussions on relevant and suitable business topics will be presented by Management to the Board in the upcoming year.
- The Board would also seek to enhance the inclusion of conversations on Environmental, Social and Governance (ESG). To achieve this it was agreed that in FY2022, Sustainability/ESG agenda will be a key priority for Management and will be included as a standing item in the Board agenda throughout the year with a focus on developing clear commitments and roadmap. Management would ensure that discussions on ESG are integrated into Board and committee meetings and that more in-depth discussions on the Company's sustainability initiatives will be held.

Remuneration - Policies and Procedures

(Practice 7.1 and 7.2)

The DLMI Board has a remuneration policy in place since 2018 and this policy was recently reviewed in November 2021. The policy provides that the NRC will take into account all factors which it deems necessary in order to attract, retain and motivate Non-Executive Directors of high calibre who are able to provide the necessary skills and experience as required. The level of remuneration shall be commensurate with the responsibilities of the Non-Executive Directors and should also be in alignment with the business strategy and long-term objectives of the Company.

Remuneration for the Managing Director of the Company is approved by the Board in consultation with the RFC Group. The remuneration for the Managing Director follows the performance appraisal system and compensation and benefits scheme of the RFC Group which is based on the human resource policies and procedures of the RFC Group. Corporate and individual performance, market competitiveness, business results and individual performance are considered by the RFC Group in evaluating the Managing Director's remuneration. The Managing Director is not paid meeting attendance allowance or Directors' fees by the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Non-Executive Directors are paid fixed annual Directors' fees as members of the Board and these are approved by shareholders at the Annual General Meeting. The Chairperson of the Board Committees receives additional Board Committee Chairperson fees and the members of the Audit & Risk Committee also receives an additional fee. All Non-Executive Directors receive benefits by way of a meeting allowance for each meeting that they attend.

The NRC reviews the fees periodically by taking into account the performance of the Company and benchmarking with other companies in the same industry and of similar size. The responsibilities and duties of the directors are also taken into account when reviewing the fees.

The Terms of Reference for the NRC and the Board's Remuneration Policy, as updated in November 2021, are available on the Company's website www.dutchlady.com.my.

Remuneration of Directors and Top Senior Management (Practice 8.1 and 8.2)

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2021 is as follows:

	Executive Directors RM	Non-Executive Directors RM
Directors' Fees and Committee Member Allowances	-	449,411
Benefits	-	74,100
Salaries and other emoluments	1,638,399	-
Benefits in kind	145,051	-

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2021 are as follows:-

Name	Directors' Fees RM	Directors' Benefits RM	Salaries and other emoluments RM	Benefits in kind RM	Total RM
Dato' Zainal Abidin bin Putih ⁽¹⁾	64,930	7,800	-	-	72,730
Tarang Gupta ⁽²⁾	-	-	1,208,831	128,133	1,336,964
Datin Seri Sunita Mei-Lin Rajakumar ⁽³⁾	101,906	13,000	-	-	114,906
Ramjeet Kaur Virik ⁽⁴⁾	-	-	429,568	16,918	446,486
Saw Chooi Lee	73,501	13,000	-	-	86,501
Dato' Dr. Rosini binti Alias	75,506	13,000	-	-	88,506
Tengku Nurul Azian binti Tengku Shahrman	76,938	15,600	-	-	92,538
Darren Kong Kam Seong ⁽⁵⁾	56,630	11,700	-	-	68,330
Total	449,411	74,100	1,638,399	145,051	2,306,961

Notes:

⁽¹⁾ Retired as Chairman on 25 May 2021

⁽²⁾ Resigned as Director on 2 July 2021

⁽³⁾ Redesignated to Chairperson on 25 May 2021

⁽⁴⁾ Appointed as Director on 2 July 2021

⁽⁵⁾ Appointed as Director on 14 April 2021

No Directors' fees or allowances were paid to Bernardus Hermannus Kodden and Jean Serge Krol in lieu of the management fee paid to RFC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

For the top remaining senior management personnel, the aggregate remuneration (wages, salaries, benefits and contributions to state plans) paid for FY2021 is approximately RM4.632 million. The most senior member of management is an Executive Director of the Company and her remuneration is disclosed above. As such, details of the remaining members of senior management are shared on general terms and on an aggregated basis only as the Board is of the view that it would not be in the best interest of the Company to disclose these details given the competitiveness in the market for good senior managers in the consumer goods industry. The Board is of the view that

the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. The Board feels that the details provided are sufficiently transparent and allows stakeholders to assess the reasonableness of remuneration paid to members of senior management.

Principle

B EFFECTIVE AUDIT AND RISK MANAGEMENT

Financial Control and Reporting

The Board is responsible for ensuring that the Company maintains adequate and accurate records for timely reporting of the financial position of the Company and the results of its activities to enable stakeholders to make informed assessments of the Company's performance and prospects. To assist the Board in effectively discharging this duty, the Company has in place financial reporting procedures and processes. As at the date of this statement, the Board is not aware of any circumstances which have not been dealt with in the financial reports or financial statements, which would render any amount in the financial statements misleading.

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statement

As required by the Companies Act 2016, the Board hereby provides its opinion that the Company's financial statements for FY2021 were drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, Main Market Listing Requirements (MMLR) of Bursa Securities and the Companies Act 2016 so as to provide a true and fair view of the Company's financial position and the performance and cash flow for the financial year. Towards this, the Board has ensured that relevant accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been made, in the preparation of financial statements. The Board also ensured that applicable approved accounting standards have been followed and that proper accounting records were kept so as to enable disclosure of the Company's financial position in compliance with laws and regulations.

The Audit & Risk Committee (Practice 9.1, 9.2, 9.3 and 9.5)

Chairperson of the Audit & Risk Committee

The Audit & Risk Committee consists of a majority of independent directors. The Committee is chaired by Tengku Nurul Azian binti Tengku Shahrman who is an Independent Non-Executive Director. She is not the Chairperson of the Board. Currently, the Committee comprised 5 members consisting of 3 independent directors and 2 non-independent directors. However one of the non-independent directors, Dato' Dr. Rosini binti Alias, is a nominee director of Permodalan Nasional Berhad. As such, 4 out of 5 of the Audit & Risk Committee members represents the Company's minority shareholders. The members of the Audit & Risk Committee are all financially literate and have a full understanding of the financial reporting process and the financial matters discussed. The members also attend training on new rules or standards relating to the accounting standards, tax rulings or corporate governance changes. Details on the members of the Audit & Risk Committee are contained in the Report of the Audit & Risk Committee.

The Board has not appointed any of the Company's former key audit partners as a member of the Audit & Risk Committee. The Audit & Risk Committee will observe a minimum three (3) year cooling-off period before any former key audit partner can be appointed as a member of the Audit & Risk Committee. This requirement is set out in the Audit & Risk Committee's Terms of Reference.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In August 2021 the Audit & Risk Committee had a meeting with the Company's External Auditor, Messrs. PricewaterHouse Coopers (PwC), where PwC presented the annual audit plan for FY2021. In that meeting, PwC highlighted the key focus areas, methodology and new accounting standards. The External Auditor also briefed the Audit & Risk Committee on their team members and the resources allocated to the Company. After discussion and deliberation, the Audit & Risk Committee approved the audit plan. The Company also sought the confirmation of independence from PwC.

The written terms of reference for the Audit & Risk Committee are available on the Company's website www.dutchlady.com.my.

Risk Management and Internal Control Framework (Practice 10.1, 10.2 and 10.3)

The Company adopts the Enterprise Risk Management program based on the framework that was developed and issued by RFC, which in turn is based on COSO framework (developed by the Committee of Sponsoring Organisations of the Treadway Commission for evaluating internal controls), of which the International Institute of Internal Auditors is a sponsoring organisation. The program establishes an enterprise risk assessment ("ERA") for identifying, evaluating, monitoring, reporting and managing significant business risks. The Internal Audit function also carries out activities under the ERA.

The Company's Management team and internal audit team meets periodically to assess whether any conditions associated with a particular risk have changed, and to ensure that action and risk mitigation plans have been implemented. Progress and status of the mitigation action plans are presented to the Audit & Risk Committee quarterly or new critical risks are escalated immediately for deliberation.

The ERA categorises the risk in the following way:

- Strategic, which are risks that affect the overall direction of the business.
- Operational, which are risks that impact the delivery of the Company's products.
- Financial, which are risks associated with financial processes and reporting.
- Compliance, which are risks associated in relation to legal, statutory and corporate governance.

The risk profile of the Company is established during the annual risk assessment session facilitated by Royal FrieslandCampina N.V. (RFC). Risks identified are categorised and rated based on:

- Impact on the relevant business objectives;
- Likelihood of the risks occur; and
- Potential for improvement of the way the risk is being managed, taking into account the existing internal control framework and risk management measures implemented.

In FY2021, the Board decided that the Company's risk management framework and policies would be assumed by the Audit Committee. Accordingly the Audit Committee became the Audit & Risk Committee on 27 September 2021.

Internal Audit (Practice 11.1 and 11.2)

The Company has an in-house Internal Audit and Internal Control Department which reports directly to the Audit & Risk Committee and assists the Audit & Risk Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance of the adequacy and the effectiveness of the risk management, internal control and governance process as well as to carry out investigations on any complaints received. The investigation findings and audit recommendations and measures are reported by the Internal Audit Manager to the Audit & Risk Committee at each meeting.

The Head of Internal Audit, Mr Inderjit Singh, is a holder of a Bachelor's Degree of Accounting (Honours) from Multimedia University (MMU). He is a member of the Institute of Internal Auditors Malaysia (IIA). The Head of Internal Audit has over 10 years of experience in various finance functions including internal audit. The Head of Internal Audit is currently supported by an Internal Control Specialist. Further information in the Internal Audit function is set out in the Statement of Internal Control and Risk Management and the Report of the Audit & Risk Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Principle

C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with stakeholders (Practice 12.1)

The Board takes steps to ensure, as far as is practicable, that there is effective, transparent and regular communication between the Company and its stakeholders. The Company disseminates information to its stakeholders utilising the following methods:

Website: The Company's corporate website provides quick access to information about the Company. The information on the corporate websites includes the corporate overview, information on the Board of Directors and the Management team, Compass and other Company policies, the Board Charter and Board Committee Terms of References, financial results, announcements to Bursa, minutes of general meetings, the Company's Annual Reports and Circulars to shareholders, the Company's products, media releases, and other corporate news.

Annual Report: The Annual Report provides a comprehensive report on the Company's operations and financial performance. An online version of the full Annual Report is available and downloadable from the Company's website www.dutchlady.com.my.

General Meetings: The Board shares information to its shareholders during general meetings and encourages shareholders to ask questions which are addressed during the meeting. Minutes of the general meetings, together with a summary of the questions discussed during the meeting are shared on the Company's website within one month of the date of the meeting.

Analyst briefings: The Company also meets up with investment analysts and fund managers periodically. The Company also actively responds to requests for discussions with institutional shareholders and analysts, locally and abroad, to provide them better insights into the Company.

Annual General Meetings (Practice 13.1 to 13.6)

The Company's Notice of AGM is published in a local newspaper and is issued to shareholders at least 28 days prior to the date of the AGM. The Company's AGM in May 2021 was fully virtual and attended by all Directors.

In accordance with the guidelines and standard operating procedures imposed during the Movement Control Order in FY2021, only the Managing Director, the Chairman and the Company Secretary were physically present at the Broadcast Venue of the meeting. All the other directors joined virtually. The Company also held a fully virtual Extraordinary General Meeting on 1 July 2021 where all Board members and the Company Secretary joined virtually due to the Movement Control Order restrictions at the time.

Since FY2020, the Company's general meetings have been held virtually through live streaming and online remote voting due to the COVID-19 pandemic. For virtual meetings, only shareholders who have registered and who have been verified by the poll administrator were allowed to participate in the meetings. The meeting and online voting was conducted using a system which contains data privacy and security features. Information on how the shareholders can register, participate and vote during the virtual meeting was provided in the notice of meetings which were delivered to each shareholder in accordance with the terms of the Company's Constitution.

Shareholders are always encouraged to provide questions on the resolutions being proposed or on the Company's operations and performance in general via email before the meeting and via the Q&A portal during the meeting. Answers to questions received beforehand will be dealt with during the Managing Director's presentation or answered verbally during the meeting. Questions received from MSWG are also presented and answered during the meetings. The broadcast of the virtual general meetings held in FY2021 ran smoothly and shareholders were able to see and hear the meeting proceedings clearly. Shareholders were also able to participate in the meetings by asking questions via the Q&A portal. These questions were either answered via the portal which was visible to the shareholders or were answered verbally by the Managing Director during the meeting.

The full minutes of the meetings which includes the answers to the shareholders' questions were available on the Company website within 30 days after the general meetings. In view that the pandemic is still on-going, a virtual meeting will be held for the 59th AGM on 25 May 2022. The Broadcast Venue will be held at Gallery 3, the New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Compliance Statement by the Board of Directors on Corporate Governance Statement

(a) Utilisation of Proceeds

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

(b) Audit Fees

(i) Audit Fees for the Company:

The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit and Internal Control. The total cost incurred by the Internal Audit and Internal Control Department in relation to the conduct of its functions for FY2021 was RM417,243. The amount of audit fees paid to External Auditors by the Company for FY2021 was RM92,367.

(ii) Non-Audit Fees

The amount of non-audit fees paid to External Auditors by the Company for the FY2021 was RM 100,000 as follows:

- (i) Non-audit fees of RM20,000 is in respect of the review of Statement of Risk Management & Internal Control; and
- (ii) Non-audit fees of RM80,000 is for the preparation of the Pro Forma Consolidated Financial Information ("Pro Forma Statement") as set out in the Guidance Note for Issuers of Pro Forma Financial Information as issued by the Malaysian Institute of Accountants in relation to the transaction for the sale of the Company's land ("Land Disposal").

The non-audit fees paid to the External Auditors in FY2021 is higher than usual and higher compared to the audit fees as the External Auditors were required to prepare the Pro Forma Statement in FY2021. This was necessary as the Land Disposal is subject to the approval of the Company's shareholders at a general meeting and therefore a Circular to Shareholders in accordance with Appendix 10B of the MMLR had to be prepared. As the Land Disposal was a Very Substantial Transaction within meaning of paragraph 10.02 of the MMLR, the Circular to Shareholders was required to include a pro forma consolidated statement of financial position together with the notes and the auditors' letter showing effects before and after the transaction based on the Company's published or announced audited financial statements for the latest financial period ended. In the circumstances, the Company incurred non-audit fees of RM80,000 for the preparation of the Pro Forma Statement.

(c) Material Contracts Involving Substantial Shareholders

Save and except for the recurrent related party transactions entered into pursuant to the shareholders' mandate, there were no material contracts either still subsisting at or entered into since the end of FY2021 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 23 February 2022.

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee (“ARC”) provides critical oversight of the Company’s financial reporting process, monitoring the external and internal auditing process, compliance with relevant legal and statutory matters and other matters delegated by the Board. The committee was formerly known as the Audit Committee and became the ARC on 27 September 2021 following the Board’s approval for the Audit Committee to assume the duties of a Risk Committee.

The primary purpose of the Audit & Risk Committee (“Committee”) is to assist the Board of Directors to:

- (i) discharge its statutory and fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Group;
- (ii) review the quality of the Company’s accounting function, financial reporting and internal controls;
- (iii) enhance the independence of the External and Internal Audit functions by providing direction to and oversight of these functions.

A COMPOSITION

Chairperson

Tengku Nurul Azian binti Tengku Shahrman⁽¹⁾

Independent Non-Executive Director

Members

Ms. Saw Chooi Lee⁽²⁾

Senior Independent Non-Executive Director

Mr. Darren Kong Kam Seong⁽³⁾

Independent Non-Executive Director

Dato’ Dr. Rosini binti Alias

Non-Independent Non-Executive Director

Mr. Jean Serge Krol

Non-Independent Non-Executive Director

Former Members

Datin Seri Sunita Mei-Lin Rajakumar⁽⁴⁾

Independent Non-Executive Director

Dato’ Zainal Abidin bin Putih⁽⁵⁾

Senior Independent Non-Executive Director

Notes:

⁽¹⁾ Appointed as Chairperson of the ARC on 25 May 2021

⁽²⁾ Appointed as Member of the ARC on 25 May 2021

⁽³⁾ Appointed as Member of the ARC on 14 April 2021

⁽⁴⁾ Resigned as Chairperson of the ARC on 25 May 2021 and as Member of the ARC on 27 September 2021

⁽⁵⁾ Retired as Member of the ARC on 25 May 2021

The ARC is chaired by Tengku Nurul Azian binti Tengku Shahrman who is an Advocate and Solicitor of the High Court in Malaya, a Barrister of Law of the Honourable Society of Inner Temple, and has an LLB (Hons) from the School of Oriental & African Studies, University of London. She has over 19 years of broad experience in investment banking and corporate finance and was previously the Executive Vice President & Partner of PEMANDU Associates Sdn Bhd, a management consulting firm which is focused on public sector transformation and business turnaround with global experience. She sits on the Boards and Audit and Risk Committees of other companies in Malaysia.

Ms. Saw Chooi Lee has a Bachelor of Science in Business Administration and an MBA from the University of Nebraska-Lincoln, USA. She first joined the Company in March 2003 as its Commercial Director after which she held various leadership positions in the FrieslandCampina Group including the role of the Company’s Managing Director from 2015 to 2017. She is currently teaching at the Graduate Business School - MBA Program, Universiti Kebangsaan Malaysia and mentors in the Women in Leadership (WIL) programme by Lead-Women Malaysia Organisation.

AUDIT & RISK COMMITTEE REPORT

Mr. Darren Kong has a BSc (Hons) in Applied Accounting, Oxford Brookes University, United Kingdom. He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Member of the Malaysian Institute of Accountants (MIA) Associate, and a member of the Association of Certified Fraud Examiners (ACFE). He is currently Managing Director, Corporate Strategy & Alliance of Fusionex International, an established multi-award winning data technology provider that specialises in Analytics, Big Data, Machine Learning and Artificial Intelligence.

Dato' Dr. Rosini Binti Alias is Doctor of Veterinary Medicine, DVM, from Universiti Pertanian Malaysia. She was formerly the Deputy Director-General of the Department of Veterinary Services ("DVS"), Malaysia and has vast experience in the veterinary and agricultural sector with a career spanning over 30 years.

Mr. Jean Serge Krol has a Master's of Economics as well as a Post-Master's Degree for Certified Public Accountants from the Rijksuniversiteit in Groningen. He also has a Post-Master's Degree for Certified Controllers from the Vrije Universiteit in Amsterdam. He has held various senior finance managerial positions within Royal FrieslandCampina N.V. from 2002 to 2019. In July 2019, he was appointed as the Director of Finance for the Specialised Nutrition Business Group for Royal FrieslandCampina, Netherlands.

B TERMS OF REFERENCE

Structure of the Audit & Risk Committee

The ARC is a Committee appointed by the Board and shall comprise of at least 3 directors. All members should be Non-Executive Directors with Independent Non-Executive Directors making up the majority. At least one (1) member of the ARC must be a member of the Malaysian Institute of Accountants, or have at least 3 years' working experience and be a member of one of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967. The Chairperson of the ARC shall be an Independent Non-Executive Director and be elected from amongst the members of the ARC. All members of the Committee, including the Chairperson, will hold office until otherwise determined by the Board.

Authority

The ARC has authority to carry out the following:

- (i) investigate any matter within its terms of reference;
- (ii) has full and unrestricted access to any information, records and documents pertaining to the Company;
- (iii) has the resources which are required to perform its duties;
- (iv) has direct communication channels with both the External and Internal Auditors;
- (v) be able to obtain independent professional or other advice; and

- (vi) be able to convene meetings with External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Functions

1. The functions of the ARC are as follows:

In relation to External Auditors

- (i) To consider and recommend to the Board the appointment or re-appointment of the External Auditors and fix their audit fee, and to consider any issues regarding their resignation or dismissal and the reasons thereof; In considering the appointment or re-appointment of the external auditors, to consider among others:
 - (a) the adequacy of the experience and resources of the accounting firm;
 - (b) the persons assigned to the audit;
 - (c) the accounting firm's audit engagements;
 - (d) the size and complexity of the Group being audited;
 - (e) the number and experience of supervisory and professional staff assigned to the particular audit; and

AUDIT & RISK COMMITTEE REPORT

- (f) the performance of the external auditors and its independence inter-alia:
 - i. communication with the management;
 - ii. the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - iii. the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - iv. the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - v. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.

In making the assessment on the External Auditor's performance and independence, the Committee should consider the information presented in the Annual Transparency Report of the audit firm, to the extent that it is applicable.

- (ii) To take note and be informed of the audit tender process that is run by FrieslandCampina globally including ensuring that an objective criteria is established when assessing the appointment of External Auditors.
- (iii) To review and discuss with the External Auditors their audit plan, the nature and scope of audit, evaluation of the Company's systems of internal controls and their audit report on the annual financial statements, including Key Audit Matters, and report the same to the Board;
- (iv) Ensure External Auditors have sufficient understanding of business, operations and risk areas, that senior audit team members are sufficiently involved throughout the audit process, and that the team has the capacity and ability to work in different geographical regions;
- (v) To assess the External Audit firm's measures to uphold audit quality and manage risks including adopting indicators of audit quality;
- (vi) To discuss issues and reservations arising from the interim and final audits with the External Auditors, and any other matters the External Auditors or other consultants may wish to discuss, in the absence of Executive Directors and Management, where necessary and in any case at least twice a year;
- (vii) To review the External Auditors' Management letter and Management's response thereon and ensure Management provides information and records in a timely manner;
- (viii) Obtain assurance from the External Auditors that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, and that following such annual assessment review and the assurance obtained, the Committee to remain confident of the External Auditor's independence and suitability.
- (ix) Ensure that advance approval by the Board of Directors is required for non-audit services provided by the External Auditor, on recommendation of the Committee;
- (x) Review all non-audit services performed by the External Auditors to reinforce the independence and objectivity of the External Auditors. In the event the non-audit fees paid to External Auditors or a firm or corporation affiliated to the External Auditors are significant i.e. constitutes 50% of the total audit fees paid to the External Auditors, the Committee is required to state the details on the nature of the non-audit services rendered in the Committee's report.

AUDIT & RISK COMMITTEE REPORT

In relation to the financial statements

- (i) To review the quarterly and annual financial statements of the Company before submission to the Board of Directors, focusing particularly on:-
 - (a) Public announcement of the results and dividend payment;
 - (b) Any changes in accounting policies and practices;
 - (c) The going concern assumption;
 - (d) Compliance with approved accounting standards;
 - (e) Compliance with Bursa Securities and legal requirements;
 - (f) Significant adjustments arising from the audit;
 - (g) Significant matters highlighted including financial reporting issues; and
 - (h) Significant judgements made by management, significant and unusual events or transactions and how these matters are addressed.
- (ii) Review the Company's dividend proposals including considering the quantum, timing and cash flow of dividend payments, and recommending the same to the Board for approval;
- (iii) To consider and review the appropriateness of any related party transaction and conflict of interest situations that may arise within the Company including ensuring compliance with applicable laws and regulations to ensure:
 - (a) internal control procedures with regards to such transactions are sufficient and have been complied with;
 - (b) transactions are fair, reasonable and undertaken on the Company's normal commercial terms; and
 - (c) transactions are not detrimental to the interest of minority shareholders;
- (iv) Review the Company's annual report prior to submission to the Board for their perusal and approval, to ensure compliance in accordance with the provisions of the Companies Act 2016 and Bursa Securities Main Market Listing Requirements, the applicable approved accounting standards as per MASB Standards and any other laws or regulations which might apply;
- (v) Review major audit findings and Management's response during the year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations;
- (vi) Review the assistance given by the Company's officers to the External Auditors and any issues encountered in the course of the audit work, including restrictions on the scope of activities or access to required information.

In relation to Internal Audit

- (i) To do the following, in relation to the Internal Audit Department:
 - (a) Review the adequacy of the scope, functions, competency and resources of the Internal Audit Department, and that it has the necessary authority and resources to carry out its work, including training programs for the staff;
 - (b) Consider whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
 - (c) Review the internal audit plan for the year and findings of the internal audit assessment and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department by Management;
 - (d) Ensure the Head of Internal Audit reports functionally to the Committee directly and that the Committee reviews the performance of the Internal Audit function annually. The Head of Internal Audit should have the relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively. The Head of internal Audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal controls and governance processes of the Company.

AUDIT & RISK COMMITTEE REPORT

- (ii) Ensure that the Company has an Internal Control Framework, and periodically reviews the controls, organises self-assessments and ensures effectiveness of the system;
 - (iii) Ensure the Company adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors;
 - (iv) Review and appraise the performance of members of the Internal Audit Department on an annual basis;
 - (v) Approve any appointment and termination of senior staff members of the Internal Audit Department; and
 - (vi) Takes cognisance of resignations of internal audit staff members.
- Enhance and improve corporate governance with a clear, concise and comprehensive structure for the Company;
 - Put in place policies and procedures on business ethics and good business conduct which includes focus on anti-bribery and corruption;
 - Promote an effective risk awareness where risk management is an integral aspect of the Company's business plan and project portfolio;
 - Ensure appropriate skills and resources are applied to risk management;
 - Review periodic reports from the management on risk exposure, risk portfolio composition and risk management activities;
 - Review and recommend new policies or changes to policies and to consider risk implications including the procedures put in place by management to prevent and detect fraud including cyber fraud.

In relation to Enterprise Risk Management

- (i) To review and assess the adequacy of the Enterprise Risk Management framework and controls on a quarterly basis including Enterprise Risk Assessment updates, internal and/or external auditors' evaluation of the framework and controls, mitigating controls and action plans to mitigate identified business risks which enables the Company to update key risks direction, identify material environmental, social or governance (ESG) risks and other emerging risks and to define an adequate and practical mitigation action plan where necessary;
- (ii) To review and assess the effectiveness and adequacy of the business continuity plan and monitoring its implementation;
- (iii) To ensure that the Enterprise Risk Management Framework focuses on the Company's core business operations and it allows the Company to:

- Establish clear functional responsibilities and accountabilities within the Company's structures for management of risks;

Other Scope of Work

- (i) To consider major findings of any internal investigations and Management's response thereon;
- (ii) To review the draft circulars with respect to obtaining shareholders' mandate on any Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors; and
- (iii) To consider any other topics, as defined by the Board.

The ARC's Terms of Reference can be found on the Company's website www.dutchlady.com.my








AUDIT & RISK COMMITTEE REPORT

C MEETINGS AND MINUTES

The ARC shall meet at least 4 times a year and the quorum for any meeting shall be 2 members, consisting of Independent Directors. The Managing Director, Finance Director and the Internal Auditor will be invited to attend all meetings of the ARC. There shall be at least 2 meetings a year with External Auditors including 2 meetings without the members of Management. External Auditors will be invited to attend additional meetings when appropriate and they may request a meeting with the ARC if they consider it necessary. Other Board members may attend meetings upon the invitation of the ARC.

The Company Secretary shall be the Secretary of the ARC and as a reporting procedure, the minutes of each ARC meeting shall be circulated to all members of the Board.

A total of 4 meetings were held during the financial year 2021. The membership status and attendance record of each of the members are as follows:-

Members	Attendance
Tengku Nurul Azian binti Tengku Shahrizan⁽¹⁾ (Chairperson, Independent Non-Executive Director)	
Ms. Saw Chooi Lee⁽²⁾ (Member, Senior Independent Non-Executive Director)	
Mr. Darren Kong Kam Seong⁽³⁾ (Member, Independent Non-Executive Director)	
Dato' Dr. Rosini binti Alias (Member, Non-Independent Non-Executive Director)	
Mr. Jean Serge Krol (Member, Non-Independent Non-Executive Director)	
Former Members	Attendance
Dato' Zainal Abidin bin Putih⁽⁴⁾ (Member, Senior Independent Non-Executive Director)	
Datin Seri Sunita Mei-Lin Rajakumar⁽⁵⁾ (Chairperson, Independent Non-Executive Director)	

Notes:

- (1) Redesignated as Chairperson of the ARC on 25 May 2021
 (2) Appointed as Member of the ARC on 25 May 2021
 (3) Appointed as Member of the ARC on 14 April 2021

- (4) Retired as Member of the ARC on 25 May 2021
 (5) Resigned as Chairperson of the ARC on 25 May 2021 and as Member of the ARC on 27 September 2021

AUDIT & RISK COMMITTEE REPORT

D SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

A summary of the key activities carried out by the ARC during the financial year is listed below:

(a) Financial Reporting and compliance

The Company's quarterly and annual financial statements as well as announcements made to Bursa Securities were reviewed by the ARC before submission to the Board for its subsequent approval. In doing so, the ARC deliberated and focused on changes in major accounting policies and practices as well as any adjustments and/or issues affecting audit related matters to ensure compliance with Main Market Listing Requirements, the approved Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements.

As part of their accounting oversight duties, the ARC also reviews the External Auditors' annual and interim audit reports, together with accompanying Management responses.

(b) Assessing Independence, Suitability, Objectivity and Cost Effectiveness of the External Auditors

The ARC carried out an annual review of the independence, suitability, objectivity and cost effectiveness of the External Auditors before approving their remuneration and recommending their re-appointment to the shareholders. The factors considered include the competency, and the adequacy of experience and resources of the firm and professional staff assigned to perform the audit.

As part of the annual audit exercise, the ARC obtained assurance from the External Auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Following the annual assessment review and the assurance obtained, the ARC remains confident of the External Auditor's independence and suitability.

(c) Risk management and internal controls

The ARC took note of the Company's risk management and the control environment guidelines as implemented using the RFC Internal Control Framework and the Enterprise Risk Management programme.

The ARC also received Risk Management progress reports from Management quarterly whereby the ARC took note of the mitigating controls and action plans taken to mitigate the identified business risks.

(d) Going Concern assessment

The ARC reviewed the going concern basis for preparing the Company's financial statements, including the assumptions underlying the going concern statement and the period of assessment.

(e) External audit

Throughout the financial year, the ARC had three meetings with External Auditors and two meetings with them without the presence of Management. The ARC is pleased to report that there was no significant matter of disagreement that arose between the External Auditors and Management.

To reinforce the independence and objectivity of the External Auditors, the ARC reviewed all non-audit services performed by the External Auditors.

During the financial year, the fees incurred in respect of non-audit related matters amounted to RM100,000 as follows:

(i) Non-audit fees of RM20,000 is in respect of the review of Statement of Risk Management & Internal Control; and

(ii) Non-audit fees of RM80,000 is for the preparation of the Pro Forma Consolidated Financial Information ("Pro Forma Statement") as set out in the Guidance Note for Issuers of Pro Forma Financial Information as issued by the Malaysian Institute of Accountants in relation to the transaction for the sale of the Company's land ("Land Disposal").

AUDIT & RISK COMMITTEE REPORT

The non-audit fees paid to the External Auditors in FY2021 is higher than usual and higher compared to the audit fees as the External Auditors were required to prepare the Pro Forma Statement in FY2021. This was necessary as the Land Disposal is subject to the approval of the Company's shareholders at a general meeting and therefore a Circular to Shareholders in accordance with Appendix 10B of the Main Market Listing Requirements ("MMLR") had to be prepared. As the Land Disposal was a Very Substantial Transaction within meaning of paragraph 10.02 of the MMLR, the Circular to Shareholders was required to include a pro forma consolidated statement of financial position together with the notes and the auditors' letter showing effects before and after the transaction based on the Company's published or announced audited financial statements for the latest financial period ended. In the circumstances, the Company incurred non-audit fees of RM80,000 for the preparation of the Pro Forma Statement.

The ARC reviewed the financial statements to take note of changes to the approved accounting standards and new application on financial reporting disclosures under the Listing Requirements.

(f) Internal Audit

During FY2021, the ARC had four meetings with the Internal Auditor. During the engagements, the ARC discussed the results arising from the Internal Audit findings and recommendations by the Internal Auditor on the controls environment and operational weaknesses, and verified that timely corrective actions were taken by Management.

(g) Governance

The ARC reviewed the ARC Report and the Statement of Internal Control and Risk Management and recommended to the Board for inclusion in the 2020 Annual Report.

(h) Other Matters

During the financial year, the ARC also carried out the following activities:

- reviewed the Company's dividend proposals
- considered the quantum, timing and cash flow of dividend payments, and recommended the same to the Board for approval
- reviewed the recurrent related party transactions, and any conflict of interest situations during the year
- reviewed the Circular on the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for shareholders' approval
- discussed with the External Auditors on Key Audit Matters and any issues arising from the audit (in the absence of the Management)
- reviewed the Circular to Shareholders for the Extraordinary General Meeting together with the Pro Forma Consolidated Financial Information as set out in the Guidance Note for Issuers of Pro Forma Financial Information as issued by the Malaysian Institute of Accountants in relation to the transaction for the Land Disposal

E INTERNAL AUDIT FUNCTION

The ARC is supported by the Internal Audit function in discharging its duties and responsibilities. The Internal Audit function is an integral part of the assurance framework and its principal role is to undertake independent and systematic reviews of the Company's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Company's overall governance, risk management and internal control processes.

The Internal Audit function is performed in-house and is led by the Head of Internal Audit who reports functionally to the ARC while administratively to the Finance Director. The Internal Auditors are empowered with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Company's records, physical properties, to carrying out any internal audit or investigation engagement.

AUDIT & RISK COMMITTEE REPORT

The Internal Audit function is independent from the activities of other operating departments and undertakes to review key processes of the Company and its relationships with third parties. It also carries out risk management activities under the Enterprise Risk Management programme developed by the RFC Group. The programme incorporates a process to facilitate risk identification, assessment, reporting as well as review and mitigation risks that affect the achievement of the Company's objectives and policies.

The Head of Internal Audit, Mr Inderjit Singh, is a holder of a Bachelor's Degree of Accounting (Honours) from Multimedia University (MMU). He is a member of the Institute of Internal Auditors Malaysia (IIA). The Head of Internal Audit has over 10 years of experience in various finance functions including internal audit. The Head of Internal Audit is currently supported by an Internal Control Specialist.

The activities of the Internal Audit function are carried out based on the Internal Audit Plan approved by the ARC. The ARC reviews the extent of the audit scope and coverage of the IA activities; and the adequacy and competency and the internal audit resources to support the completion of the plan. At the quarterly ARC meetings, the Head of Internal Audit reports to the ARC on the progress of Internal Audit activities and the resource requirements, including interim changes and the impact of resource limitations. The report to the ARC also covers significant risk and control issues, including fraud risks, governance issues and other matters that require the ARC's attention.

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

- (a) Prepared the internal audit plan for the year, which is reviewed and approved annually by the ARC, and updated where necessary by the ARC;
- (b) Carried out all internal audit activities in accordance with the audit plan and adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors and best practices in COSO Framework;

- (c) Prepared the internal audit programme based on the internal audit plan, for each activity or process to be audited;
- (d) Maintained the Company's Internal Control Framework, including periodically reviewing controls, organising self-assessments and ensured effectiveness of the system;
- (e) Discussed with auditees, process owners and Management on the results of the audit for each activity or process, root cause analysis will be assessed prior any recommendations in order to mitigate the identified risk or control work flow improvements;
- (f) On a quarterly basis, reviewed the Enterprise Risk Assessment updates, which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan where necessary;
- (g) Reported to the ARC on a quarterly basis, the results from the internal audit and governance issues identified together with Management Team's response and action plans; and
- (h) Followed up on all the action plans agreed from the previous internal audit reports to ensure that all matters arising are adequate addressed by the Management.

Costs amounting to RM417,243 were incurred in relation to the internal audit function for the financial year ended 31 December 2021.

Further details of the activities of the Internal Audit and Internal Control Department are set out in the Statement on Risk Management and Internal Control of this Annual Report.

F ANNUAL REVIEW AND PERFORMANCE EVALUATION

An annual performance evaluation was carried out on the ARC in an effort to enhance and improve its processes of the control environment.

The ARC's responsibility is to monitor and review the practices and processes performed by Management and the External Auditors. It is not the ARC's duty or responsibility to conduct auditing or accounting reviews. The ARC members are not employees of the Company. Therefore, the ARC has

relied, without independent verification, on Management's representation that the financial statements have been prepared with integrity and objectivity, in conformity with approved accounting principles and standards generally accepted in Malaysia and on the representations of the External Auditors included in its reports on the Company's financial statements and internal control over financial reporting.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors affirms its responsibility for maintaining a sound and effective system of risk management and internal control and outlines the nature of risk management procedures and internal control system within Dutch Lady Milk Industries Berhad for the year under review.

Responsibility and Accountability

The Board continues its commitment and responsibility towards effective risk management practices and system of internal controls which includes the adoption of appropriate Control Frameworks established by Royal FrieslandCampina N.V. ("RFC") and reviewing its effectiveness, adequacy and integrity. The Board is responsible for identifying the key internal and external business risks faced by the Company and for determining the course of actions to manage those risks. The Company continuously evaluates and manages risks and reviews the planned actions to safeguard shareholders' investments and the Company's assets.

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

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

Risk Management Framework

The Company aims for transparency in identifying, evaluating and mitigating risks by adopting the Enterprise Risk Management ("ERM") programme that was developed and issued by RFC based on internationally recognised COSO framework. This framework describes the management's risk appetite, structure, responsibilities, processes and governance reporting procedures. It has been developed to provide a reasonable degree of certainty that strategic objectives are achieved by creating focus, integrating control measures into the Company's activities, ensuring compliance with applicable laws and regulations, and by safeguarding the reliability of financial and non-financial reporting and the related explanatory notes.

Integration of the Enterprise Risk Management ("ERA") practices throughout the organisation enables the Company to accelerate its growth and enhance its performance. This success is built upon by timely identifying, evaluating and effectively mitigating risks that could prevent the organisation from realising its strategic objectives.

In order to facilitate an effective risk management process, a governance process has also been established. The **Three Lines Models** is developed to ensure a structured approach is used and clear roles and responsibility is defined between the different roles.



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Company's risk management programme is led by the Managing Director and supported by a Risk Management Committee comprising of the Management Team and Business Leaders from all functional units of the Company. In providing assurance to the Board of Directors on the Company's adequacy and effectiveness of risk management, the Risk Management Committee carried out continuous reviews and updates of the status of risk mitigation actions and identified emerging risks.

The ERM framework focuses on the Company's core business operations and it allows the Company to:

- Establish clear functional responsibilities and accountabilities within the Company's structures for management of risks;
- Enhance and improve corporate governance with a clear, concise and comprehensive structure for the Company;
- Promote an effective risk awareness where risk management is an integral aspect of the Company's business plan and project portfolio; and
- Ensure appropriate skills and resources are applied to risk management.

The Enterprise Risk Management ("ERM") Process

The ERM process involves a systematic application of the risk management methodology to facilitate risk identification, assessment, reporting as well as monitoring and review as described below:

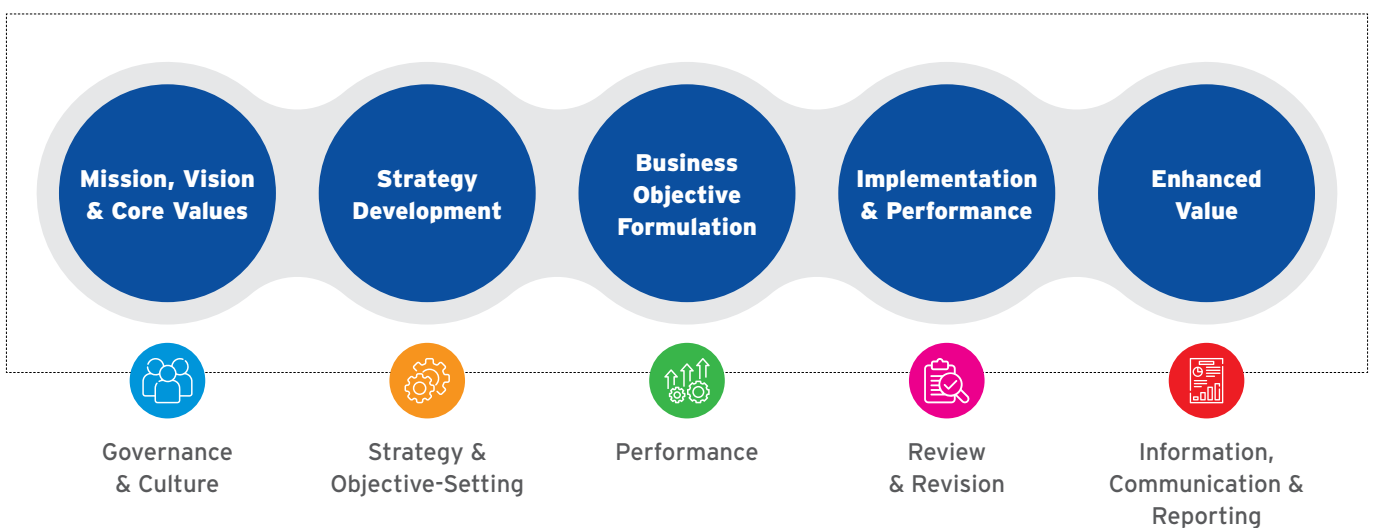
Risk Identification & Assessment

The ERM process begins with the business strategies and objectives setting which is aligned to the Company's vision and mission. Subsequently, risks arising from the business strategies and objectives to be pursued are identified.

The risks identified are assessed as part of the Risk Assessment Criteria and categorised based on the level of probability and likelihood to reflect the risk appetite approved by the Board.

The outcome of the risk assessment process at respective functional levels will then be consolidated at the Company level. Deliberations and discussions are held with the Management Team and Business Leaders. This exercise is facilitated by the Internal Audit (IA) Team and is fully embedded as a key activity of the Risk Management Committee (RMC).

ENTERPRISE RISK MANAGEMENT



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Risk Reporting & Review

Risk appetite sets out the nature and extent of risks that the Company is willing to accept or retain in pursuit of its goals and objectives.

The Company's general risk appetite depends on the risk categories, is set out in the table below.

Risk Category and Risk Appetite



Strategic

The Company is prepared to take a certain degree of calculated risks relating to the realisation of its performance objectives and long-term goals.



Operational (including external risk)

The Company attempts to minimise the impact of unforeseen disruption on its operating activities.



Financial

The Company has a conservative and sound framework of financial policies and procedures to prevent risks that could have a significant impact on the financial results and material misstatements in its financial statements reporting.



Compliance

The Company applies a zero tolerance policy.

On a quarterly basis, the risk profiles are updated by the Management Team and Business Leaders. The updated risk profiles are then tabulated into a heat map, which set out the priority and focus for risk mitigation strategies based on risk ratings at net levels. The net risk level is determined after taken into consideration the effectiveness of existing controls and risk mitigation plans.

The finalised risk profiles and heat maps are identified and promptly brought to the attention of the ARC.

Internal Control Structure and Processes

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

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

- **Board Committees**

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

- **Organisational Structure and Responsibility Levels**

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

- **Authority Levels, Acquisitions and Disposals**

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

Investment decisions are delegated to Management in accordance with authority limits. Appraisal and monitoring procedures are applied to all major investment decisions, and at times using external consultants for advisory services.

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

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

• Procedure and Control Environment

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

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

The Company has in place the ISO 14001 Environment Management System, a systematic management approach to the environmental concerns of the Company, and ISO 45001, the Occupational Health and Safety Assessment Series for the protection of employees from hazards and the mitigation of work-related injuries and health-related issues.

In 2021, the Company has embarked upon ONE Audit which is a FrieslandCampina's internal maturity assessment conducted on the quality system for Food Safety and Quality Management System and Safety Health and Environment Management System within FrieslandCampina. In addition, a review is also conducted to ensure a proper maintenance system and organisational structure is in place. ONE audit is carried out by the global team every two years once to ensure that products produced by the Company and the way in which they are being produced meet the necessary high standards on food safety, quality, labour safety and environment.

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

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

• Standards of Business Ethics

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

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

The Compass is supported globally by RFC Corporate Headquarters with an established Integrity Committee and a reporting platform (SpeakUp) that is available to employees 24 hours a day, seven days a week so they can, in confidence, express their concerns regarding a suspected infringement of the code or a guideline. The Company has also established a procedure whereby certain Speak Up Reports which are of a financial or fraudulent nature will be escalated to the Company's Audit & Risk Committee.

In line with this, the Company has an Employee Handbook that guides the Company's employees in their day-to-day conduct. Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest. In 2021, trainings, briefings, and communication were conducted for employees and stakeholders in regards to Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009. This update is done to strengthen the Company's internal processes and practices to ensure that it has adequate procedures in place to prevent persons associated with the Company from corrupt conduct.

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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

The Strategic Planning process is led by RFC Company and is focusing on long term strategic direction of the Company, prioritising future investments and resources.

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

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

- **Reporting and Review**

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

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

On behalf of the Management Team, the Managing Director and the Finance Director sign-off on a bi-annual Management Statement to the Business Group. By signing off on the Management Statement, it demonstrates the management's accountability over financial and non-financial reporting disclosures, adequacy of the Internal Control Framework (ICF), responsibility for proper Segregation of Duty ("SOD") and ensuring full and transparent disclosure is made on any fraud and non-compliance with laws and regulations.

- **Financial Performance**

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

- **Assurance Compliance**

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

- **Internal Control Framework (ICF)**

The Company has adopted RFC's Internal Control Framework (ICF) compliance programme that emphasises on internal controls over financial reporting where assessment is performed on key controls surrounding the financial reporting process based on materiality level; and focusing on transparency, accountability and safeguarding of assets in its review.

The ICF comprises prescribed control measures that are evaluated by means of regular internal assessments for which if shortcomings are discovered, improvement measures are set in place and regularly tracked. The assessments are performed by competent assessors and the outcome of the assessments are tested by qualified independent testing reviewers. The Internal Audit (IA) team discusses non-compliance areas, if any, and control deficiencies with relevant business owners to ensure remediation action plan is undertaken. Completed action plans are then retested to ensure adequate remediation is in place. Unremediated deficiencies and controls requiring improvement are regularly reported and updated to the Audit & Risk Committee during their quarterly meetings.

- **Update on Developments**

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

In 2021, the Company has also taken the opportunity to update key policies and procedures relating to functions of the business: - Sales, Finance & HR. The policies and procedures are reviewed and updated by the business owners in agreement with the relevant management team members. Furthermore, the Company has also developed a SharePoint site, all approved policies and procedures would be published here, and all employees have been given access to the site.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

The Internal Audit function is performed in-house with its primary function to provide an independent and objective assessment on the adequacy and effectiveness of the governance, risk management and internal control processes established by the Management and the Board. The Internal Audit function has an independent reporting line to the ARC and its performance is reviewed by the ARC annually. It focuses on key areas of the business and operations risk based on the audit plan approved annually by the Audit & Risk Committee. The audit plan is developed based on the risk profiles identified in accordance with the Company's Risk Management Framework and in consultation with the Management Team. Internal audit reports are presented on a quarterly basis to the Audit & Risk Committee.

• Summary of Work Performed by Internal Audit

During FY2021, the Internal Audit function completed the audit assignments as approved by the Audit & Risk Committee. The audit assignments were inclusive of investigative audits as requested by the management and the support rendered to the RFC Central Internal Audit ("CIA") team on their audits on selected Capital Expenditure projects.

The Internal Audit team highlights, to the Audit & Risk Committee and Management, areas for improvement and follows-up on the progress of implementation of the agreed actions arising from the internal audit report. The Management is responsible in ensuring all agreed action plans are address within the required timeframe.

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

Adequacy and effectiveness of Risk Management and Internal Control System

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

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

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

- The Board will be informed quarterly of the degree to which the Company's strategic, operational, financial and compliance objectives are being achieved;
- The internal and external financial reporting do not contain any material misstatement and that the risk management and internal control systems functioned effectively during 2021; and
- The Company has complied with the relevant legislation and regulations.

This Statement is prepared in accordance with the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers (Guidelines) with an effective date of 31 December 2012, in line with the Paragraph 15.26(b) of the Bursa Malaysia Listing Requirements and Principle B of the Malaysian Code of Corporate Governance 2017 as issued by the Securities Commission Malaysia.

The Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3, issued by the Malaysian Institute of Accountants ("MIA").

AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.



STRONG ME, STRONGER US



**PACKED WITH PROTEIN
AND EVEN MORE CALCIUM***

*Increase in value of Calcium is only applicable to Dutch lady UHT Full Cream and milk powder variants of plain, honey flavoured and chocolate flavoured.



SUSTAINABILITY REPORT

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

This Sustainability Report was prepared in accordance with the guidelines set out in the Main Market Listing Requirements relating to Sustainability Statement in Annual Report of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad and covers the Company's business operations in Malaysia for the financial year ended 31 December 2021.



SUSTAINABILITY REPORT

CORPORATE RESPONSIBILITY STRATEGY: DAIRY WITH A PURPOSE

Dutch Lady Milk Industries Berhad (DLMI) mission is to create shared value to all our stakeholders through our strategic initiatives, in line with that of our parent company, Royal FrieslandCampina N.V. ("RFC"). Based on RFC's global theme of Nourishing A Better Planet, we leverage our Dutch dairy heritage and unique global milk chain in a sustainable way. As one of the leading dairy players in Malaysia, we are committed to demonstrate responsible corporate conduct across all aspects of our operations.

Board Commitment & Reporting Framework

Our Board of Directors is mindful of the Company's responsibility towards sustainability issues and its role in our long-term strategic plans. The Board, in partnership with the Management and other stakeholders, remains steadfast towards ensuring that responsible corporate conduct is demonstrated and practised in DLMI's daily business activities across all aspects of DLMI's operations.



Board of Directors

- Provides strategic advice and input from an external perspective
- Ensures adherence with Bursa and other regulatory requirements



Management Team

- Monitors and acts on related risks and report on progress
- Responsible for sustainable business policies and practices
- Formulates sustainable strategies, policies and KPI goals
- Monitors, aligns and facilitates adherence to our sustainability policy
- Facilitates and supports operating divisions to meet sustainability goals
- Conducts sustainability awareness and engagement activities
- Quarterly sustainability performance reporting



Operating Divisions

- Day-to-day management of sustainability risks and issues
- Own and ensure compliance of relevant sustainability-related policies and practices
- Record all sustainability source data

Sustainability Governance Framework

Sustainability is embedded within DLMI and is led from the top. Sustainability matters are managed by a team consisting of members from various departments within the company based on the Economic, Environmental and Social Framework and in line with DLMI's vision of nourishing Malaysians with trusted and sustainable dairy nutrition, for now and generations to come. We aspire to demonstrate our commitment to sustainability within the market we operate in, the environment, the surrounding community and in the workplace.

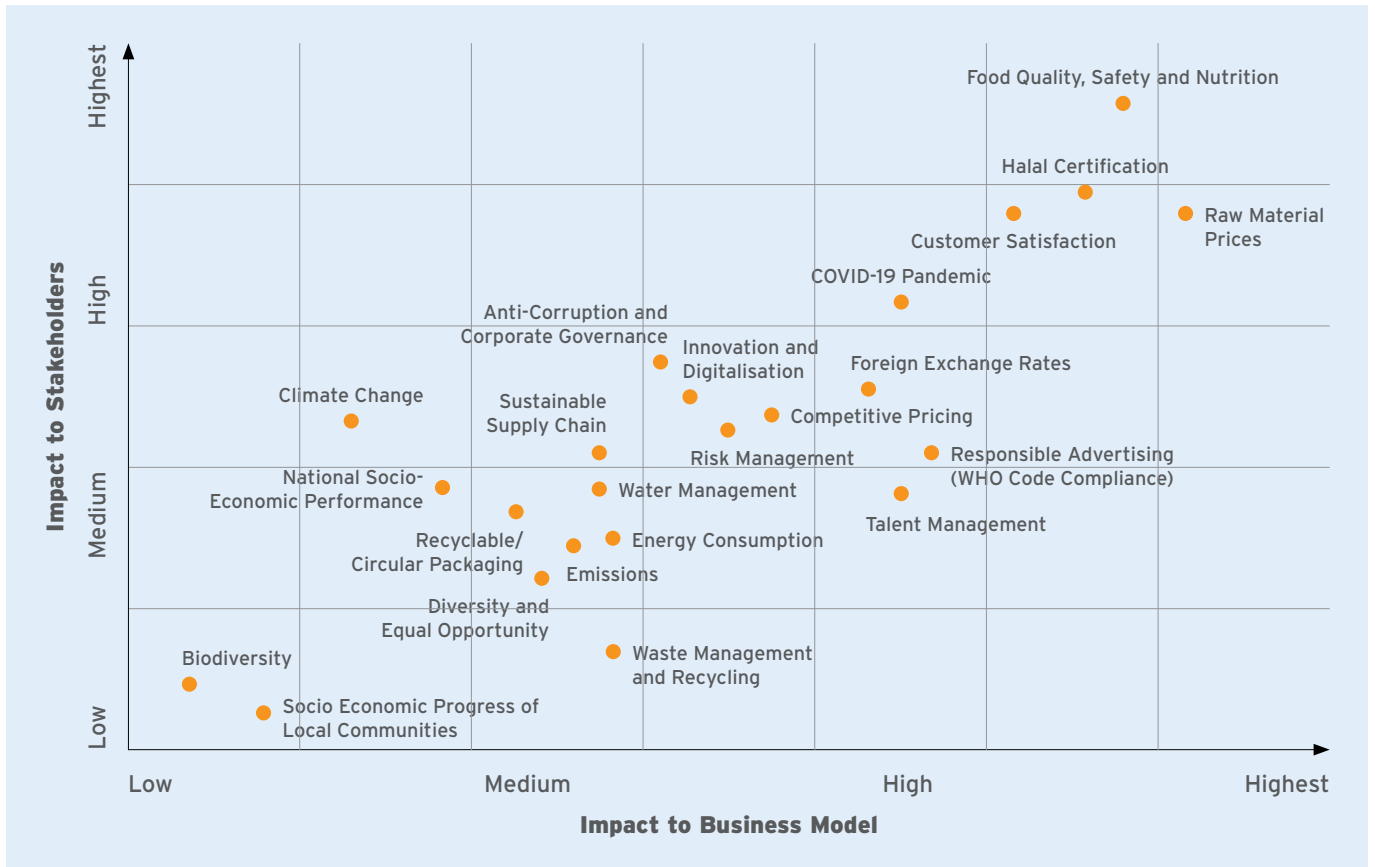
Materiality Assessment

In order to achieve DLMI's sustainability objectives, a comprehensive risk materiality assessment was conducted internally. This was done through a series of workshops with various internal stakeholders where issues were identified by internal stakeholders and survey results from employees were considered.

Based on the risk materiality assessment, the top 5 principal risks were identified. A summary of the key risks and uncertainties as well the mitigation factors undertaken by DLMI to meet the challenges can be in found in the Statement of Risk Management and Internal Controls. The risks and the mitigation factors for 2021 were shared with the Board and quarterly updates have been provided to the Board on developments or outcomes of the steps taken.

SUSTAINABILITY REPORT

FY2021 Materiality Matrix



Sustainability Development Goals

The United Nations has formulated 17 Sustainable Development Goals (“SDG”) related to responsible production and consumption, climate change, sustainable communities, health and well-being and efforts to fight poverty and starvation.






SUSTAINABILITY REPORT

Of these 17 goals, DLMI and our parent company, RFC, have identified seven SDGs that we contribute to. These are:

 <p>SDG 1: No poverty End poverty in all its forms everywhere</p>	 <p>SDG 12: Responsible Consumption and Production Ensure sustainable consumption and production patterns</p>
 <p>SDG 2: Zero hunger End hunger, achieve food security and improve nutrition and promote sustainable agriculture</p>	 <p>SDG 13: Climate Action Take urgent action to combat climate change and its impacts</p>
 <p>SDG 3: Good Health and Well-being Ensure healthy lives and promote well-being for all at all ages</p>	 <p>SDG 15: Life on Land Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss</p>
 <p>SDG 8: Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	

These seven SDGs form the backbone of the RFC's sustainability principles. They also ensure DLMI's competitive advantage in the marketplace and in building a long-term product brand value. The following framework is implemented:

			
Focus Areas	Economic	Environmental	Social
Strategic Goals	To strengthen innovation and operational efficiency to ensure food safety and towards a more balanced resource -efficient management	To adopt best practice solutions through innovative quality processes	To act as catalysts for boosting community development and support systems for long-term talent pipeline
Material Matters	<ul style="list-style-type: none"> • Right culture and shared values • Safety and health • Supply chain dynamics • Client-centric services • Value for shareholders 	<ul style="list-style-type: none"> • Environmental protection • Material efficiency • Energy and water consumption management • Waste, noise and effluent management 	<ul style="list-style-type: none"> • Equal employment and employee engagement • Talent development • Community services

SUSTAINABILITY REPORT

DLMI Sustainability Roadmap: Reinforcing Our Sustainability Commitment for The Future

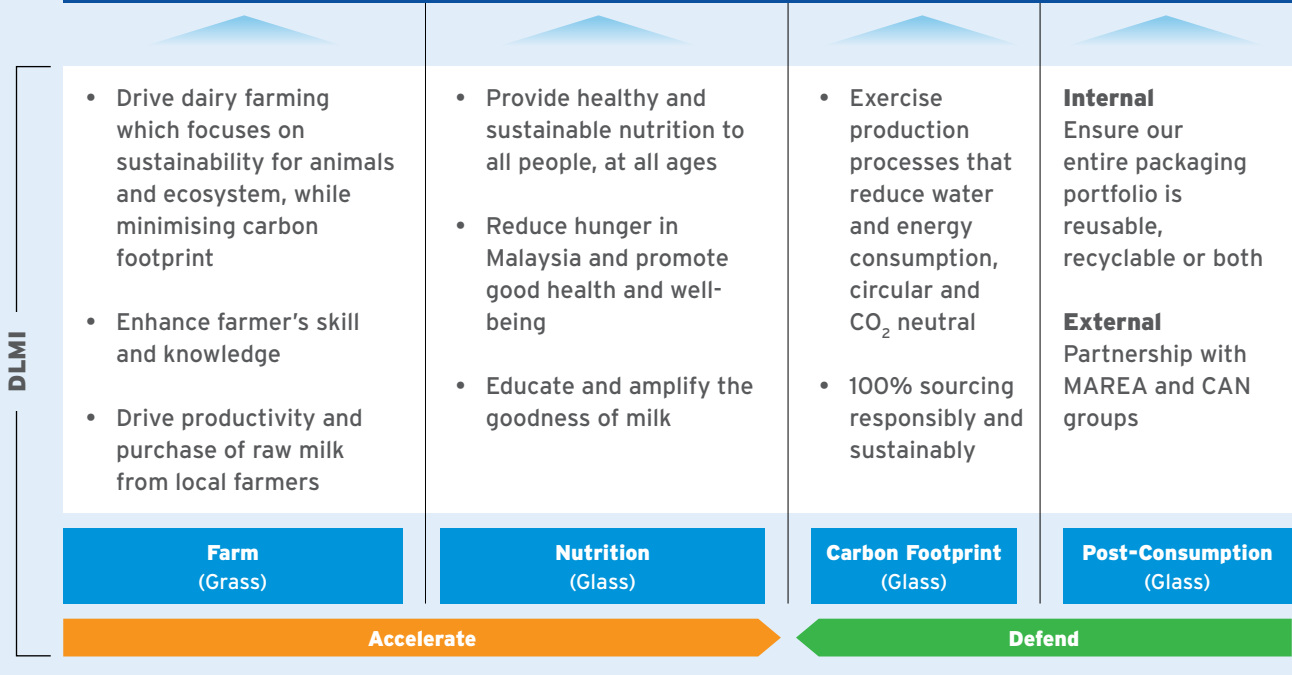
We worked tirelessly throughout 2021 to bring real meaning and action to our sustainability agenda, underpinned by a clear sustainability roadmap established at the end of 2020 to drive comprehensive initiatives across 4 focus areas that supports our Grass to Glass philosophy and RFC's 'Nourishing a Better Planet', which is aligned with 7 out the 17 UN Sustainable Development Goals.

DLMI Sustainability Roadmap - Aligned to RFC's Sustainability agenda & UN's Sustainable Development Goals

FrieslandCampina's 'Nourishing A Better Planet' agenda is aligned with UN's Sustainable Development Goals (SDG), which is supported by the Malaysian Government.



DLMI's Sustainability Roadmap is aligned with FrieslandCampina's 'Nourishing A Better Planet' agenda

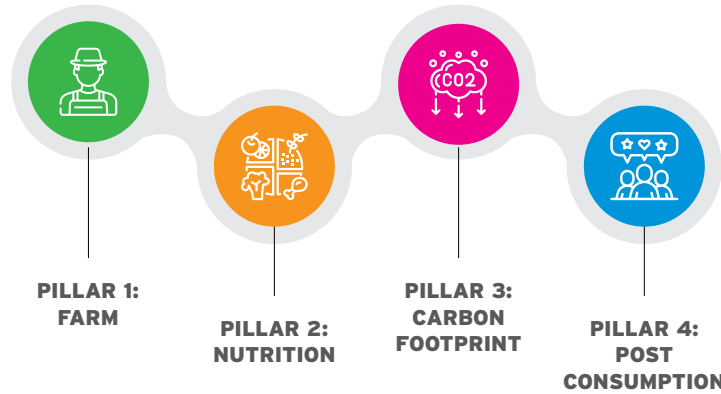


SUSTAINABILITY REPORT

The sustainable actions and initiatives in 2021 focused on leading sustainable action at the farm, nourishing Malaysians with better and affordable nutrition and ensuring our business operations were in balance with nature via our carbon footprint and post-consumption.

We achieved commendable progress in 2021 across the 4 key areas, reflecting our commitment to the sustainability roadmap and the prominence and value we place on sustainability.

The following sections discuss the various efforts DLMI has undertaken in 2021 to meet the 4 pillars of our strategic roadmap.



PILLAR 1: FARM

Improving Dairy Self-Sufficiency

Our Dairy Development Programme (DDP) helps accelerate the development of local dairy farmers by raising milk quality and safety, increasing farm productivity and supporting farmers in selling their milk. In 2021 we provided continuous support to local dairy farmers in creating a market for their milk.

Our DDP also represents our proactive initiative in supporting the Government's plan to achieve 100% self-sufficiency in domestic milk production by 2025.

DLMI inked a memorandum of collaboration (MoC) with the Department of Veterinary Services Malaysia (DVS) in 2021 to implement sustainable dairy farming practices. The strategic partnership involves the participation of local dairy farmers in our DDP and Farmer2Farmer (F2F) Programme. These initiatives involve Dutch dairy farmers transferring their skills and knowledge to local dairy farmers to improve the quality and quantity of local raw milk. Since 2011, DDP has helped produce 37.9 million litres of local fresh milk.

Through our F2F initiative, milk production which we purchased from local dairy farmers increased by 88% from 2.5 million litres in 2011 to 4.72 million litres in 2021.



▲ Memorandum of Collaboration: DVS - DLMI

▲ KSTNMB Female farmer (Madam Vijaya)

SUSTAINABILITY REPORT



536 farmers trained
(2013 - 2021)



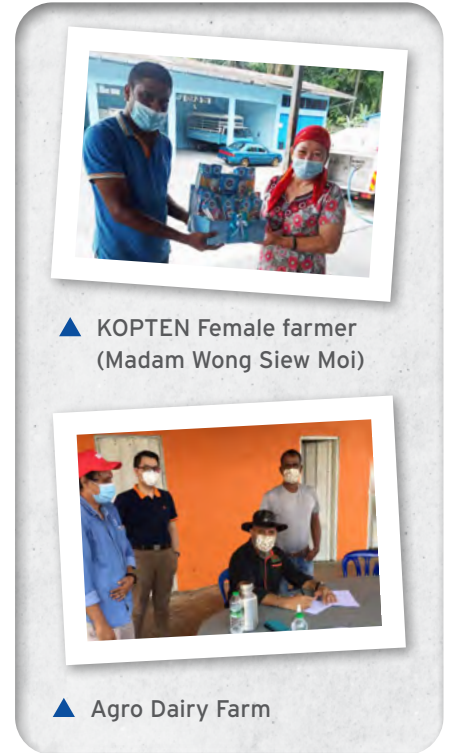
37.9 million litres local
fresh milk
(2011 - 2021)

F2F continued to conduct virtual safety training for raw milk tanker drivers. 2021 also saw the introduction of F2F Video Blogs (Vlogs) in our training of local dairy farmers with a total of 70 Malaysian local dairy farmers trained virtually during the COVID-19 Pandemic.

As for our virtual Good Dairy Farming Practice Training sessions conducted, 144 farmers were trained in 2021 in the areas of milk hygiene and quality, safety, animal health and soft skills relevant to farmers.

We also celebrated International Women's Day on 8 March 2021 to recognise our women farmers.

We embarked on the F2F initiative in 2013 as part of our long-term commitment to increase the supply of local milk and empower farmers to build sustainable businesses and improve their livelihoods. To date, F2F has benefitted 536 farmers.



▲ KOPTEN Female farmer
(Madam Wong Siew Moi)

▲ Agro Dairy Farm



PILLAR 2: NUTRITION

Quality & Balanced Nutrition

The need for consistent and sustainable provision of quality nutrition to provide the right nutrients to our consumers grows in tandem with the continued growth of the world's population. As such, ensuring the availability of sufficient nutritious food to help combat undernourishment and a shortage of nutrients forms one of the four cornerstones of our parent company RFC's own CSR priorities.

On the local front, DLMI aims to continue our efforts in combating Malaysia's dual problems of malnutrition: undernutrition and overnutrition (obesity) and nutrient deficiency by ensuring our products are responsibly manufactured, of high quality, healthy and available in various choices and portion sizes.

We innovate to provide our consumers with more product offerings to attract more consumers to drink milk at all occasions. In addition, we educate our consumers on healthy eating, to have a strong start to the day with breakfast and the need to make lifestyle changes, emphasising the importance of being active with daily exercise.

DLMI Halal Toyyiban & Good Practices Commitment

All our locally produced and imported products are Halal-certified. We also ensure our products manufactured abroad obtain Halal Certification from the relevant Halal certification bodies and authorities recognised by Jabatan Kemajuan Islam Malaysia (JAKIM). As such, we remain committed to providing Halal products to our consumers by putting in place Halal systems that comply with JAKIM and Jabatan Agama Islam Selangor (JAIS) requirements. The requirements cover the highest standards of hygiene, quality and safety conditions from the purchasing of raw materials to the distribution of our products.

DLMI's Internal Halal Committee (IHC) was established in 2011 to ensure our collective responsibility towards ensuring our compliance with Halal Policy and Procedures is in alignment with JAKIM and JAIS' requirements. IHC is responsible for ensuring, developing, implementing, monitoring and controlling the effectiveness of our JAKIM Halal Assurance System (HAS) and compliance with the requirements of Malaysian Halal Certification. In 2021, DLMI's IHC comprised of 13 members from various fields and divisions within the company. Five of our IHC members are certified by the JAKIM Halal Professional Board (HPB) as Halal Executives.

SUSTAINABILITY REPORT

We are cognisant that maintaining the trust and confidence of our stakeholders is crucial. One of the ways by which we intend to merit and sustain this trust is by conducting ourselves according to the principles and standards set forth in our Halal Policy and Procedures. The clear statement of Halal assurance and integrity in our DLMI Halal Policy introduced in 2010 serves to guide all our employees in ensuring our commitment to the manufacture and supply of Halal products is in compliance with JAKIM requirements.

DLMI has 3 manuals and procedures in relation to our Halal Toyyan and Good Practices commitment. We have the Halal Certification Policy and Procedure for Dutch Lady Products developed in 2013. This contains comprehensive standard guidelines related to Halal certification processes for new applications or renewal applications for Malaysian Halal certification. We also have the Halal Assurance Management System Manual (HAS) developed to ensure and maintain the Halal integrity of our products from grass to glass. It serves as an internal mechanism in monitoring, controlling and preventing Halal non-compliance in the implementation of HAS based on MS1500, Malaysian Halal Certification Manual Procedures (Domestic) 2020 and Malaysian Halal Management System (MHMS) 2020. Finally, we have our Halal Compliance Manual which complements HAS and other internal procedures. This manual serves as a guide for DLMI employees in adhering to the basics of Halal compliance and applying it in their daily work.

Our three manuals and procedures reflect DLMI's commitment to Halal system and practices; helping to preserve Halal integrity throughout our supply chain to serve and cater to the needs of Malaysian consumers.



Despite the COVID-19 pandemic, DLMI continued to engage with Halal authorities (JAKIM, JAIS and others) to establish DLMI on the Voice of Choice for the authority on dairy halal. DLMI will continue partnering various Halal authorities and agencies to facilitate the development of our Halal system and standards in preparation for our new facility in Bandar Enstek, Negeri Sembilan.

In 2021 we remained committed to reinforcing our role as a Halal dairy producer upholding Halal standards and preserving our customer's confidence in our products.

We maintained our position on the Fast-Track List by continuing to practise the Halal Assurance System effectively over the years.

DLMI acknowledged the importance of Halal professionalism with three DLMI's IHC members being certified as Halal executives by JAKIM's Halal Professional Board (HPB). As IHC members, they will continue to ensure Halal compliance through continuous training and audit programmes with internal stakeholders and business partners. This certification marks an important milestone for the Internal Halal Committee in establishing a Halal Roadmap for DLMI.

Commitment to Food Quality and Safety

We firmly believe all who purchase and consume our products have the right to expect our products to be safe and of high quality. We also uphold that the ultimate responsibility for investing in physical and managerial resources that are necessary for implementing appropriate controls lies with us. Consumers should always have the confidence that we produce food that is safe, trusted and of high-quality.

We thus take food quality and safety very seriously by making a solid commitment to uphold the quality and integrity of our products and services throughout our value chain.

We are aligned with our parent company RFC's Quality Mission and Golden Quality Rules in delivering products and services that meet regulatory requirements. Our Golden Quality Rules are the foundation of all our quality assurance efforts and are used as a framework that governs all of our programmes and systems.

SUSTAINABILITY REPORT

Leveraging on our internal expertise and our external network and partnerships enables us to anticipate trends and emerging risks. With our robust standards and efficient processes, we consistently promote employee awareness of quality and ownership and visible commitment from our leadership to attain sustainable operational excellence. To ensure we continuously improve our practices, ways of working and performance and reinvest to create better value for our consumers, we listen closely to our consumers and customers.

DLMI products adhere strictly to the FoQus standard which is RFC's global internal quality and food safety management system. This system necessitates periodic assessment verification at all RFC production locations, ensuring its products and manufacturing processes meet the highest standard of quality and food safety. The strict requirements are in place to ensure that all our products meet our own high standards on food safety, quality, labour safety and environment.

The DLMI manufacturing plant is FSSC22000 certified by Lloyd's Register, a leading independent provider of accredited certification services. FSSC 22000 is an internationally-recognised food safety standard developed for farming, food manufacturing, packaging, catering, retail and transportation. We are also certified with Good Manufacturing Practice (GMP) and Hazard Analysis Critical Control Point (HACCP) by Malaysia's Ministry of Health (MOH).

A testament to the trust and recognition we have earned from our customers pertaining to our safe and quality products and services is our "A" score in the assessment by our key customers.



Spreading the Goodness of Dairy

Milk remains an important source of nutrition for daily consumption with its numerous benefits. A nutrient-packed food, milk provides nine essential nutrients in every glass, including calcium, potassium and vitamin D. There aren't many other single foods that come close to the nutrients you get from one cup of milk. Even the World Health Organisation regards that natural milk sugar (lactose) is important for a healthy diet and is completely different from added sugar. Apart from that, milk consumption is also associated with providing protection against non-communicable diseases, cancer and other health risks that are in the scope of concern for Malaysia's population.

In 2021, we continued with our internal outreach programme that we initiated in 2020 to communities by driving a culture of care among our employees. Along with our aim of spreading the goodness of milk, we maintained an active role in supporting organisations through the sponsorship of our dairy products in the context of the well-being, health and nutrition of families and children.

DLMI Prihatin: Nourishing the Malaysian Family

2021



SUSTAINABILITY REPORT

DLMI believes in the value and importance of the nutrition provided by dairy and as such, the DLMI Prihatin (DLMI Cares) initiative was continued throughout 2021 and employees had the opportunity to give back to fellow Malaysians. This initiative was amplified nationwide, reaching more than 7 states as compared to only the Klang Valley in 2020.

In 2021, DLMI contributed to more than 60 various organisations, including Malaysia’s dedicated and tireless frontline personnel who were busy containing the COVID-19 threat to the country.

During the Full Movement Control Order (FMCO) in June 2021, DLMI ensured the Fire and Rescue Department of Malaysia, law enforcement and Government agencies received nutritious dairy products to boost morale and provide necessary nourishment to all the frontline heroes who were relentlessly fighting against the third wave of the pandemic.

Our DLMI Prihatin efforts culminated at the end of 2021 through caring, supporting and nourishing the underprivileged and all those impacted by the COVID-19 pandemic and the floods in December. DLMI’s contribution of more than 180,000 packs of nutritious Dutch Lady products ensured recipients had access to dairy nutrition during challenging times.

Ramadan Charity Programme

We continued with our Ramadan Charity Programme in 2021 in our efforts to ensure the underprivileged community’s access to dairy nutrition was not disrupted. The enforcement of FMCO impacted the different layers of the community in Malaysia. In view of this, DLMI partnered with Government agencies, non-governmental and charitable organisations to keep the underprivileged community in Malaysia healthy and strong.

In carrying out the Ramadan Charity Programme, we partnered with the Ministry of Education, Ministry of Finance, Ministry of Health, Ministry of Agriculture and Food Industries, Department of Veterinary Services, Selangor Islamic Religion Department, Masjid Tun Abdul Aziz and other agencies.

These partnerships helped to drive our purpose of nourishing the recipients and enhanced our relationship with key partners. They also supported our commercial campaign of educating and driving awareness of the benefits of Kurma Milk in providing sufficient nutrition and energy throughout a hard day of fasting.



▲ Ministry of Education - Ramadan Charity Programme



SUSTAINABILITY REPORT

Continuous Medical Education (CME)

DLMI is honoured to have partnered with the Food Safety and Quality Division (FSQD) of the Malaysian Ministry of Health (MOH) for the 5th time in the CME programme hosted by the International Food Safety Training Centre (IFSTC), on 23 August 2021. We had overwhelming participation at this virtual event which saw over 100 participants from MOH's FSQD Head Office as well as State and District Health Departments.

Themed *Why Milk Matters*, the programme provided technical and scientific information on nourishment with quality dairy nutrition, resonating with RFC's purpose of Nourishing by Nature. The main feature of the programme included experts from RFC and DLMI educating participants on the goodness of milk fat, milk sugar and protein quality.

With this partnership, we hope to continue working with policymakers in shaping future regulations and food safety policies in line with the recent launch of the National Nutrition Policy 2.0 2021 (NNP 2.0).

Dairy Halal Nutrition: CME Programme with the Selangor Islamic Religious Department/Jabatan Agama Islam Selangor (JAIS)

In 2021, DLMI partnered JAIS to organise DLMI's first-ever online Halal Nutrition Talk in October 2021. Topics covered during the talk included DLMI's Halal Compliance System, Quality & Safety and providing more milk-related information. 50 participants from JAIS' Halal Division including their Chief Assistant Director attended the virtual session.

This programme enabled DLMI to be ahead of other competitors in sharing nutrition and Halal best practices whilst also apprising the Halal authority on our company's purpose of Nourishing Our Nation. DLMI will continue strengthening collaborations with external parties to enhance DLMI's leadership status as a dairy and nutrition expert.



▲ Continuous Medical Education with the Ministry of Health



▲ Dairy Halal Nutrition Talk with JAIS



▲ Participants at the Halal Nutrition Talk



▲ Welcome speech by Chief Assistant Director of Halal Division of JAIS

SUSTAINABILITY REPORT

Advocating the Goodness of Milk Through Milkypedia

DLMI is committed to our purpose of Nourishing Malaysians with trusted and sustainable dairy nutrition, for now and generations to come. One of the ways we aim to strengthen our purpose is by focusing on increasing dairy consumption and what better way to create awareness on the importance of daily dairy intake than by educating the Malaysian community on the goodness of milk through Milkypedia.

Milkypedia is an infotainment with each episode carrying components of promoting dairy nutrition awareness. This programme also has conversations addressing frequently asked questions, sharing tips on how we could include milk consumption habits in our daily lives while taking into account the practices of the diverse and different cultures

in Malaysia. With a healthy dairy cooking demonstration at the end of every episode, we publish this programme on our DLMI website, Facebook and Youtube for greater reach and touch points.



PILLAR 3: CARBON FOOTPRINT

Driven by our firm commitment to reduce any negative environmental impact of our business, we have remained steadfast towards our responsibility to environmental issues in the conduct of our business. Our commitment combines our responsibility with our business objectives for long-term sustainable development. Our Safety, Health and Environmental (“SHE”) Policy outlines our commitment and position concerning this.

We are proud to have received ISO 14001:2015 certification, having met the requirements for an environmental management system. This is a clear indication that we have successfully improved our environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders.

Waste Management

Reflective of our commitment to reducing our waste, we successfully achieved an 88.5% reduction of landfill waste in December 2021 through the continuation of a number of our 3R (Reduce, Reuse & Recycle) programmes & initiatives.

We generated the following industrial waste:



Drum and Barrel



Chemical



Carton and Box



Powder Bag



Plastic and Plastic Wrap



Metal



Sludge



Recycle Powder

DLMI began recycling office waste (such as printed paper, shredded paper and non-food waste from the office pantry) and reduced usage of single use plastics (such as mineral water bottles, lunch boxes and disposable utensils). We encourage employees and visitors to drink water from the water filter machine and we provide individual mugs with lids to all employees. We do not purchase plastic mineral bottles for our office usage.



In 2021, we continued our Food Waste Programme by which all food waste generated from our canteen was collected and recycled to be converted into fertiliser. This has contributed to at least a 5% reduction to waste landfill.

SUSTAINABILITY REPORT

Waste-Water Management

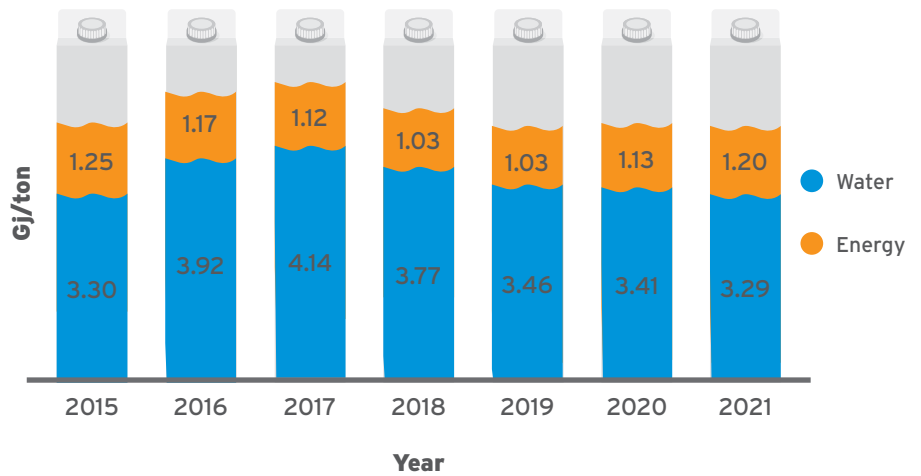
The bio-organism technology used in our Waste-Water Treatment Plant (WWTP) produced 691 tons of bio-sludge for fertiliser as at December 2021.

The treatment plant is monitored closely with frequent critical parameter checks. As part of our continuous improvement and compliance efforts, we have engaged a consultant to conduct the Industrial Effluent Characteristic Study (IECS) and are actively taking steps to ensure that our waste water treatment system is adequately supporting our manufacturing plant.

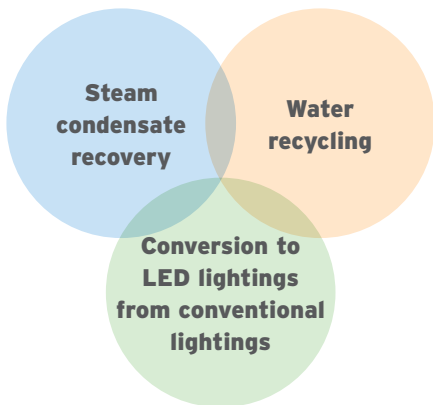
Energy and Water Management

In 2021, we succeeded in reducing our water ratio to below our target. This was despite our YTD energy ratio rising slightly above the target due to the high volume of production of liquid products which consumed higher energy.

Energy & Water Ratio



Our initiatives and programmes pertaining to energy and water management comprised of:



In addition to the mechanical measurements, we continued with the One Day One Leak (ODOL) programme whereby all observations captured were attended to by the Engineering Department within 24 hours, ensuring minimum energy wastage and water leakage.



▲ Sludge Belt Press

▲ Sludge Fertiliser

SUSTAINABILITY REPORT

Sustainable Sourcing



We are aware of the positive consequences of an efficient and sustainable supply chain. A supply chain built on a sustainable platform is a crucial focal point in today's industry because of the emphasis on environmental responsibility. It helps improve productivity while increasing efficiency at significant cost-saving.

Among the raw materials we source are palm oil, cocoa, sugar and packaging materials in the form of paper and cardboard. Our dairy raw materials are sourced from our parent company, RFC. In addition, we source these raw materials from local dairy farmers who are supported by our Dairy Development Programme, details of which are contained in this report.

Besides sourcing for Roundtable on Sustainable Palm Oil-certified palm oil, we also embarked on our journey to increase the visibility of our supply chains in 2019. In 2021, 98% of our palm oil sourced can be traced to a group of mills. This opens the opportunity for DLMI to identify possible vulnerable areas and work with our suppliers to introduce improvements in the supply chain process.

As for cocoa, one of our most important ingredients, we only use sustainable cocoa that meets the Rainforest Alliance certification criteria; evidence that our products are sustainably sourced from grass to glass.

Our suppliers of starch raw materials are audited and comply with the Sedex Members Ethical Trade Audit (SMETA), one of the most widely used ethical audit formats globally.

DLMI supports the production of sustainable sugar by purchasing 100% of our annual requirements through sustainable standards and programmes. We are members of Bonsucro, the global sugar cane sustainability platform and Vive, an end-to-end voluntary, continuous improvement sustainability programme. All this affirms our commitment towards improving and supporting sustainable production of sugar cane, consistent with our Sustainability Strategy of Nourishing by Nature.

In addition to our sourcing sustainable agricultural raw materials, we uphold our commitment to responsible forestry. We utilise Forest Stewardship Council (FSC) certified materials as the primary packaging for our Dutch Lady UHT milk.

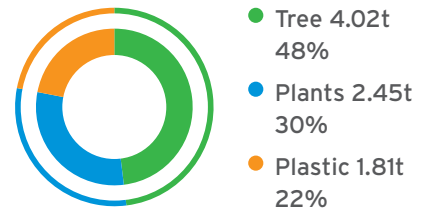
Beginning mid-2013, we became the first manufacturer in the nation to use FSC-certified packaging as demonstrated by the FSC logo printed on our products.

Importantly, our efforts do not end with our primary packaging. They continue to secondary packaging, with most of our materials being sustainably sourced.

Tributary Cleaning: Revitalising Sungai Penchala Ecosystem

DLMI via our partnership with Selangor Maritime Gateway (SMG), has been actively involved in the cleaning of Sungai Penchala, adjacent to our manufacturing facility from August to December 2021. During this period, 11.1 metric ton of waste was extracted from the river.

Types of Waste Collected during Tributary Cleaning (15 September - 31 December 2021)



We are pleased to share that our efforts were recognised by the Selangor state government to be amongst the 5 key public-private collaborations involved in the cleaning, rehabilitation and sustainable development of Klang river. This was highlighted during a media session with the Chief Minister of Selangor, YAB Dato' Seri Amirudin Shari in November 2021.

Public-private partnerships are vital in mapping and addressing environmental and societal needs. DLMI is happy to lead the path for effective and sustainable measures to ensure the long-term health of Sungai Penchala ecosystem.



▲ Cleaning Efforts at Sungai Penchala



▲ DLMI Managing Director, Ramjeet Kaur Virik with the Chief Minister of Selangor, YAB Dato' Seri Amirudin Shari

SUSTAINABILITY REPORT



PILLAR 4: POST CONSUMPTION



54

CEO's, Board Members & Senior Management representing Member organisations

We have continued and will continue to drive sustainability agendas at the industry level through our membership and involvement in the Malaysian Recycling Alliance Berhad (MAREA) and the CEO Action Network (CAN).

In 2021, DLMI, through MAREA, was active in building awareness of extended producer responsibility, improvement of post-consumer packaging product collection and recycling as well as the circular economy approach for more efficient packaging waste management.

DLMI and other MAREA members have been advocating and engaging with Government and Non-Government organisations to strengthen public-private collaborations and provide relevant input and feedback to policymakers. For instance, DLMI and MAREA were involved in multiple public consultations in developing the Circular Economy Roadmap by the Ministry of Environment and Water.

DLMI joins other organisations as members of CAN. We have also chosen to be an active contributor to the Policy Advocacy workstream. As a member, we are committed to engage with various stakeholders including our supply chain, regulators and policy makers, the government as well as our peers across various sectors to forge partnerships that are committed to responsible business practises and sustainable development. In the process, we will not only exchange industry best practices, but also share proven strategies and future-proof ideas with CAN participants.

Most recently, in September 2021, we joined CAN members to pledge and publicly announce 14 Collective Commitments to be achieved under three categories, namely environment, people and governance by 2023 or within 3 years of signing up with CAN. In our next report, we will outline our progress as well as the specific initiatives rolled out to drive tangible outcomes from our collaborative efforts.

Further, DLMI is a part of the Malaysian Dutch Business Council that champions and shares best practises to help set the tone on sustainability amongst its members and other business chambers in the country.

Recyclable Packaging

Our packaging and our plastics are 74% and 73% recyclable respectively. We are determined that our packaging be 100% designed for recycling by 2025, in tandem with our global commitment. Our parent company, RFC, signed the New Plastics Economy Global Commitment, led by The Ellen MacArthur Foundation and the Plastic Pact NL in 2019 to demonstrate our commitment towards making our packaging 100% reusable and recyclable by 2025 and fully circular by 2050.

We will look towards reinforcing our sustainability commitment for the future for the benefit of our people, DLMI, our environment, our nation and ultimately, the world.



1

Working Group

Member' Action & Performance



>20

Critical Sectors Represented



2

Workstreams

Policy Advocacy & Awareness and Capacity Building

Recycle Your Pack
KITAR SEMULA PEK ANDA

Start here!

Every Dutch Lady pack can be **recycled** for many **useful things** such as stationery & furniture

Setiap peh Dutch Lady boleh **dihitar semula** untuk **pelbagai** kegunaan seperti pembuatan alat tulis & perabot

Push straw back
Toleh straw ke dalam peh

Drop in box
Masukkan ke dalam tong hitar semula

Flatten
Leperkan

Scan me
To learn more

SUSTAINABILITY REPORT



PEOPLE

Corporate and Personal Conduct

To us, sustainability means conducting our business in a socially responsible and holistic manner to ensure continuous growth and success for the benefit of present and future generations. In pursuing this, we are guided by RFC's COMPASS, which is our code for good business conduct. COMPASS and its corresponding policies provide the basic principles of integrity, respect and transparent business behaviour of DLMI and our employees in all our business undertakings.

Employees are bound by the terms of their employment to abide by the COMPASS code for good business conduct in all their business activities and with external stakeholders such as our customers and suppliers.

Bribery and corruption are not tolerated. The Company has taken steps to ensure that its existing anti-bribery and corruption policies and procedures are adequate and meets the Guidelines for Adequate Procedures as prescribed by Section 17A of the Malaysian Anti-Corruption Commission Act 2009. Employees are encouraged to report any malpractices without fear or favour. We have ensured this by our establishment of the Speak-Up procedure allowing an employee to address any concerns regarding non-compliance with COMPASS to the Company's local trusted representatives or an external contact at the RFC Group's head office.

COMPASS has 14 corresponding policies which include the whistle-blowing policy (or Speak-Up), the anti-bribery and corruption policy (known as Doing Honest Business), the fair competition policy and the privacy policy, among others. Introduction to these policies to all employees is through a comprehensive communication and training programme, e-learning and during employee townhalls. With regard to our Doing Honest Business Policy and training on the Corporate Liability Provision Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act), we ensure that we follow the recommendations of the Guidelines on Adequate Procedures pursuant to the MACC Act.

In line with the above, we also require our suppliers and vendors to accept and abide by RFC's Suppliers' Business Practices.



Compass

Responsibility to Shareholders and Investors

We recognise the significance of maintaining transparency and accountability to our shareholders and investors. In line with good governance practices, we place utmost importance on compliance, accountability and transparency in the disclosure of information to our stakeholders.

In view of this, we frequently engage research analysts and the media regarding DLMI's performance, new product launches and corporate social activities. Our website www.dutchlady.com.my provides corporate and financial information as well as news, highlights, events, product information and nutritional advice.

Further details on the various channels utilised for timely engagement with our shareholders and investors can be found in our Corporate Governance Overview Statement and Statement of Risk Management & Internal Control in this Annual Report.

Being the No. 1 Employer in Dairy

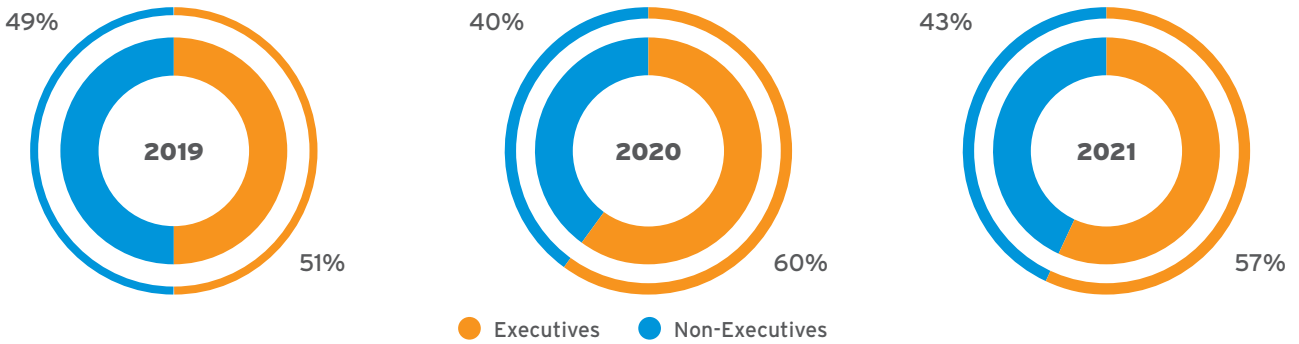
Our work environment exemplifies fairness, respect and integrity for all our employees. We acknowledge the individual strengths of each employee and the potential they bring to DLMI. We are proud of our Diversity and Inclusion (D&I) accomplishment across all levels at DLMI.

Highly committed to providing equal and competitive opportunities at all levels of our business, we also understand well that our workforce diversity is our strength. Valuing the differences of others is what ultimately brings us all together and is the recipe to a successful, thriving workplace and a fair work culture. We firmly believe embracing diversity increases productivity.

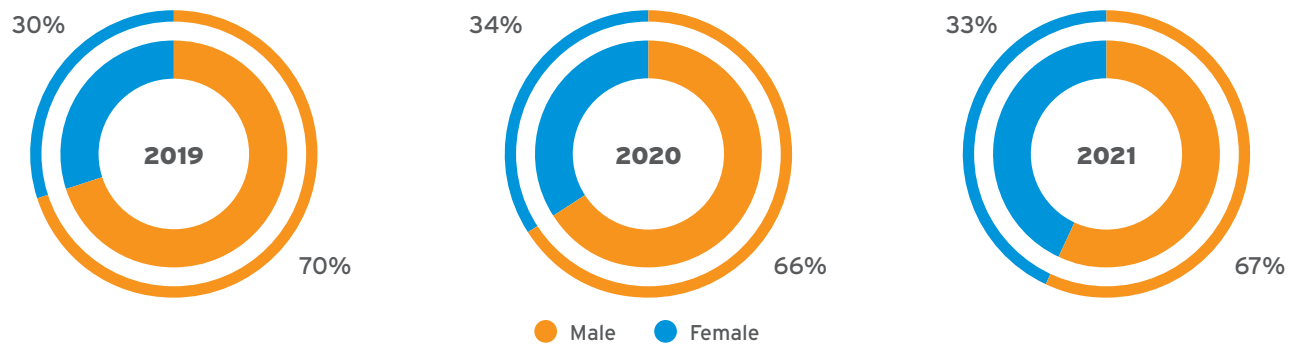
SUSTAINABILITY REPORT

We are guided by the value of workforce diversity and our employee portfolio reflects a broad variety of cultures, ethnicity, gender and age, as the overview of our workforce statistics over the last 3 years shows.

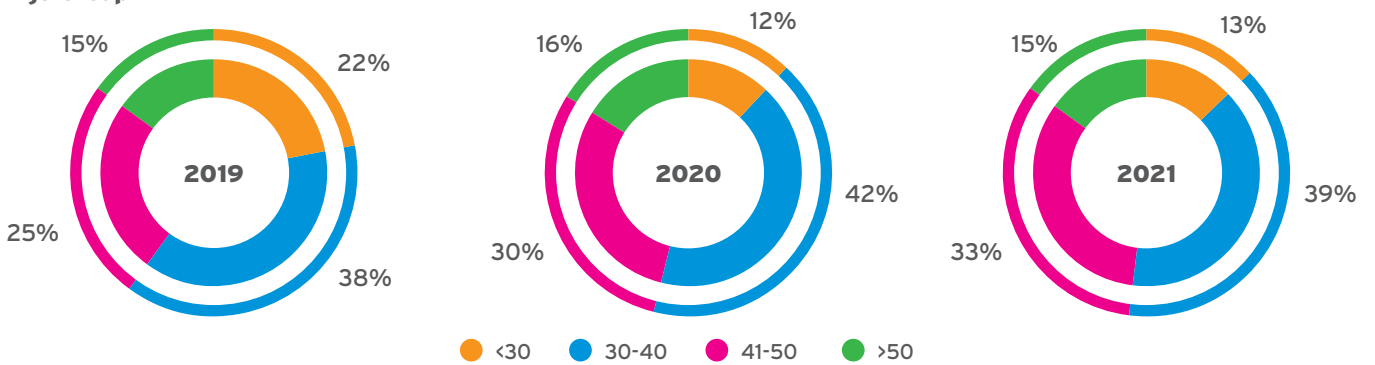
Category



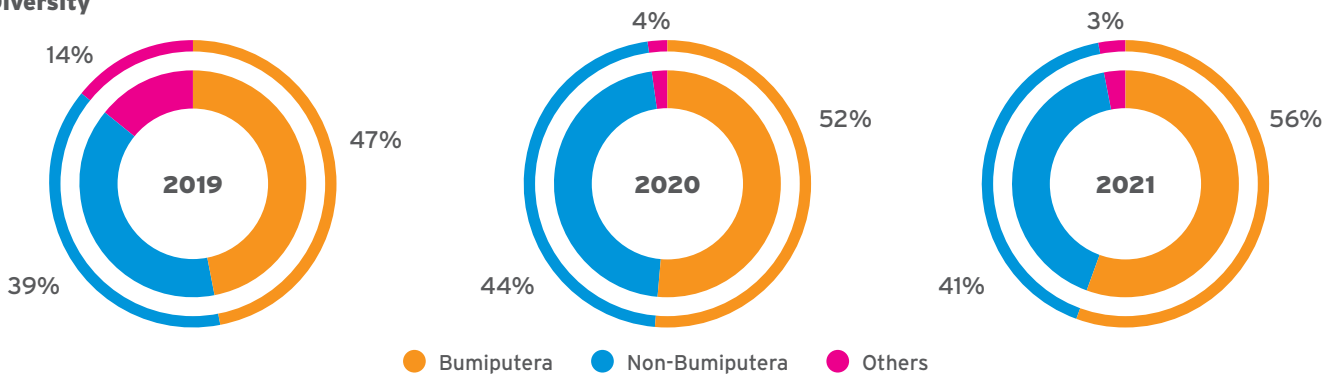
Gender



Age Group



Diversity



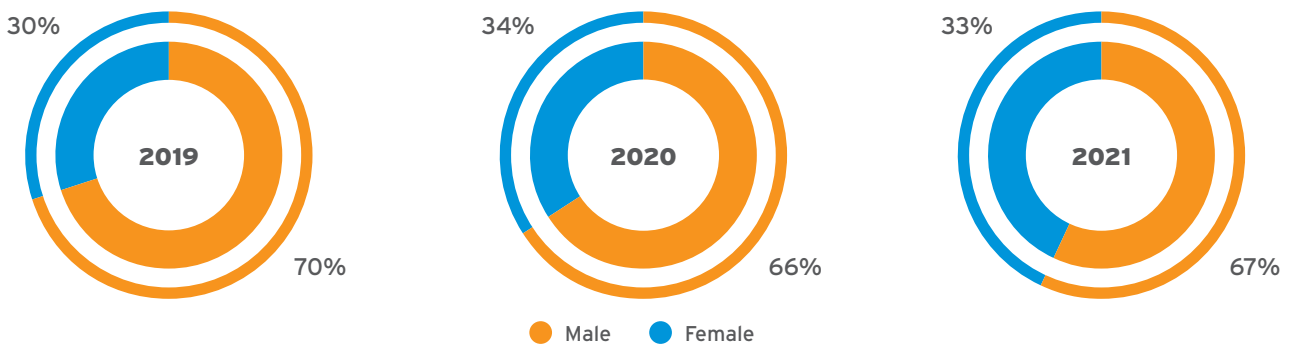
SUSTAINABILITY REPORT

At DLMI, we aim to achieve balanced participation by both genders in our workforce. As such, we practise gender equality and do not support any form of gender discrimination. For us, increasing gender diversity at all employee levels is both, an ethical and a business imperative.

In 2021, our staff gender ratio was 67% men and 33% women. We have continued to maintain a 50:50 ratio of men and women in our Management Team since 2019. In 2021, DLMI's Board of Directors stood at a 37:63 ratio of men and women, demonstrating our sustained commitment to ensuring equal opportunities for both genders.

We have found that it is critical to have a gender-diverse team to provide competitive solutions and creative ideas. Having a gender-diverse team also fosters deeper dialogue internally and results in more innovative thinking. We thus provide equal opportunities for career advancement regardless of gender.

Overview of new hires by gender:



We respect our employees and inspire them to fulfil their potential. We do this by having a comprehensive performance management system which provides opportunities for employees to discuss performance, opportunities for development and the opportunity to raise any issues or concerns. This resonates with our commitment to treat everyone fairly and consistently by responding to their needs and supporting their career development and progression, enabling us to be a high performing organisation responsive to changing economic conditions and business needs.

Employee Engagement

DLMI continued to ensure open and two-way communication for all employees during the Movement Control Order (MCO) through various initiatives in 2021.

In 2021, we further stressed on the WIN-WIN corporate culture in our initiative to encourage employees to win in the market and to accelerate the realisation of our goals and our purpose. This enables the organisation and employees to build and embed a winning performance culture following the WIN-WIN culture and values. Our WIN-WIN mindset and behaviours consist of 3 core building blocks: Purpose-Driven, Commercially Obsessed and Owners' mindset. Each aims for the same goal of Winning in the market.

One such initiative was listening to our employees through Retros and Pulse Surveys. These were key in helping us identify needs and in enabling us to prioritise, pivot and channel our programme investments to what matters for our people - adopting a 'Fit For Purpose' approach (focused and action-oriented). Our employees are our key stakeholders. Especially during volatile, unprecedented times, employee needs often change. As our demographics also comprise of factory, field and employees working from home, the level of care differed for each group.

SUSTAINABILITY REPORT

The introduction of Focus Fridays and General Guidelines for Meetings addressed employee sentiments raised in the above-mentioned surveys. Focus Fridays serves as a tool/platform for employees to, amongst others, focus on their tasks at hand and plan their work and family time for the next week as they ease into the weekend. The aim of this initiative is to empower each individual to manage their own time. In addition, it also encouraged leaders to be mindful and to allow their team members to regain their mental and physical energies by refraining from organising any official meetings after 12 noon on Fridays.

This initiative is aligned with Our Way of Working (OWOW), a new and hybrid way of working at RFC that combines remote work and office time. It is a great start in cultivating a healthier work culture, with the aim of leading to more energetic and resilient employees, moving into 2022 and beyond.



Education Excellence

DLMI has always believed in investing in young talent (particularly the children of our own employees). We recognise that there is no better way to start and continue investing in our future generation, the children of our employees, through the annual Education Excellence Awards.

In 2021, we had 10 Award Recipients, including an employee from Operations, whose twin daughters scored 11 As in their Sijil Pelajaran Malaysia (SPM) examination.

The COVID-19 pandemic did not deter DLMI from marking the occasion with a celebratory acknowledgement to the recipients during our Townhall, as well as sending thoughtfully curated goodie bags and vouchers to the recipients. This was indeed a lovely opportunity for both parents and children to bond and recognise their hard work and achievements.

The satisfaction and pride demonstrated in the pictures are priceless and above all, reflect the immense pride of being an employee of DLMI.



▲ Education Excellence Awards 2021

Safety, Health and Environment

Safety, Health and Environment Remains our No. 1 Priority.

In 2021, DLMI achieved our main KPIs in Safety, Health and Environment by 31 December 2021 as our Total Recordable Frequency Rate (TRFR) record was 0.12 versus the 0.14 budgeted mainly due to 1 Medical Treatment Accident (MTA) case.

Year	No. of incidences	No. of Lost Time Accident (LTA)	No. of Fatal Accidents
2021	1 case	0	0
2020	1 case	1	0
2019	2 Cases	0	0
2018	2 Cases	1	0
2017	3 cases	1	0

SUSTAINABILITY REPORT

DLMI was acknowledged and recognised for some of our Safety, Health and Environment efforts in 2021 including scoring Amber in our customer, McDonalds' Safe Workplace Assessment (SWA) with only 1 minor finding for safety. DLMI also successfully continued being accredited with the Occupational Safety and Health Management System (OSHMS) ISO 45001:2018 and the Environmental Management System (EMS) ISO 14001:2015 through SIRIM Surveillance Audit with 1 Minor Non-Compliance (NC) and 4 Opportunity For Improvement (OFI).

We reduced safety incidents through various efforts in 2021. We initiated Safety Leadership and Commitment. Leaders provided weekly safety dialogue through Process Confirmation and Worksite Safety Inspection. Safety sharing is mandatory and a standard process in Day In Life Off (DILO)/Week In Life Off (WILO).

An Online Reporting System (ORS), a digitalised Safety Observation Reporting System, was launched to ease the reporting process. Our employees now share and report unsafe conditions, behaviour observations and environment issues through the application at any time and from anywhere. We received a total of 1,389 near-misses reports in 2021 from people in operations with target reported 198.4% and 98.4% closure rate.

DLMI also successfully conducted Organisational Behaviour Management (OBM) Training at respective plants, departments and for the Supply Chain Leadership Team (SCLT).

A Safety Culture Scan Workshop was held with respective stakeholders. Based on the assessment score, DLMI was placed at the Developing Safety Culture Level (0.7).

Developing Culture Level 0.71



We effectively reduced 34% of high risks from the hazard list through implementation of the action items and improvement plan.

In addition, we conducted training and communication on people skill matrix management and fundamental Safety, Health and Environment (SHE) areas which included First Aid Training, Fire Safety Squad, Forklift Training and Chemical and Spill Kit Training.



▲ First Aid Training

Among our initiatives included implementation of the Rule Breaking System by which we strengthened the Life Saving Rule (LSR) Consequences Management System as well as Zero Tolerance policy for contractors.

SUSTAINABILITY REPORT

Another of our efforts to reduce safety incidents was the Implementation of Work Permit and Last-Minute Risk Assessment (LRMA). We strengthened the Work Permit process by implementing 5 Lines of Defence in each non-routine work:

- a) All non-routine jobs were discussed daily for risk management and manpower and resources planning.
- b) All high-risk jobs were supervised by a Safety Site Supervisor (SSS) or Safety & Health Officer (SHO).
- c) LMRA was executed by DLMI job owners, DLMI area owners and contractors starting and resuming before jobs.
- d) Work Permit and LMRA were verified by DLMI SHE SMEs and sign-off for the job approval.
- e) Worksite Safety Inspection (WSI) was carried out by SSS/SHO and assigned Managers throughout work in progress.

DLMI also focused on Technical Safety, Social Performance, Health and Environment Improvement with the programmes and initiatives below:

Technical Safety:

- Completion of Explosion Protection Document (EPD) for Powder, MLR Plant and Natural Gas.
- Improvement of Lightning Arrester and upgrading of Low Voltage Electrical Room.
- Improvement of Machine Guarding and Interlock System at Robot Area (Powder and UHT)

Social Performance/Health Programme/Environment:

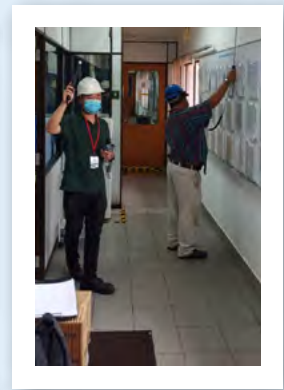
- Noise monitoring programmes with noise risk assessment (NRA) and Audiometrics.
- OSH & EMS related Performance Monitoring through annual Chemical Exposure Monitoring (CEM), Local Exhaust Ventilation (LEV) & Stack Monitoring Assessment.



▲ LEV Testing



▲ IAQ & CEM Monitoring

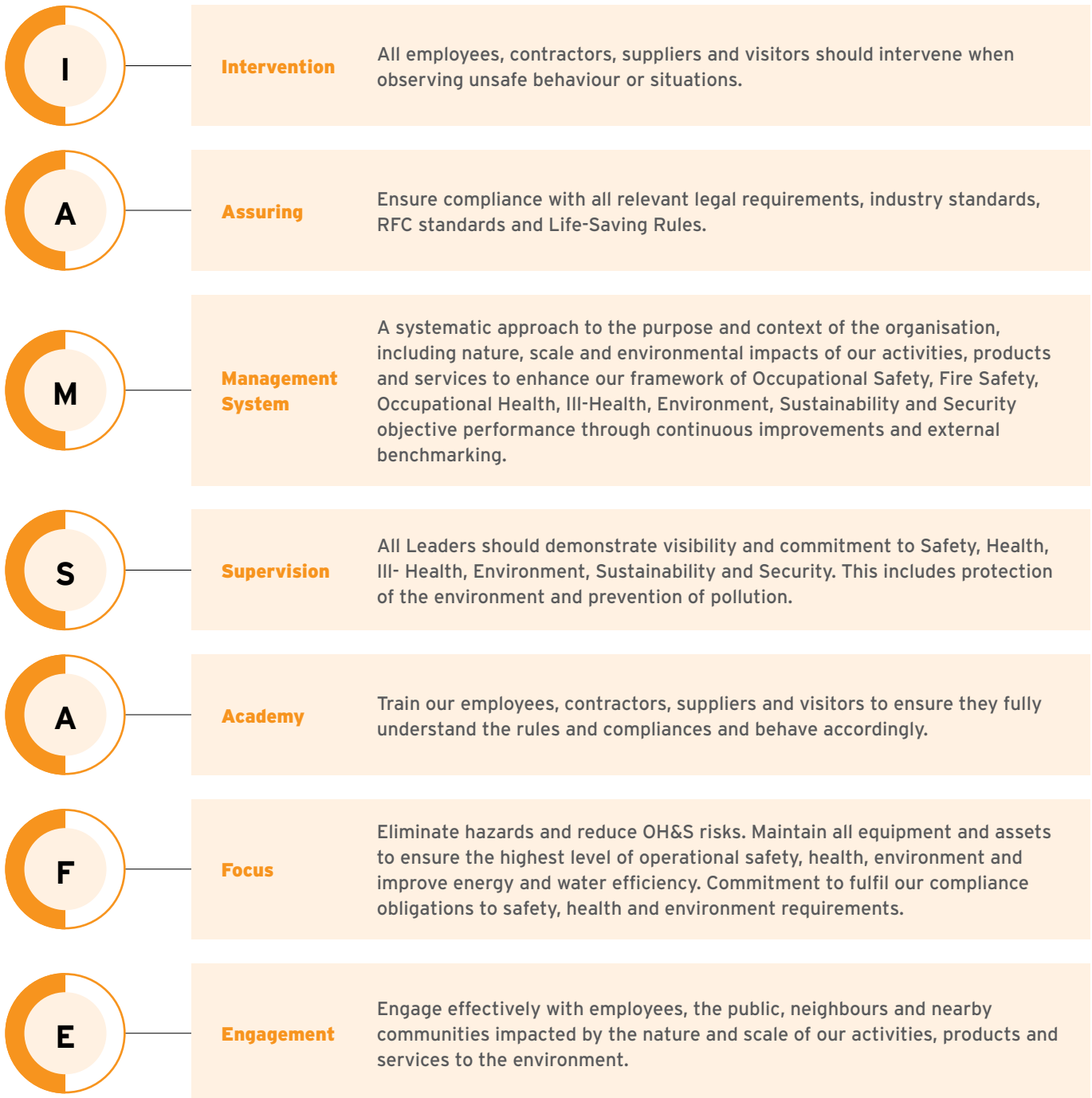


- On average, we achieved 86.4% of non-landfill waste for our total waste disposed.
- Continuation of 3R (Reduce, Reuse, Recycle) Programme. We introduced a Food Waste Programme to enhance Zero landfill waste disposal. This contributed a minimum of 5% to overall non-landfill waste disposal.
- Collaboration with other stakeholders on Q.SHE.HR. Event 2021, promoting Healthy Exercise, Environment Initiatives and Slip Trip and Fall Awareness.

SUSTAINABILITY REPORT

We are resolute in our commitment to Zero accidents as we recognise the importance of Occupational Safety and Health, Environmental protection and the conservation of natural resources. Our view is that all accidents or incidents can be prevented and should be avoided at all cost.

We are therefore committed to the 'I AM SAFE' policy:



SUSTAINABILITY REPORT

Safety, Health and Environment thus remains the number one priority for DLMI and we maintain that everyone in DLMI shall react proactively to maintain a safe workplace and take care of each other's safety and health.

Learning & Development

People Growth equals Business Growth. This is our mantra at DLMI. Firmly entrenched in our unwavering belief in human capital growth, we continue to remain committed and passionate about talent management and development as we understand well our employees are the pillar of the sustainability of our growth and success.

The primary purpose of our learning and development programmes is to benefit the development and capabilities of our employees while sustaining and increasing our efficiency.

We aspire to grow our employees to be equipped with knowledge and skills to maintain DLMI as the industry and market leader. Our learning and development (L&D) programmes encompass on-the-job training, mentorship programmes, specific skill development programmes, performance improvement plans and job realignment programmes, all of which enable and empower our employees to learn and grow in the organisation.

The table below is an overview of the training hours invested in developing our employees over the last 5 years:

Year	Total Training Hours for Executives (JG10 and above)	Total Training Hours for Non-Executives (Below JG10)	Total Training Hours
2021	9,837	422*	10,259
2020	6,962	753*	7,715
2019	4,128	2,036	6,164
2018	3,536	2,944	6,480
2017	4,124	1,604	5,728

*Excluding on-the-job training

Nurturing Talents

Our conviction is that all our employees have talent and we value their talent. It thus follows that we are committed to the growth and potential of our workforce by ensuring that the aspirations of our employees are met through having rich and exciting careers.

This commitment is clearly reflected in our guiding principle that is ***When you grow, we grow.***

In keeping with our guiding principle, RFC refreshed the Talent Review and Succession Planning process within the Performance Management Cycle with the introduction of the Potential Diamond model. Potential Diamond evaluation helps the people manager to have the right dialogue and develop interventions to effectively unlock staff talent.

With this model, the potential rating of each employee is calibrated and categorised into one of the potentials i.e. Top Leadership Potential, Growth Potential, Expert Potential, Core Talent and Concern.

The outcome of this will form the starting point to discuss the readiness of employees which will then lead to succession planning, a structured process of identifying possible successors for critical roles in the company.

SUSTAINABILITY REPORT



Top Leadership Potential (TLP)

Has the capacity & ambition to develop the qualities required for significantly more challenging and senior leadership roles (i.e. Senior Management/Director roles at HGRL 20+ with the capacity & ambition to reach ELT positions in max. 5 years, and HG <20 with the capacity & ambition to reach HG 20+ roles in max. 3 years. **~3-5%***

Growth Potential

Has the capacity & ambition to develop the qualities required for more challenging and senior leadership and/or business roles (i.e. Senior Management/Director roles at HGRL 20+) over time. **~5-10%***

Core Talent

A solid contributor with the capacity & ambition to develop and progress over time. This may include a) promotions to high Hay grades, b) taking on more challenging responsibilities in lateral roles, c) taking on more challenging responsibilities in current role, and/or d) ongoing personal development to keep pace with business change. **~70-80%***

Expert Potential

Has the capacity & ambition to develop the qualities required for a) more challenging and senior expert roles, b) more challenging and senior expert roles, b) more challenging lateral expert roles within their functional discipline over time. Has the ambition to remain a content-matter expert. A "star" in their functional area. **~5-10%***

Concern

Shows no capacity and/or ambition to develop and progress over time even within their current position. Root-cause-analysis essential in order to define required next steps; different development approach required. **< 5%***



PILIHAN LEBIH BIL

DUTCH LADY

DUTCH LADY

4 5 6 MAD 0% SUK 4-6 TAH

✓ PROTEIN ✓ 20 VITAMIN & MINER

5X DH

SUSU TEPUNG RUMUSAN UNTUK KANAK-KANAK 850g

SUSU TEPUNG RUMUSAN UNTUK KANAK-KANAK



MS 1500:2009
1069-01/2004

JAK

Tinggi
dengan
Protein

5X
DHA*

Tinggi dengan
Vitamin
A, C, D, E



DUTCH
LADY®

BIASA^

0% SUKROSA

1-3 TAHUN

5X DHA*

✓ PROTEIN

✓ 20 VITAMIN & MINERAL

850g

SUSU TEPUNG RUMUSAN
UNTUK KANAK-KANAK

850g

6+

COKLAT

KURANG SUKROSA^

6+ TAHUN

5X DHA*

✓ PROTEIN

✓ 20 VITAMIN & MINERAL

***5X DHA: Berbanding dengan susu
tepung rumusan untuk kanak-kanak
yang terdahulu (Tahun 2009)**

DIRECTORS' REPORT

for the financial year ended 31 December 2021

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2021.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Saw Chooi Lee	
Bernardus Hermannus Maria Kodden	
Dato' Dr Rosini Alias	
Tengku Nurul Azian Tengku Shahrman	
Datin Seri Sunita Mei-Lin Rajakumar	
Jean Serge Krol	
Darren Kong Kam Seong	(Appointed on 14 th April 2021)
Ramjeet Kaur Virik	(Appointed on 2 nd Jul 2021)
Dato' Zainal Abidin bin Putih	(Retired on 25 th May 2021)
Tarang Gupta	(Resigned on 2 nd July 2021)

In accordance with Article 105 of the Company's Constitution, Saw Chooi Lee and Bernardus Hermannus Maria Kodden who were appointed since the date of the last report, shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

In accordance with Article 86.3 of the Company's Constitution, Ramjeet Kaur Virik who was appointed since the date of the last report, shall retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	RM'000
Net profit for the year	248,000

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT

for the financial year ended 31 December 2021

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year. Under the Company's Constitution, the Directors are not required to hold any shares in the Company.

DIVIDENDS

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

- i) a first interim ordinary dividend of 25.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM16,000,000 in respect of the financial year ended 31 December 2021 on 11 June 2021; and
- ii) a second interim ordinary dividend of 25.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM16,000,000 in respect of the financial year ended 31 December 2021 on 10 December 2021.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2021.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 16 to the financial statements.

INSURANCE EFFECTED FOR DIRECTORS

During the financial year, the total cost of insurance effected for Directors of the Company is RM19,380 (2020: RM9,722).

DIRECTORS' REPORT

for the financial year ended 31 December 2021

HOLDING COMPANIES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report:
- (i) there are no charges on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) there are no contingent liabilities in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.

DIRECTORS' REPORT

for the financial year ended 31 December 2021

OTHER STATUTORY INFORMATION (CONTINUED)

- (f) In the opinion of the Directors:
- (i) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 15 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 23 February 2022.

Signed on behalf of the Board of Directors:

.....
Ramjeet Kaur Virik

.....
Jean Serge Krol

23 February 2022

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Property, plant and equipment	3	206,028	199,721
Right-of-use assets	4	4,584	9,732
Intangible assets	5	8,469	957
Total non-current assets		219,081	210,410
Inventories	6	161,055	151,016
Trade and other receivables	7	76,381	81,501
Prepayments	8	126,157	311
Cash and bank balances	9	118,300	55,605
Derivative financial assets	10	258	2
Total current assets		482,151	288,435
Total assets		701,232	498,845
Equity			
Share capital	11	64,000	64,000
Retained earnings		318,580	102,580
Total equity		382,580	166,580
Liabilities			
Lease liabilities	4	6,652	3,590
Deferred tax liabilities	12	5,968	4,494
Total non-current liabilities		12,620	8,084
Trade and other payables	13	282,795	295,492
Provision	14	106	228
Current tax liabilities		14,486	6,723
Bank overdraft	9	-	16,705
Lease liabilities	4	8,487	2,893
Derivative financial liabilities	10	158	2,140
Total current liabilities		306,032	324,181
Total liabilities		318,652	332,265
Total equity and liabilities		701,232	498,845

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Revenue from contracts with customers - sales of goods recognised point in time		1,133,733	1,100,659
Cost of sales		(734,030)	(743,582)
Gross profit		399,703	357,077
Other income		162,612	6,518
Distribution expenses		(159,273)	(155,875)
Administrative expenses		(28,030)	(30,850)
Other expenses		(88,530)	(76,869)
Results from operating activities		286,482	100,001
Interest income		1,417	683
Finance costs		(3,374)	(3,173)
Profit before tax	15	284,525	97,511
Tax expense	17	(36,525)	(24,148)
Net profit for the financial year/Total comprehensive income for the financial year		248,000	73,363
Basic and diluted earnings per ordinary share (sen)	18	387.50	114.6

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2021

		<i>Distributable</i>		
	Note	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
At 31 December 2020/1 January 2021		64,000	102,580	166,580
Net profit/Total comprehensive income for the financial year		-	248,000	248,000
Dividends to owners of the Company	19	-	(32,000)	(32,000)
At 31 December 2021		64,000	318,580	382,580
		Note 10		
At 31 December 2019/1 January 2020		64,000	80,417	144,417
Net profit/Total comprehensive income for the financial year		-	73,363	73,363
Dividends to owners of the Company	19	-	(51,200)	(51,200)
At 31 December 2020		64,000	102,580	166,580
		Note 10		

STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Cash flows from operating activities			
Cash receipts from customers and other receivables		1,138,597	1,143,739
Cash paid to suppliers and employees*		(1,126,132)	(972,074)
Cash generated from operations		12,465	171,665
Income tax paid		(27,288)	(27,388)
Net cash (used in)/from operating activities		(14,823)	144,277
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(53,922)	(92,635)
Purchase of intangible assets	5	(7,770)	(593)
Proceeds from disposal of property, plant and equipment	3	194,001	137
Interest received		1,417	683
Net cash from/(used in) investing activities		133,726	(92,408)
Cash flows from financing activities			
Interest paid		(2,853)	(2,922)
Dividends paid	19	(32,000)	(51,200)
Payment for lease liabilities	4	(4,650)	(3,655)
Net cash used in financing activities		(39,503)	(57,777)
Net increase/(decrease) in cash and cash equivalents		79,400	(5,908)
Cash and cash equivalents at 1 January		38,900	44,808
Cash and cash equivalents at 31 December	9	118,300	38,900

* Included in cash paid to suppliers and employees is prepayment to related company amounted to RM125.7 million (Kindly refer to Note 8).

NOTE TO THE STATEMENT OF CASH FLOWS

The reconciliation of movement of lease liabilities to cash flows arising from financing activities is disclosed in Note 4.

Interest paid shown in cash flows from financing activities arose from interest paid to a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution.

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business/Registered office

Level 5, Quill 9
No 112, Jalan Prof Khoo Kay Kim
46300 Petaling Jaya
Selangor Darul Ehsan

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

These financial statements were authorised for issue by the Board of Directors on 23 February 2022.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

(i) Standards, amendments to published standards and interpretations that are effective

The Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2021:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform-Phase 2'

The adoption of the amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) Standards, amendments to published standards and interpretations that have been issued but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2022. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(ii) Standards, amendments to published standards and interpretations that have been issued but not yet effective: (continued)

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

The amendments shall be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(ii) Standards, amendments to published standards and interpretations that have been issued but not yet effective: (continued)

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

None of these is expected to have a significant effect on the consolidated financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed below.

(i) Trade spend accruals

Trade spend accruals of RM51.4 million (2020: RM41.0 million), which consists primarily of conditional rebates and promotional discounts, are based on agreed trading terms and promotional activities with trade customers and distributors. Trade spend accruals are recognised under the terms of these agreements, to reflect the expected rebates, promotional activities and historical experience based on estimated sales volume. These accruals are reported within Trade and Other Payables (Note 13). The estimates for these accruals are regularly reviewed by senior management of the Company.

A 5% (2020: 5%) increase in sales volume would have increase the trade spend accrual and decrease post-tax profit by RM2.6 million (2020:RM2.1 million) and RM2.0 million (2020: RM1.6 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

(ii) Sales and leaseback

During the financial year, the Company completed the disposal of its existing manufacturing land and buildings in Petaling Jaya and the subsequent lease back of the same properties for its operations until the completion of the new facilities in Bandar Baru Enstek.

The Company assessed that the transaction qualifies as a sale and leaseback transaction and accordingly, recorded the right-of-use asset in proportion to the previous carrying amount of the asset that relates to the right of use retained and the related lease liabilities in respect of the leaseback.

The leaseback period is estimated to be 27 months to coincide with the completion of the new facilities in Bandar Baru Enstek which is estimated to be in quarter 4 of 2023. Details of the sale and leaseback transactions are disclosed in Notes 3 and 4 of the financial statements.

(iii) Accelerated depreciation

Following the disposal of the Company's existing manufacturing land and buildings in Petaling Jaya and the subsequent lease back of the same properties for its operations until the completion of the new facilities in Bandar Baru Enstek which is estimated to be in quarter 4 of 2023, the Company has revised the useful lives of the plant and machinery and furniture and equipments in the existing facilities to reflect the economic useful lives of these assets which are non-transferrable to the new facilities.

Management estimated the total additional accelerated depreciation for 3 years to be approximately RM48.5 million. The additional depreciation charge for the financial year 2021 is RM15.0 million.

The estimates will be reviewed annually by the engineers in charge of the project and the senior management of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency transactions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss,
- and those to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Initial Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Subsequent measurement

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(expenses) in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets (continued)

Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has the following debt instrument that is subject to the ECL model:

- Trade receivables
- Other receivables and deposits
- Intercompany receivables

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the Company applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, deposits and non-trade intercompany receivables, the Company applies the general three-stage approach to determine the ECL.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Company defines a financial instrument as default, when the counterparty fails to make contractual payment, as per the credit terms ranging from 1 to 60 days, when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables arising from manufacturing and distribution of dairy product business have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments. Assessment on debtor's recoverability will be performed by management on a case by case basis.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables, deposits and non-trade intercompany receivables

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

(c) Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

Gain or losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Freehold land is not depreciated as it has an infinite life.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

Leasehold land is presented under right-of-use assets in statement of financial position. See accounting policy Note 2(e) on right-of-use assets for these assets.

(iv) Impairment

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of non-current assets.

(v) Change in useful life

The useful life and residual value of an item of property, plant and equipment is reviewed regularly and, if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted. A change in the useful life or depreciation method is accounted for prospectively as a change in accounting estimate.

(e) Leases - Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to 2 (e)(iv) below).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases - Accounting by lessee (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases - Accounting by lessee (continued)

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short-term leases and leases of low-value assets

The Company has elected not to recognise a lease liability for short term leases (leases expected term of 12 months or less) or for lease of low value assets. Payment made under such leases are expensed on a straight-line basis in profit or loss.

In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

(vi) 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.

(f) Intangible assets

(i) Computer software

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

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

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

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

(g) Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

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

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

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

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

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

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

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the statement of financial position, banks overdrafts are shown in current liabilities.

(j) Share capital

Classification

Ordinary shares with discretionary dividends are classified as equity.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Trade payables

Trade payables represent liabilities for goods or services provided to the Company prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Company expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(n) Revenue from contracts with customers and other income

Revenue from contracts with customers

(i) Goods sold

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The dairy products are often sold with trade discounts and volume rebates based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated trade discounts and volume rebates. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term ranging from 1 to 60 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue from contracts with customers and other income (continued)

Revenue from contracts with customers (continued)

(ii) Accounting for refunds

The Company is obliged to refund the purchase price of the product sold in situations where the customer has a contractual right to return the product within a given period. The Company recognised refund liability for returns which was measured based on the sales consideration and the corresponding entry to revenue.

Under MFRS 15, a refund liability for the expected refunds to customers is recognised as an adjustment to revenue and classified as part of the 'trade and other payable' balances.

Other income

(i) Interest income

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

(o) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Earnings per ordinary share

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

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

(q) Operating segments

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

(r) Fair value measurements

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
Cost								
At 1 January 2020		-	66,462	139,277	590	38,691	33,134	278,154
Additions		-	-	-	-	-	92,635	92,635
Written off		-	-	(2,530)	-	-	-	(2,530)
Disposal		-	-	(712)	(94)	-	-	(806)
Transfers	5	-	-	18,061	-	3,701	(21,762)	-
At 31 December 2020/ 1 January 2021		-	66,462	154,096	496	42,392	104,007	367,453
Additions		-	-	-	-	-	53,922	53,922
Written off		-	-	(528)	(326)	(1,607)	-	(2,461)
Disposal		-	(62,689)	-	-	-	-	(62,689)
Transfers		60,311	-	33,277	-	9,252	(102,840)	-
At 31 December 2021		60,311	3,773	186,845	170	50,037	55,089	356,225

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
Depreciation and impairment loss								
At 1 January 2020								
Accumulated depreciation		-	43,943	80,094	542	20,773	-	145,352
Accumulated impairment loss		-	-	2,427	-	-	6,893	9,320
		-	43,943	82,521	542	20,773	6,893	154,672
Depreciation for the year		-	2,751	7,208	48	5,878	-	15,885
Written off		-	-	(2,208)	-	-	-	(2,208)
Disposal		-	-	(523)	(94)	-	-	(617)
At 31 December 2020/ 1 January 2021								
Accumulated depreciation		-	46,694	84,571	496	26,651	-	158,412
Accumulated impairment loss		-	-	2,427	-	-	6,893	9,320
		-	46,694	86,998	496	26,651	6,893	167,732
Depreciation for the year		-	5,621	20,274	-	7,598	-	33,493
Written off		-	-	(528)	(326)	(1,607)	-	(2,461)
Disposal		-	(48,567)	-	-	-	-	(48,567)
At 31 December 2021								
Accumulated depreciation		-	3,748	104,317	170	32,642	-	140,877
Accumulated impairment loss		-	-	2,427	-	-	6,893	9,320
		-	3,748	106,744	170	32,642	6,893	150,197
Carrying amounts								
At 31 December 2020		-	19,768	67,098	-	15,741	97,114	199,721
At 31 December 2021		60,311	25	80,101	-	17,395	48,196	206,028

- (a) Included in property, plant and equipment of the Company are fully depreciated assets, which are still in use, with an aggregate cost of approximately RM86,660,269 (2020: RM93,172,368).
- (b) As at 31 December 2020, included in capital work-in-progress is the purchase of 3 parcels of freehold land for a total consideration of RM56.8 million for the consideration of new manufacturing facilities in Bandar Baru Enstek. The land was transferred to freehold land during the year 2021.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Disposal of manufacturing land and buildings at Petaling Jaya

During the financial year, the Company completed the disposal of its existing manufacturing land and buildings at Petaling Jaya for a total cash consideration of RM200.0 million. The Company subsequently leased back the same properties for a term of 27 months.

Accordingly, the Company derecognised the related land and buildings (classified as right-of use asset and property, plant and equipment respectively) and recognised a right-of-use asset measured at the proportion of the previous carrying amount that is retained for use by the Company. Significant terms of the lease are disclosed in Note 4.

The gain recognised in the profit or loss for the disposal of the property, plant and equipment and right-of-use assets amounted to RM24.8 million and RM129.7 million respectively.

The Company has received the cash consideration in full of RM194 million. This amount is net of real property gains tax withheld of RM6.0 million. A remaining real property gains tax payable of RM8.5 million has been accrued for under current tax liabilities.

Contractual commitments

Contractual commitments for acquisition of property, plant and equipment not yet recognised in the financial statements amounted to RM87.9 million (2020: RM9.7 million).

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS

The Company as a lessee**(i) Information about ROU assets, lease liabilities, expenses and cash flows related to leases:**ROU assets

	Lease hold and Buildings RM'000	Motor vehicles RM'000	Plant and equipment RM'000	Total RM'000
Cost				
At 1 January 2020	7,253	-	1,326	8,579
Additions	4,050	-	4,863	8,913
Derecognition	(1,538)	-	(643)	(2,181)
At 31 December 2020/1 January 2021	9,765	-	5,546	15,311
Additions				
- Sales and leaseback	1,393	-	-	1,393
- Others	35	347	-	382
	1,428	347	-	1,775
Derecognition	(89)	-	(444)	(533)
Modification	-	-	(805)	(805)
Disposal arising from sales and leaseback	(5,639)	-	-	(5,639)
At 31 December 2021	5,465	347	4,297	10,109
Accumulated depreciation charge				
At 1 January 2020	4,045	-	557	4,602
Depreciation for the year	1,479	-	1,679	3,158
Derecognition	(1,538)	-	(643)	(2,181)
At 31 December 2020/1 January 2021	3,986	-	1,593	5,579
Depreciation for the year	1,544	82	1,669	3,295
Derecognition	(89)	-	(444)	(533)
Disposal arising from sales and leaseback	(2,816)	-	-	(2,816)
At 31 December 2021	2,625	82	2,818	5,525
Carrying amounts				
At 31 December 2020	5,779	-	3,953	9,732
At 31 December 2021	2,840	265	1,479	4,584

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS (CONTINUED)

The Company as a lessee (continued)

(i) Information about ROU assets, lease liabilities, expenses and cash flows related to leases (continued):

Lease liabilities

	2021 RM'000	2020 RM'000
Balance at 1 January	6,483	974
Additions		
- sales and leaseback	13,302	-
- others	282	8,913
Interest charged during the year	521	251
Repayment of lease liability (included in cash flows from financing activities)	(4,650)	(3,699)
Unrealised exchange rate loss	6	44
Modification	(805)	-
	15,139	6,483

Lease liabilities are presented in the statement of financial position as follows:

	2021 RM'000	2020 RM'000
Current liabilities	8,487	2,893
Non-current liabilities	6,652	3,590
	15,139	6,483

Charged to statement of profit or loss and other comprehensive income

Expenses/(Income) related to leases are disclosed in Note 15.

	2021 RM'000	2020 RM'000
Lease payments not recognised as liabilities:		
Expense related to low value leases	1,596	215
Expense related to short-term leases	133	839
Expense related to variable leases	490	1,979
Non-lease components	536	553
Gain arising from sale and leaseback transaction	(129,725)	-

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS (CONTINUED)

The Company as a lessee (continued)

(ii) The Company's leasing activities and how these are accounted for

In the prior year, leasehold land relates to the lease of land with unexpired lease period of less than 50 years for the Company's factory buildings, office complex and warehouse located in Petaling Jaya. The lease will expire in 2059 and the Company does not have an option to purchase the leased land at the expiry of the lease period.

As disclosed in Note 3, the Company completed the disposal of its existing manufacturing land and buildings previously recorded as right-of-use-assets and property plant and equipment respectively. The subsequent leaseback of the land and buildings were recorded as additions in right-of-use-assets in the current financial year. The lease will expire in September 2023 with option to renew for two further terms of 6 months with 2 months' notice of termination. The Company recognised right-of-use assets and lease liabilities for 27 months representing 24 months initial term plus anticipated extension of 3 months.

The Company leases other offices, motor vehicles, plant and equipment, and office equipment. Rental contracts are typically made for fixed periods of 1 to 7 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(iii) Variable lease payment

Variable lease payments relate to payments made for the lease of pallets which are based on the actual usage of the pallets.

(iv) Extension and termination options

Extension and termination options are included in a number of equipment and property leases across the Company. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide the Company with greater flexibility to align its need for access to equipment with the fulfilment of customer contracts.

In cases in which the Company is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities of RM3.8 million (2020: RMNil).

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

	Note	Computer software RM'000	Capital work-in progress RM'000	Total RM'000
Cost				
At 1 January 2020		16,569	7	16,576
Additions		49	544	593
Transfers		261	(261)	-
At 31 December 2020/1 January 2021		16,879	290	17,169
Additions		-	7,770	7,770
Transfers		590	(590)	-
Written off		(127)	-	(127)
At 31 December 2021		17,342	7,470	24,812
Accumulated amortisation				
At 1 January 2020		14,901	-	14,901
Amortisation for the year		1,311	-	1,311
At 31 December 2020/1 January 2021		16,212	-	16,212
Amortisation for the year		258	-	258
Written off		(127)	-	(127)
At 31 December 2021		16,343	-	16,343
Carrying amounts				
At 31 December 2020		667	290	957
At 31 December 2021		999	7,470	8,469

NOTES TO THE FINANCIAL STATEMENTS

6. INVENTORIES

	2021 RM'000	2020 RM'000
Finished goods	87,758	74,635
Raw materials	60,950	67,207
Packaging materials	13,568	9,552
Spare parts	1,185	865
	163,461	152,259
Provision for obsolescence of inventories	(2,406)	(1,243)
	161,055	151,016

7. TRADE AND OTHER RECEIVABLES

	Note	2021 RM'000	2020 RM'000
Trade			
Trade receivables		67,836	68,311
Less: Loss allowance	7.1	(109)	(266)
Net trade receivables		67,727	68,045
Amounts owing by related companies	7.2	285	7,302
		68,012	75,347
Non-trade			
Other receivables		5,337	5,170
Amount owing by related company	7.2	479	-
Deposits		2,553	984
		8,369	6,154
		76,381	81,501

7.1 The movements in the loss allowance of trade receivables during the financial year is disclosed in Note 22.4.

7.2 The credit terms of amounts owing by related companies ranged from 0 to 30 days (2020: 0 to 30 days).

NOTES TO THE FINANCIAL STATEMENTS

8. PREPAYMENT

	Note	2021 RM'000	2020 RM'000
Prepayment to related company	8.1	125,670	-
Others		487	311
		126,157	311

8.1 Prepayment to related company represents advance payments made for future raw materials purchases.

9. CASH AND BANK BALANCES

	2021 RM'000	2020 RM'000
Cash and bank balances	118,300	55,605

Bank balances are held at call with licensed banks.

(a) Cash and cash equivalents comprise:

	2021 RM'000	2020 RM'000
Cash and bank balances	118,300	55,605
Bank overdraft	-	(16,705)
	118,300	38,900

Bank overdraft is unsecured and bears interest rate at the average rate of 2.58% per annum in year 2020.

10. DERIVATIVE FINANCIAL ASSET/(LIABILITIES)

	2021			2020		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	(100)	258	(158)	123,550	2	(2,140)

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

NOTES TO THE FINANCIAL STATEMENTS

11. SHARE CAPITAL

	Amount 2021 RM'000	Number of shares 2021 '000	Amount 2020 RM'000	Number of shares 2020 '000
Issued and fully paid:				
Ordinary shares with no par value	64,000	64,000	64,000	64,000

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

12. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment	-	-	(14,330)	(9,364)	(14,330)	(9,364)
Right-of-use assets	-	-	(1,100)	(1,644)	(1,100)	(1,644)
Inventories	577	299	-	-	577	299
Receivables	26	64	-	-	26	64
Payables	5,188	4,082	-	-	5,188	4,082
Lease liabilities	3,633	1,556	-	-	3,633	1,556
Derivatives	38	513	-	-	38	513
Deferred tax assets/(liabilities)	9,462	6,514	(15,430)	(11,008)	(5,968)	(4,494)

Movement in temporary differences during the year

	At 1.1.2020 RM'000	Recognised in profit or loss RM'000	At 31.12.2020/ 1.1.2021 RM'000	Recognised in profit or loss RM'000	At 31.12.2021 RM'000
Property, plant and equipment	(8,833)	(531)	(9,364)	(4,966)	(14,330)
Right-of-use assets	(246)	(1,398)	(1,644)	544	(1,100)
Inventories	601	(302)	299	278	577
Receivables	113	(49)	64	(38)	26
Payables	855	3,227	4,082	1,106	5,188
Lease liabilities	263	1,293	1,556	2,077	3,633
Derivatives	453	60	513	(475)	38
	(6,794)	2,300	(4,494)	(1,474)	(5,968)

Note 17

Note 17

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	Note	2021 RM'000	2020 RM'000
Trade			
Amounts owing to related companies	13.1	36,836	76,384
Trade payables	13.2, 13.3	144,565	142,147
Trade spend accrual		51,419	41,011
		232,820	259,542
Non-trade			
Amounts owing to related companies	13.1	2,025	4,464
Accrued expenses		26,684	21,085
Payroll liabilities		11,107	8,355
Other payables		10,159	2,046
		49,975	35,950
		282,795	295,492

13.1 The credit terms of amounts owing to related companies ranged from 0 to 30 days (2020: 0 to 30 days).

13.2 Included in trade payables is refund liability in respect of market returns of RM3.4 million (2020: RM3.4 million).

13.3 Included in this amount is RM7.9 million (2020: RM29.8 million) of trade payables under a supply chain finance programme. The credit terms for payment to the supply chain finance programme service provider is similar as that with the trade payables.

14. PROVISION

	2021 RM'000	2020 RM'000
Employees' pension contribution		
At 1 January	228	207
Addition during the year	45	21
Reversal during the year	(167)	-
At 31 December	106	228

Employees' pension contribution

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

NOTES TO THE FINANCIAL STATEMENTS

15. PROFIT BEFORE TAX

	2021 RM'000	2020 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible assets	258	1,311
Auditors' remuneration:		
- Statutory audit - current year	92	89
- Other services	100	20
Depreciation of property, plant and equipment*	33,493	15,885
Depreciation of ROU assets	3,295	3,161
Finance costs		
- Interest expense	2,853	2,922
- Finance charge arising from lease liabilities	521	251
Interest income	(1,417)	(683)
Inventories recognised as cost of sales	637,580	643,134
(Gain)/Loss on disposal of property, plant and equipment	(24,159)	52
Gain arising from sale and leaseback transaction	(129,725)	-
Marketing expenses	114,748	116,808
Net (gain)/loss on derivatives	(1,814)	251
Net (gain)/loss on foreign exchange:		
- Realised	(760)	2,819
- Unrealised	(514)	(464)
Personnel expenses (including key management personnel):		
- Wages, salaries and others	64,332	63,020
- Contributions to state plans	9,393	9,319
Provision for/(Reversal of) obsolescence of inventories	1,163	(1,261)
Rental in respect of (Note 4):		
- Premises	571	623
- Equipment	2,093	2,838
- Vehicles	91	125
Reversal of loss allowance of trade receivables	(157)	(178)
Write off of property, plant and equipment	-	322

* Included in the depreciation of property, plant and equipment is the accelerated depreciation of RM15.0 million (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

16. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2021 RM'000	2020 RM'000
Directors:		
- Fees	524	481
- Remuneration	1,639	1,524
- Benefits-in-kind	145	410
	2,308	2,415
Other key management personnel:		
- Wages, salaries and others	4,549	4,429
- Contributions to state plans	504	484
	5,053	4,913
	7,361	7,328

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

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

17. TAX EXPENSE

Recognised in profit or loss

	Note	2021 RM'000	2020 RM'000
Current tax expense			
- current year		41,526	26,020
- (over)/under provision in prior year		(6,475)	428
		35,051	26,448
Deferred tax expense			
Origination and reversal of temporary differences	12	1,474	(2,300)
Total income tax expense		36,525	24,148

NOTES TO THE FINANCIAL STATEMENTS

17. TAX EXPENSE (CONTINUED)

	2021 RM'000	2020 RM'000
Reconciliation of tax expense		
Profit before tax	284,524	97,511
Income tax calculated using Malaysian tax rate of 24% (2020: 24%)	68,286	23,403
Non-deductible expenses	613	317
Income subject to different tax rate	(29,568)	-
(Over)/Under provision in prior year	(2,779)	428
	36,525	24,148

18. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share

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

	2021	2020
Net profit for the year (RM'000)	248,000	73,363
Average number of ordinary shares in issue ('000)	64,000	64,000
Basic and diluted earnings per ordinary share (sen)	387.5	114.6

There are no potential dilutive ordinary shares in issue as at 31 December 2021 and 2020, and therefore, diluted earnings per share equal basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

19. DIVIDENDS

Dividends paid by the Company:

	Sen per share	Total amount RM'000	Date of payment
2021			
Single tier first interim 2020 ordinary	25.00	16,000	11.06.2021
Single tier second interim 2020 ordinary	25.00	16,000	10.12.2021
Total amount		32,000	
2020			
Single tier first interim 2020 ordinary	40.00	25,600	24.07.2020
Single tier second interim 2020 ordinary	40.00	25,600	24.12.2020
Total amount		51,200	

20. OPERATING SEGMENTS

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

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

At the end of the financial year, there were no significant concentrations of revenue other than two major customers with net revenues of approximately RM322.6 million (2020: four major customers with net revenues of approximately RM500.2 million). These customers contribute to approximately 28% (2020: 46%) of the net revenues in the financial statements or 17% and 11% respectively (2020: 14%, 12%, 10% and 10% respectively).

At the end of the financial year, the unfulfilled performance obligation of the Company is approximately RM28.0 million (2020: RM1.9 million) expected to be recognised as revenue in next financial year.

21. RELATED PARTIES

Identity of related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTIES (CONTINUED)**Identity of related parties (continued)**

The key management personnel compensation are shown in Note 16.

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

Related party transactions and balances

The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 7 and Note 13.

	2021 RM'000	2020 RM'000
Management fee paid to immediate holding company		
- FrieslandCampina DLMI Malaysia Holding B.V.	(68)	(135)
Management fee paid to fellow subsidiaries		
- Koninklijke FrieslandCampina NV (Comp)	(75)	-
Purchase of fully packed dairy products and raw materials from fellow subsidiaries		
- FrieslandCampina Nederland B.V.	(318,641)	(353,527)
- P.T. Frisian Flag Indonesia	(116,161)	(102,352)
Sales of fully packed dairy products to fellow subsidiaries		
- FrieslandCampina Domo B.V.	1,387	1,920
- FrieslandCampina (Singapore) Pte Ltd	18,483	17,701
Know-how, trademark license and management support fees paid to fellow subsidiary		
- FrieslandCampina Nederland B.V.	(26,963)	(26,296)
Information, communication and technology services paid to fellow subsidiary		
- FrieslandCampina Nederland B.V.	(15,781)	(17,516)
Advance payment to fellow subsidiary		
- FrieslandCampina Nederland B.V.	(125,670)	-
Finance shared services paid to fellow subsidiary		
- FrieslandCampina Nederland B.V.		
- FrieslandCampina Service Centre Asia Pacific Sdn Bhd	(3,334)	(3,307)
Shared services fee received from fellow subsidiary		
- FrieslandCampina Service Centre Asia Pacific Sdn Bhd	220	161

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

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

- (a) Amortised costs ("AC"); and
- (b) Fair value through profit or loss ("FVTPL"):

	Carrying amount 2021 RM'000	AC 2021 RM'000	FVTPL 2021 RM'000	Carrying amount 2020 RM'000	AC 2020 RM'000	FVTPL 2020 RM'000
Financial assets						
Trade and other receivables	76,381	76,381	-	81,501	81,501	-
Derivative financial assets	258	-	258	2	-	2
Cash and bank balances	118,300	118,300	-	55,605	55,605	-
	194,939	194,681	258	137,108	137,106	2
Financial liabilities						
Trade and other payables	(279,355)	(279,355)	-	(295,492)	(295,492)	-
Lease liabilities	(15,139)	(15,139)	-	(6,483)	(6,483)	-
Bank overdraft	-	-	-	(16,705)	(16,705)	-
Derivative financial liabilities	(158)	-	(158)	(2,140)	-	(2,140)
	(294,652)	(294,494)	(158)	(320,820)	(318,680)	(2,140)

22.2 Net gains and losses arising from financial instruments

	2021 RM'000	2020 RM'000
Net gains/(losses) from:		
Fair value through profit or loss	1,814	(2,741)
Financial assets measured at amortised costs	(708)	(206)
Financial liabilities measured at amortised cost	182	(1,971)
	1,288	(4,918)

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

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

Trade receivables

Risk management objectives, policies and processes for managing the risk

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

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

A significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 60 days which are deemed to have higher credit risk, are monitored individually.

The Company's approach to the expected loss rates are based on the payment profiles of sales over a period of 60 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and retail volume growth to be the most relevant factors.

The expected loss rate is depicted in the table below:

Age profile	Not past due	Past due 1 - 7 days	Past due 7 - 14 days	Past due 14 - 30 days	Past due 31 - 90 days	Past due more than 90 days
%	0.01	0.10	1.00	1.50	2.5	10.00

No significant changes to estimation techniques or assumptions were made during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Trade receivables (continued)

Changes to loss allowance

The movements in the loss allowance of trade receivables during the financial year were:

	2021 RM'000	2020 RM'000
At 1 January	266	444
Decrease in loss allowance recognised in profit and loss during the year	(157)	(178)
At 31 December	109	266

There were no significant changes to the gross carrying amount that contributed to changes in loss allowances. The allowance account in respect of trade receivables is used to record expected credit losses and individual impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the gross carrying amounts in the statement of financial position. The following table contains an analysis of the credit risks exposure for which expected credit loss is recognised:

	Gross RM'000	Individual impairment RM'000	Expected credit loss RM'000	Net RM'000
2021				
Not past due	59,207	-	(7)	59,200
Past due 1 - 7 days	6,878	-	(11)	6,867
Past due 7 - 14 days	951	-	(7)	944
Past due 14 - 30 days	525	-	(18)	507
Past due 31 - 90 days	114	-	(3)	111
Past due over 90 days	161	(47)	(16)	98
	67,836	(47)	(62)	67,727
2020				
Not past due	53,499	-	(5)	53,494
Past due 1 - 7 days	11,847	-	(21)	11,826
Past due 7 - 14 days	1,446	-	(15)	1,431
Past due 14 - 30 days	961	-	(15)	946
Past due 31 - 90 days	440	-	(105)	335
Past due over 90 days	118	(68)	(37)	13
	68,311	(68)	(198)	68,045

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

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Other receivables and deposits

Exposure to credit risk, credit quality and collateral

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

Related company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Deposits placed with licensed banks

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

The deposits placed with licensed banks are unsecured.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Liquidity risk

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

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

The Company has available undrawn overdraft facilities of RM18.3 million (2020: RM32.5 million) that can be used to finance short term obligations, capital expenditure and general working capital requirements.

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/coupon RM'000	Contractual cash flows RM'000	Under 1 year RM'000	Over 1 year but not later than 5 years RM'000
2021					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	279,355	-	279,355	279,355	-
Bank overdraft	-	-	-	-	-
Lease liabilities	15,139	286	15,425	8,524	6,901
<i>Derivative financial liabilities</i>					
Forward exchange contracts	158	-	158	158	-
	294,652	286	294,938	288,037	6,901
2020					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	295,492	-	295,492	295,492	-
Bank overdraft	16,705	-	16,705	16,705	-
Lease liabilities	6,483	203	6,686	2,938	3,748
<i>Derivative financial liabilities</i>					
Forward exchange contracts	2,140	-	2,140	2,140	-
	320,820	203	321,023	317,275	3,748

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk

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

22.6.1 Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The main currencies giving rise to this risk are United States Dollar (USD), Euro (EUR) and Thai Baht (THB).

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	Denominated in		
	USD RM'000	EUR RM'000	THB RM'000
2021			
Amounts owing by related companies	158	109	-
Cash at bank	11,465	-	-
Trade payables	(8,556)	(1,075)	(12,026)
Amounts owing to related companies	(32,436)	(1,786)	-
	(29,369)	(2,752)	(12,026)
2020			
Amounts owing by related companies	698	544	-
Cash at bank	375	-	-
Bank overdraft	(16,705)	-	-
Trade payables	(3,726)	(1,054)	(11,205)
Amounts owing to related companies	(56,435)	(3,506)	-
	(75,793)	(4,016)	(11,205)

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2020: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased equity and post-tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Increase/(Decrease)			
	Equity		Profit	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
USD	2,232	5,760	2,232	5,760
EUR	209	305	209	305
THB	914	852	914	852

A 10% (2020: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant. The movements in other currency exchange rates are not expected to have any significant effect on the profit or loss.

22.6.2 Interest rate risk

The Company does not have fixed rate borrowings. The Company's variable rate borrowings which is primarily its overdraft facility is exposed to a risk of change in cash flows due to fluctuation in market interest rate. The Company places short term deposits with licensed banks which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

22.6.3 Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk comprises equity price risk and commodity price risk. The Company is not exposed to any other price risk.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.7 Fair value information

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

The carrying amounts of non-current lease liabilities reasonably approximate their fair value.

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

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
2021					
Financial assets					
Forward exchange contracts	-	258	-	258	258
Financial liabilities					
Forward exchange contracts	-	(158)	-	(158)	(158)
2020					
Financial assets					
Forward exchange contracts	-	2	-	2	2
Financial liabilities					
Forward exchange contracts	-	(2,140)	-	(2,140)	(2,140)

Level 1 fair value

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

Level 2 fair value

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

Derivatives

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

Level 3 fair value

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

NOTES TO THE FINANCIAL STATEMENTS

23. CAPITAL MANAGEMENT

The Company defines capital as share capital (Note 11) and this is unchanged from the prior year.

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

The return on capital at 31 December 2021 and 31 December 2020 were as follows:

	2021	2020
Results from operating activities (RM'000)	286,482	100,001
Total equity attributable to owners of the Company (RM'000)	382,580	166,580
Return on capital (%)	74.9	60.0

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

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act, 2016

We, Ramjeet Kaur Virik and Jean Serge Krol, two of the Directors of Dutch Lady Milk Industries Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 106 to 152 are drawn up so as to give a true and fair view of the financial position and financial performance of the Company for the financial year ended 31 December 2021 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

.....
Ramjeet Kaur Virik

.....
Jean Serge Krol

23 February 2022

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Arent Naber, the Officer primarily responsible for the financial management of Dutch Lady Milk Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 106 to 152 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya, Selangor Darul Ehsan on 23 February 2022.

.....
Arent Naber

Before me:

COMMISSIONER FOR OATH

INDEPENDENT AUDITORS' REPORT

to the members of Dutch Lady Milk Industries Berhad

(Incorporated in Malaysia)

Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Dutch Lady Milk Industries Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 106 to 152.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

INDEPENDENT AUDITORS' REPORT
to the members of Dutch Lady Milk Industries Berhad
(Incorporated in Malaysia)
Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p>Use of estimates in revenue recognition arising from rebates and discounts given to customers</p> <p>Our 2021 audit was planned and executed having regard to the fact that the operations of the Company were largely unchanged from the prior year. In light of this, our overall audit approach in terms of scoping and key audit matters were largely unchanged with continued focus over the estimates in revenue recognition arising from rebates and discounts given to customers.</p> <p>Revenue is recognised net of rebates and discounts. Rebates and discounts recognised are based on the expected entitlement earned up to reporting date under each customer trading agreement and promotions run.</p> <p>The Company has two categories of rebates and discounts where estimates are used:</p> <ul style="list-style-type: none"> - Conditional rebates - Promotional discounts <p>Conditional rebates and promotional discounts are triggered when certain conditions are met. The amount payable is based on conditions achieved, multiplied by rates contracted with each customer in their trading agreements.</p> <p>During the financial year, the Company incurred rebates and promotional discounts totalling RM274.9 million. A total of RM51.4 million of these rebates and discounts were included in accruals as at 31 December 2021.</p> <p>We focused on this area because of the the high volume of transactions incurred during the financial year and estimation involved in determining the appropriate amount of accruals as at financial year end and especially in relation to those promotions and campaigns that were still ongoing at the financial year end and those in which the actual data with regards the conditions to be met have not been confirmed.</p> <p>Refer to Note 1(d)(i) (Use of estimates and judgements) and Note 2(n).</p>	<ul style="list-style-type: none"> - We evaluated and tested the operating effectiveness of controls in relation to the authorisation of rebates and promotional activities and the determination of year end accruals. - We traced samples of rebates and discounts incurred during the year to customers' claims; and - We evaluated the reasonableness of management's estimates on meeting volume or sales targets in relation to conditional rebates and promotional discounts. For selected samples we have performed the following: <ul style="list-style-type: none"> (a) a comparison of actual sales volume and values achieved by the customer against the sales volume and values recorded, or (b) traced sample of accruals made to customers' contracts and relevant supporting documents, <p>There were no material exceptions noted from our procedures.</p>

INDEPENDENT AUDITORS' REPORT

to the members of Dutch Lady Milk Industries Berhad

(Incorporated in Malaysia)

Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Accounting for sale and leaseback transaction and the use of estimates in determining useful lives of assets</p> <p>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.</p> <p>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:</p> <p>(a) any below-market terms shall be accounted for as a prepayment of lease payments; and</p> <p>(b) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee</p> <p>Following the disposal of the Company's existing manufacturing land and buildings in Petaling Jaya and the subsequent lease back of the same properties for its operations until the completion of the new facilities in Bandar Baru Enstek ("Project Big Blue") which is estimated to be in quarter 4 of 2023, the Company has revised the useful lives of the assets in the existing facilities to reflect the economic useful lives of these assets.</p> <p>We focused on this area given the complexity in determining if the transaction qualifies as a sale and leaseback transaction and the amounts to be recognised in the books, and in estimating the estimated useful lives of the assets.</p>	<ul style="list-style-type: none"> - We reviewed management's accounting for sales and leaseback transactions, and assessed the reasonableness of estimates uses in recognition of the right-of-use assets and related lease liabilities - We have evaluated management's assumptions surrounding the useful lives of property plant and equipment - We have performed recalculation of depreciation based on the revised rates <p>There were no material exceptions noted from our procedures.</p>

INDEPENDENT AUDITORS' REPORT
to the members of Dutch Lady Milk Industries Berhad
(Incorporated in Malaysia)
Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the complete 2021 Annual Report, which we obtained prior to the date of this auditors' report, and Analysis of Shareholdings, which is expected to be made available to us after that date. Other information does not include the financial statements of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITORS' REPORT

to the members of Dutch Lady Milk Industries Berhad
(Incorporated in Malaysia)
Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
23 February 2022

GAN WEE FONG
03253/01/2023 J
Chartered Accountant

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Related Party	Nature of Transaction	Value of Transactions from 25 May 2021 to 31 December 2021 RM'000
FrieslandCampina Nederland B.V., the Netherlands	Purchase by DLMI of fully packed dairy products and raw materials	309,709
P.T. Frisian Flag Indonesia, Indonesia	Purchase by DLMI of fully packed dairy products including products packed in PET bottle and raw materials	81,387
FrieslandCampina Foremost (Thailand) Pte Ltd	Purchase by DLMI of fully packed dairy products and raw materials	-
FrieslandCampina Nederland B.V., the Netherlands	Sale by DLMI of fully packed dairy products	825
FrieslandCampina (Singapore) Pte Ltd, Singapore	Sale by DLMI of fully packed dairy products	10,973
FrieslandCampina Nederland B.V., the Netherlands	Payment of fees by DLMI for know-how, Trademark licence and Management support	16,308
FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands	Payment of fees by DLMI for corporate management fees	34
FrieslandCampina B.V.	Payment of fees by DLMI for shared ICT and communication services	9,492
FrieslandCampina Service Centre Asia Pacific Sdn Bhd	Payment of fees by DLMI for shared finance and procurement services	1,979
FrieslandCampina Service Centre Asia Pacific Sdn Bhd	Receipt of fees by DLMI for the provision of shared corporate services	128
Royal FrieslandCampina N.V.	Interest on inter-company credit facility	-

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 15 March 2022

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

Distribution Schedule of Shareholders

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
Less than 100 shares	276	4.48	2,323	0.00
100 to 1,000 shares	4,200	68.21	1,952,346	3.05
1,001 to 10,000 shares	1,484	24.10	4,865,937	7.60
10,001 to 100,000 shares	179	2.91	4,887,394	7.64
100,001 to 3,199,999(*)	15	0.24	7,775,600	12.51
3,200,000 & above (**)	3	0.05	44,516,400	69.56
	6,157	100.00	64,000,000	100.00

Note: * - Less than 5% of Issued Holdings
 ** - 5% and above of Issued Holdings

Name of 30 Largest Shareholders	No. of Shares	% of Holdings
1. FrieslandCampina DLMI Malaysia Holding B.V. **	32,614,800	50.96
2. Citigroup Nominees (Tempatan) Sdn Bhd ** Employees Provident Fund Board	7,091,600	11.08
3. Amanahraya Trustees Berhad ** Amanah Saham Bumiputera	4,810,000	7.52
4. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	1,995,400	3.12
5. Amanahraya Trustees Berhad Amanah Saham Malaysia	1,609,600	2.52
6. Yong Siew Lee	584,000	0.91
7. Amanahraya Trustees Berhad ASN Umbrella for ASN Equity 3	567,200	0.89
8. Amanahraya Trustees Berhad Public Islamic Treasures Growth Fund	496,800	0.78
9. Yeo Khee Bee	442,900	0.69
10. Aun Huat & Brothers Sdn Berhad	416,500	0.65
11. Kumpulan Wang Persaraan (Diperbadankan)	384,200	0.60
12. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	336,900	0.53

ANALYSIS OF SHAREHOLDINGS

Name of 30 Largest Shareholders		No. of Shares	% of Holdings
13.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	200,000	0.31
14.	Amanahraya Trustees Berhad Public Dividend Select Fund	175,900	0.27
15.	Chow Kok Meng	160,000	0.25
16.	Yayasan Guru Tun Hussein Onn	156,300	0.24
17.	Amanahraya Trustees Berhad Public Islamic Emerging Opportunities Fund	132,200	0.21
18.	Amanahraya Berhad Kumpulan Wang Bersama Syariah	117,700	0.18
19.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG)	100,000	0.16
20.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	92,700	0.14
21.	Tan Kim Onm	89,900	0.14
22.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian PTE LTD (A/C Clients)	87,200	0.14
23.	Tan Lee Hwa	84,000	0.13
24.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-R ES)	83,300	0.13
25.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	81,800	0.13
26.	Yee Anne	81,200	0.13
27.	Tay Teck Ho	80,000	0.13
28.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	79,100	0.12
29.	Chua Sim Hong	78,200	0.12
30.	Tan Pak Nang	76,000	0.12
Total		53,305,400	83.30

ANALYSIS OF SHAREHOLDINGS

Substantial Shareholders as per the Register of Substantial Shareholders

Name	Direct	%	Indirect	%
1. FrieslandCampina DLMI Malaysia Holdings B.V.	32,614,800	50.96	0	0
2. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	7,091,600	11.08	0	0
3. Amanahraya Trustees Berhad Amanah Saham Bumiputera	4,810,000	7.52	0	0

Directors Shareholdings

Name	Direct	%	Indirect	%
1. Datin Seri Sunita Mei-Lin Rajakumar	1,000	0.00	-	0.00
2. Ramjeet Kaur Virik	-	-	-	-
3. Saw Chooi Lee	-	-	-	-
4. Bernardus Hermannus Maria Kodden	-	-	-	-
5. Dato' Dr. Rosini binti Alias	-	-	-	-
6. Tengku Nurul Azian binti Tengku Shahrman	-	-	-	-
7. Jean Serge Krol	-	-	-	-
8. Darren Kong Kam Seong	-	-	-	-

Particulars of Properties as at 31 December 2021

Location of Property	Lot 61320, Lot 61321 and Lot 61322, Mukim Bandar Baru Enstek, Daerah Seremban, Negeri Negeri Sembilan
Brief description	Vacant Industrial Land
Approximate land area	1,419,759 sq ft.
Tenure leasehold land	Freehold land
Date of acquisition	17.12.2020
Age of property	N/A
Net Book Value (RM)	60.311 million

PROXY FORM



CDS Account No	
No. of shares held	

DUTCH LADY MILK INDUSTRIES BERHAD (Registration No. 196301000165 (5063-V))
(incorporated in Malaysia under the then Companies Ordinances, 1940 - 1946)

I/We _____
(full name in block letters, NRIC No/Company No)

of _____

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

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

And/or (delete as appropriate)

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

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fifty-Ninth Annual General Meeting of the Company which will be held fully virtual through live streaming and online remote voting from the Broadcast Venue, Gallery 3, Level 3, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia on Wednesday, 25 May 2022 at 10 a.m. and any adjournment thereof, in respect of my/our shareholding in the manner indicated below:-

RESOLUTION NO.	RESOLUTION	FOR	AGAINST
Resolution 1	Proposed increase and payment of Directors' fees for the financial year ending 31 December 2022, to be paid quarterly		
Resolution 2	Proposed payment of Directors' benefits (other than Directors' fees) for the financial year ending 31 December 2022		
Resolution 3	Re-election of Mr. Bernardus Hermannus Maria Kodden		
Resolution 4	Re-election of Ms. Saw Chooi Lee		
Resolution 5	Re-appointment of Ms. Ramjeet Kaur Virik		
Resolution 6	Re-appointment of PricewaterhouseCoopers PLT as the Company's Auditors		
Resolution 7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

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

Signed this _____ day of _____ 2022

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

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

Notes:

1. In view of the COVID-19 pandemic, in the interest of our stakeholders' health and safety, the Fifty-Ninth Annual General Meeting ("59th AGM") will be conducted fully virtual through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities which are available on Boardroom Smart Investor Portal at <https://meeting.boardroomlimited.my>. With RPEV facilities, members may exercise their rights to participate and vote at the 59th AGM through the following modes of communication: i) Typed text in the Meeting Platform ii) E-mail questions to finance.dept@frieslandcampina.com prior to the Virtual Meeting iii) You may submit questions in advance on the AGM resolutions and Annual Report 2021 not later than 10.00 a.m. on Monday, 23 May 2022 via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, and select "SUBMIT QUESTION" to pose questions ("Pre-AGM Meeting Questions"). The Company has appointed Boardroom Share Registrars Sdn Bhd ("Boardroom") as the Poll Administrator for the 59th AGM to facilitate the Virtual Meeting. Please follow the procedures set out in the Administrative Guide for the 59th AGM to register, participate and vote remotely via RPEV facilities.
2. The Broadcast Venue of the 59th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the 59th AGM. **Members will not be allowed to attend the 59th AGM in person at the Broadcast Venue on the day of the 59th AGM.**
3. A Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
4. Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.
5. The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointer is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. For the purpose of determining members who shall be entitled to attend the 59th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **18 May 2022** ("General Meeting Record of Depositors"). Only depositors whose names appear on the Record of Depositors as at **18 May 2022** shall be entitled to attend the said meeting or appoint proxies to attend and vote on their behalf.
7. To be valid, the original instrument appointing a proxy, duly completed (and if applicable, the power of attorney or other authority under which it is originally signed or notarially certified copy of that power of authority) must be deposited at the office of Boardroom Share Registrars Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof (or in the case of poll, not less than 24 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 Administrative Guide.
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Fifty-Ninth AGM will be put to vote by way of poll.

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STAMP

DUTCH LADY MILK INDUSTRIES BERHAD
(Registration No. 196301000165 (5063-V))

c/o Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan
Malaysia

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