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



# 2008

annual report  
laporan tahun



**FrieslandCampina**

Dutch Lady Milk Industries Berhad is  
affiliated to Royal FrieslandCampina NV.



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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of the Company will be held at Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Wednesday, 27 May 2009 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 2008, 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 2008.

#### Ordinary Resolution 3

- 3 To approve the Directors' fees for the financial year ended 31 December 2008.

#### Ordinary Resolution 4 & 5

- 4 To re-elect the following Directors, who retire by rotation pursuant to Article 94(a) of the Company's Articles of Association:-
  - (i) Mr. Johannes P.F. Laarakker
  - (ii) Dato' Dr Mhd Nordin bin Mohd Nor

#### Ordinary Resolution 6

- 5 To re-appoint Messrs Deloitte & Touche (AF: 0834) as the Company's auditors and to authorise the Directors to fix their remuneration.

To note that Tan Sri Kamarul Ariffin bin Mohd Yassin who will be retiring pursuant to Section 129(6) of the Companies Act 1965, will not be seeking re-election as a Director of the Company.

### AS SPECIAL BUSINESS

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

#### Ordinary Resolution 7

#### 6 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 2009 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."

- 7 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 a tax exempt dividend of 3.75 sen per share, in respect of the financial year ended 31 December 2008, if approved by the shareholders, will be paid on 1 July 2009 to shareholders whose names appear in the Register of Members and Record of Depositors at the close of business on 3 June 2009.

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 2009 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 2009

#### **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 2009.

# 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)

## 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*

## REGISTERED OFFICE

13, Jalan Semangat

46200 Petaling Jaya

Selangor Darul Ehsan

Telephone : 03-7956 7477

Facsimile : 03-7955 2985

## 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

## 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

## PRINCIPAL BANKERS

***Public Bank Berhad***

12, Jalan 14/14

46100 Petaling Jaya

Selangor Darul Ehsan

***The Royal Bank of Scotland Berhad***

Level 1, Menara Maxis

Kuala Lumpur City Centre

50088 Kuala Lumpur

***Malayan Banking Berhad***

18A, Jalan 14/14

46100 Petaling Jaya

Selangor Darul Ehsan

## SOLICITORS

***Khaw & Partners***

6th Floor,

Menara Boustead

Jalan Raja Chulan

50200 Kuala Lumpur

# CHAIRMAN'S STATEMENT

*“Revenue however, was higher by 18% to RM711.5 million, as a result of continued strong consumer demand for the Company’s products, new product launches and moderate price increases. This is indeed a commendable growth.”*



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 2008.

The full-year impact of the dramatic increases in key raw materials prices were felt in 2008. This was reflected in the Company’s results for the year where the Company’s profit before tax was 10% lower at RM58.1 million than in the previous year.

Revenue however, was higher by 18% to RM711.5 million, as a result of continued strong consumer demand for the Company’s products, new product launches and moderate price increases. This is indeed a commendable growth.

One of the main events for the year was the Spread the Goodness of Milk campaign that we launched on World Milk Day on 1 June 2008. This is the first time Dutch Lady Malaysia has carried out a nationwide milk campaign to educate the public about the goodness and benefits of milk. In conjunction with this event, the Company gave out 50,000 packets of UHT milk free to the public across the country.

Other important events were the launch of our new brands Shine and Yes!. Shine is a brand that focuses on young Malaysian women who want to look good and feel good. Shine Drinking and Eating yoghurt feature green tea extract that contains anti-oxidants and increases your metabolic rate. Yes! on the other hand is targeted at children who want to have fun next to studying or being involved in extracurricular activities.

While the high commodity prices have somewhat eased, we expect the current uncertain economic outlook will impact consumer spending in 2009. Taken with the weak Ringgit, the results for the year will remain challenging.

In 2008, the Company paid its normal dividends amounting to RM8.3 million, and did not declare any special dividend payments because of the higher working capital and capital expenditure needs.

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 2008, will be proposed to the Shareholders at the next Annual General Meeting for approval. This dividend will be payable in July 2009.

I also have pleasure to inform the parent company has recently merged with Campina, another large dairy cooperative in the Netherlands to form Royal FrieslandCampina NV. With a much larger organisation to support us, I expect that Dutch Lady Malaysia will be even stronger and continue to grow.

As always, on behalf of the Board, I would like to convey our sincere thanks to the Management and Staff of the Company for its sterling effort in 2008 to continue to grow the Company despite difficult times and to wish them success in the current year.

And finally, after serving as your Chairman for the last 33 years, it is time for me to pass the baton to a “younger” person. It has been a pleasure serving you and the Company. I am confident that Dutch Lady Malaysia will continue to prosper for many more years to come.

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, 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.

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

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

- Corporate Legal and Bursa Malaysia Listing Requirements update.

- Single-tier dividend system.
- Impact of the Sub-Prime Debt crisis.
- The Politics of Climate change.
- The Inconvenient Truth video.

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 2008 are as follows:

<b>Executive Directors</b>	<b>RM 1,654,000</b>
<b>Non-Executive Directors</b>	<b>RM 146,000</b>

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

<b>Range of Remuneration</b>	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
<b>Below RM50,000</b>	-	3
<b>RM50,001 to RM100,000</b>	-	1
<b>Above RM500,000</b>	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)

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

## 7 Accountability and Audit

### 7.1 Financial Reporting:

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

### 7.2 Statement of Directors' Responsibility in respect of Audited Financial Statements pursuant to Paragraph 15.27(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.



## DIRECTORS' | PROFILE



**TAN SRI KAMARUL ARIFFIN BIN MOHD. YASSIN**

Aged 74. Malaysian. Independent Non-Executive Director. Chairman of the Company since 27 February 1976. Chairman of the Audit Committee and Nomination Committee. 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 three out of four Board meetings held during the financial year.



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

Aged 43. 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 Royal FrieslandCampina NV. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.



**MR. FOO SWEE LENG**

Aged 62. 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

Aged 54. 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 IJM Land Berhad, Sanburi Holdings Berhad, Green Packet Berhad, Gadang Holdings Berhad and Permaju Industries 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 62. Malaysian. Non-Independent Non-Executive Director. Appointed to the Board on 6 August 2003. Chairman of the Remuneration Committee and member of the Audit Committee. He is also a Director of Sunzen Biotech Berhad. He was formerly the Director-General of the Department of Veterinary Services, Malaysia. He is also the Chairman of the Malaysian Animal Welfare Foundation and Patron of the Malaysian Feline Society. He holds a degree in Veterinary Science from the University of Queensland, Australia. He does not have any family relationship with any director and / or major shareholder of the Company other than as nominee director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.



### MR. HUANG SHI CHIN

Aged 50. 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 56. Dutch. Non-Independent Non-Executive Director. Appointed to the Board on 1 December 2002. Currently the Managing Director of PT Friesland Flag Indonesia, a subsidiary of Royal FrieslandCampina 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 Royal FrieslandCampina NV. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all 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 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)

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.

The Audit Committee held four meetings during the financial year ended 31 December 2008. Details of attendance of the Audit Committee members are as follows:-

Name of Members	Total Meetings Attended
Tan Sri Kamarul Ariffin bin Mohd. Yassin	3 out of 4
Mr. Boey Tak Kong	4 out of 4
Mr. Foo Swee Leng	4 out of 4
Dato' Dr. Mhd Nordin bin Mohd Nor	4 out of 4

## 2 Role of the Audit Committee

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

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

## 3 Terms of Reference

### • Composition

The Committee comprises four Directors, a

majority of whom is independent. The Chairman is an Independent Non-Executive Director. 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.

### • 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, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.
  - (ii) review the internal audit 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 is carried out by Ernst & Young, a public accounting firm. 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 2008 were as follows:

- (i) Reviewed the audit plan, nature and scope of the audit with the Internal and External Auditors;
- (ii) Discussed the findings and recommendations by the Internal and External Auditors on systems and control weaknesses, and ensured that corrective actions were taken by Management;

During the year, the Audit Committee had four meetings with the Internal Auditors and two meetings with the External Auditors, which included separate sessions between the Independent Directors and External Auditors, without the presence of the Executive Directors and Management staff.

- (iii) Reviewed the compliance with accounting standards and ensured that the Company used appropriate accounting policies for its financial statements;
- (iv) Reviewed the Company's quarterly financial results and recommended the same to the Board for approval and announcement to Bursa Malaysia Securities Berhad;
- (v) Reviewed the Company's audited accounts for the year and audit report of the External Auditors on the financial statements and recommended the same to the Board for approval;
- (vi) Reviewed the related party transactions and any conflicts of interest situations during the year, and
- (vii) Reviewed the Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for approval.

# CORPORATE RESPONSIBILITY

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

## Corporate and Personal Conduct

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

We apply a similar requirement to our conduct as a company, and undertake to comply with all applicable legal and regulatory requirements.

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

## Quality, Research & Development And Innovation

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

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

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

## Responsibility To Employees

We acknowledge that our employees are the key to unlocking our potential to make a good business great. We know the

value of our intellectual capital and show this by encouraging personal development, by recognising achievements and by looking after their well-being. We are committed to ensuring equality of opportunity, and the health and safety of our employees in the workplace.

## Caring For Our People

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

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

In 2008, we initiated a Talent Assessment Programme to identify and develop future leaders. In addition, 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
- Innovation
- Reputation, business trust and integrity

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

### **Investor Relations**

In line with good governance practices, Dutch Lady places importance on compliance, accountability and transparency

in the disclosure of information to our stakeholders. We frequently engage research analysts and the media about our Company's performance and new product launches.

The Company's website at [www.dutchlady.com.my](http://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 use of 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.

The Company also participates in Karnival Jom Heboh held in ten states across Malaysia from February 2008 to December 2008. 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.

During the year, the Company raised RM24,000 for a fund to combat dyslexia among children and donated RM125,000 in kind to the Lok Kawi Wild Life Centre in Sabah.

# STATEMENT OF INTERNAL CONTROL

## 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, talent assessment programme and management organisation development.

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

- **Standards of business ethics**

Employees are contractually bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers. Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

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

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

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

- **Reporting and review**

The Company's management team 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.

- **Risk & Control Framework**

During the year, the Company implemented the Group's Risk & Control Framework. This is a comprehensive approach in managing business risks based on the COSO Internal Control Framework, a world standard against which companies measure the effectiveness of the internal control systems.

- **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

8,343,500

6,000,000

733,400

592,800

540,000

510,000

470,000

430,000

390,000

350,000

310,000

270,000

230,000

190,000

109,000



# DIRECTORS' | REPORT

The directors of DUTCH LADY MILK INDUSTRIES BERHAD ("the Company") have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of 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
<b>Profit before tax</b>	<b>57,858</b>
<b>Income tax expense</b>	<b>(15,211)</b>
<b>Net profit for the year</b>	<b>42,647</b>

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 RM5,360,000, comprising 6.25%, less 26% 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 2008 are as follows:

	RM '000
An interim dividend of 6.25%, less 26% tax, paid in December 2008	<u>2,960</u>

The directors have proposed a final dividend of 10% amounting to RM5,400,000, comprising 6.25%, less 25% tax and 3.75%, tax-exempt, in respect of the year ended 31 December 2008. 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:

- (a) 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
- (b) 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:

- (a) 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
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (d) 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, Mr Johannes Petrus Franciscus Laarakker and Dato' Dr. Mhd Nordin bin Mohd Nor 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. He, however, will not be offering 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. Upon completion of merger with Campina NV during the financial year, the directors now regard Royal FrieslandCampina NV (formerly known as Royal 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,  
20 February 2009

# INCOME STATEMENT

for the year ended 31 December 2008

	Note	2008 RM '000	2007 RM '000
<b>Revenue</b>	5	<b>711,567</b>	<b>604,732</b>
<b>Cost of sales</b>		<b>(526,711)</b>	<b>(421,792)</b>
<b>Gross profit</b>		<b>184,856</b>	<b>182,940</b>
<b>Other operating income</b>		<b>1,541</b>	<b>757</b>
<b>Distribution costs</b>		<b>(82,403)</b>	<b>(73,089)</b>
<b>Administrative expenses</b>		<b>(18,342)</b>	<b>(15,352)</b>
<b>Other operating expenses</b>		<b>(27,498)</b>	<b>(30,230)</b>
<b>Profit from operations</b>	6	<b>58,154</b>	<b>65,026</b>
<b>Finance costs</b>	7	<b>(296)</b>	<b>(246)</b>
<b>Profit before tax</b>		<b>57,858</b>	<b>64,780</b>
<b>Income tax expense</b>	9	<b>(15,211)</b>	<b>(17,525)</b>
<b>Net profit for the year</b>		<b>42,647</b>	<b>47,255</b>
<b>Earnings per ordinary share</b>			
Basic (RM)	10	<b>0.67</b>	<b>0.74</b>



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

# BALANCE SHEET

as of 31 December 2008

	Note	2008 RM '000	2007 RM '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	11	63,216	56,428
Prepaid lease payments	12	3,782	3,857
<b>Total Non-current Assets</b>		<b>66,998</b>	<b>60,285</b>
<b>Current Assets</b>			
Inventories	13	74,902	117,945
Trade receivables	14	115,774	86,468
Other receivables and prepaid expenses	14	3,799	6,145
Amount owing by other related companies	15	5,709	6,578
Cash and bank balances	24	23,792	17,267
<b>Total Current Assets</b>		<b>223,976</b>	<b>234,403</b>
<b>Total Assets</b>		<b>290,974</b>	<b>294,688</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Issued capital	16	64,000	64,000
Unappropriated profit	17	97,585	63,258
<b>Total Equity</b>		<b>161,585</b>	<b>127,258</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities	18	2,300	1,618
<b>Current Liabilities</b>			
Trade payables	19	64,387	69,737
Other payables and accrued expenses	19	35,619	38,433
Amount owing to other related companies	15	22,478	34,621
Short-term borrowings	20	-	16,400
Provisions	21	247	957
Tax liabilities		4,358	5,664
<b>Total Current Liabilities</b>		<b>127,089</b>	<b>165,812</b>
<b>Total Liabilities</b>		<b>129,389</b>	<b>167,430</b>
<b>Total Equity and Liabilities</b>		<b>290,974</b>	<b>294,688</b>

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

# STATEMENT OF CHANGES IN EQUITY

for the year ended  
31 December 2008

	Note	Issued Capital	Distributable Reserve- Unappropriated Profit	Total
		RM '000	RM '000	RM '000
<b>Balance as of 1 January 2007</b>		<b>64,000</b>	<b>56,947</b>	<b>120,947</b>
Net profit for the year		-	<b>47,255</b>	<b>47,255</b>
Dividends paid	22	-	<b>(40,944)</b>	<b>(40,944)</b>
<b>Balance as of 31 December 2007</b>		<b>64,000</b>	<b>63,258</b>	<b>127,258</b>
<b>Balance as of 1 January 2008</b>		<b>64,000</b>	<b>63,258</b>	<b>127,258</b>
Net profit for the year		-	<b>42,647</b>	<b>42,647</b>
Dividends paid	22	-	<b>(8,320)</b>	<b>(8,320)</b>
<b>Balance as of 31 December 2008</b>		<b>64,000</b>	<b>97,585</b>	<b>161,585</b>

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

# CASH FLOW STATEMENT

for the year ended 31 December 2008

	Note	2008 RM '000	2007 RM '000
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>			
Cash receipts from customers and other receivables		686,715	586,353
Cash paid to suppliers and employees		(640,983)	(523,470)
Cash generated from operations		45,732	62,883
Income tax paid		(15,835)	(17,769)
Net cash from operating activities		29,897	45,114
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Additions of property, plant and equipment		(15,111)	(13,917)
Proceeds from disposal of property, plant and equipment		324	111
Interest received		31	571
Net cash used in investing activities		(14,756)	(13,235)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Interest paid		(296)	(246)
Dividends paid		(8,320)	(40,944)
Net cash used in financing activities		(8,616)	(41,190)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>6,525</b>	<b>(9,311)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>17,267</b>	<b>26,578</b>
<b>Cash and cash equivalents at end of year</b>	24	<b>23,792</b>	<b>17,267</b>

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 and/or distribution of sweetened condensed milk, milk powder, dairy products and fruit juice drinks in the home market and for export.

There have been no significant changes in the nature of 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 20 February 2009.

## 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 107 Cash Flow Statements (effective 1 July 2007)

FRS 112 Income Taxes (effective 1 July 2007)

FRS 118 Revenue (effective 1 July 2007)

FRS 134 Interim Financial Reporting (effective 1 July 2007)

FRS 137 Provisions, Contingent Liabilities and Contingent Assets (effective 1 July 2007)

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 139 Financial Instruments: Recognition and Measurement

FRS 139 "Financial Instruments: Recognition and Measurement" is effective for accounting periods beginning on or after 1 January 2010. 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 from financial year ending 31 December 2010.

By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

### 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:

	<b>2008</b>	<b>2007</b>
Building	<b>2% - 5%</b>	<b>2% - 5%</b>
Plant and machinery	<b>7.5% - 20%</b>	<b>7.5% - 20%</b>
Motor vehicles	<b>20%</b>	<b>20%</b>
Furniture and equipment	<b>10% - 20%</b>	<b>10% - 20%</b>

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.

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, which are stated at their nominal values.

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	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
Changes in inventories of finished goods		<b>5,606</b>	<b>(14,251)</b>
Raw materials and consumables used		<b>470,038</b>	<b>357,603</b>
Directors' remuneration	8	<b>1,808</b>	<b>1,491</b>
Staff costs		<b>34,822</b>	<b>34,668</b>
Depreciation of property, plant and equipment	11	<b>8,269</b>	<b>7,744</b>
Amortisation of prepaid lease payments	12	<b>75</b>	<b>74</b>
Other operating expenses		<b>134,336</b>	<b>153,134</b>
		<b>654,954</b>	<b>540,463</b>

Staff costs include salaries, contributions to Employees Provident Fund ("EPF"), bonuses and all other staff related expenses. Included in staff costs are contributions to EPF by the Company amounting to RM4,274,000 (2007: RM3,816,000).

**6 PROFIT FROM OPERATIONS**

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

	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
Operating lease rental	<b>1,930</b>	<b>2,023</b>
Allowance for slow-moving and obsolete inventories	<b>1,613</b>	<b>643</b>
Rental of:		
Premises	<b>620</b>	<b>488</b>
Equipment	<b>110</b>	<b>96</b>
Allowance for doubtful debts	<b>204</b>	<b>207</b>
Auditors' remuneration:		
Statutory audit:		
Current year	<b>90</b>	<b>60</b>
Underprovision in prior year	<b>-</b>	<b>30</b>
Other services	<b>5</b>	<b>5</b>
Gain on foreign exchange:		
Realised	<b>(7,697)</b>	<b>(5,564)</b>
Unrealised	<b>-</b>	<b>(412)</b>
Gain on disposal of property, plant and equipment	<b>(270)</b>	<b>(51)</b>
Bad debt recovered	<b>(129)</b>	<b>(222)</b>
Interest income	<b>(31)</b>	<b>(571)</b>
Property, plant and equipment written off	<b>-</b>	<b>861</b>

## 7 FINANCE COSTS

	2008 RM '000	2007 RM '000
Interest expense on:		
Bank overdraft	115	15
Bankers acceptances	181	172
Trade facilities granted by suppliers	-	59
	<u>296</u>	<u>246</u>

## 8 DIRECTORS' REMUNERATION

	2008 RM '000	2007 RM '000
Executive directors:		
Salaries and other emoluments	1,164	937
Benefits-in-kind	490	409
	<u>1,654</u>	<u>1,346</u>
Non-executive directors:		
Fees	136	128
Other emoluments	18	17
	<u>154</u>	<u>145</u>
	<u>1,808</u>	<u>1,491</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 RM69,000 (2007: RM60,000).

## 9 INCOME TAX EXPENSE

	2008 RM '000	2007 RM '000
Estimated tax payable:		
Current year	14,762	18,569
Overprovision in prior years	(233)	(362)
	<u>14,529</u>	<u>18,207</u>
Deferred tax (Note 18):		
Relating to originating and reversal of temporary differences	520	(722)
Underprovision in prior years	162	40
	<u>682</u>	<u>(682)</u>
	<u>15,211</u>	<u>17,525</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:

	<b>2008 RM '000</b>	<b>2007 RM '000</b>
Profit before tax	<b>57,858</b>	<b>64,780</b>
Tax at statutory tax rate of 26% (2007: 27%)	<b>15,043</b>	<b>17,491</b>
Tax effects of expenses not deductible for tax purposes	<b>307</b>	<b>677</b>
Adjustment to opening deferred tax liabilities resulting from reduction in income tax rate	<b>(68)</b>	<b>(87)</b>
(Over)/Underprovision in prior years:		
Current tax	<b>(233)</b>	<b>(362)</b>
Deferred tax	<b>162</b>	<b>40</b>
Utilisation of current year's reinvestment allowances	<b>-</b>	<b>(234)</b>
	<b>15,211</b>	<b>17,525</b>

As of 31 December 2008, the Company has tax-exempt income accounts as follows:

	<b>2008 RM '000</b>	<b>2007 RM '000</b>
Tax exempt income arising from:		
Reinvestment allowances claimed and utilised under the Income Tax Act, 1967	<b>32,992</b>	<b>35,392</b>
Tax incentives claimed under the Promotion of Investments Act, 1986	<b>3,564</b>	<b>3,564</b>
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	<b>1,533</b>	<b>1,533</b>
	<b>38,089</b>	<b>40,489</b>

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:

	2008	2007
Net profit for the year (RM '000)	<b>42,647</b>	<b>47,255</b>
Weighted average number of ordinary shares of RM1 each in issue ('000)	<b>64,000</b>	<b>64,000</b>
Basic earnings per share (RM)	<b>0.67</b>	<b>0.74</b>

## 11 PROPERTY, PLANT AND EQUIPMENT

	Building RM '000	Plant & Equipment RM '000	Capital Work-In- Progress RM '000	Total RM '000
<b>COST</b>				
Balance as of 1 January 2007	39,798	84,192	-	<b>123,990</b>
Additions	-	186	13,731	<b>13,917</b>
Disposals	-	(543)	-	<b>(543)</b>
Write-offs	-	(10,323)	-	<b>(10,323)</b>
Reclassifications	259	13,472	(13,731)	-
Balance as of 31 December 2007	40,057	86,984	-	<b>127,041</b>
Additions	-	-	15,111	<b>15,111</b>
Disposals	-	(1,024)	-	<b>(1,024)</b>
Reclassifications	3,942	10,820	(14,762)	-
Balance as of 31 December 2008	43,999	96,780	349	<b>141,128</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance as of 1 January 2007	12,055	60,759	-	<b>72,814</b>
Charge for the year	1,147	6,597	-	<b>7,744</b>
Disposals	-	(483)	-	<b>(483)</b>
Write-offs	-	(9,462)	-	<b>(9,462)</b>
Balance as of 31 December 2007	13,202	57,411	-	<b>70,613</b>
Charge for the year	1,762	6,507	-	<b>8,269</b>
Disposals	-	(970)	-	<b>(970)</b>
Reclassifications	1,223	(1,223)	-	-
Balance as of 31 December 2008	16,187	61,725	-	<b>77,912</b>
<b>NET BOOK VALUE</b>				
As of 31 December 2008	27,812	35,055	349	<b>63,216</b>
As of 31 December 2007	26,855	29,573	-	<b>56,428</b>

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 RM33,123,381 (2007: RM31,772,000).

## 12 PREPAID LEASE PAYMENTS

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

	<b>At Valuation*</b> <b>RM '000</b>	<b>At Cost</b> <b>RM '000</b>	<b>Total</b> <b>RM '000</b>
<b>Prepaid Lease Payments</b>			
At beginning and end of year	<b>535</b>	<b>5,104</b>	<b>5,639</b>
<b>Cumulative Amortisation</b>			
At beginning of year	<b>203</b>	<b>1,579</b>	<b>1,782</b>
Amortisation for the year	<b>6</b>	<b>69</b>	<b>75</b>
At end of year	<b>209</b>	<b>1,648</b>	<b>1,857</b>
<b>Unamortised Prepaid Lease Payments</b>			
At end of year	<b>326</b>	<b>3,456</b>	<b>3,782</b>
At beginning of year	<b>332</b>	<b>3,525</b>	<b>3,857</b>

Prepaid lease payments relate to the lease of land for the Company's factory buildings, office complex and warehouse located in Petaling Jaya. The lease will expire in 2059 and the Company does not have an option to purchase the leased land at the expiry of the lease period. Prepaid lease payments are amortised over the lease term of the land.

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

## 13 INVENTORIES

	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
At cost:		
Finished goods	<b>35,519</b>	<b>41,125</b>
Raw materials	<b>38,188</b>	<b>74,315</b>
Packaging materials	<b>3,451</b>	<b>3,148</b>
	<b>77,158</b>	<b>118,588</b>
Less: Allowance for slow-moving and obsolete inventories	<b>(2,256)</b>	<b>(643)</b>
	<b>74,902</b>	<b>117,945</b>

## 14 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
Trade receivables	<b>124,956</b>	<b>95,575</b>
Less: Allowance for doubtful debts	<b>(9,182)</b>	<b>(9,107)</b>
	<b>115,774</b>	<b>86,468</b>

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 (2007: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

Other receivables and prepaid expenses consist of:

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
Other receivables	<b>3,434</b>	<b>5,635</b>
Refundable deposits	<b>345</b>	<b>439</b>
Other prepaid expenses	<b>20</b>	<b>71</b>
	<b>3,799</b>	<b>6,145</b>

## 15 HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Frint Beheer IV BV, a company incorporated in the Netherlands. Upon completion of merger with Campina NV during the financial year, the directors now regard Royal FrieslandCampina NV (formerly known as Royal 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:

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
United States Dollar	<b>3,739</b>	<b>5,970</b>
Ringgit Malaysia	<b>1,969</b>	<b>400</b>
Euro	<b>1</b>	<b>208</b>
	<b>5,709</b>	<b>6,578</b>

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

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
United States Dollar	<b>12,980</b>	<b>23,673</b>
Euro	<b>7,920</b>	<b>7,439</b>
Ringgit Malaysia	<b>1,081</b>	<b>1,650</b>
Thailand Baht	<b>497</b>	<b>1,859</b>
	<b>22,478</b>	<b>34,621</b>

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

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Immediate holding company</b>		
Management fee payable to:		
Frint Beheer IV BV	<b>25</b>	<b>25</b>
<b>Other related companies</b>		
Sales to:		
Friesland (Singapore) Pte. Ltd.	<b>19,112</b>	<b>12,803</b>
Friesland Foods Ltd. Hong Kong	<b>6,494</b>	<b>12,704</b>
P.T. Frisian Flag Indonesia	<b>256</b>	<b>511</b>
Purchases from:		
Friesland Foods BV	<b>131,876</b>	<b>160,008</b>
Friesland Foods Foremost (Thailand) Plc	<b>5,944</b>	<b>6,844</b>
Dutch Lady Vietnam	<b>347</b>	<b>576</b>
P.T. Frisian Flag Indonesia	<b>23,425</b>	<b>-</b>
Know-how and Trademark Licence fees paid to:		
Friesland Brands BV	<b>17,577</b>	<b>15,759</b>
Call centre facilities charges from:		
Friesland Foods Service Centre Asia Pacific Sdn. Bhd.	<b>2,572</b>	<b>2,777</b>
Shared services to:		
Friesland Foods Service Centre Asia Pacific Sdn. Bhd.	<b>36</b>	<b>-</b>
Friesland Foods Business Development Unit, CPI Sdn. Bhd.	<b>36</b>	<b>-</b>

#### **Compensation of Key Management Personnel**

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

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
Short-term employee benefits	<b>1,905</b>	<b>1,238</b>
EPF contributions	<b>184</b>	<b>104</b>
	<b>2,089</b>	<b>1,342</b>

## **16 SHARE CAPITAL**

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Authorised:</b>		
100,000,000 ordinary shares of RM1 each	<b>100,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>		
64,000,000 ordinary shares of RM1 each	<b>64,000</b>	<b>64,000</b>

## 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 2008 is available for distribution by way of cash dividends without additional tax liability being incurred.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. Under this system, tax on profits of companies is a final tax and dividend distributed will be exempted from tax in the hands of the shareholders. The recipient of the dividend will not be able to claim any tax credit as in the previous imputation system. Companies without Section 108 tax credit balance will automatically move to the single tier tax system on 1 January 2008 whilst companies with such tax credits are given an irrevocable option to elect for the single tier company income tax system or continue to use the tax credit balance in Section 108 account for the purpose of dividend distribution during the transitional period of 6 years until 31 December 2013. For those companies which elect to continue to use its Section 108 tax credit, the tax credit balance in Section 108 account as of 31 December 2007 is available for carry forward and to be used during the 6 years transitional period and additional tax paid during the 6 years transitional period will not be added to the Section 108 account. All companies will be in the new system on 1 January 2014.

## 18 DEFERRED TAX LIABILITIES

	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
At beginning of year	<b>1,618</b>	<b>2,300</b>
Transfer to income statement (Note 9)	<b>682</b>	<b>(682)</b>
At end of year	<b>2,300</b>	<b>1,618</b>

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

	<b>Deferred Tax</b> <b>(Assets) / Liabilities</b>	
	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
Temporary differences arising from:		
Property, plant and equipment	<b>4,983</b>	<b>3,726</b>
Provisions	<b>(1,301)</b>	<b>(1,286)</b>
Receivables	<b>(820)</b>	<b>(762)</b>
Inventories	<b>(562)</b>	<b>(167)</b>
Payables	<b>-</b>	<b>107</b>
	<b>2,300</b>	<b>1,618</b>

## 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 (2007: 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:

	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
Ringgit Malaysia	<b>40,658</b>	<b>32,417</b>
United States Dollar	<b>22,343</b>	<b>35,693</b>
New Zealand Dollar	<b>651</b>	<b>384</b>
Singapore Dollar	<b>314</b>	<b>406</b>
Euro	<b>269</b>	<b>682</b>
Australian Dollar	<b>148</b>	<b>133</b>
Swiss Francs	<b>4</b>	<b>4</b>
Thailand Baht	<b>-</b>	<b>18</b>
	<b>64,387</b>	<b>69,737</b>

Other payables and accrued expenses consist of:

	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
Accrued expenses	<b>31,778</b>	<b>37,424</b>
Other payables	<b>3,841</b>	<b>1,009</b>
	<b>35,619</b>	<b>38,433</b>

## 20 SHORT-TERM BORROWINGS

	<b>2008</b> <b>RM '000</b>	<b>2007</b> <b>RM '000</b>
Bankers acceptances	<b>-</b>	<b>16,400</b>

As of 31 December 2008, the Company has additional bank overdraft and other credit facilities amounting to RM75 million (2007: RM54 million) obtained from a local licensed bank. The said facilities bear interest at rates ranging from 3.63% to 7.35% per annum (3.58% to 7.35% in 2007) and are secured by a negative pledge on all the assets of the Company.



## 21 PROVISIONS

	<b>Employee Compensated Absences RM'000</b>	<b>Employee Pension Contribution RM'000</b>	<b>Total RM'000</b>
As of 1 January 2008	<b>680</b>	<b>277</b>	<b>957</b>
Utilised provision during the year	<b>(680)</b>	<b>(30)</b>	<b>(710)</b>
As of 31 December 2008	<b>-</b>	<b>247</b>	<b>247</b>

### 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

	<b>2008 RM '000</b>	<b>2007 RM '000</b>
Dividend paid:		
6.25%, less 26% tax (2007: 6.25%, less 27% tax)	<b>2,960</b>	<b>2,920</b>
3.75% (2007: 3.75%), tax-exempt	<b>2,400</b>	<b>2,400</b>
6.25%, less 26% tax (2007: 6.25%, less 27% tax)	<b>2,960</b>	<b>2,920</b>
30.00%, less 27% tax in 2007	<b>-</b>	<b>14,016</b>
40.00%, less 27% tax in 2007	<b>-</b>	<b>18,688</b>
	<b>8,320</b>	<b>40,944</b>

## 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. However, the Company has no short term borrowings and short-term deposits as of the financial year-end. The interest rates of short-term borrowings is disclosed in Notes 20.

**(iii) Credit risk**

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

**(iv) Liquidity risk**

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

**(v) Cash flow risk**

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

**Fair Values of Financial Assets and Liabilities**

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

**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:

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
Cash at bank and on hand	<b>23,792</b>	<b>17,267</b>

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

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
United States Dollar	<b>1,335</b>	<b>1,430</b>
Ringgit Malaysia	<b>22,457</b>	<b>15,837</b>
	<b>23,792</b>	<b>17,267</b>

## 25 COMMITMENTS

As of 31 December 2008, the Company has the following capital commitments:

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
Purchases of property, plant and equipment:		
Approved but not contracted for	<b>35,800</b>	<b>20,996</b>

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

	<b>2008</b>	<b>2007</b>
	<b>RM '000</b>	<b>RM '000</b>
Within one year	<b>1,325</b>	<b>1,481</b>
In the second to fifth years inclusive	<b>2,223</b>	<b>1,187</b>
	<b>3,548</b>	<b>2,668</b>

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.

## 27 COMPARATIVE FIGURES

Certain comparative figures in the financial statements of the Company have been reclassified to conform to the presentation in the current financial year. These relate mainly to the following:

	<b>As previously reported</b>	<b>As reclassified</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Income statement:</b>		
Revenue	<b>609,232</b>	<b>604,732</b>
Other operating income	<b>2,276</b>	<b>757</b>
Cost of sales	<b>(386,441)</b>	<b>(421,792)</b>
Distribution costs	<b>(117,611)</b>	<b>(73,089)</b>
Other operating expenses	<b>(27,078)</b>	<b>(30,230)</b>

The net co-packing income after expenses, which have been included in other income previously have been reclassified and presented as part of revenue, cost of sales and other operating expenses respectively to reflect its on-going business contribution.

Certain trade promotions which were previously included in distribution cost have been reclassified to net off against revenue to be consistent with holding company policy.

## 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 2008 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,  
20 February 2009

## 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.

Before me,



SOON WING CHONG

Subscribed and solemnly declared by the abovenamed SOON WING CHONG at PETALING JAYA this 20th day of February 2009.



S.SELVARAJAH

Commissioner for Oaths (No. B144)  
Petaling Jaya

# INDEPENDENT AUDITORS' REPORT

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

## Report on the Financial Statements

We have audited the financial statements of DUTCH LADY MILK INDUSTRIES BERHAD, which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 41.

### *Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and its financial performance and cash flows for the year then ended.

## Report on Other Legal and Regulatory Requirements

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



DELOITTE & TOUCHE  
AF 0834  
Chartered Accountants

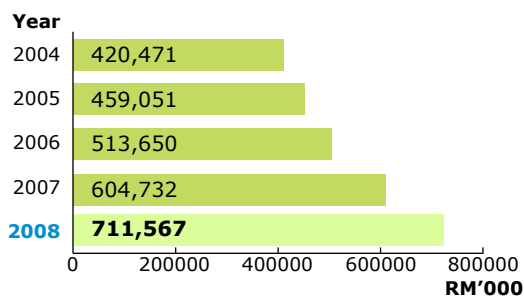


HIEW KIM TIAM  
Partner - 1717/08/09 (J)  
Chartered Accountant

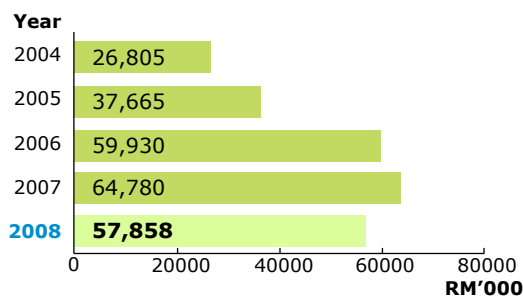
20 February 2009

# FINANCIAL HIGHLIGHTS

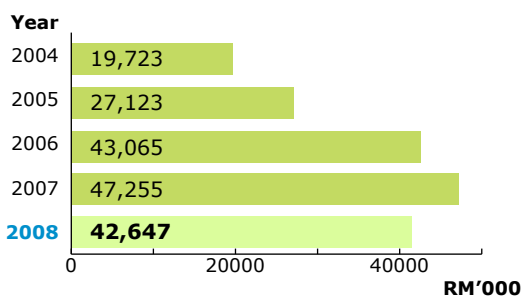
## Revenue



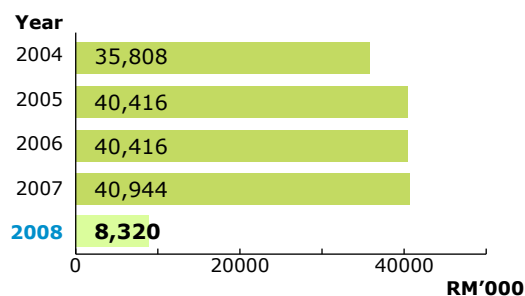
## Profit Before Tax



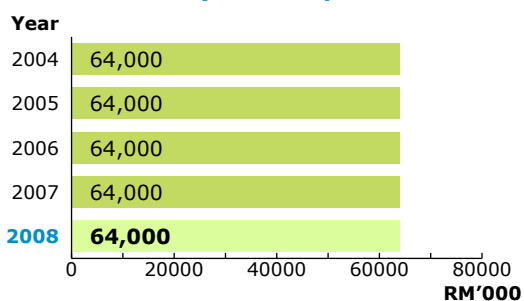
## Net Profit For The Year



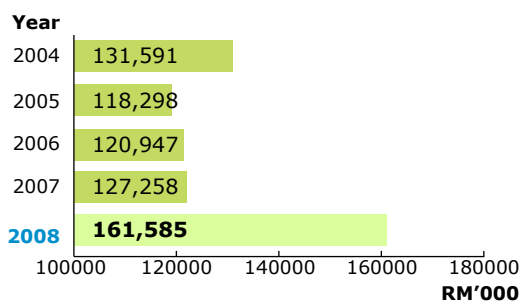
## Net Dividend Paid



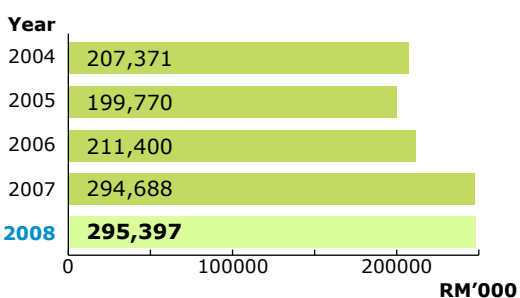
## Issued & Fully Paid Capital



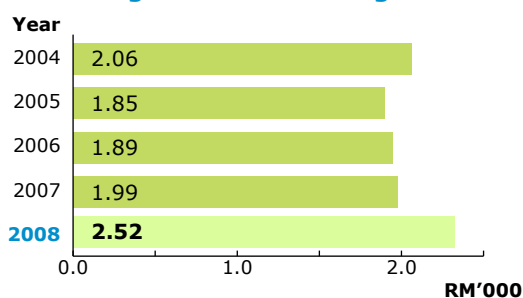
## Shareholders' Funds



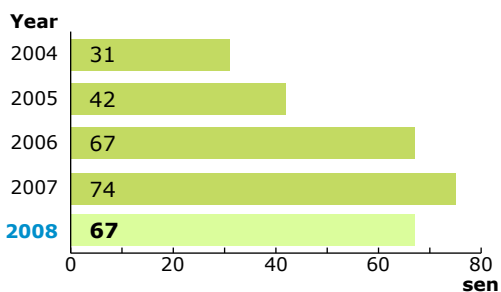
## Total Assets



## Net Tangible Asset Backing Per Share



## Earnings Per Share (Net)



## OTHER INFORMATION

### Analysis of Shareholdings as at 20 March 2009

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	58	1.64	1,015	0.00
100 to 1,000 shares	1,720	48.73	1,325,060	2.07
1,001 to 10,000 shares	1,546	43.80	5,714,477	8.93
10,001 to 100,000 shares	189	5.35	4,608,248	7.20
100,001 to Less than 5% of the issued shares	15	0.42	7,776,400	12.15
5% and above of the issued shares	2	0.06	44,574,800	69.65
Total	3,530	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)	2,109,200	3.30
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)	837,300	1.31
6. Aun Huat & Brothers Sdn Bhd	587,100	0.92
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	391,300	0.61
10. Quek Guat Kwee	162,000	0.25
11. Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
12. SBB Nominees (Tempatan) Sdn Bhd - Universiti Malaya (CAFM)	144,000	0.23
13. Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA Emerging Markets Small Cap Series	125,700	0.20
14. Lee Sim Kuen	120,000	0.19
15. Wong So-Ch'i	111,000	0.17
16. Tong Yoke Kim Sdn Bhd	110,000	0.17
17. Wong So Haur	109,000	0.17
18. Chow Kok Meng	99,900	0.16
19. Lim Teh Realty Sdn Berhad	90,000	0.14
20. Foo Yoke Keong Adrian	80,000	0.13



21. Cartaban Nominees (Tempatan) Sdn Bhd		
- Exempt An For Kam Nominees (Tempatan) Sdn Bhd	80,000	0.13
22. Tan Pak Nang	75,000	0.12
23. Mayban Nominees (Tempatan) Sdn Bhd	74,000	0.12
- Affin Fund Management Berhad For CIMB Aviva Assurance Berhad (270185)		
24. Ng Lam Shen	71,300	0.11
25. Tan Kim Onm	66,000	0.10
26. Labuan Reinsurance (L) Ltd	62,700	0.10
27. HSBC Nominees (Tempatan) Sdn Bhd	60,000	0.09
- Pledged Securities Account for Goh Hiong Eng		
28. Sak Moy @ Sak Swee Len	58,000	0.09
29. Theo Chin Lian	56,000	0.09
30. Chua Sim Hong	55,900	0.09
	<b>53,280,000</b>	<b>83.27</b>

\*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	12,500,000	19.53	0	0.00
- Skim Amanah Saham Bumiputra				

## 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 2008

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

## 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 Depositary Receipt (ADR) or Global Depositary 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 or received 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-Sixth Annual General Meeting of the Company  
 to be held at Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, on Wednesday, 27 May  
 2009 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 2008, 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 2008.		
Ordinary Resolution 4	Re-election of Mr. Johannes P.F. Laarakker.		
Ordinary Resolution 5	Re-election of Dato' Dr Mhd Nordin bin Mohd Nor.		
Ordinary Resolution 6	Re-appointment of Messrs Deloitte & Touche as the Company's Auditors.		
Ordinary Resolution 7	Approve the Proposed New and Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

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

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

Signed this ..... day of .....2009

.....  
 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.



