

dutch lady milk industries berhad



**annual report**  
**laporan tahun**  
**2009**



**FrieslandCampina** 

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

[www.frieslandcampina.com](http://www.frieslandcampina.com)

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## From old to new...

Full Cream Milk powder changes its packaging



# notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting of the Company will be held at Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Wednesday, 19 May 2010 at 10.00 a.m. for the purpose of transacting the following business:

## AGENDA

### AS ORDINARY BUSINESS

#### Ordinary Resolution 1

- 1 To receive the Audited Financial Statements for the financial year ended 31 December 2009, together with the Reports of the Directors and Auditors thereon.

#### Ordinary Resolution 2

- 2 To approve the payment of a final dividend of gross 10.0 sen per share, less income tax, and a tax exempt dividend of 5.0 sen per share, in respect of the financial year ended 31 December 2009.

#### Ordinary Resolution 3

- 3 To approve the Directors' fees of RM164,000 for the financial year ended 31 December 2009.

#### Ordinary Resolution 4 & 5

- 4 To re-elect the following Directors, who retire by rotation pursuant to Article 94(a) of the Company's Articles of Association:-
  - (i) Mr. Boey Tak Kong
  - (ii) Mr. Huang Shi Chin

#### Ordinary Resolution 6 & 7

- 5 To re-elect the following Directors, who were appointed during the year and retire pursuant to Article 97 of the Company's Articles of Association:
  - (i) Dato' Zainal Abidin bin Putih
  - (ii) Mr. Sebastiaan G. van den Berg

#### Ordinary Resolution 8

- 6 To re-appoint Messrs KPMG (AF: 0758) as the Company's auditors and to authorise the Directors to fix their remuneration.

### AS SPECIAL BUSINESS

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

#### Ordinary Resolution 9

#### 7 PROPOSED NEW AND EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature as stated in Section 2.1.4 with the specified classes of Related Parties as stated in Section 2.1.3 of the Circular to Shareholders dated 27 April 2010 which are necessary for the Company's day-to-day operations subject to the following:-

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

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

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the Meeting the authority is renewed; or
  - (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Malaysian Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever is earlier.

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

- 8 To transact any other business for which due notice shall have been given.

### Notice of Dividend Entitlement

NOTICE IS ALSO HEREBY GIVEN that a final dividend of gross 10.0 sen per share, less income tax, and a tax exempt dividend of 5.0 sen per share, in respect of the financial year ended 31 December 2009, if approved by the shareholders, will be paid on 1 July 2010 to shareholders whose names appear in the Register of Members and Record of Depositors at the close of business on 3 June 2010.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 3 June 2010 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**HUANG SHI CHIN (MIA 3891)**

**CHIN NGEOK MUI (MAICSA 7003178)**

Joint Secretaries

Petaling Jaya

27 April 2010

### Notes:

*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 and Section 149(1)(b) of the Companies Act, 1965 shall not apply.*

*Save for an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member shall be entitled to appoint not more than two proxies to attend and vote at the same meeting provided that where a Member appoints two proxies, the appointment shall not be valid unless such Member specifies the proportion of his holdings to be represented by each proxy.*

*The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointor is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.*

*To be valid, the instrument appointing a proxy, duly completed (and, if applicable, the power of attorney or other authority under which it is signed or notarially certified copy of that power of authority) must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.*

### Explanatory Notes on Special Business:

#### Ordinary Resolution 9

**Proposed New And Existing Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature.**

Please refer to the Circular to Shareholders dated 27 April 2010.



# corporate information

## BOARD OF DIRECTORS

### CHAIRMAN

Dato' Zainal Abidin bin Putih  
Independent Non-Executive Director

### DIRECTORS

Sebastiaan G. van den Berg  
Managing Director

Dato' Dr. Mhd. Nordin bin Mohd. Nor  
Non-Independent Non-Executive Director

Johannes P.F. Laarakker  
Non-Independent Non-Executive Director

Foo Swee Leng  
Independent Non-Executive Director

Huang Shi Chin  
Executive Director

Boey Tak Kong  
Independent Non-Executive Director

### JOINT SECRETARIES

Huang Shi Chin  
(MIA 3891)

Chin Ngeok Mui  
(MAICSA 7003178)

## AUDIT COMMITTEE

### CHAIRMAN

Boey Tak Kong

### MEMBERS

Dato' Zainal Abidin bin Putih  
Foo Swee Leng  
Dato' Dr. Mhd. Nordin bin Mohd. Nor

## REMUNERATION COMMITTEE

### CHAIRMAN

Dato' Dr. Mhd. Nordin bin Mohd. Nor

### MEMBERS

Foo Swee Leng  
Sebastiaan G. van den Berg

## NOMINATION COMMITTEE

### CHAIRMAN

Johannes P.F. Laarakker

### MEMBERS

Dato' Zainal Abidin bin Putih  
Boey Tak Kong

## REGISTERED OFFICE

13, Jalan Semangat  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Telephone : 03-7953 2600  
Facsimile : 03-7953 2700

## REGISTRAR

SYMPHONY SHARE  
REGISTRARS SDN BHD  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Telephone : 03-7841 8000  
Facsimile : 03-7841 8151/8152

## WEBSITE

[www.dutchlady.com.my](http://www.dutchlady.com.my)

## STOCK EXCHANGE LISTING

MAIN MARKET OF BURSA MALAYSIA  
SECURITIES BERHAD

## AUDITORS

### KPMG (AF: 0758)

Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

## PRINCIPAL BANKERS

### PUBLIC BANK BERHAD

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

### THE ROYAL BANK OF SCOTLAND BERHAD

Level 1, Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur

### MALAYAN BANKING BERHAD

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

## SOLICITORS

### KHAW & PARTNERS

6th Floor  
Menara Boustead  
Jalan Raja Chulan  
50200 Kuala Lumpur



## chairman's statement

**"The Company achieved its highest profit before tax in its history amounting to RM82.4 million, an increase of a commendable 42% over the previous year. This is attributed mainly to favourable dairy raw material prices during the year."**

On behalf of the Board of Directors, I have pleasure in presenting the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2009.

2009 proved to be a challenging year in terms of sustaining top-line growth. For the first time in many years, Revenue declined by 2.7% to RM691.8 million due to lower selling prices and softer consumer demand. It was evident that consumers remained cautious because of economic uncertainties.

The Company's profitability however, tells a different story; the Company achieved its highest profit before tax in its history amounting to RM82.4 million, an increase of a commendable 42% over the previous year. This is attributed mainly to favourable dairy raw material prices during the year.

One of the most exciting events of the year was the change in the iconic Dutch Lady shield to a fresh new "Pulse" logo. The new "Pulse" logo gives a modern, more vibrant image to the Dutch Lady brand.

We were also busy with the continuation of our "Spread the Goodness of Milk" campaign held in conjunction with World Milk Day on 1 June 2009. In addition, during the year, we re-launched our Growing-up Milk with TT-Ratio Advance formulation, and Friso P2, with Pre and Pro-biotics in the premium powder category.

For 2010, we anticipate a difficult year ahead for the Company. In addition to weak consumer demand, adverse weather conditions have caused a significant rise in dairy raw material prices and this will have an adverse impact on the Company's results.

In 2009, I am pleased to inform that the Company had restored its special dividend payment, in addition to the normal dividends. A total of RM42.0 million was paid out in dividends to Shareholders during the year. I have to remind Shareholders though, that the payment of Special dividends is not guaranteed but is very much dependent on the Company's business and operational needs.

You will also notice that the Company had thought it fit to also adjust its normal dividend rate, as it is more confident about the future profitability of your Company. Hence, the final dividend is gross 10.0 sen, less income tax, and 5.0 sen tax exempt, per RM1.00 ordinary share, in respect of the financial year ended 31 December 2009. This will be proposed to the Shareholders at the forthcoming Annual General Meeting for approval and will be payable, if approved, in July 2010.

In the Board, I have the pleasure to extend a warm welcome to Bas van den Berg, the new Managing Director of the Company. We are very happy to have him because he brings with him extensive business experience that we believe will propel Dutch Lady Malaysia to greater heights. After all, in his previous job, he ran a RM4.0 billion business!!

By the same token, we are grateful for Hans Laarakker's assured stewardship of the Company in the last four years. His dynamism and energy is an example to all of us. I am glad that he will continue to remain on our Board as a Non-executive Director to lend his intimate knowledge of the Company and the Malaysian business environment.

Another former Managing Director of the Company, Cees Ruijgrok resigned at the end of the year. We shall miss him and are grateful for his immense contribution and service to the Company.

As always, on behalf of the Board, I would like to convey our sincere thanks to the Management and Staff of the Company for their sterling effort in 2009 despite the difficulties in the market and to wish them greater success in the current year.



DATO' ZAINAL ABIDIN BIN PUTIH  
Chairman





# corporate governance statement

The Board of Directors is pleased to report to shareholders the manner in which the Company has applied the principles and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the revised Malaysian Code on Corporate Governance (the Code) pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the Listing Requirements).

## 1 The Board of Directors

### 1.1 Composition

The Board comprises seven directors; two of whom are non-independent non-executive directors, three are independent non-executive directors and two Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements. The Board is required under Paragraph 15.02 of the Main Market Listing Requirements to ensure that it has one-third independent directors.

The Board has identified Dato' Zainal Abidin bin Putih as its senior Independent and Non-Executive Chairman, to whom concerns of shareholders, Management and others may be conveyed.

After faithfully serving as Chairman of the Board for 33 years, Tan Sri Kamarul Ariffin bin Mohd. Yassin retired after the Annual General Meeting held during the year. Dato' Zainal Abidin bin Putih was appointed the new Chairman on 27 May 2009.

### Duties and Responsibilities

The Company is led by an experienced Board under a Chairman who is an Independent and Non-Executive Director. The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities. Members of the Board are professionals from varied backgrounds, bringing depth and diversity in experience, expertise and perspectives to the Company's business operations. The profiles of the members of the Board are set out in this Annual Report on pages 10 and 11.

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

More importantly, the Board has as members, independent non-executive directors who are independent from Management and major shareholders of the Company. The independent directors are also free from any business or

other relationships that could materially interfere with the exercise of their independent judgement.

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

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

- reviewing and adopting a strategic plan for the Company.
- overseeing the conduct of the Company's business to evaluate whether the business is being properly managed. The Board plays a supportive yet watchful role over the performance of Management.
- identifying principal risks to ensure the implementation of appropriate systems to manage these risks.
- establishing succession planning, including the appointment, training and fixing of compensation and where appropriate, replacement of senior management.
- maintaining shareholder and investor relations for the Company.
- reviewing the adequacy and the integrity of the Company's internal control and management systems; including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

## 2 Board Meetings

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

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

Directors have access to information within the Company and to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. The Directors also have access to independent professional advice in furtherance of their duties.

The attendance of the Directors at the Board Meetings is set out in the Directors' Profile appearing on pages 10 and 11 of the Annual Report.

### 3 Re-Election of Directors

At least one-third of the Directors are required to retire by rotation each financial year in accordance with the Company's Articles of Association and can offer themselves for re-election at the Annual General Meeting.

Directors who are appointed by the Board to fill a casual vacancy during the year are subject to election by shareholders at the next Annual General Meeting following their appointment.

The Company's Articles of Association provide that the Managing Director is also subject to retire by rotation once every three years.

### 4 Directors' Training

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme.

The Board has the responsibility of overseeing the training needs of their Directors. In addition to specific training programmes for its Directors annually, Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors.

For the year under review, all the Directors attended a training programme that covered the following topics:

- Recent Updates on Malaysian Securities Law & Capital Market Legislation
- Corporate Social Responsibility & Socially Responsible Investment.

- Information Security Awareness.
- Malaysian Tax Updates & AFTA.

Throughout the year, the Directors received regular updates and briefings on regulatory, industry and legal developments, including information on significant changes in business and operational risks and procedures instituted to mitigate such risks.

### 5 Directors' Remuneration

Directors' fees are paid to non-executive directors and these are approved by shareholders at the Annual General Meeting. Non-executive directors are also paid an attendance allowance for each Board or Committee Meeting that they attend. The Executive Directors are not paid an attendance allowance nor directors' fees.

The Company has adopted the objectives as recommended by the Code to determine the remuneration of Directors so as to ensure that the Company attracts and retains the Directors needed to run the Company successfully.

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2009 are as follows:

	Executive Directors	Non-Executive Directors
	RM '000	RM '000
Directors' fees	-	164
Meeting allowances	-	24
Salaries and other emoluments	1,148	-
Benefits in kind	310	-
	1,458	188

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM50,001 to RM100,000	-	1
Above RM500,000	2	-

## 6 Board Committees

As appropriate, the Board has delegated certain responsibilities to Board Committees that operate within clearly defined terms of reference. These Committees are:

### 6.1 Audit Committee

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

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

The Audit Committee comprises four directors (three of whom, including the Chairman, are independent non-executive directors). The members of the Committee are:

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

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

The Committee also reviews the Company's Quarterly unaudited statements and final audited (twelve months) Financial Statements before they are considered, deliberated and approved by the Board as well as related party transactions and any conflicts of interest situations during the year.

The Audit Committee Report for the financial year pursuant to Paragraph 15.15 of the Listing Requirements is contained on pages 12 and 13 of this Annual Report.

### 6.2 Nomination Committee

The Committee comprises three directors, all of whom are non-executive directors, a majority of whom are independent non-executive directors. The members of the Committee are:

1. *Mr. Johannes P.F. Laarakker*  
(Non-Independent Non-Executive Director)-Chairman
2. *Dato' Zainal Abidin bin Putih*  
(Independent Non-Executive Director)
3. *Mr. Boey Tak Kong*  
(Independent Non-Executive Director)

The Committee's responsibility among others, is to propose or review new nominees for the Board and Board Committees, to assess the effectiveness of Board as a whole, examine its size with a view to determine the impact of its number upon its effectiveness, the Committees of the Board and the individual directors on an on-going basis, and to annually review the required skills and core competencies of non-executive directors. The Committee also ensures that an orientation and education programme is in place for new Board members.

### 6.3 Remuneration Committee

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

1. *Dato' Dr. Mhd. Nordin bin Mohd. Nor*  
(Non-Independent Non-Executive Director)
2. *Mr. Foo Swee Leng*  
(Independent Non-Executive Director)
3. *Mr. Sebastiaan G. van den Berg*  
(Managing Director)

The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors (executive and non-executive). The Company adheres to the Group's human resource policies and procedures, which includes its performance appraisal system and compensation and benefits scheme. Nevertheless, the determination of remuneration packages of Directors is a matter for the Board as a whole and individuals are required to abstain from discussion of their own remuneration.

## 7 Accountability and Audit

### 7.1 Financial Reporting:

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

### 7.2 Statement of Directors' Responsibility in respect of Audited Financial Statements pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements.

Directors are required pursuant to Section 169(15) of the Companies Act, 1965 to state whether the Company's Financial Statements for the financial year are drawn up in accordance with approved accounting standards so as to give a true and fair view of the Company's state of affairs and of the results of the Company's business operations for the financial year.

In preparing the above Financial Statements, the Directors have:

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

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

### 7.3 Internal Audit

The Company's Internal Audit function is out-sourced to Ernst & Young, a public accounting firm, who are independent of the activities or operations of the Company.

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

The Internal Auditors' audit plan, nature and scope of the audit were agreed with the Audit Committee prior to the commencement of their audit. They reported on weaknesses in control procedures and made recommendations on areas for improvement.

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

Ernst & Young's internal audit fees for the year amounted to RM90,000.

### 7.4 External Audit

The Company's independent External Auditors, KPMG, who were appointed during the year, play an essential role to the shareholders by enhancing the reliability of the Company's Financial Statements and by giving assurance of that reliability to users of the Financial Statements.

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



## 8 Relations with Shareholders and Investors

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

A press conference is held immediately after the AGM whereat the Chairman and the Managing Director advise members of the media of the resolutions passed, and answer questions on the Company's operations posed by the reporters. Members of the media are also invited to the Company's major product launches where clarifications are given on the products and the business in general. Interviews are also held with research analysts upon request.

Announcements are made on a timely basis to Bursa Malaysia Securities Berhad and these are made electronically available to the public via Bursa Malaysia's internet website at [www.bursamalaysia.com](http://www.bursamalaysia.com), as well as on the Company's website.

The Company's website, [www.dutchlady.com.my](http://www.dutchlady.com.my) provides corporate and financial information, as well as news, highlights, events, product information and medical advice.





## directors' profile



from left: Mr. Boey Tak Kong, Dato' Dr. Mhd. Nordin bin Mohd. Nor, Mr. Sebastiaan G. van den Berg, Mr. Foo Swee Leng, Mr. Huang Shi Chin, Dato' Zainal Abidin bin Putih, Mr. Johannes P.F. Laarakker.

### DATO' ZAINAL ABIDIN BIN PUTIH

Aged 63. Malaysian. Independent Non-Executive Director. Chairman of the Company since 27 May 2009. Member of the Nomination Committee. He is also a Director of several publicly listed companies. An accountant by profession. He does not have any family relationship with any director and / or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended three out of three Board meetings held during the financial year.

### MR. SEBASTIAAN G. VAN DEN BERG

Aged 41. Dutch. Executive Director. Managing Director of the Company since 1 January 2010. Member of the Remuneration Committee. A board member of the Malaysian Dutch Business Council. He holds a business degree from HEAO Haarlem, the Netherlands. He does not have any family relationship with any director and / or major shareholder of the Company other than as nominee director of Royal FrieslandCampina NV. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He did not attend any Board Meetings held during the financial year as he was appointed a director in 2010.

**MR. BOEY TAK KONG**

Aged 55. Malaysian. Independent Non-Executive Director. Appointed to the Board on 12 November 2001. Chairman of the Audit Committee and member of the Nomination Committee. He is also a Director of several publicly listed companies. Currently, he is the Managing Director of Terus Mesra Sdn Bhd, a leadership training company. A Fellow Member of the Chartered Association of Certified Accountants, United Kingdom, Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom, Chartered Accountant of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Management. He does not have any family relationship with any director and / or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past ten years and he does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.

**MR. HUANG SHI CHIN**

Aged 51. Malaysian. Executive Director. Appointed to the Board on 6 May 2004. He is currently the Company's Corporate Affairs Director and Joint Company Secretary. A Member of the Institute of Chartered Accountants (England & Wales) and a Chartered Accountant of the Malaysian Institute of Accountants. He does not have any family relationship with any director and / or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.

**MR. FOO SWEE LENG**

Aged 63. Malaysian. Independent Non-Executive Director. Appointed to the Board on 18 June 1986. Member of the Audit and Remuneration Committees. He was formerly the Managing Director of the Company and the Regional Director of Friesland Asia Pacific. He holds a degree in Economics from University Malaya. He does not have any family relationship with any director and / or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.

**DATO' DR. MHD. NORDIN BIN MOHD. NOR**

Aged 63. Malaysian. Non-Independent Non-Executive Director. Appointed to the Board on 6 August 2003. Chairman of the Remuneration Committee and member of the Audit Committee. He is also a Director of Sunzen Biotech Berhad. He was formerly the Director-General of the Department of Veterinary Services, Malaysia. He is also the Chairman of the Malaysian Animal Welfare Foundation and Patron of the Malaysian Feline Society. He holds a degree in Veterinary Science from the University of Queensland, Australia. He does not have any family relationship with any director and / or major shareholder of the Company other than as nominee director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.

**MR. JOHANNES P.F. LAARAKKER**

Aged 44. Dutch. Non-Independent Non-Executive Director. Appointed to the Board on 8 August 2006. Chairman of the Nomination Committee. He was formerly the Managing Director of the Company. He holds a degree in Business Administration from the Catholic University of Tilbury, the Netherlands. He does not have any family relationship with any director and / or major shareholder of the Company other than as nominee director of Royal FrieslandCampina NV. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all five Board Meetings held during the financial year.



# audit committee report

Pursuant to paragraph 15.15 of the Listing Requirements of Bursa Malaysia Securities Berhad

## 1 Membership and Meeting of the Committee

Members of the Audit Committee are:-

1. *Mr. Boey Tak Kong*  
(Independent, Non-Executive Director)-Chairman
2. *Dato' Zainal Abidin bin Putih* (appointed on 27/05/2009)  
(Independent, Non-Executive Director)
3. *Mr. Foo Swee Leng*  
(Independent, Non-Executive Director)
4. *Dato Dr. Mhd. Nordin bin Mohd. Nor*  
(Non-Independent Non-Executive Director)

Mr. Boey Tak Kong and Dato' Zainal Abidin bin Putih, being members of the Malaysian Institute of Accountants, fulfill the requirement of paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Audit Committee held four meetings during the financial year ended 31 December 2009. Details of attendance of the Audit Committee members are as follows:-

Name of Members	Total Meetings Attended
Boey Tak Kong	4 out of 4
Dato' Zainal Abidin bin Putih	2 out of 2
Mr. Foo Swee Leng	4 out of 4
Dato' Dr. Mhd Nordin bin Mohd Nor	4 out of 4

## 2 Role of the Audit Committee

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

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

## 3 Terms of Reference

### • Composition

The Committee comprises four Directors, a majority of whom is independent. The Chairman is an Independent Non-Executive Director. Two members of the Committee are professional accountants.

In compliance with the Code, all members of the Committee are non-executive directors.

### • Quorum

The quorum for the Meeting is three.

### • Agenda and Notice of Meeting

The Company Secretary is responsible, with the concurrence of the Chairman, for preparing and circulating the Agenda and the Notice of Meeting, together with supporting explanatory documentation to members of the Committee prior to each meeting.

### • Attendance at Meeting

The Finance Director, Internal Auditors and External Auditors attend meetings by invitation of the Committee. Other Board Members have the right of attendance.

### • Frequency of Meetings

Meetings are held not less than four times a year. The External Auditors may request a meeting if they consider that one is necessary.

### • Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it deems necessary.

### • Duties

The duties of the Committee are:

- (a) To consider the appointment of the External Auditors and fix their audit fee, and any question of their resignation or dismissal.
- (b) To discuss with the External Auditors their audit plan, the nature and scope of the audit, evaluation of the Company's system of internal controls and audit report on the annual Financial Statements.
- (c) To review the quarterly and annual Financial Statements of the Company before submission to the Board of Directors, focusing particularly on:
  - (i) public announcement of the results and dividend payment.
  - (ii) any changes in accounting policies and practices.
  - (iii) the going concern assumption.
  - (iv) compliance with approved accounting standards.
  - (v) compliance with stock exchange and legal requirements, and
  - (vi) significant adjustments arising from the audit.
- (d) To discuss issues and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss, in the absence of Management where necessary.
- (e) To review the External Auditors' letter to Management and Management's response thereon.
- (f) To do the following, in relation to the internal audit function:-

- (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.
  - (ii) review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function by Management;
  - (iii) review and appraise the performance of members of the internal audit function.
  - (iv) approve any appointment or termination of senior staff members of the internal audit function; and
  - (v) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (g) To consider any related party transactions and conflict of interest situations that may arise within the Company.
- (h) To consider the major findings of any internal investigations and Management's response thereon.
- (i) To review the draft Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors.
- (j) To consider any other topics, as defined by the Board.

#### • Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Detailed audit reports by the Internal Auditors and the respective Management response are circulated to members of the Committee before each Meeting at which the said reports are tabled.

#### 4 Internal Audit Function

The Company's Internal Audit function is carried out by Ernst & Young, a public accounting firm. Ernst & Young are independent from the activities or operations of the Company and report to the Audit Committee.

The Internal Auditors are empowered to audit the Company's business units, review the units' compliance with internal control procedures, highlight areas of weaknesses and make appropriate recommendations to the Company for improvements.

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

- Prepared the audit plan for the year, which is reviewed and approved annually by the Audit Committee. The annual audit plan is based on the 2009 - 2011 audit plan following a risk likelihood/impact assessment and approved by the Audit Committee on 18 November 2008, and modified where necessary by the Audit Committee.
- Determined the manpower requirement to support the audit plan.
- Prepared the audit programme based on the audit plan, for each activity or process to be audited.
- Discussed with auditees, process owners and Management on the results of the audit for each activity or process, and the recommendations for improvements.
- Reported to the Audit Committee on a quarterly basis the internal audit findings, on risk management, control and governance issues identified during the risk based audits, together with recommendations for improvements in the processes.
- Undertook investigations and special reviews of matters arising from the audits and/or as requested by Management and/or Audit Committee, and issued reports accordingly.
- Followed up on recommendations from the previous internal audit reports to ensure that all matters arising are adequately addressed.
- Conducted follow-up of recommendations by the External Auditors in their Management letter.

Ernst & Young's internal audit fees for the year amounted to RM90,000.

#### 5 Summary of Audit Committee's Activities

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

The activities of the Audit Committee's during the financial year ended 31 December 2009 were as follows:

- (i) Reviewed the audit plan, nature and scope of the audit with the Internal and External Auditors;
  - (ii) Discussed the findings and recommendations by the Internal and External Auditors on systems and control weaknesses, and ensured that corrective actions were taken by Management;
- During the year, the Audit Committee had four meetings with the Internal Auditors and two meetings with the External Auditors, which included separate sessions between the Independent and Non-Executive Directors and External Auditors, without the presence of the Executive Directors and Management staff.
- (iii) Reviewed the compliance with accounting standards and ensured that the Company used appropriate accounting policies for its financial statements;
  - (iv) Reviewed the Company's quarterly financial results and recommended the same to the Board for approval and announcement to Bursa Malaysia Securities Berhad;
  - (v) Reviewed the Company's audited accounts for the year and audit report of the External Auditors on the financial statements and recommended the same to the Board for approval;
  - (vi) Reviewed the related party transactions and any conflicts of interest situations during the year, and
  - (vii) Reviewed the Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for approval.



## corporate responsibility

Mindful of the impact its operations have on society, the Company seeks to ensure that the interests of its key stakeholders; from shareholders, investors, consumers, customers and employees to the larger community are looked after. The Company seeks to be socially responsible and hope to make a difference in the society that it operates in.

### Corporate and Personal Conduct

We expect all our staff to maintain the highest standards of propriety, integrity and conduct in all their business relationships. Employees are contractually bound to observe prescribed standards of business ethics when conducting themselves at work and in relationship with external parties, such as customers and suppliers. Corruption is not tolerated. We apply a similar requirement to our conduct as a company, and undertake to comply with all applicable legal and regulatory requirements.

To further enhance good governance practices, the Company have in place a comprehensive Employee Handbook, Corporate Citizenship framework, Code of Conduct and Whistle-Blowing Procedures, whereby staff can report any major concerns about irregularities or malpractices without fear or punishment to local trusted representatives or an external contact at the Group's head office.

### Quality, Research & Development And Innovation

Dutch Lady recognises that it operates in a competitive business environment. Thus, Dutch Lady has placed its focus on producing quality and innovative products, at optimum costs and with greater productivity to face the challenges of intense competition in the market place.

Our business culture of producing quality and innovative products to meet the nutritional needs of our consumers of all ages will continue to be our foundation for growth. We will continue to benchmark our processes against the highest international standards and to embrace relevant technology to stay ahead. Investment in research and development internally and with the help of the Royal FrieslandCampina

Group, and embracing best practices will be the key to our sustainable growth in businesses.

We will continue to maintain and improve our processes through Good Manufacturing Practices, HACCP (Hazard Analysis Critical Control Point) System, ISO 9001, ISO14001 and OHSAS 18001 standards.

### Responsibility To Employees

We acknowledge that our employees are the key to unlocking our potential to make a good business great. We know the value of our intellectual capital and show this by encouraging personal development, by recognising achievements and by looking after their well-being. We are committed to ensuring equality of opportunity, and the health and safety of our employees in the workplace.

### Caring For Our People

Our people are our most valuable asset. In recognition of this, the Company places utmost importance in ensuring that our people are equipped with the necessary skills and knowledge to keep us at the forefront of our business. Whilst we strive to create more wealth for our shareholders, we also seek to balance our commitment to our people. Bearing this in mind, we have organised several activities throughout the year, ranging from trainings to social gatherings as well as recreational activities.

As part of our initiatives, we provide free canteen food to our employees in the factory. We have also instituted the Children's Education Excellence Award to recognise and encourage good examination results from our employees' children.

### Safety First

The Company believes that safety is paramount in all aspects of its operations. Concerted efforts are continually made to create awareness on the collective responsibility among our employees for the prevention of injuries and occupational health hazards and the assurance of public safety when carrying out its business activities.



The Company has in place OHSAS 18001 (Occupational Health and Safety Assessment Series) that contributes to the protection of employees from hazards and the elimination of work-related injuries and health-related issues.

### Training & Development

As a learning-based organisation, we firmly believe in continuous training and development. Various programmes were held throughout the year to focus on upgrading the competencies of our people in order to unleash their hidden potential while creating a talent pool for succession planning. Investment is made in structured on-the-job training, workshops and seminars covering areas on management, technical, communication, leadership and soft-skills.

We have in place a Talent Assessment Programme to identify and develop future leaders. We also have a Graduate Trainee Programme to identify and develop energetic young people with excellent leadership and managerial qualities. A fresh batch of trainees was recruited during the year.

### Appreciating Loyalty

The Company appreciates the loyalty of employees. Long Service Awards are presented to those employees serving 10, 15, 20 and 25 years of service. Special retirement awards are also handed out to retiring staff.

### More Than Just Work

The Company believes in strengthening the bonds of friendship and camaraderie whilst instilling a sense of belonging among staff. This is achieved through various activities held during the year for employees.

The Annual Dinner and Family Day outings are among the regular events held to bring together not only employees but their families as well. Others include special celebrations of smaller groups when predetermined targets or objectives are achieved.

The Kelab Sukan Dutch Lady was established by the Company to organise various social, sports and welfare activities for our employees. Employees participate in various sports activities organised by the Sports Club throughout the year.

### Responsibility To Shareholders And Investors

We believe that effective corporate social responsibility can deliver benefits to our businesses and, in turn, to our shareholders. We do this by enhancing:-

- Good management practices
- Sound system of internal controls
- Risk management assessments
- Good relationships with regulators
- Talent recruitment and retention
- Customer Centric culture
- Goodwill of local community
- Long-term shareholder value
- Attractive dividend policy
- Social responsibility
- Sustainable development

- Corporate and personal leadership
- Accountability
- Innovation
- Reputation, business trust and integrity

Dutch Lady's Statements on Corporate Governance and Internal Control are included in the Annual Report.

### Investor Relations

In line with good governance practices, Dutch Lady places importance on compliance, accountability and transparency in the disclosure of information to our stakeholders. We frequently engage research analysts and the media about our Company's performance, new product launches and corporate social activities.

The Company's website at [www.dutchlady.com.my](http://www.dutchlady.com.my) not only provides corporate and financial information, but also news, highlights, events, product information and medical advice.

### Responsibility To The Environment

The Company is fully committed towards its social responsibility on environmental issues in the conduct of its business. It combines its social responsibility with its business objectives for long-term sustainable development. Our commitment and efforts towards the environment is embodied in the ISO 14001 Environment Management System, a systematic management approach towards the environment.

The Company's Safety, Health & Environment Policy outlines Dutch Lady's commitment and position on this. A specific department has the responsibility of maintaining occupational safety, health and environmental practices within the Company. It conducts periodic reviews, provide training and issue guidelines to equip our people with the necessary skills and knowledge to inculcate environmental awareness in our work culture.

Dutch Lady has invested in the use of natural gas in its manufacturing operations as well as in wastewater management. We continuously work towards the reduction in the use of electricity throughout the Company. In addition, we have a systematic procedure for the disposal of returned products, used packaging materials and scheduled waste. All these contribute to a cleaner, greener environment.

### Responsibility To The Community

As a responsible corporate citizen, Dutch Lady works closely with schools and charitable organisations to educate, support and engage projects.

The Company also participates in Karnival Jom Heboh held in nine states across Malaysia from February 2009 to December 2009. The activities include educational and fun games, and free counselling by professional nutritional representatives to the general public.

During the year, the Company raised RM20,000 during the introduction of the Nutribus and donated this and some children's furniture worth RM20,000 to the Women's Aid Organisation which provides shelter to abused and neglected children. A blood donation drive was also organised during the year.

# statement of internal control

The Board has overall responsibility for the Company's system of internal controls, which includes the establishment of a control environment and framework, and review its effectiveness, adequacy and integrity. The Board is responsible for identifying the major business risks faced by the Company and for determining the course of actions to manage those risks. The Company continually evaluates and manages risks and reviews the planned actions.

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

## Internal Control Structure and Processes

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

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

- **Board Committees**

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

- **Organisational structure and responsibility levels**

The Company has an organisational structure with formal lines of accountability and authorisation, approval and control procedures within which senior management operates.

- **Authority levels, acquisitions and disposals**

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

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

Board of Directors approval is required for key treasury matters including equity and loan financing, approving cheque signatories and the opening of bank accounts.

- **Procedures and control environment**

Control procedures and environment at Company and individual business unit levels and on staff policies have been established. The integrity and competence of personnel are ensured through pre-determined recruitment standards, the Hay Reward Management System, a comprehensive Performance Management System, talent assessment programme and management organisation development.

The Company also publishes and distributes to every employee guidelines on safety, health and environment.

- **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. Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

In line with this, the Company has a comprehensive Employee Handbook, Corporate Citizenship framework, Code of Conduct and Whistle-Blowing Procedures.

- **Formalised strategic planning and operating plan processes**

The Company undertakes a comprehensive business planning and budgeting process each year, to establish plans and targets against which performance is monitored on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year.

- **Reporting and review**

The Company's management team monitors the monthly reporting and reviews the financial results and forecasts for all the businesses within the Company against the operating plans and annual budgets. The results are communicated on a regular basis to employees.

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

- **Financial performance**

The preparation of quarterly and full year financial results and the state of affairs, as published to shareholders, are reviewed and approved by the Board. The full year Financial Statements are also audited by External Auditors.

- **Assurance compliance**

The Board, Audit Committee and Management review quarterly the internal audit reports and monitor the status of the implementation of corrective actions to address internal control weaknesses noted.

- **Risk & Control Framework**

The Company has in place a Risk & Control Framework which is based on the COSO Internal Control Framework, a world standard against which companies measure the effectiveness of the internal control systems in managing business risks.

- **Update on developments**

Quarterly reporting is made to the Board at its meetings of legal, accounting and environmental developments.

The outsourced Internal Audit function independently focuses on the key areas of business risk based on a work programme agreed annually with the Audit Committee, and reports on the systems of financial and operational controls on a quarterly basis to the Audit Committee.

The Internal Audit team advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The extent of compliance is reported to the Audit Committee on a quarterly basis.

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

In addition to internal controls, the Directors have ensured that safety and health regulations, environmental controls and political risks have been considered and complied with. The quality of the Company's products is paramount. Quality Assurance, Quality Control and meeting customer requirements are prime considerations and this is achieved by the Company being continuously ISO 9001 certified since 1995. Strong emphasis is also given to food safety with Good Manufacturing Practices and HACCP (Hazard Analysis Critical Control Point) System that covers all plants.

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

## Conclusion

The Directors have reviewed the effectiveness, adequacy and integrity of the system of 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.





- across the world, more people are turning to milk and dairy products
- every day we enrich lives by transforming milk into high quality foods, drinks and ingredients



# financial statement



## directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2009.

### Principal Activities

The Company is principally engaged in the manufacture and/or distribution of sweetened condensed milk, milk powder, dairy products and fruit juice drinks in the home market and for export. There have been no significant changes in the nature of these principal activities during the year.

### Results

	RM '000
<b>Profit for the year</b>	<b>60,400</b>

### Reserves and Provisions

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

### Dividends

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

- i) a final ordinary dividend of 6.25 sen per ordinary share less tax at 25% and 3.75 sen, tax exempt, totalling RM 5,400,000 (8.44 sen net per ordinary share) in respect of the year ended 31 December 2008 on 1 July 2009;
- ii) an interim ordinary dividend of 6.25 sen per ordinary share less tax at 25% totalling RM 3,000,000 (4.69 sen net per ordinary share) in respect of the year ended 31 December 2009 on 28 December 2009; and
- iii) a special interim ordinary dividend of 70.00 sen per ordinary share less tax at 25% totalling RM 33,600,000 (52.50 sen net per ordinary share) in respect of the year ended 31 December 2009 on 28 December 2009.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2009 is 10.00 sen per ordinary share less tax at 25% and 5.00 sen, tax exempt, totalling RM 8,000,000 (12.50 sen net per ordinary share).

### Directors of the Company

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

Dato' Zainal Abidin bin Putih (Appointed on 27/05/2009)  
 Sebastiaan Gijsbertus van den Berg (Appointed on 01/01/2010)  
 Johannes Petrus Franciscus Laarakker  
 Foo Swee Leng  
 Boey Tak Kong  
 Dato' Dr. Mhd Nordin bin Mohd. Nor  
 Huang Shi Chin  
 Tan Sri Kamarul Ariffin bin Mohd. Yassin (Retired on 27/05/2009)  
 Cornelis Hubertus Maria Ruijgrok (Resigned on 01/01/2010)

In accordance with Article 94(a) of the Company's Articles of Association, Mr Boey Tak Kong and Mr Huang Shi Chin retire by rotation at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

In accordance with Article 97 of the Company's Articles of Association, Dato' Zainal Abidin bin Putih and Sebastiaan Gijsbertus van den Berg, who were appointed during the year, retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

### Directors' Interests

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

### Directors' Benefits

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

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

### Issue of Shares and Debentures

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

There were no debentures issued during the financial year.

### Options Granted Over Unissued Shares

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

### Other Statutory Information

Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2009 have not

been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Holding Companies

The immediate and ultimate holding companies during the financial year were Frint Beheer IV BV and Royal FrieslandCampina NV respectively. Both companies are incorporated in the Netherlands.

### Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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



JOHANNES PETRUS FRANCISCUS LAARAKKER



HUANG SHI CHIN

Petaling Jaya,  
18 February 2010

# balance sheet

at 31 december 2009

	Note	2009 RM '000	2008 RM '000 Restated
<b>ASSETS</b>			
Property, plant and equipment	3	78,621	57,552
Intangible assets	4	4,879	5,664
Prepaid lease payments	5	3,706	3,782
<b>TOTAL NON-CURRENT ASSETS</b>		<b>87,206</b>	<b>66,998</b>
Inventories	6	57,552	74,902
Receivables, deposits and prepayments	7	89,031	117,169
Amount owing by related companies	19	5,469	5,709
Cash and cash equivalents	8	41,732	23,792
<b>TOTAL CURRENT ASSETS</b>		<b>193,784</b>	<b>221,572</b>
<b>TOTAL ASSETS</b>		<b>280,990</b>	<b>288,570</b>
<b>EQUITY</b>			
Share capital	9	64,000	64,000
Unappropriated profits	9	115,985	97,585
<b>TOTAL EQUITY</b>		<b>179,985</b>	<b>161,585</b>
<b>LIABILITIES</b>			
Deferred tax liabilities	10	4,150	2,300
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,150</b>	<b>2,300</b>
Payables and accruals	11	69,985	97,602
Amount owing to related companies	19	21,920	22,478
Provision	12	283	247
Current tax liabilities		4,667	4,358
<b>TOTAL CURRENT LIABILITIES</b>		<b>96,855</b>	<b>124,685</b>
<b>TOTAL LIABILITIES</b>		<b>101,005</b>	<b>126,985</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>280,990</b>	<b>288,570</b>

The notes on pages 26 to 44 are an integral part of these financial statements.

# income statement

for the year ended 31 december 2009

	Note	2009 RM '000	2008 RM '000 Restated
REVENUE	13	691,847	711,567
COST OF GOODS SOLD		<u>(462,510)</u>	<u>(526,711)</u>
<b>GROSS PROFIT</b>		<b>229,337</b>	<b>184,856</b>
OTHER OPERATING INCOME		1,561	1,510
DISTRIBUTION COSTS		(98,697)	(82,403)
ADMINISTRATIVE EXPENSES		(19,048)	(18,342)
OTHER OPERATING EXPENSES		<u>(31,122)</u>	<u>(27,498)</u>
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>82,031</b>	<b>58,123</b>
INTEREST INCOME		451	31
FINANCE COSTS		<u>(1)</u>	<u>(296)</u>
<b>PROFIT BEFORE TAX</b>	14	<b>82,481</b>	<b>57,858</b>
TAX EXPENSE	15	<u>(22,081)</u>	<u>(15,211)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>60,400</u></b>	<b><u>42,647</u></b>
<b>BASIC EARNINGS PER ORDINARY SHARE (RM)</b>	16	<b><u>0.94</u></b>	<b><u>0.67</u></b>

The notes on pages 26 to 44 are an integral part of these financial statements.

# statement of changes in equity

for the year ended 31 december 2009

	Note	Share Capital RM '000	Distributable Unappropriated Profits RM '000	Total Equity RM '000
<b>AT 1 JANUARY 2008</b>		<b>64,000</b>	<b>63,258</b>	<b>127,258</b>
Profit for the year		-	42,647	42,647
Dividends	17	-	(8,320)	(8,320)
<b>AT 31 DECEMBER 2008</b>		<b>64,000</b>	<b>97,585</b>	<b>161,585</b>
Profit for the year		-	60,400	60,400
Dividends	17	-	(42,000)	(42,000)
<b>AT 31 DECEMBER 2009</b>		<b>64,000</b>	<b>115,985</b>	<b>179,985</b>
		<b>Note 9</b>	<b>Note 9</b>	

# cash flow statement

for the year ended 31 december 2009

	Note	2009 RM '000	2008 RM '000 Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers and other receivables		721,781	689,119
Cash paid to suppliers and employees		(612,482)	(643,387)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>109,299</b>	<b>45,732</b>
Tax paid		(19,922)	(15,835)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>89,377</b>	<b>29,897</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions of property, plant and equipment		(29,285)	(8,150)
Additions of intangible assets		(607)	(6,961)
Proceeds from disposal of property, plant and equipment		5	324
Interest received		451	31
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(29,436)</b>	<b>(14,756)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(1)	(296)
Dividends paid	17	(42,000)	(8,320)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(42,001)</b>	<b>(8,616)</b>
Net increase in cash and cash equivalents		17,940	6,525
Cash and cash equivalents at 1 January	(i)	23,792	17,267
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	(i)	<b>41,732</b>	<b>23,792</b>

## i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Note	2009 RM '000	2008 RM '000
Cash at bank and on hand	8	23,732	23,792
Deposits placed with a licensed bank	8	18,000	-
		<b>41,732</b>	<b>23,792</b>

The notes on pages 26 to 44 are an integral part of these financial statements.



# notes to the financial statements

Dutch Lady Milk Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board 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

No. 13, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan

The Company is principally engaged in the manufacture and/or distribution of sweetened condensed milk, milk powder, dairy products and fruit juice drinks in the home market and for export.

The immediate and ultimate holding companies during the financial year were Frint Beheer IV BV and Royal FrieslandCampina NV respectively. Both companies are incorporated in the Netherlands.

The financial statements were approved by the Board of Directors on 18 February 2010.

## 1 BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965 in Malaysia. The financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Boards (MASB) but are not yet effective for the Company:

#### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, Operating Segments

#### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate

Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 132, Financial Instruments: Presentation and FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

#### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation

- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

The Company plans to apply the above-mentioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for Amendments to FRS 2, Amendments to FRS 127, FRS 4, IC Interpretation 11, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for FRS 3 (revised), FRS 127 (revised), Amendments to FRS 2, IC Interpretation 12, IC Interpretation 15 and IC Interpretation 16 which are not applicable to the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 4, FRS 7, FRS 139 and IC Interpretation 12 are not disclosed by virtue of the exemptions given in these respective FRSS.

Material impact of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

#### (i) Improvements to FRSS (2009)

Improvements to FRSS (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. Amendments that have material impact is FRS 117, Leases.

The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. This change in accounting policy will result in reclassification of lease of land amounting to RM3,706,000 as at 31 December 2009 from prepaid lease payments to property, plant and equipment.

#### (ii) IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of the following:

- (a) goodwill;
- (b) an investment in an equity instrument; or
- (c) a financial asset carried at cost.

In accordance with the transitional provisions, the Company will apply IC Interpretation 10 to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Company first applied the measurement criteria of FRS 136, Impairment of Assets and FRS 139, Financial Instruments: Recognition and Measurement respectively.

#### (iii) FRS 8, Operating Segments

FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114<sub>2004</sub>, Segment Reporting, requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Company in order to allocate resources to the segment and to assess its performance. FRS 8 also requires disclosure on Company's products, services, geographical areas and major customers. Currently the Company does not present segmental information as it operates substantially in the consumer market involving manufacture and/or distribution of sweetened condensed milk, milk powder, dairy products and fruit juice drinks in Malaysia.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgements

The preparation of financial statements 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 estimate is 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Company.

### (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 balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those measured at fair value, which 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 the income statement.

### (b) Property, plant and equipment

#### (i) Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in the income statement.

#### (ii) Subsequent costs

The cost of replacing part 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 part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

#### (iii) Depreciation

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

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

• buildings	2% - 5%
• plant and machinery	7.5% - 20%
• motor vehicles	20%
• furniture and equipment	10% - 20%

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

### (c) Leased assets

#### (i) Finance lease

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

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

**(ii) Operating lease**

Leases, where the Company does not assume substantially all the risks and rewards of the ownership, are classified as operating leases, the leased assets are not recognised on the Company's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**(d) Intangible assets**

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 cost include the employee costs of software development and an appropriate portion of relevant overheads. The computer software development costs are recognised as assets and are amortised upon completion of the computer software on a straight line basis over its estimated useful life of 5 years.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and 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.

**(f) Receivables**

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less accruals for rebates, allowances and discounts that are payable to trade receivables and allowance for doubtful debts.

Receivables are not held for the purpose of trading.

**(g) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and deposits placed with licensed banks.

**(h) Impairment of assets**

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. 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 groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the income statement in the year in which the reversals are recognised.

**(j) Equity instruments**

All equity instruments are stated at cost on initial recognition and are not re-measured.

**(k) 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 provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

The Company's contribution to statutory pension funds are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

## **(ii) Termination benefits**

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

## **(l) Provisions**

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

## **(m) Payables**

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

## **(n) Revenue recognition**

### *Goods sold*

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

## **(o) Interest income**

Interest income is recognised as it accrues using the effective interest method.

## **(p) Tax expense**

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

## **(q) Earnings per shares**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## **(r) Segment reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 3 PROPERTY, PLANT AND EQUIPMENT

	Note	Building RM '000	Plant & Equipment* RM '000	Capital Work- In-Progress RM '000	Total RM '000
<b>COST</b>					
At 1 January 2008		40,057	86,984	-	127,041
Additions		-	-	15,111	15,111
Disposals		-	(1,024)	-	(1,024)
Transfer		3,942	10,820	(14,762)	-
Reclassified to intangible assets	4	-	(6,961)	-	(6,961)
At 31 December 2008/ 1 January 2009, restated		43,999	89,819	349	134,167
Additions		-	383	28,902	29,285
Disposals		-	(42)	-	(42)
Transfer		-	12,910	(12,910)	-
At 31 December 2009		43,999	103,070	16,341	163,410
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2008		13,202	57,411	-	70,613
Depreciation for the year		1,762	6,507	-	8,269
Disposals		-	(970)	-	(970)
Transfer		1,223	(1,223)	-	-
Reclassified to intangible assets	4	-	(1,297)	-	(1,297)
At 31 December 2008/ 1 January 2009, restated		16,187	60,428	-	76,615
Depreciation for the year		1,777	6,438	-	8,215
Disposals		-	(41)	-	(41)
At 31 December 2009		17,964	66,825	-	84,789
<b>CARRYING AMOUNTS</b>					
At 1 January 2008		26,855	29,573	-	56,428
At 31 December 2008/ 1 January 2009, restated		27,812	29,391	349	57,552
At 31 December 2009		26,035	36,245	16,341	78,621

\* Plant and equipment comprise plant, machinery, motor vehicles, furniture and equipment.

Included in property, plant and equipment of the Company are fully depreciated assets, which are still in use, with an aggregate cost of approximately RM 38,437,418 (2008 - RM33,123,381).

#### 4 INTANGIBLE ASSETS

	Note	Computer software RM '000	Work-in progress RM '000	Total RM '000
<b>COST</b>				
At 1 January 2008		-	-	-
Reclassified from property, plant and equipment	3	6,961	-	6,961
At 31 December 2008/ At 1 January 2009, restated		6,961	-	6,961
Additions		-	607	607
Transfer		108	(108)	-
At 31 December 2009		7,069	499	7,568
<b>AMORTISATION</b>				
At 1 January 2008		-	-	-
Reclassified from property, plant and equipment	3	1,297	-	1,297
At 31 December 2008 / 1 January 2009, restated		1,297	-	1,297
Amortisation for the year		1,392	-	1,392
At 31 December 2009		2,689	-	2,689
<b>CARRYING AMOUNTS</b>				
At 1 January 2008		-	-	-
At 31 December 2008/ 1 January 2009, restated		5,664	-	5,664
At 31 December 2009		4,380	499	4,879



## 5 PREPAID LEASE PAYMENTS

Unexpired Period  
less than 50 years  
RM '000

### COST / VALUATION

At 1 January 2008/31 December 2008/  
1 January 2009/31 December 2009

5,639

### AMORTISATION

At 1 January 2008

Amortisation for the year

1,782

75

At 31 At December 2008 / 1 January 2009

1,857

Amortisation for the year

76

At 31 December 2009

1,933

### CARRYING AMOUNTS

At 1 January 2008

3,857

At 31 December 2008 / 1 January 2009

3,782

At 31 December 2009

3,706

Prepaid lease payments relate to the lease of land 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. Prepaid lease payments are amortised over the lease term of the land.

As allowed by the transitional provision of FRS 117, the prepaid lease payments at valuation are stated on the basis of its 1968 valuation which has not been updated.

## 6 INVENTORIES

	2009 RM '000	2008 RM '000
Finished goods	24,684	34,729
Raw materials	30,200	37,111
Packaging materials	2,668	3,062
	<b>57,552</b>	<b>74,902</b>

**7 RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	2009 RM '000	2008 RM '000
<b>TRADE</b>		
Trade receivables	86,630	113,370
<b>NON-TRADE</b>		
Other receivables	1,101	3,434
Deposits	1,169	345
Prepayments	131	20
	2,401	3,799
	89,031	117,169

**8 CASH AND CASH EQUIVALENTS**

	2009 RM '000	2008 RM '000
Cash at bank and on hand	23,732	23,792
Deposits placed with a licensed bank	18,000	-
	41,732	23,792
The currency exposure profile of cash at bank and on hand is as follows:		
United States Dollar	1,636	1,335
Ringgit Malaysia	40,096	22,457
	41,732	23,792

The deposits placed with a licensed bank bear interest at 2.00% (2008: Nil) per annum.

**9 SHARE CAPITAL AND RESERVES**

SHARE CAPITAL	Amount 2009 RM '000	Number of shares 2009 RM '000	Amount 2008 RM '000	Number of share 2008 RM '000
Ordinary shares of RM 1 each Authorised	100,000	100,000	100,000	100,000
Issued and fully paid	64,000	64,000	64,000	64,000

**UNAPPROPRIATED PROFITS**

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank all of its unappropriated profits at 31 December 2009 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 10 DEFERRED TAX ASSETS AND LIABILITIES

	2009 RM '000	2008 RM '000
At beginning of year	2,300	1,618
Transfer to income statement (note 15)	1,850	682
At end of the year	<u>4,150</u>	<u>2,300</u>
Deferred tax (assets) and liabilities are attributable to the following:		
Temporary differences arising from:		
Property, plant and equipment	5,662	4,983
Provisions	(703)	(1,301)
Receivables	(648)	(820)
Inventories	(161)	(562)
	<u>4,150</u>	<u>2,300</u>

## 11 PAYABLES AND ACCRUALS

	Note	2009 RM '000	2008 RM '000
<b>TRADE</b>			
Trade payables	11.1	<u>53,547</u>	<u>64,387</u>
<b>NON-TRADE</b>			
Accrued expenses		15,532	29,374
Other payables		<u>906</u>	<u>3,841</u>
		<u>16,438</u>	<u>32,215</u>
		<u>69,985</u>	<u>97,602</u>

### 11.1 ANALYSIS OF FOREIGN CURRENCY EXPOSURE FOR SIGNIFICANT PAYABLES

Significant payables that are not in the functional currency of the Company are as follows:

	2009 RM '000	2008 RM '000
<b>FOREIGN CURRENCY</b>		
United States Dollar	15,309	22,343
New Zealand Dollar	588	651
Singapore Dollar	341	314
Euro	767	269
Australia Dollar	310	148
	<u>17,315</u>	<u>23,725</u>

**12 PROVISION**

	Employee pension contribution	
	2009 RM '000	2008 RM '000
At 1 January	247	277
Addition during the year	36	-
Utilised during the year	-	(30)
At 31 December	<u>283</u>	<u>247</u>

**EMPLOYEE PENSION CONTRIBUTION**

Provision for employee pension contribution reflects provisions made for additional contributions to the statutory Employees Provident Fund that would vest upon unionised staff having completed five years of service. The provisions have 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. No actuarial valuation has been performed as, in the opinion of the Directors, it would involve expenses out of proportion to the value to members of the Company.

**13 OPERATING COSTS APPLICABLE TO REVENUE**

The operating costs classified by nature, applicable to revenue, are as follow:

	2009 RM '000	2008 RM '000 restated
Changes in inventories of finished goods	10,045	5,606
Raw materials and consumables used	390,947	470,038
Directors' remuneration	1,646	1,808
Staff costs	39,393	34,822
Depreciation of property, plant and equipment (Note 24)	8,215	6,972
Amortisation of intangible assets (Note 24)	1,392	1,297
Amortisation of prepaid lease payments	76	75
Other operating expenses	<u>159,663</u>	<u>134,336</u>

Staff costs include salaries, contributions to Employees Provident Fund ("EPF"), bonuses and all other staff related expenses. Included in staff costs are contributions to EPF by the Company amounting to RM4,269,000 (2008 - RM4,274,000).

**14 PROFIT BEFORE TAX**

	2009 RM '000	2008 RM '000
<b>PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING/(CREDITING):</b>		
Operating lease rental	2,993	1,930
Write down of inventories	645	1,613
Rental of:		
Premises	251	620
Equipment	168	110
Allowance for doubtful debts	197	204
Auditors' remuneration:		
Statutory audit - current year	85	90
Other services	5	5
Net gain on foreign exchange		
Realised	(4,382)	(7,697)
Unrealised	(1,075)	-
Gain on disposal of property, plant and equipment	(5)	(270)
Bad debts recovered	-	(129)

**15 TAX EXPENSE**

	2009 RM '000	2008 RM '000
Tax expense - current	20,231	14,762
Over provision in prior years	-	(233)
	20,231	14,529
Deferred tax expense		
Relating to origination and reversal of temporary differences (Note 10)	1,850	520
Under provision in prior years (Note 10)	-	162
	1,850	682
	22,081	15,211
<b>RECONCILIATION OF TAX EXPENSE</b>		
Profit before tax	82,481	57,858
Tax at statutory tax rate of 25% (2008 - 26%)	20,620	15,043
Tax effects of expenses not deductible for tax purposes	1,461	307
Adjustment to opening deferred tax liabilities		
resulting from reduction in income tax rate	-	(68)
(Over)/Under provision in prior years:		
Current tax	-	(233)
Deferred tax	-	162
	22,081	15,211

At 31 December 2009, the Company has tax exempt income accounts as follows:

	2009 RM '000	2008 RM '000
Tax exempt income arising from:		
Reinvestment allowances claimed and utilised under the Income Tax Act, 1967	31,413	32,992
Tax incentives claimed under the Promotion of Investments Act, 1986	3,564	3,564
Income tax waived in accordance with Income Tax (Amendment) Act, 1999	1,533	1,533
	<u>36,510</u>	<u>38,089</u>

The above balances in the tax exempt income accounts, if agreed with the tax authorities, will enable the Company to distribute tax-exempt dividends to its shareholders.

## 16 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	2009 RM '000	2008 RM '000
Profit for the year	<u>60,400</u>	<u>42,647</u>
Weighted average number of ordinary shares of RM1 each in issue ('000)	<u>64,000</u>	<u>64,000</u>
Basic earnings per share (RM)	<u>0.94</u>	<u>0.67</u>

## 17 DIVIDENDS

Dividends recognised in the current year are:

	Sen per share (net of tax)	Total Amount RM '000	Day of payment
<b>2009</b>			
Final 2008 ordinary (6.25% less 25% tax and 3.75% tax exempt)	8.44	5,400	1.7.2009
Interim 2009 ordinary (6.25% less 25% tax)	4.69	3,000	28.12.2009
Special interim 2009 ordinary (70.00% less 25% tax)	52.50	33,600	28.12.2009
Total amount		<u>42,000</u>	
<b>2008</b>			
Final 2007 ordinary (6.25% less 26% tax and 3.75% tax exempt)	8.38	5,360	1.7.2008
Interim 2008 ordinary (6.25% less 26% tax)	4.63	2,960	23.12.2008
Total amount		<u>8,320</u>	



After the balance sheet date, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders in the Annual General Meeting.

	<b>Sen per share (net of tax)</b>	<b>Total Amount RM '000</b>
Final 2009 ordinary (10.00 sen per ordinary share less tax at 25% and 5.00 sen, tax exempt)	<b>12.50</b>	<b>8,000</b>

## 18 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	<b>2009 RM '000</b>	<b>2008 RM '000</b>
Executive Directors		
Salaries and other emoluments	<b>1,148</b>	<b>1,164</b>
Benefits-in-kind	<b>310</b>	<b>490</b>
	<b>1,458</b>	<b>1,654</b>
Non-executive Directors		
Fees	<b>164</b>	<b>136</b>
Other emoluments	<b>24</b>	<b>18</b>
	<b>188</b>	<b>154</b>
Other key management personnel:		
Short-term employee benefits	<b>1,799</b>	<b>1,905</b>
EPF contributions	<b>191</b>	<b>184</b>
	<b>1,990</b>	<b>2,089</b>

Directors' remuneration includes salaries, contributions to EPF, allowance and all other Director related expenses. Included in salaries and other emoluments of executive Directors are contributions to EPF by the Company amounting to RM72,000 (2008 - RM69,000).

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

## 19 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 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors of the Company, and members of senior management of the Company.

		2009 RM '000	2008 RM '000
<b>AMOUNT OWING BY RELATED COMPANIES</b>	<b>Note</b>		
Trade	i	4,466	3,705
Non-trade	ii	1,003	2,004
		<u>5,469</u>	<u>5,709</u>

i. The amount owing by related companies is subject to normal trade terms.

ii. The amount owing by related companies is unsecured, interest free and repayable on demand.

The currency exposure profile of amount owing by related companies is as follows:

	2009 RM '000	2008 RM '000
United States Dollar	4,468	3,739
Ringgit Malaysia	587	1,969
Euro	414	1
	<u>5,469</u>	<u>5,709</u>

### AMOUNT OWING TO RELATED COMPANIES

		2009 RM '000	2008 RM '000
	<b>Note</b>		
Trade	i	20,622	21,339
Non-trade	ii	1,298	1,139
		<u>21,920</u>	<u>22,478</u>

i. The amount owing to related companies is subject to normal trade terms.

ii. The amount owing to related companies is unsecured, interest free and repayable on demand

The currency exposure profile of amount owing by related companies is as follows:

	2009 RM '000	2008 RM '000
United States Dollar	8,029	12,980
Euro	13,475	7,920
Ringgit Malaysia	197	1,081
Thailand Bath	219	497
	<u>21,920</u>	<u>22,478</u>

The financial statements of the Company reflect the following significant transactions with related companies:

	2009 RM '000	2008 RM '000
<i>Immediate holding company</i>		
Management fee payable to Frint Beheer IV BV	<u>33</u>	<u>25</u>
<i>Related companies</i>		
Sales to:		
FrieslandCampina (Singapore) Pte. Ltd. (f.k.a. Friesland (Singapore Pte. Ltd.))	23,326	19,112
FrieslandCampina Hong Kong Ltd. (f.k.a. Friesland Foods Hong Kong Ltd.)	4,150	6,494
P.T. Frisian Flag Indonesia	-	256
Purchases from:		
FrieslandCampina BV (f.k.a. Friesland Foods BV)	46,833	131,876
Friesland Foods Foremost (Thailand) Plc	4,040	5,944
FrieslandCampina Vietnam (f.k.a. Dutch Lady Vietnam)	-	347
P.T. Frisian Flag Indonesia	58,127	23,425
Know-how, Trademark Licence and Management support fees paid to:		
Friesland Brands BV	20,501	17,577
Call centre facilities charges paid to:		
FrieslandCampina Service Centre Asia Pacific Sdn. Bhd. (f.k.a. Friesland Foods Service Centre Asia Pacific Sdn. Bhd.)	1,507	2,572
Shared services fees received from:		
FrieslandCampina Service Centre Asia Pacific Sdn. Bhd. (f.k.a. Friesland Foods Service Centre Asia Pacific Sdn. Bhd.)	36	36
FrieslandCampina Business Development Unit Sdn. Bhd. (f.k.a. Friesland Foods Business Development Unit, CPI Sdn. Bhd.)	<u>36</u>	<u>36</u>

## 20 FINANCIAL INSTRUMENTS

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Company has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Company.

### CREDIT RISK

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy customers, based on careful evaluation of the customers' financial condition and credit history, as a means of mitigating the risk of financial loss from defaults. The Company also maintains a large number of customers so as to limit high credit concentration in a single customer or customers from a particular market.

### INTEREST RATE RISK

The Company is exposed to interest rate risk through the impact of rate changes on short-term borrowings. However, the Company has no short-term borrowings and short-term deposits as of the financial year end.

### FOREIGN CURRENCY RISK

The Company undertakes trade transactions denominated in foreign currencies such as United States Dollar, New Zealand Dollar, Singapore Dollar, Euro and Australia Dollar with a number of related companies and third parties, where the amounts outstanding are exposed to currency translation risks.

The Company did not engage in any transactions involving financial derivative instruments during the financial year.

### LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk via general banking facilities to minimise the mismatch of financial assets and liabilities to maintain sufficient credit facilities for contingent funding requirement of working capital.

### CASH FLOW RISK

Cash flow risk is the risk of exposure to variability in cash flow that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variability rate debt. The Company reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

### FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the financial assets and financial liabilities as reported in the balance sheet approximate their fair values because of the immediate or short term maturity period of these financial instruments.

## 21 OPERATING LEASES

### LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

	2009 RM '000	2008 RM '000
Within one year	1,559	1,325
In the second to fifth years inclusive	2,265	2,223
	<u>3,824</u>	<u>3,548</u>

Operating lease payments represent rentals payable by the Company for certain vehicles and forklifts. Leases are negotiated and rentals are fixed for a term of between 4 to 5 years.

## 22 CAPITAL COMMITMENTS

	2009 RM '000	2008 RM '000
Property, plant and equipment		
Approved but not contracted for	33,900	35,800
Contracted but not provided for	<u>621</u>	<u>-</u>

## 23 SEGMENTAL INFORMATION

No segment information is provided as the Company operates principally in Malaysia and in one major business segment.

## 24 COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform to the current year presentation:

	As restated RM '000	As previously stated RM '000
<b>INCOME STATEMENT</b>		
Other operating income	1,510	1,541
Interest Income	<u>31</u>	<u>-</u>

	As restated RM '000	As previously stated RM '000
<b>CASH FLOW STATEMENT</b>		
Cash receipts from customers and other receivables	689,119	686,715
Cash paid to suppliers and employees	(643,387)	(640,983)
Additions of property, plant and equipment	(8,150)	(15,111)
Additions of intangible assets	(6,961)	-

**BALANCE SHEET**

Receivables, deposits and prepayments	113,370	115,774
Payables and accruals	33,215	35,619

Certain obligations accrued in other payables and accruals which are due to trade debtors have been reclassified against trade receivables arising from the change of presentation.

	As restated RM '000	As previously stated RM '000
<b>BALANCE SHEET</b>		
Property, plant and equipment	57,552	63,216
Intangible assets	5,664	-

The costs of computer software and implementation were inadvertently included in property, plant and equipment. In accordance with FRS 138, Intangible Assets, these cost should be separately identified and classified as intangible assets.

	As restated RM '000	As previously stated RM '000
<b>NOTE 13 OPERATING COSTS APPLICABLE TO REVENUE</b>		
Depreciation of property, plant and equipment	6,972	8,269
Amortisation of intangible assets	1,297	-



## statement by directors

pursuant to section 169(15) of the companies act, 1965

In the opinion of the Directors, the financial statements set out on pages 22 to 44 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a

true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.



JOHANNES PETRUS FRANCISCUS LAARAKKER  
Petaling Jaya,  
18 February 2010



HUANG SHI CHIN



## statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, Huang Shi Chin, the Director 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 22 to

44 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 Kuala Lumpur on 18 February 2010.



HUANG SHI CHIN

Before me,



ZULKIFLY BIN ABDULLAH (W298)

Commissioner for Oaths

Petaling Jaya



# independent auditors' report

to the members of Dutch Lady Milk Industries Berhad  
(Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Dutch Lady Milk Industries Berhad, which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 44. The financial statements of the Company as at 31 December 2008 were audited by another firm of chartered accountants, whose report dated 20 February 2009, expressed an unqualified opinion on those financial statements.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965, in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

## OTHER MATTERS

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

KPMG

Firm Number: AF 0758

Chartered Accountants

Chew Beng Hong

Approval Number: 2920/02/12 (J)

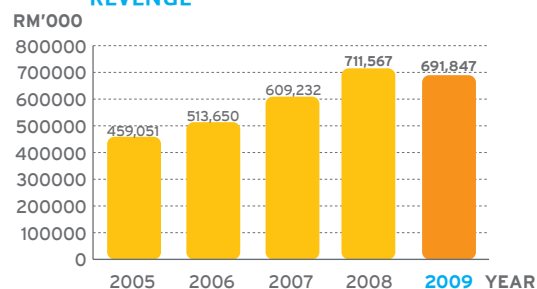
Chartered Accountant

Petaling Jaya, Selangor

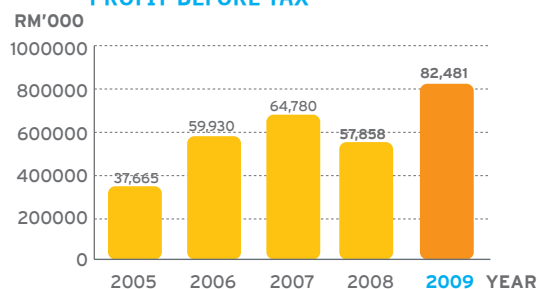
18 February 2010

## financial highlights

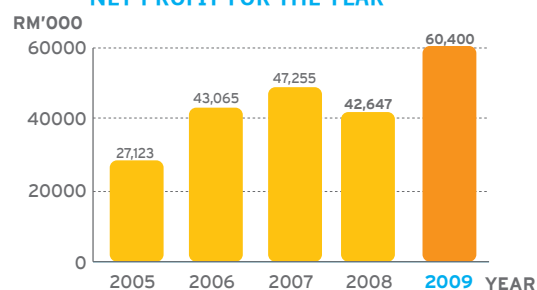
### REVENUE



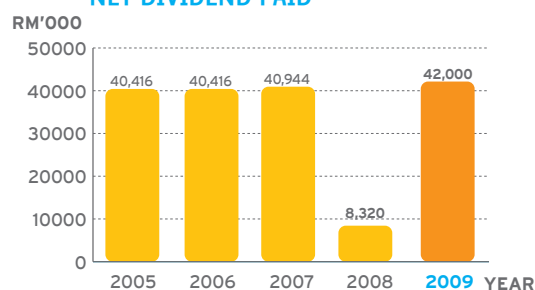
### PROFIT BEFORE TAX



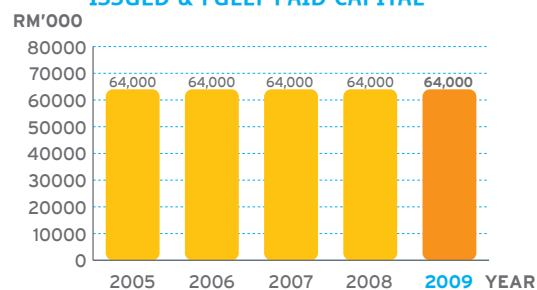
### NET PROFIT FOR THE YEAR



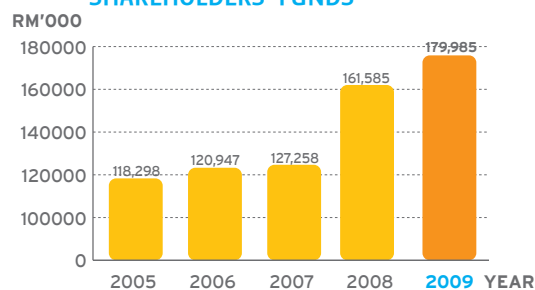
### NET DIVIDEND PAID



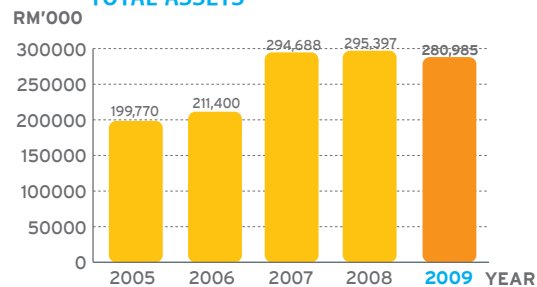
### ISSUED & FULLY PAID CAPITAL



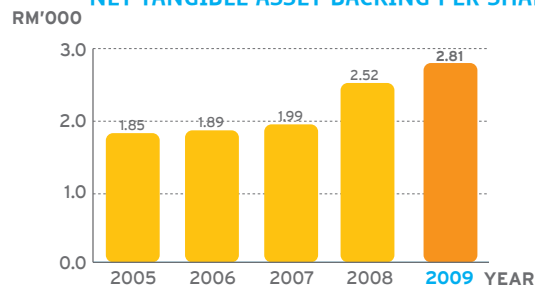
### SHAREHOLDERS' FUNDS



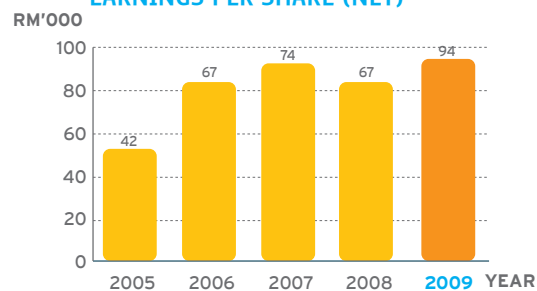
### TOTAL ASSETS



### NET TANGIBLE ASSET BACKING PER SHARE



### EARNINGS PER SHARE (NET)



## additional compliance information

### MATERIAL CONTRACTS

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

### SHARE BUYBACKS

During the financial year, there were no share buybacks by the Company.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, the Company did not issue any options, warrants or convertible securities.

### AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR programme.

### IMPOSITION OF SANCTIONS AND / OR PENALTIES

There were no sanctions and / or penalties imposed on the Company, Directors or management by any relevant regulatory bodies.

### NON-AUDIT FEES

During the financial year, the Company paid RM5,000 in non-audit fees to the External Auditors.

### PROFIT ESTIMATE, FORECAST OR PROJECTION

There was no material variance between the results for the financial year and the unaudited results previously announced. The Company did not release any profit estimate, forecast or projection for the financial year.

### PROFIT GUARANTEES

During the financial year, there were no profit guarantees given by the Company.

### REVALUATION POLICY ON LANDED PROPERTIES

The Company does not have a policy to revalue its landed properties.

### UTILISATION OF PROCEEDS

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



## other information

### Analysis of Shareholdings as at 16 March 2010

Class of Shares	Ordinary shares of RM1.00 each		
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	67	1.91	1,125	0.00
100 to 1,000 shares	1,708	48.78	1,317,735	2.06
1,001 to 10,000 shares	1,534	43.82	5,658,392	8.84
10,001 to 100,000 shares	176	5.03	4,196,648	6.56
100,001 to Less than 5% of the issued shares	14	0.40	6,407,800	10.01
5% and above of the issued shares	2	0.06	46,418,300	72.53
<b>Total</b>	<b>3,501</b>	<b>100.00</b>	<b>64,000,000</b>	<b>100.00</b>

#### Name of 30 Largest Shareholders

	No. of Shares	% of Holdings
1. Frint Beheer IV BV*	32,074,800	50.12
2. Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera*	14,343,500	22.41
3. Kumpulan Wang Persaraan (Diperbadankan)	2,559,300	4.00
4. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	780,000	1.22
5. Aun Huat & Brothers Sdn Bhd	583,100	0.91
6. Cartaban Nominees (Asing) Sdn Bhd - Exempt An For Bank Sarasin-Rabo (Asia) Limited	540,000	0.84
7. Yong Siew Lee	450,000	0.70
8. Yeo Khee Bee	398,000	0.62
9. Cartaban Nominees (Tempatan) Sdn Bhd - Exempt An For Kut Nominees (Tempatan) Sdn Bhd	203,400	0.32
10. Quek Guat Kwee	162,000	0.25
11. Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
12. Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA Emerging Markets Small Cap Series	125,700	0.20
13. Lee Sim Kuen	120,000	0.19
14. Wong So-Ch'i	111,000	0.17
15. Tong Yoke Kim Sdn Bhd	110,000	0.17
16. Wong So Haur	109,000	0.17
17. Chow Kok Meng	100,000	0.16
18. Lim Teh Realty Sdn Berhad	90,000	0.14
19. Foo Yoke Keong Adrian	80,000	0.13
20. Tan Kim Onm	77,900	0.12



21. Tan Pak Nang	75,000	0.12
22. HSBC Nominees (Tempatan) Sdn Bhd	62,000	0.10
- HSBC (M) Trustee Bhd For Kenanga Growth Fund		
23. HSBC Nominees (Tempatan) Sdn Bhd	60,000	0.09
- Pledged Securities Account For Goh Hiong Eng		
24. Sak Moy @ Sak Swee Len	58,000	0.09
25. JF Apex Nominees (Tempatan) Sdn Bhd	56,000	0.09
- Pledged Securities Account For Theo Chin Lian (STA 2)		
26. Chua Sim Hong	55,900	0.09
27. Lim Pin Kong	55,400	0.09
28. Amanahraya Trustees Berhad	55,300	0.09
- Amanah Saham Malaysia		
29. Meng Hin Holdings Sdn Bhd	52,000	0.08
30. Quah Say Beng	50,000	0.08
	<hr/>	<hr/>
	53,753,600	84.00
	<hr/>	<hr/>

\*Registered in the Company's Register as Substantial Shareholders

## Substantial Shareholders

Name	Direct	%	Indirect	%
1. Frint Beheer IV BV	32,074,800	50.12	0	0.00
2. Amanahraya Trustees Berhad	14,343,500	22.41	0	0.00
- Skim Amanah Saham Bumiputra				

## Directors' Shareholdings

Name	Direct	%	Indirect	%
1. Dato' Zainal Abidin bin Putih	-		-	
2. Sebastiaan G. van den Berg (appointed 01/01/2010)	-		-	
3. Foo Swee Leng	-		-	
4. Boey Tak Kong	-		-	
5. Dato' Dr. Mhd. Nordin bin Mohd. Nor	-		-	
6. Huang Shi Chin	-		-	
7. Johannes P.F. Laarakker	-		-	

## Particulars of Properties as at 31 December 2010

Location of Property	13 & 15, Jalan Semangat, Petaling Jaya	Lot 79, Jalan 13/6, Petaling Jaya
Brief Description	Factory buildings and office complex	Warehouse
Approximate Land Area	358,482	74,135(sq. ft.)
Tenure Leasehold land	Leasehold land expiring in the year 2059	Leasehold land expiring in the year 2059
Date of acquisition	21.10.1960 & 19.03.1980	12.01.1989
Age of property	Between 23 years to 44 years	21 years
Net Book Value (RM'mln)	28.4	3.2



# proxy form



No. of Shares held

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

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

### FORM OF PROXY

I/We ..... (NRIC No. ....)  
of .....  
being a member/members of DUTCH LADY MILK INDUSTRIES BERHAD ("the Company"), do hereby appoint #the Chairman of the Meeting  
or ..... (NRIC No. ....)  
of .....  
as my/our proxy/proxies to vote for me/us and on my/our behalf at the Forty-Seventh Annual General Meeting of the Company to be held at Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Wednesday, 19 May 2010 at 10.00 a.m. and any adjournment thereof, in respect of my/our shareholding in the manner indicated below:-

RESOLUTION NO.		*FOR	*AGAINST
Ordinary Resolution 1	Receive the Audited Financial Statements for the financial year ended 31 December 2009, together with the Reports of the Directors and Auditors' thereon.		
Ordinary Resolution 2	Approve the payment of final dividend of gross 10.0 sen per share, less income tax, and 5.0 sen per share, tax exempt.		
Ordinary Resolution 3	Approve the Directors' fees for the financial year ended 31 December 2009.		
Ordinary Resolution 4	Re-election of Mr. Boey Tak Kong.		
Ordinary Resolution 5	Re-election of Mr. Huang Shi Chin.		
Ordinary Resolution 6	Re-election of Dato' Zainal Abidin bin Putih.		
Ordinary Resolution 7	Re-election of Mr. Sebastiaan G. van den Berg.		
Ordinary Resolution 8	Re-appointment of Messrs KPMG as the Company's Auditors.		
Ordinary Resolution 9	Approve the Proposed New and Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

\* Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

# Delete the words "the Chairman of the Meeting" if you wish to appoint some other person(s) to be your proxy.

Signed this ..... day of .....2010

.....  
Signature(s) of Shareholder/Attorney (if Shareholder is a corporation, this part should be executed under seal)

### Notes:-

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 and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

Save for an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member shall be entitled to appoint not more than two proxies to attend and vote at the same meeting provided that where a Member appoints two proxies, the appointment shall not be valid unless such Member specifies the proportion of his holdings to be represented by each proxy.

The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointor is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.

To be valid, the instrument appointing a proxy, duly completed (and, if applicable, the power of attorney or other authority under which it is signed or notarially certified copy of that power of authority) must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.



