



www.dutchlady.com.my

Dutch Lady Milk Industries Berhad (5063-V)
(Incorporated in Malaysia)



LAPORAN TAHUN ANNUAL REPORT 2007

frieslandfoods

Dutch Lady Milk Industries Berhad is
affiliated to Royal Friesland Foods N.V.

CONTENTS



Notice Of Annual General Meeting.....	1 - 2
Corporate Information.....	3
Chairman's Statement.....	4
Corporate Governance Statement.....	5 - 9
Directors' Profile.....	10 - 11
Audit Committee Report.....	12 - 13
Corporate Responsibility.....	14 - 15
Statement Of Internal Control.....	16 - 17
Directors' Report.....	20 - 21
Income Statement.....	22
Balance Sheet.....	23
Statement Of Changes In Equity.....	24
Cash Flow Statement.....	25
Notes To The Financial Statements.....	26 - 42
Statement By Directors.....	43
Declaration By The Officer Primarily Responsible For The Financial Management Of The Company.....	43
Report Of The Auditors.....	44
Financial Highlights.....	45
Other Information.....	46 - 47
Additional Compliance Information.....	48
Proxy Form.....	49

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting of the Company will be held at Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Tuesday, 27 May 2008 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 2007, together with the Reports of the Directors and Auditors thereon.

Ordinary Resolution 2

- 2 To approve the payment of a final dividend of gross 6.25 sen per share, less income tax, and a tax exempt dividend of 3.75 sen per share, in respect of the financial year ended 31 December 2007.

Ordinary Resolution 3

- 3 To approve the Directors' fees for the financial year ended 31 December 2007.

Ordinary Resolution 4

- 4 To re-appoint Tan Sri Kamarul Ariffin bin Mohd. Yassin as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

Ordinary Resolution 5 & 6

- 5 To re-elect the following Directors, who retire by rotation pursuant to Article 94(a) of the Company's Articles of Association:-
 - (i) Mr. Foo Swee Leng
 - (ii) Mr. Cornelis H.M. Ruijgrok

Ordinary Resolution 7

- 6 To re-appoint Messrs Deloitte & Touche (AF: 0834) 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 resolutions:

Ordinary Resolution 8

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 29 April 2008 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."



Special Resolution 1

8 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

"THAT the proposed amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 29 April 2008 be and is hereby approved and adopted.

THAT the Directors and Secretary of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the amendments as set out in Appendix II of the Circular to Shareholders dated 29 April 2008.

AND THAT the Directors of the Company, be and are hereby authorised to assent to any condition, modification, variation and / or amendments as may be required by Bursa Malaysia Securities Berhad."

- 9 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 6.25 sen per share, less income tax, and 3.75 sen per share, tax exempt, in respect of the financial year ended 31 December 2007, if approved by the shareholders, will be paid on 1 July 2008 to shareholders whose names appear in the Register of Members and Record of Depositors at the close of business on 3 June 2008.

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 2008 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
29 April 2008

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 8

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 29 April 2008.

Special Resolution 1

Proposed Amendments to the Articles of Association.

Please refer to the Circular to Shareholders dated 29 April 2008.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Chairman

Tan Sri Kamarul Ariffin bin Mohd. Yassin

Independent Non-Executive Director

Directors

Johannes P.F. Laarakker
Managing Director

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

Cornelis H.M. Ruijgrok
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)

WEBSITE

www.dutchlady.com.my

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia
Securities Berhad

AUDITORS

Deloitte & Touche (AF: 0834)

Chartered Accountants
Level 19 Uptown 1
Damansara Uptown
1 Jalan SS21/58
47400 Petaling Jaya
Selangor Darul Ehsan

AUDIT COMMITTEE

Chairman

Tan Sri Kamarul Ariffin bin Mohd. Yassin

Members

Boey Tak Kong
Dato' Dr. Mhd. Nordin bin Mohd. Nor
Foo Swee Leng

REMUNERATION COMMITTEE

Chairman

Dato' Dr. Mhd. Nordin bin Mohd. Nor

Members

Foo Swee Leng
Johannes P.F. Laarakker

NOMINATION COMMITTEE

Chairman

Tan Sri Kamarul Ariffin bin Mohd. Yassin

Members

Foo Swee Leng
Boey Tak Kong

PRINCIPAL BANKERS

CIMB Bank Berhad

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

Public Bank Berhad

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

Malayan Banking Berhad

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

REGISTERED OFFICE

13, Jalan Semangat
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7956 7477
Facsimile : 03-7954 6301

REGISTRAR

Symphony Share

Registrars Sdn Bhd

Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone : 03-2721 2222
Facsimile : 03-2721 2530

SOLICITORS

Khaw & Partners

6th Floor,
Menara Boustead
Jalan Raja Chulan
50200 Kuala Lumpur

Oh Seng Dee & Co.

No. 11, 3rd Floor
Jalan 19/29
46300 Petaling Jaya
Selangor Darul Ehsan

H.K. Teh & Associates

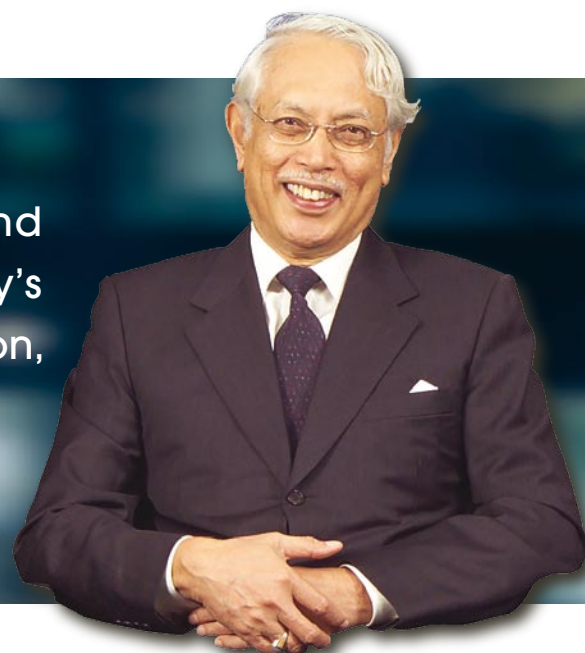
No. 5, Mezzanine Floor
Jalan SS2/67
47300 Petaling Jaya
Selangor Darul Ehsan



CHAIRMAN'S STATEMENT

As a result of the increased turnover and greater operational efficiency, the Company's profit before tax rose by 8% to RM65.0 million, from RM59.9 million in 2006.

- Chairman



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 2007.

Although 2007 had seen prices of key raw materials rise steadily to record levels, the Company managed to turn in the best results in its history.

This was the result of continued strong consumer demand for the Company's products, particularly the introduction of the TT-ratio formulation to its flagship Growing-up Milk powder. Coupled with effective marketing programmes and selected price adjustments, revenue recorded a healthy 19% growth to RM609.2 million.

As a result of the increased turnover and greater operational efficiency, the Company's profit before tax rose by 8% to RM65.0 million, from RM59.9 million in 2006. Whilst this was the highest level of profitability attained by the Company since it began operations, the primary issue of concern is the substantially increased raw material cost.

The outlook on higher raw material costs is likely to prevail in 2008, which will bear the full-year burden of these high costs. Consequently, margins and profits in 2008 will be negatively impacted. So much so that the Company does not expect the profit level achieved in 2007 to be repeated in 2008.

On Corporate Responsibility, I am pleased to inform that in 2007, the Company and its employees had helped to alleviate the hardship of some of the flood victims in Johor, contributed time and effort to teach children at two orphanages and introduced the Chairman's Educational Award, aimed at recognising and encouraging educational excellence amongst employees' children.

In line with the Company's commitment to return surplus cash to shareholders, the Company paid a total of RM40.9 million in dividends in 2007. This is the same level as in the last two years, after adjusting for the reduction in income tax rate.

Whilst your Directors are committed to continue with this policy, the Company cannot guarantee that this level of dividend payments can be sustained in 2008 due to the lower expected operational cashflow, the higher working capital and the greater investment needed in the plant to increase production capacity.

The Company will however, maintain the final dividend of gross 6.25 sen, less income tax, and 3.75 sen tax exempt, per RM1.00 ordinary share, in respect of the financial year ended 31 December 2007, which will be payable in July 2008.

As always, on behalf of the Board, I would like to convey our sincere thanks to the Management and Staff of the Company for a job well-done in 2007 and to wish them even greater success in the current year.

TAN SRI KAMARUL ARIFFIN BIN MOHD. YASSIN
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 15.26 of the 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 Listing Requirements to ensure that it has one-third independent directors.

The Board has identified its senior Independent and Non-Executive Chairman, Tan Sri Kamarul Ariffin bin Mohd. Yassin, to whom concerns of shareholders, Management and others may be conveyed.

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 four 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 re-election by rotation once every three years.

4 Directors' Training

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme and accumulated the requisite Continuing Education Programme points for the years 2003 and 2004 as specified by Bursa Malaysia Securities Berhad.

Under the revised Bursa Malaysia Listing Requirements, the Board will assume the onus of determining or overseeing the training needs of their Directors from 2005 onwards. 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:

- i) Business Intelligence within the Corporate Governance framework and Directors roles and responsibilities,
- ii) Prevention of corporate fraud and financial crimes, and
- iii) Innovation - how to compete in a market when information, knowledge, education and skills have become commodities to the extent that they can no longer be considered competitive advantages.

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 Malaysian Code on Corporate Governance 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 2007 are as follows:

Executive Directors	RM 1,346,000
Non-Executive Directors	RM 145,000

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	-	3
RM50,001 to RM100,000	-	1
Above RM400,000	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. *Tan Sri Kamarul Ariffin bin Mohd. Yassin*
(Independent Non-Executive Director)-Chairman
2. *Mr. Boey Tak Kong*
(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)

Dato' Dr. Mhd. Nordin bin Mohd. Nor replaced Mr. Johannes P.F. Laarakker in the Committee on 20 November 2007 in compliance with the revised Malaysian Code of Corporate Governance.

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 15.16 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 independent non-executive directors. The members of the Committee are:

1. *Tan Sri Kamarul Ariffin bin Mohd. Yassin*
(Independent Non-Executive Director)-Chairman
2. *Mr. Boey Tak Kong*
(Independent Non-Executive Director)
3. *Mr. Foo Swee Leng*
(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. Johannes P.F. Laarakker*
(Managing Director)

The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors (executive and non-executive) in all its forms, drawing from outside advice if necessary. 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 15.27(a) of the 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 outsourced 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 RM72,000.

7.4 External Audit

The Company's independent External Auditors, Deloitte & Touche, 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.

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





DIRECTORS' PROFILE



**Tan Sri Kamarul Ariffin
bin Mohd. Yassin**



Mr. Johannes P.F. Laarakker



Mr. Foo Swee Leng

TAN SRI KAMARUL ARIFFIN BIN MOHD. YASSIN

Aged 73. Malaysian. Independent Non-Executive Director. Chairman of the Company since 27 February 1976. Chairman of the Audit Committee and Nomination Committee. He is also a director of British American Tobacco (M) Berhad. Formally a Member of the Senate of the Malaysian Parliament. A lawyer 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 all four Board meetings held during the financial year.

MR. JOHANNES P.F. LAARAKKER

Aged 42. Dutch. Executive Director. Managing Director of the Company since 8 August 2006. Member of the Remuneration Committee. A board member of the Malaysian Dutch Business Council. 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 Koninklijke Friesland Foods 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 four Board Meetings held during the financial year.

MR. FOO SWEE LENG

Aged 61. Malaysian. Independent Non-Executive Director. Appointed to the Board on 18 June 1986. Member of the Audit Committee, Remuneration Committee and Nomination Committee. 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 four Board Meetings held during the financial year.



Mr. Boey Tak Kong



**Dato' Dr. Mhd. Nordin
bin Mohd. Nor**



Mr. Huang Shi Chin



Mr. Cornelis H.M. Ruijgrok

MR. BOEY TAK KONG

Aged 53. Malaysian. Independent Non-Executive Director. Appointed to the Board on 12 November 2001. Member of the Audit Committee and Nomination Committee. He is also a Director of RB Land Holdings Berhad, Sanbumi Holdings Berhad, Green Packet Berhad and Gadang Holdings Berhad. 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 four Board Meetings held during the financial year.

DATO' DR. MHD. NORDIN BIN MOHD. NOR

Aged 61. 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 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 four Board Meetings held during the financial year.

MR. HUANG SHI CHIN

Aged 49. 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 four Board Meetings held during the financial year.

MR. CORNELIS H.M. RUIJGROK

Aged 55. Dutch. Non-Independent Non-Executive Director. Currently the Managing Director of PT Frisian Flag Indonesia, a subsidiary of Koninklijke Friesland Foods NV. He holds a degree in Marketing from the Netherlands Institute of Marketing. He does not have any family relationship with any director and / or major shareholder of the Company other than as nominee director of Koninklijke Friesland Foods 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 three of the four Board Meetings held during the financial year.



AUDIT COMMITTEE REPORT

(Pursuant to paragraph 15.16 of the Listing Requirements of Bursa Malaysia Securities Berhad)

1 Membership and Meeting of the Committee

Members of the Audit Committee from 1 January 2007 to 19 November 2007 were:-

1. *Tan Sri Kamarul Ariffin bin Mohd. Yassin*
(Independent, Non-Executive Director)–Chairman
2. *Mr. Boey Tak Kong*
(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, being a member of the Malaysian Institute of Accountants, fulfills the requirement of paragraph 15.10(1)(c) of the Listing Requirements of Bursa Malaysia Securities Berhad.

In compliance with the revised Malaysian Code of Corporate Governance, Dato Dr. Mhd. Nordin bin Mohd. Nor, a Non-Independent Non-Executive Director, replaced Mr. Johannes P.F. Laarakker as a member of Audit Committee on 20 November 2007.

The Audit Committee held four meetings during the financial year ended 31 December 2007. Details of attendance of the Audit Committee members are as follows:-

Name of Members	Total Meetings Attended
Tan Sri Kamarul Ariffin bin Mohd. Yassin	4 out of 4
Mr. Boey Tak Kong	4 out of 4
Mr. Foo Swee Leng	4 out of 4
Mr. J.P.F. Laarakker	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. One member of the Committee is a professional accountant.

In compliance with the revised Malaysian Code of Corporate Governance, all members of the Committee are non-executive directors effective November 2007.

• 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 problems 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 and resources of the internal audit function, and that it has the necessary authority to carry out its work.
 - (ii) review the internal audit programme 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 any appraisal or assessment of 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 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 has been carried out by Ernst & Young since 2006. Ernst & Young are independent of 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.

Ernst & Young's internal audit fees for the year amounted to RM72,000.

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 2007 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.
- (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 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 line.

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 Friesland Foods 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 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 started providing free canteen food to our employees in the factory in 2006. We also instituted the Chairman'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 implemented 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 organization, 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 also have in place a Management Associates Programme to identify and develop young people with excellent leadership and managerial qualities.

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 Dance 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, by enhancing:-

- Good management practices
- Sound system of Internal Controls
- Risk management assessments
- Good relationships with regulators
- Staff motivation and attracting talent
- Customer Centric culture
- Goodwill of local community
- Long-term shareholder value
- Attractive dividend policy
- Social responsibility
- Sustainable development
- Corporate and personal leadership
- Accountability
- Information and transparency
- 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 and new product launches.

The Company's website at www.dutchlady.com.my not only provide 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 conversion from fuel oil to natural gas in its manufacturing operations as well as in wastewater management. We are working 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.

We instituted a programme running from October 2006 to March 2007 help the children in Rumah Bakti and Rumah Kids, not only financially, but also with the help of our employees, to teach the children computer skills and English.

The Company also participates in Karnival Jom Heboh held in ten states across Malaysia from February 2007 to December 2007. The activities include educational and fun games, and free counselling by professional nutritional representatives to the general public.

Dutch Lady believes in the importance of education; and that good nutrition intake at an early stage goes hand in hand with education. We have been working closely with the Ministry of Education since 1983 under the School Milk programme, and a Charity Foundation, to provide UHT milk to students from the lower income group nationwide.

In addition to the Company's donation of RM185,000 worth of milk products to the Johore flood victims, the Company's employees also organised a collection of essential items such as mattresses, pots, pans, blankets, etc for 20 hardcore poor families in two villages in April 2007.

Board's Responsibility

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

There is a clear definition to the functions and responsibilities of the various committees of the Board of Directors. These include the Audit Committee, the Nomination Committee and the Remuneration Committee.

• Organisational structure and responsibility levels

The Company has a well-defined organisational structure with clear lines of accountability and has strict authorisation, approval and control procedures within which senior management operates.

• Authority levels, acquisitions and disposals

There are clear definitions of 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. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions.

Authority of the Directors is required for key treasury matters including equity and loan financing, 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 high recruitment standards, the Hay Reward Management System, a comprehensive Performance Management System, succession planning and employee development programme.

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 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 regularly 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 regularly review the internal audit reports and monitor the status of the implementation of corrective actions to address internal control weaknesses noted.

- **Update on developments**

Regular 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 regular 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 neither material internal control failings nor significant problems that had arisen during the financial year.



FINANCIAL STATEMENTS

The image is a composite graphic. In the foreground, a traditional wooden abacus is visible, with its polished wooden beads and frame. To the right, a modern 3D bar chart with five vertical bars of increasing height is shown. The background is a collage of financial documents, including spreadsheets with various numbers, formulas like $528,054,678$, and $265,327$, and a line graph. The overall color scheme is dominated by warm, golden-yellow tones.



DIRECTORS' REPORT

The directors of DUTCH LADY MILK INDUSTRIES BERHAD have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture of sweetened condensed milk, milk powder, dairy products and fruit juice drinks for distribution in the home market and for export.

There have been no significant changes in the nature of the activities of the Company during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Company for the financial year are as follows:

	RM '000
Profit before tax	64,780
Income tax expense	(17,525)
Net profit for the year	47,255

In the opinion of the directors, the results of operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

A final dividend of 10% amounting to RM5,320,000, comprising 6.25%, less 27% tax and 3.75%, tax-exempt, proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year.

The dividends paid by the Company since the end of the previous financial year and in respect of the financial year ended 31 December 2007 are as follows:

	RM '000
(a) A special interim dividend of 30%, less 27% tax, paid in June 2007;	14,016
(b) An interim dividend of 6.25%, less 27% tax, paid in December 2007; and	2,920
(c) A special interim dividend of 40%, less 27% tax, paid in December 2007.	18,688
	<u>35,624</u>

The directors have proposed a final dividend of 10% amounting to RM5,360,000, comprising 6.25%, less 26% tax and 3.75%, tax-exempt, in respect of the year ended 31 December 2007. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual

General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statement and the balance sheet of the Company were made out, the directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Company misleading; or
- which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- not otherwise dealt with in this report or financial statements which would render any amount stated in



the financial statements of the Company misleading.

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Tan Sri Kamarul Ariffin bin Mohd. Yassin
Johannes Petrus Franciscus Laarakker
Foo Swee Leng
Boey Tak Kong
Cornelis Hubertus Maria Ruijgrok
Dato' Dr. Mhd Nordin bin Mohd. Nor
Huang Shi Chin

In accordance with Article 94(a) of the Company's Articles of Association, Messrs. Cornelis Hubertus Maria Ruijgrok and Foo Swee Leng retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Tan Sri Kamarul Ariffin bin Mohd. Yassin retires at the forthcoming Annual General Meeting and, being eligible, offers himself 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, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed 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 he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANIES

The Company is a subsidiary of Frint Beheer IV BV, a company incorporated in the Netherlands. The directors regard Koninklijke Friesland Foods NV, a company incorporated in the Netherlands, as the ultimate holding company.

AUDITORS

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

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

JOHANNES P.F. LAARAKKER

HUANG SHI CHIN

Petaling Jaya
27 February 2008



INCOME STATEMENT

for the year ended 31 December 2007

	Note	2007 RM '000	2006 RM '000
Revenue	5	609,232	513,650
Cost of sales		<u>(386,441)</u>	<u>(321,587)</u>
Gross profit		222,791	192,063
Other operating income		2,276	3,924
Distribution costs		(117,611)	(97,610)
Administrative expenses		(15,352)	(12,561)
Other operating expenses		<u>(27,078)</u>	<u>(25,753)</u>
Profit from operations	6	65,026	60,063
Finance costs	7	<u>(246)</u>	<u>(133)</u>
Profit before tax		64,780	59,930
Income tax expense	9	<u>(17,525)</u>	<u>(16,865)</u>
Net profit for the year		<u>47,255</u>	<u>43,065</u>
Earnings per ordinary share			
Basic (RM)	10	<u>0.74</u>	<u>0.67</u>

22

Annual Report 2007



The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

as of 31 December 2007



	Note	2007 RM '000	2006 RM '000
ASSETS			
Non-current Assets			
Property, plant and equipment	11	56,428	51,176
Prepaid lease payments	12	3,857	3,931
Total Non-current Assets		60,285	55,107
Current Assets			
Inventories	13	117,945	55,057
Trade receivables	14	86,468	64,199
Other receivables and prepaid expenses	14	6,145	6,964
Amount owing by other related companies	15	6,578	3,495
Cash and bank balances	24	17,267	26,578
Total Current Assets		234,403	156,293
Total Assets		294,688	211,400
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	16	64,000	64,000
Unappropriated profit	17	63,258	56,947
Total Equity		127,258	120,947
Non-current Liabilities			
Deferred tax liabilities	18	1,618	2,300
Current Liabilities			
Trade payables	19	69,737	43,846
Other payables and accrued expenses	19	38,433	26,932
Amount owing to other related companies	15	34,621	11,291
Short-term borrowings	20	16,400	-
Provisions	21	957	858
Tax liabilities		5,664	5,226
Total Current Liabilities		165,812	88,153
Total Liabilities		167,430	90,453
Total Equity and Liabilities		294,688	211,400

The accompanying notes form an integral part of the financial statements.



STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

	Note	Issued Capital	Distributable Reserve- Unappropriated Profit	Total
		RM '000	RM '000	RM '000
Balance as of 1 January 2006		64,000	54,298	118,298
Net profit for the year		-	43,065	43,065
Dividends paid	22	-	(40,416)	(40,416)
Balance as of 31 December 2006		64,000	56,947	120,947
Balance as of 1 January 2007		64,000	56,947	120,947
Net profit for the year		-	47,255	47,255
Dividends paid	22	-	(40,944)	(40,944)
Balance as of 31 December 2007		64,000	63,258	127,258

CASH FLOW STATEMENT

for the year ended 31 December 2007



	Note	2007 RM '000	2006 RM '000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Cash receipts from customers and other receivables		586,353	515,729
Cash paid to suppliers and employees		(523,470)	(445,535)
Cash generated from operations		62,883	70,194
Income tax paid		(17,769)	(16,072)
Net cash from operating activities		45,114	54,122
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Additions of property, plant and equipment		(13,917)	(6,681)
Proceeds from disposal of property, plant and equipment		111	455
Interest received		571	473
Net cash used in investing activities		(13,235)	(5,753)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest paid		(246)	(133)
Dividends paid		(40,944)	(40,416)
Net cash used in financing activities		(41,190)	(40,549)
Net increase / (decrease) in cash and cash equivalents		(9,311)	7,820
Cash and cash equivalents at beginning of year		26,578	18,758
Cash and cash equivalents at end of year	24	17,267	26,578

The accompanying notes form an integral part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The principal activities of the Company are the manufacture of sweetened condensed milk, milk powder, dairy products and fruit juice drinks for distribution in the home market and for export.

There have been no significant changes in the nature of the activities of the Company during the financial year.

The registered office and principal place of business of the Company is located at No. 13, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Company have been authorised by the Board of Directors for issuance on 27 February 2008.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

Changes in Accounting Policies

In the current financial year, the Company adopted all the revised Financial Reporting Standards ("FRS") issued by MASB that are relevant to its operations as follows:

FRS 119 Employee Benefits (effective 1 January 2003)

FRS 124 Related Party Disclosures (effective 1 October 2006)

The adoption of the abovementioned revised FRSs has not resulted in substantial changes to the Company's accounting policies and does not have any material financial effect on the net profit of the Company for the current and prior financial years.

Accounting Standards Issued but Not Effective

The following new and revised FRSs, Amendments, Interpretations have been issued but not yet effective until future periods:

Relevant to the Company's Operations

FRS 107 Cash Flow Statements

FRS 112 Income Taxes

FRS 118 Revenue

FRS 134 Interim Financial Reporting

FRS 137 Provisions, Contingent Liabilities and Contingent Assets

FRS 139 Financial Instruments: Recognition and Measurement

With the exception of FRS 139, the revised FRSs above are effective for accounting periods beginning on or after 1 July 2007. The directors anticipate that the adoption of these revised FRSs will not have any significant impact to the financial statements of the Company. The Company will apply these standards for the financial period beginning on 1 January 2008.

The effective date of FRS 139 is yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company will apply this standard when it becomes effective.





Not Relevant to the Company's Operations

FRS 111 Construction Contracts (effective 1 July 2007)

FRS 120 Accounting for Government Grants and Disclosure of Government Assistance (effective 1 July 2007)

Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation (effective 1 July 2007)

IC Interpretation 1 Changes in Existing Decommissioning, Restoration & Similar Liabilities (effective 1 July 2007)

IC Interpretation 2 Members' Shares in Co-operative Entities & Similar Instruments (effective 1 July 2007)

IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds (effective 1 July 2007)

IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment (effective 1 July 2007)

IC Interpretation 7 Applying the Restatement Approach under FRS 129²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies (effective 1 July 2007)

IC Interpretation 8 Scope of FRS 2 (effective 1 July 2007)

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared under the historical cost convention.

Revenue

Revenue is recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers. Revenue represents gross invoiced value of goods sold net of returns and trade discounts.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread evenly over the lease term.

Foreign Currencies

The financial statements of the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.



Employee Benefits

Wages, salaries, paid annual leave, bonuses and other non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

The Company makes statutory contributions to an approved provident fund and contributions are charged to the income statement. Once the contributions have been paid, there are no further payment obligations. The approved provident fund is a defined contribution plan.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet "liability" method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment, except for capital work-in-progress which is not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets:

	2007	2006
Building	2% - 5%	2%
Plant and machinery	7.5% - 20%	10% - 15%
Motor vehicles	20%	20%
Furniture and equipment	10% - 20%	10% - 25%

The residual value and estimated useful life of an asset are reviewed at each balance sheet date and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

During the current financial year, the Company revised the estimated economic useful lives and accordingly, the annual depreciation rates of certain building, plant and machinery and furniture and equipment with effect from 1 October 2007 from a range of 2% to 25% to a range of 2% to 20%. The revision has been accounted for prospectively as a change in accounting estimates and the effect on the financial statements is to increase depreciation charge and reduce profit before taxation by RM375,769 for the current financial year.

The gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statement.

Prepaid Lease Payments

Leasehold interests in long leasehold land are accounted for as operating leases and are classified as prepaid lease payments. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Company retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments as allowed under the transitional provisions of FRS 117. One of the parcels of long leasehold land was last revalued in 1968.

The prepaid lease payments are amortised evenly over the lease term of the land.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined principally on the "first in, first out" basis. The cost of raw materials and packaging materials comprises the original purchase price plus the cost incurred in bringing the inventories to their present location. The cost of finished goods comprises the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated cost to completion.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

Provisions are made when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the amount required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

At each balance sheet date, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Company will be required to settle the obligation.



Financial Assets

The Company's principal financial assets are trade and other receivables, amount owing by other related companies and cash and bank balances.

Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

The Company's significant financial liabilities include trade and other payables, amount owing to other related companies and short-term borrowings, which are stated at their nominal values.

Bank borrowings are recorded at the proceeds received net of direct issue costs. Finance charges, including premium payable on settlement, are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Cash Flow Statement

The Company adopts the direct method in the preparation of the cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 OPERATING COSTS APPLICABLE TO REVENUE

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

	Note	2007 RM '000	2006 RM '000
Changes in inventories of finished goods		(14,251)	1,295
Raw materials and consumables used		357,603	291,999
Directors' remuneration	8	1,491	1,287
Staff costs		34,668	30,371
Depreciation of property, plant and equipment	11	7,744	8,806
Amortisation of prepaid lease payments	12	74	74
Other operating expenses		159,153	123,679
		546,482	457,511

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 RM3,816,000 (2006: RM3,524,000).



Compensation of Key Management Personnel

The remuneration of key management personnel, excluding directors during the year are as follows:

	2007 RM '000	2006 RM '000
Short-term employee benefits	1,238	883
EPF contributions	104	64
	<u>1,342</u>	<u>947</u>

6 PROFIT FROM OPERATIONS

Profit from operations is arrived at after the following charges / (credits):

	2007 RM '000	2006 RM '000
Operating lease rental	2,023	1,810
Property, plant and equipment written off	861	-
Allowance for slow-moving and obsolete inventories	643	-
Rental of:		
Premises	488	293
Equipment	96	69
Allowance for doubtful debts	207	730
Auditors' remuneration:		
Statutory audit	60	60
Other services	5	5
Bad debts written off	-	6
Gain on foreign exchange:		
Realised	(5,564)	(3,525)
Unrealised	(412)	-
Interest income	(571)	(473)
(Gain) / Loss on disposal of property, plant and equipment	<u>(51)</u>	<u>37</u>

7 FINANCE COSTS

	2007 RM '000	2006 RM '000
Interest expense on:		
Bank overdraft	15	15
Trade facilities granted by suppliers	59	118
Bankers acceptances	172	-
	<u>246</u>	<u>133</u>



8 DIRECTORS' REMUNERATION

	2007 RM '000	2006 RM '000
Executive directors:		
Salaries and other emoluments	937	777
Benefits-in-kind	409	371
	<u>1,346</u>	<u>1,148</u>
Non-executive directors:		
Fees	128	121
Other emoluments	17	18
	<u>145</u>	<u>139</u>
	<u>1,491</u>	<u>1,287</u>

Directors' remuneration includes salaries, contributions to EPF, allowances and all other director related expenses. Included in salaries and other emoluments of executive directors are contributions to EPF by the Company amounting to RM60,000 (2006: RM51,000).

9 INCOME TAX EXPENSE

	2007 RM '000	2006 RM '000
Estimated tax payable:		
Current year	18,569	17,315
Overprovision in prior years	(362)	(280)
	<u>18,207</u>	<u>17,035</u>
Deferred tax (Note 18):		
Relating to origination and reversal of temporary differences	(722)	800
(Over) / Underprovision in prior years	40	(970)
	<u>(682)</u>	<u>(170)</u>
	<u>17,525</u>	<u>16,865</u>



A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2007 RM '000	2006 RM '000
Profit before tax	64,780	59,930
Tax at statutory tax rate of 27% (2006: 28%)	17,491	16,780
Tax effects of expenses not deductible for tax purposes	677	1,860
Utilisation of current year's reinvestment allowances	(234)	(525)
Adjustment to opening deferred tax liabilities resulting from reduction in income tax rate	(87)	-
(Over) / Underprovision in prior years:		
Current tax	(362)	(280)
Deferred tax	40	(970)
	17,525	16,865

As of 31 December 2007, the Company has tax-exempt income accounts as follows:

	2007 RM '000	2006 RM '000
Tax exempt income arising from:		
Reinvestment allowances claimed and utilised under the Income Tax Act, 1967	35,392	36,918
Tax incentives claimed under the Promotion of Investments Act, 1986	3,564	3,564
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	1,533	1,533
	40,489	42,015

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



10 EARNINGS PER SHARE

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

	2007	2006
Net profit for the year (RM '000)	47,255	43,065
Weighted average number of ordinary shares of RM1 each in issue ('000)	64,000	64,000
Basic earnings per share (RM)	0.74	0.67

11 PROPERTY, PLANT AND EQUIPMENT

	Building RM '000	Plant & Equipment RM '000	Capital Work-In- Progress RM '000	Total RM '000
COST				
Balance as of 1 January 2006	37,913	82,523	-	120,436
Additions	-	584	6,097	6,681
Disposals	-	(3,127)	-	(3,127)
Reclassifications	1,885	4,212	(6,097)	-
Balance as of 31 December 2006	39,798	84,192	-	123,990
Additions	-	186	13,731	13,917
Disposals	-	(543)	-	(543)
Write-offs	-	(10,323)	-	(10,323)
Reclassifications	259	13,472	(13,731)	-
Balance as of 31 December 2007	40,057	86,984	-	127,041
ACCUMULATED DEPRECIATION				
Balance as of 1 January 2006	11,113	55,530	-	66,643
Charge for the year	942	7,864	-	8,806
Disposals	-	(2,635)	-	(2,635)
Balance as of 31 December 2006	12,055	60,759	-	72,814
Charge for the year	1,147	6,597	-	7,744
Disposals	-	(483)	-	(483)
Write-offs	-	(9,462)	-	(9,462)
Balance as of 31 December 2007	13,202	57,411	-	70,613
NET BOOK VALUE				
As of 31 December 2007	26,855	29,573	-	56,428
As of 31 December 2006	27,743	23,433	-	51,176

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 RM31,772,000 (2006: RM30,753,000).



12 PREPAID LEASE PAYMENTS

The movements in prepaid lease payments during the financial year are as follows:

	At Valuation RM '000	At Cost RM '000	Total RM '000
Prepaid Lease Payments			
At beginning and end of year	535	5,104	5,639
Cumulative Amortisation			
At beginning of year	197	1,511	1,708
Amortisation for the year	6	68	74
At end of year	203	1,579	1,782
Unamortised Prepaid Lease Payments			
At end of year	332	3,525	3,857
At beginning of year	338	3,593	3,931

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 and the said valuation has not been updated.

13 INVENTORIES

	2007 RM '000	2006 RM '000
At cost:		
Finished goods	41,125	26,874
Raw materials	74,315	24,837
Packaging materials	3,148	3,346
	118,588	55,057
Less: Allowance for slow-moving and obsolete inventories	(643)	-
	117,945	55,057

14 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	2007 RM '000	2006 RM '000
Trade receivables	95,575	73,321
Less: Allowance for doubtful debts	(9,107)	(9,122)
	86,468	64,199

Trade receivables comprise amounts receivable for the sales of goods. The normal credit period granted by the Company to its trade customers ranges from 30 to 60 days (2006: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.



Other receivables and prepaid expenses consist of:

	2007 RM '000	2006 RM '000
Other receivables	5,635	6,535
Refundable deposits	439	400
Other prepaid expenses	71	29
	<u>6,145</u>	<u>6,964</u>

15 HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Frint Beheer IV BV, a company incorporated in the Netherlands. The directors regard Koninklijke Friesland Foods NV, a company incorporated in the Netherlands, as the ultimate holding company.

Amounts owing by / (to) other related companies, which arose mainly from trade transactions under normal credit terms are unsecured and interest-free.

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

	2007 RM '000	2006 RM '000
United States Dollar	5,970	3,299
Ringgit Malaysia	400	-
Euro	208	193
Thailand Baht	-	3
	<u>6,578</u>	<u>3,495</u>

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

	2007 RM '000	2006 RM '000
United States Dollar	23,673	6,889
Euro	7,439	3,447
Thailand Baht	1,859	463
Ringgit Malaysia	1,650	492
	<u>34,621</u>	<u>11,291</u>



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

	2007 RM '000	2006 RM '000
Immediate holding company		
Management fee payable to:		
Frint Beheer IV BV	25	22
Other related companies		
Sales to:		
Friesland (Singapore) Pte. Ltd.	12,803	13,028
Friesland Foods Ltd. Hong Kong	12,704	10,527
P.T. Frisian Flag Indonesia	511	-
Purchases from:		
Friesland Foods BV	160,008	127,623
Friesland Foods Foremost (Thailand) Plc	6,844	3,720
Dutch Lady Vietnam	576	-
P.T. Frisian Flag Indonesia	-	3,909
Know-how and Trademark Licence fees paid to:		
Friesland Brands BV	15,759	7,267
Call centre facilities charges from:		
Friesland Foods Service Centre Asia Pacific Sdn Bhd	2,777	426

16 SHARE CAPITAL

	2007 RM '000	2006 RM '000
Authorised:		
100,000,000 ordinary shares of RM1 each	100,000	100,000
Issued and fully paid:		
64,000,000 ordinary shares of RM1 each	64,000	64,000

17 UNAPPROPRIATED PROFIT

Distributable reserves are those available for distribution as cash dividends. Taking into consideration the tax-exempt accounts as mentioned in Note 9, and based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the entire unappropriated profit of the Company as of 31 December 2007 is available for distribution by way of cash dividends without additional tax liability being incurred.



18 DEFERRED TAX LIABILITIES

	2007 RM '000	2006 RM '000
At beginning of year	2,300	2,470
Transfer to income statement (Note 9)	(682)	(170)
At end of year	<u>1,618</u>	<u>2,300</u>

The deferred tax liabilities represent the tax effects of the following:

	Deferred Tax (Assets) / Liabilities	
	2007 RM '000	2006 RM '000
Temporary differences arising from:		
Inventories	(167)	-
Payables	107	-
Receivables	(762)	(762)
Provisions	(1,286)	(1,380)
Property, plant and equipment	3,726	4,365
Others	-	77
	<u>1,618</u>	<u>2,300</u>

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The normal credit period granted to the Company for trade purchases ranges from 30 to 60 days (2006: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

The currency exposure profile of trade payables is as follows:

	2007 RM '000	2006 RM '000
United States Dollar	35,693	12,119
Ringgit Malaysia	32,417	31,086
Euro	682	95
Singapore Dollar	406	272
New Zealand Dollar	384	-
Australian Dollar	133	274
Thailand Baht	18	-
Swiss Francs	4	-
	<u>69,737</u>	<u>43,846</u>



Other payables and accrued expenses consist of:

	2007 RM '000	2006 RM '000
Other payables	1,009	2,617
Accrued expenses	37,424	24,315
	<u>38,433</u>	<u>26,932</u>

20 SHORT-TERM BORROWINGS

	2007 RM '000	2006 RM '000
Bankers acceptances	<u>16,400</u>	<u>-</u>

As of 31 December 2007, the Company has bank overdraft and other credit facilities amounting to RM54 million (2006: RM54 million) obtained from a local licensed bank. The said facilities bear interest at rates ranging from 3.58% to 3.75% per annum and are secured by a negative pledge on all the assets of the Company.

21 PROVISIONS

	Employee Compensated Absences RM'000	Employee Pension Contribution RM'000	Total RM'000
As of 1 January 2007	680	178	858
Additional provision during the year	-	99	99
As of 31 December 2007	<u>680</u>	<u>277</u>	<u>957</u>

Employee Compensated Absences

Provision for employee compensated absences represents management's best estimate of the Company's liability to compensate its employees for unutilised leave at the balance sheet date, based on the latest basic salary of the employees.

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.



22 DIVIDENDS

	2007 RM '000	2006 RM '000
Dividend paid:		
6.25%, less 27% tax (2006: 6.25%, less 28% tax)	2,920	2,880
3.75%, (2006: 3.75%), tax-exempt	2,400	2,400
30.00%, less 27% tax (2006: 30.00%, less 28% tax)	14,016	13,824
6.25%, less 27% tax (2006: 6.25%, less 28% tax)	2,920	2,880
40.00%, less 27% tax (2006: 40.00%, less 28% tax)	18,688	18,432
	40,944	40,416

The directors have proposed a final dividend of 10% amounting to RM5,360,000, comprising 6.25%, less 26% tax and 3.75%, tax-exempt, in respect of the year ended 31 December 2007. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the balance sheet.

23 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.

(i) Foreign currency risk

The Company undertakes trade transactions denominated in foreign currencies 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 derivatives instruments during the financial year.

(ii) Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on short-term borrowings and short-term deposits. The interest rates of short-term borrowings and short-term deposits are disclosed in Note 20 and Note 24, respectively.

(iii) Credit risk

The Company is exposed to credit risk mainly from its trade receivables. The Company extends credit to its customers based on careful evaluation of the customers' financial condition and credit history. The Company also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

(iv) Liquidity risk

The Company practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.



(v) Cash flow risk

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.

24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement represent cash and bank balances, which consist of the following:

	2007 RM '000	2006 RM '000
Cash at bank and on hand	17,267	10,272
Short-term deposits with licensed banks	-	13,788
Short-term deposits with other licensed financial institutions	-	2,518
	<u>17,267</u>	<u>26,578</u>

The currency exposure profile of cash at bank and on hand is as follows:

	2007 RM '000	2006 RM '000
United States Dollar	1,430	6
Ringgit Malaysia	15,837	10,266
	<u>17,267</u>	<u>10,272</u>

The short-term deposits with licensed banks and other financial institutions in 2006 earned interest at rates ranging from 3.20% to 3.50% per annum and had average maturity periods ranging from 7 to 30 days.

25 COMMITMENTS

As of 31 December 2007, the Company has the following capital commitments:

	2007 RM '000	2006 RM '000
Purchases of property, plant and equipment:		
Approved but not contracted for	<u>20,996</u>	<u>13,790</u>



At the balance sheet date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2007 RM '000	2006 RM '000
Within one year	1,481	1,911
In the second to fifth years inclusive	1,187	1,875
	<u>2,668</u>	<u>3,786</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.

26 SEGMENTAL INFORMATION

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

STATEMENT BY DIRECTORS

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



The directors of DUTCH LADY MILK INDUSTRIES BERHAD state that, in their opinion, the accompanying balance sheet, statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as of 31 December 2007 and of the results of its business and the cash flows of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

JOHANNES P.F. LAARAKKER

HUANG SHI CHIN

Petaling Jaya
27 February 2008

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, SOON WING CHONG, the officer primarily responsible for the financial management of DUTCH LADY MILK INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying balance sheet and statements of income, cash flows and changes in equity, are, in my opinion, 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.

SOON WING CHONG

Subscribed and solemnly declared by
the abovenamed SOON WING CHONG
at PETALING JAYA this 27th day of
February 2008.

Before me,

S.SELVARAJAH
Commissioner for Oaths (No. B144)
Petaling Jaya



REPORT OF THE AUDITORS to the members of Dutch Lady Milk Industries Berhad (Incorporated in Malaysia)

We have audited the accompanying balance sheet as of 31 December 2007 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Company as of 31 December 2007 and of the results and the cash flows of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and
- (b) 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.

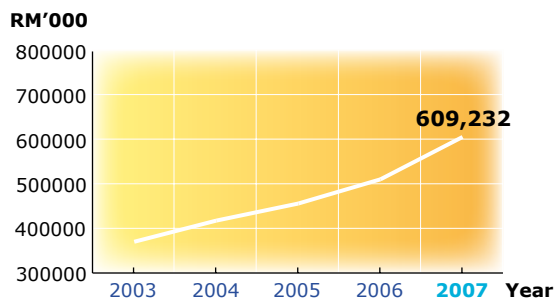
DELOITTE & TOUCHE (AF: 0834)
Chartered Accountants

HIEW KIM TIAM
1717/8/09(J)
Partner
27 February 2008

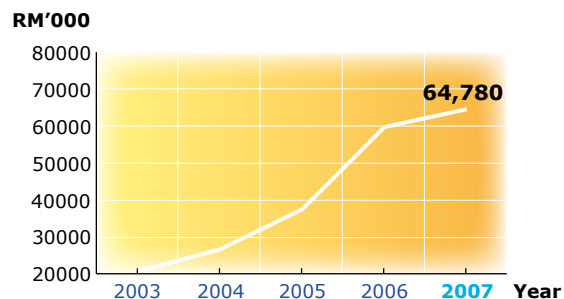
FINANCIAL HIGHLIGHTS



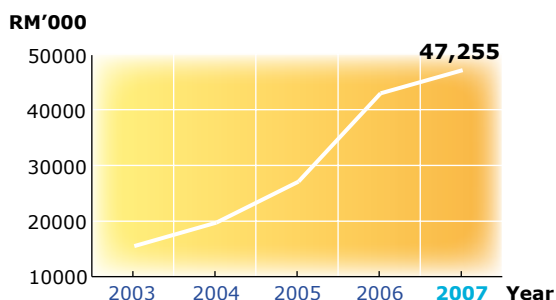
REVENUE



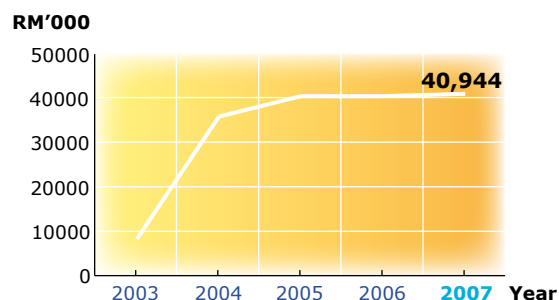
PROFIT BEFORE TAX



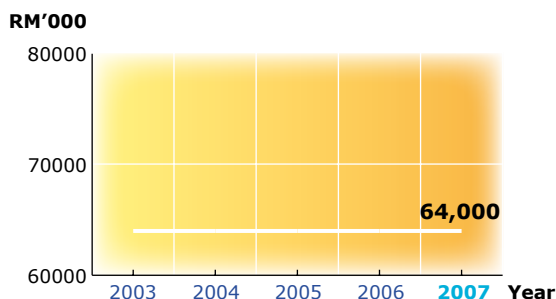
NET PROFIT FOR THE YEAR



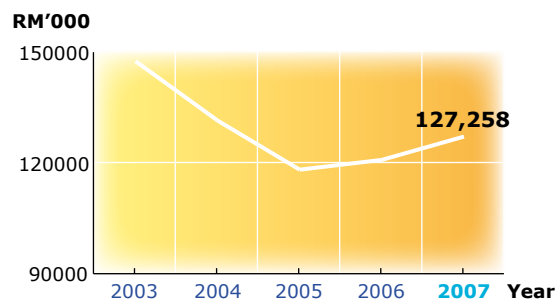
NET DIVIDEND PAID



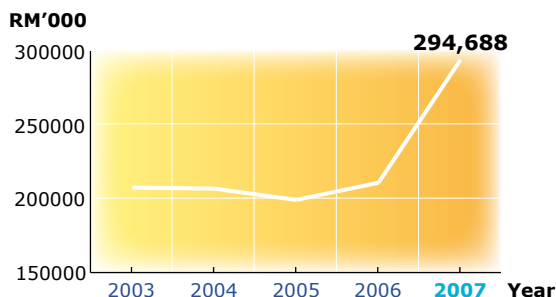
ISSUED & FULLY PAID CAPITAL



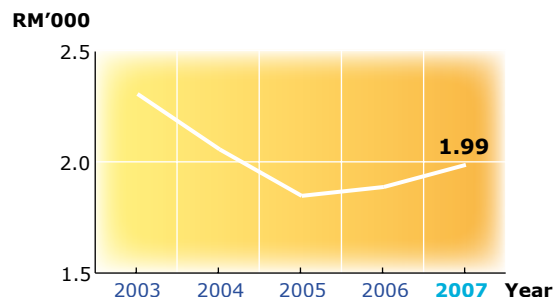
SHAREHOLDERS' FUNDS



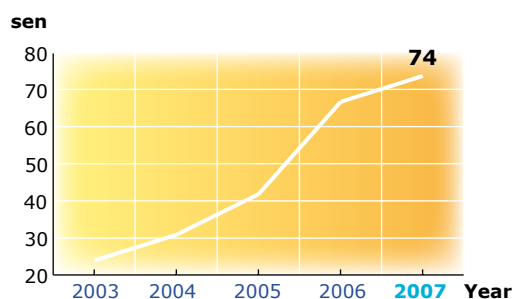
TOTAL ASSETS



NET TANGIBLE ASSET BACKING PER SHARE



EARNINGS PER SHARE (NET)





OTHER INFORMATION

Analysis of Shareholdings as at 21 March 2008

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	45	1.27	933	0.00
100 to 1,000 shares	1,706	48.27	1,332,592	2.08
1,001 to 10,000 shares	1,589	44.97	5,928,727	9.26
10,001 to 100,000 shares	176	4.98	4,407,148	6.89
100,001 to Less than 5% of the issued shares	16	0.45	7,755,800	12.12
5% and above of the issued shares	2	0.06	44,574,800	69.65
Total	3,534	100.00	64,000,000	100.00

Name of 30 Largest Shareholders

	No. of Shares	% of Holdings
1. Frint Beheer IV BV*	32,074,800	50.12
2. Amanah Raya Nominees (Tempatan) Sdn Bhd* Skim Amanah Saham Bumiputera	12,500,000	19.53
3. Kumpulan Wang Persaraan (Diperbadankan)	2,091,500	3.27
4. Permodalan Nasional Berhad	1,843,500	2.88
5. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Aun Huat & Brothers Sdn Bhd (E-IMO/BCM)	726,900	1.14
6. Aun Huat & Brothers Sdn Bhd	567,900	0.89
7. Cartaban Nominees (Asing) Sdn Bhd - Exempt An For Bank Sarasin-Rabo (Asia) Limited (AC Client Frgn)	540,000	0.84
8. Yong Siew Lee	430,000	0.67
9. Yeo Khee Bee	378,000	0.59
10. Quek Guat Kwee	162,000	0.25
11. Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
12. Universiti Malaya	144,000	0.23
13. HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for CF Eclectica Systematic Europe Fund	140,000	0.22
14. Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA Emerging Markets Small CAP Series	125,700	0.20
15. Lee Sim Kuen	120,000	0.19
16. Wong So-Ch'I	111,000	0.17
17. Tong Yoke Kim Sdn Bhd	110,000	0.17
18. Wong So Haur	109,000	0.17
19. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan See Min (E-KUG)	100,000	0.16
20. Lim Teh Realty Sdn Berhad	90,000	0.14
21. Ng Lam Shen	90,000	0.14



22. Foo Yoke Keong Adrian	80,000	0.13
23. Chow Kok Meng	76,000	0.12
24. Tan Pak Nang	75,000	0.12
25. Mayban Nominees (Tempatan) Sdn Bhd - Affin Fund Management Berhad for CIMB Aviva Assurance Berhad (270185)	74,000	0.12
26. Tan Kim Onm	66,500	0.10
27. HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Goh Hiong Eng	60,000	0.09
28. Sak Moy @ Sak Swee Len	58,000	0.09
29. Theo Chin Lian	56,000	0.09
30. Lim Pin Kong	55,400	0.09
	53,211,500	83.16

*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. Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputra	12,500,000	19.53	0	0.00

Directors' Shareholdings

Name	Direct	%	Indirect	%
1. Tan Sri Kamarul Ariffin bin Mohd. Yassin	-	-	-	-
2. Johannes P.F. Laarakker	-	-	-	-
3. Foo Swee Leng	-	-	-	-
4. Boey Tak Kong	-	-	-	-
5. Cornelis H.M. Ruijgrok	-	-	-	-
6. Dato' Dr. Mhd. Nordin bin Mohd. Nor	-	-	-	-
7. Huang Shi Chin	-	-	-	-

Particulars of Properties as at 31 December 2007

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 (sq. ft.)	358,482	74,135
Tenure	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 22 years to 43 years	20 years
Net Book Value (RM'mln)	27.4	3.3



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.



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-Fifth Annual General Meeting of the Company
to be held at Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Tuesday, 27 May
2008 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 2007, together with the Reports of the Directors and Auditors' thereon.		
Ordinary Resolution 2	Approve the payment of final dividend of gross 6.25 sen per share, less income tax, and 3.75 sen per share, tax exempt.		
Ordinary Resolution 3	Approve the Directors' fees for the financial year ended 31 December 2007.		
Ordinary Resolution 4	Re-election of Tan Sri Kamarul Ariffin bin Mohd. Yassin.		
Ordinary Resolution 5	Re-election of Mr. Foo Swee Leng.		
Ordinary Resolution 6	Re-election of Mr. Cornelis H.M. Ruijgrok.		
Ordinary Resolution 7	Re-appointment of Messrs Deloitte & Touche as the Company's Auditors.		
Ordinary Resolution 8	Approve the Proposed New and Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution 1	Approve the Proposed Amendments to Articles of Association.		

* 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 of2008

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.

