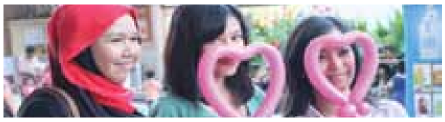
Dutch Lady Milk Industries Berhad



Laporan Tahunan 2011 Annual Report

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

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BLUE VALUES

Believe in Growth | Look Forward | Unite as One Team | Excel in Execution

contents

NOTICE IS HEREBY GIVEN that the Forty-Ninth 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, 13 June 2012 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 2011, together with the Reports of the Directors and Auditors thereon.

Ordinary Resolution 2 & 3

2 To approve the payment of Directors' fees of RM200,200 for the financial year ended 31 December 2011.

3 To approve the payment of Directors' fees of RM212,700 for the financial year ended 31 December 2012, to be made payable quarterly in arrears.

Ordinary Resolution 4 & 5

4 To re-elect the following Directors, who retire by rotation to pursuant Article 94(a) of the Company's Articles of Association:-

(i) Dato' Zainal Abidin bin Putih
(ii) Mr. Boey Tak Kong

Ordinary Resolution 6

5 To re-elect Mr. Rahul John Colaco, who was appointed during the year and retires pursuant to Article 97 of the Company's Articles of Association.

Ordinary Resolution 7

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

AS SPECIAL BUSINESS

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

Ordinary Resolution 8

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

"THAT approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature as stated in Section 2.1.4 with the specified classes of Related Parties as stated in Section 2.1.3 of the Circular to Shareholders dated 27 April 2012 which are necessary for the Company's day-to-day operations subject to the following:-

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

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

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the Meeting the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Malaysian Companies Act, 1965 ("the Act")(but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

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

Special Resolution 1

8 **PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

"**THAT** the Articles of Association of the Company be altered as follows:-

(a) Inclusion of the following new definitions under Article 2(a):-

WORDS		MEANINGS
"Omnibus Account"	-	An account in which securities are held for two or more beneficial owners.
"Exempt Authorised Nominee"	-	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.

(b) Amendments to Article 69 to read as follows:-

Article 69 – Rights of proxy to vote and to speak

"A Proxy shall be entitled to vote on a show of hands on any question at any general meeting. The Proxy shall also have the same rights as Member to speak at any general meeting."

(c) Amendment to Article 74 which reads as follows:-

"Article 74 - Proxy of an authorised nominee

Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at the same meeting.

Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company in an Omnibus Account, such Exempt Authorised Nominee may appoint multiple proxies in respect of each Omnibus Account it holds.

In both cases, such appointment shall be invalid unless the authorised nominee or Exempt Authorised Nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed."

(d) Inclusion of a new Article 125A to read as follows:-

"Article 125A – Payment of dividends by electronic means

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Listing Requirements and/or regulatory authorities, payment of dividends may be made by direct transfer or such other mode of electronic means to the bank account of the holder whose name appear in the Register of Members or Record of Depositors or, if more than one (1) person is entitled thereto in consequence of the death or bankruptcy of the holder, payment in such manner to the bank account of any one of such persons or to the bank account of such person as such persons may by writing direct. The payment of any dividends by such electronic means shall constitute a good and full discharge to the Company of the dividends to which it relates regardless of any discrepancy given by the Member in the details of bank account(s)."

THAT the Directors and Secretary of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the amendments;

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

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

By Order of the Board

HUANG SHI CHIN (MIA 3891)
IZREEN FARA BINTI ISMAIL (MAICSA 7056439)
Joint Company Secretaries
Petaling Jaya
27 April 2012

Notes:

A Member entitled to attend a 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 Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.

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

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 27 April 2012.

Special Resolution 1

Proposed Amendments to the Company's Articles of Association

Please refer to the Circular to Shareholders dated 27 April 2012.

BOARD OF DIRECTORS

CHAIRMAN
Dato' Zainal Abidin bin Putih
Independent Non-Executive Director

DIRECTORS
Rahul John Colaco
Managing Director

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

Kapil Garg
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 COMPANY SECRETARIES
Huang Shi Chin
(MIA 3891)

Izreen Fara binti Ismail
(MAICSA 7056439)

AUDIT COMMITTEE

CHAIRMAN
Boey Tak Kong

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

REMUNERATION COMMITTEE

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

MEMBERS
Foo Swee Leng
Rahul John Colaco

NOMINATION COMMITTEE

CHAIRMAN
Foo Swee Leng

MEMBERS
Dato' Zainal Abidin bin Putih
Boey Tak Kong

REGISTERED OFFICE
Level 5, Quill 9
112, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7953 2600
Facsimile : 03-7953 2700

REGISTRAR

SYMPHONY SHARE REGISTRARS SDN BHD
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Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7841 8000
Facsimile : 03-7841 8151

WEBSITE
www.dutchlady.com.my

INVESTOR RELATIONS & ENQUIRIES
corp-affairs.dlm@frieslandcampina.com

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia
Securities Berhad

AUDITORS

KPMG (AF: 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

PRINCIPAL BANKERS

PUBLIC BANK BERHAD
12, Jalan 14/14
46100 Petaling Jaya
Selangor Darul Ehsan

THE ROYAL BANK OF SCOTLAND BERHAD
Level 1, Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur

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

SOLICITORS

KHAW & PARTNERS
6th Floor
Menara Boustead
Jalan Raja Chulan
50200 Kuala Lumpur

Believe in Growth

Growth creates passion and passion creates growth

We love what we do best at Dutch Lady Malaysia – helping Malaysians move forward in life with trusted dairy nutrition. We achieve this through embracing a passion for continuous learning and growing our talent and expertise. To stakeholders, this means we continually exceed our own standards and expectations to deliver outstanding quality nutritious dairy products.

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 2011.

The Company achieved a commendable revenue growth in 2011 of RM810 million, 16% higher than the previous year. Demand for the Company's core powder and liquid dairy products continue to be strong, helped by highly effective promotions, value-enhancing product innovations and correct strategies in the market place that drove sales.

I am even more pleased to inform that in 2011, the Company achieved the highest level of profit before tax in its history, of RM141 million, 57% higher than the previous year. This is an extraordinary result as we were faced with steep increases in dairy raw material prices during the year. What this proves is that the Company has obviously put into place strategies that not only spur growth but at the same time help it overcome obstacles.

The Company has certainly been active during the year. First was the integrated launch of Dutch Lady Growing up Milk with 5xDHA which really moved the needle in the mainstream Infant, Follow-on and Toddler market.

The World Milk Day 2011 celebrations held in June once again saw Dutch Lady Malaysia taking the lead for the fourth time in our country for this global celebration. This time, we held the first Milk Elections that saw sweet corn winning the most popular UHT flavour by Malaysians.

The success of Dutch Lady Kid and Dutch Lady School, and the Company's involvement in the Government's 1Malaysia School Milk programme (PS1M), helped to further grow the Company's dairy beverage business to unprecedented levels.

As the market leader in dairy, and in line with its mission of helping Malaysians move forward in life with trusted dairy nutrition, the Company embarked on an ambitious two-year sugar reduction programme. It started the campaign by introducing three products with 25% less sugar. In addition, a historic decision was made to cease the production of Sweetened Condensed Milk for the same reason. The Company intends to reduce its total sugar usage by 40% by the end of 2013.

This move is consistent with our Corporate Social Responsibility (CSR) strategy of "Leading in providing healthy dairy nutrition". The other pillars of our CSR strategy are: "Ensuring sustainability in the environment and business operations", "Move society forward by giving back" – this could be seen in our many employee engagement and Dairy Development activities, and "Being the number one employer in dairy". We are committed to further increase our investments in CSR in 2012.

Our emphasis on engaging and developing our employees has paid dividends. The Company's employee engagement programme called "Passion for BLUE" has translated to better teamwork, stronger project management, and a more professional and focussed team.

One of the other things that we did to improve the working environment of our staff was to move the commercial office across the road from our factory to Quill 9. The open plan in the new office, which comprise all departments except Operations, improved communications tremendously.

As a responsible employer, we place a lot of attention on the safety of our workplace. This will continue to be an area of focus in 2012.

On dividends, the Company has utilised all its tax credits in 2011 and will henceforth be declaring single-tier dividends. A separate announcement will be made on this and I trust that the shareholders will be satisfied with the Company's declaration.

I wish to remind shareholders though, that the payment of special interim dividends is not guaranteed but is very much dependent on the Company's business and operational needs during the year.

On behalf of the Board, I have the pleasure in extending a warm welcome to Mr. Rahul Colaco, the new Managing Director of Dutch Lady Malaysia. He is replacing Mr Bas van den Berg who will return to our holding company Royal FrieslandCampina NV in the Netherlands following his promotion to lead a newly formed operating unit within the Group.

The Board of Directors is grateful for the extraordinary achievement of Mr. Bas van den Berg in driving Dutch Lady Malaysia to greater heights and wishes him every success in his new role.

As always, on behalf of the Board, I would like to convey our sincere thanks to the Management, employees and business partners of the Company for their exemplary performance in 2011 and wish them even greater success in the current year.

DATO' ZAINAL ABIDIN BIN PUTIH
Chairman

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

1 The Board of Directors

1.1 Composition

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

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

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 zin 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 14 and 15.

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; and
- 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 Secretaries who are 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 14 and 15 of the Annual Report.

3 Re-election of Directors

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

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

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

4 Directors' Training

All members of the Board (except for Mr. Rahul John Colaco who was appointed to the Board on 1 April 2012) 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 Directors (except for Mr. Rahul John Colaco who was appointed to the Board on 1 April 2012) attended briefings/ trainings that covered the following topics:

- Recent updates on the Main Market Listing requirements of Bursa Malaysia Securities Berhad
- Corporate Governance Blueprint
- Personal Data Protection Act 2011
- Anti-Profiteering Act 2011
- Managing Corporate Reputation in a Digital Age (except for Mr. Kapil Garg).
- Reputation Management as a Component of Business Continuity (except for Mr. Kapil Garg).

In addition, Mr. Kapil Garg attended the Leadership Development Programme organised by the International Institute for Management Development.

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. Members of the Audit Committee also receive a committee allowance. The Executive Directors are not paid an attendance allowance nor directors' fees.

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

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2011 are as follows:

	Executive Directors	Non-Executive Directors
	RM '000	RM '000
Directors' fees	-	200
Meeting & Committee allowances	-	53
Salaries and other emoluments	1,742	44
Benefits in kind	719	-

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

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

6 Board Committees

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

6.1 Audit Committee

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

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

- reinforces the independence of the Company's External Auditors.
- reinforces the objectivity of the Company's Internal Audit function.

The Audit Committee comprises four Directors (three of whom, including the Chairman, are Independent Non-Executive Directors). The members of the Committee are:

1. *Mr. Boey Tak Kong*

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

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

The Committee also reviews the Company's quarterly unaudited statements and final audited (12 months) Financial Statements before they are considered, deliberated and approved by the Board as well as related party transactions and any conflicts of interest situations during the year.

The Audit Committee Report for the financial year pursuant to Paragraph 15.15 of the Listing Requirements is contained on pages 16 and 17 of this Annual Report.

6.2 Nomination Committee

The Committee comprises three Directors, all of whom are Non-Executive Directors. The members of the Committee are:

1. *Mr. Foo Swee Leng*
   (Independent Non-Executive Director) - Chairman
   (appointed on 24 February 2012)
2. *Dato' Zainal Abidin bin Putih*
   (Independent Non-Executive Director)
3. *Mr. Boey Tak Kong*
   (Independent Non-Executive Director)

Mr. Kapil Garg (Non-Independent Non-Executive Director) was the chairman of the Nomination Committee from August 2010 to February 2012, when he was replaced by Mr. Foo Swee Leng because of ill-health.

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) - Chairman
2. *Mr. Foo Swee Leng*
   (Independent Non-Executive Director)
3. *Mr. Rahul John Colaco*
   (Managing Director)
   (appointed on 1 April 2012)

Mr. Sebastiaan Gijsbertus van den Berg, (the former Managing Director) was a member of the Remuneration Committee from January 2010 to March 2012, when he was replaced by Mr. Rahul John Colaco who was appointed as the new Managing Director of the Company and member of the Remuneration Committee on 1 April 2012.

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 individual directors abstain from discussion of their own remuneration.

7 Accountability and audit

7.1 Financial Reporting:

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

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

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

In preparing the 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 announcements 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 has an Internal Audit function that is supported by the Group's Corporate Internal Audit department.

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 approved by the Audit Committee prior to the commencement of their audit based on the Group's specially designed Internal Control Framework that aims at optimising the effectiveness and efficiency of the Company's internal controls. 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.

7.4 External Audit

The Company's independent external auditors, KPMG, play an essential role to the shareholders by enhancing the reliability of the Company's Financial Statements and by giving assurance of that reliability to users of the Financial Statements.

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

8 Relations with Shareholders and Investors

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

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

Announcements are made on a timely basis to Bursa Malaysia Securities Berhad and these are made electronically to the public via Bursa Malaysia's website at **www.bursamalaysia.com** as well as on the Company's website.

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

Investors may forward their queries to the Company via e-mail: **corp-affairs.dlm@frieslandcampina.com**

Look Forward

Continuously driving ourselves to do better

In today's competitive environment, it takes the attitude and mindset of a winner to succeed. At Dutch Lady Malaysia, we appreciate our people's inner talents and abilities. More importantly, we believe in their exceptional energy and potential to excel in what they do. Inevitably, this passion to push the boundaries and surmount challenges helps the Company to achieve its goals and stay at the forefront of competition.

DATO' ZAINAL ABIDIN BIN PUTIH

Aged 65. Malaysian. Independent Non-Executive Director. Chairman of the Company since 27 May 2009. Member of the Audit and Nomination Committees. He is also a director of several publicly listed companies. An accountant by profession. He does not have any family relationship with any director and / or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board meetings held during the financial year.

MR. KAPIL GARG

Aged 47. Indian national. Non-Independent Non-Executive Director. Appointed to the Board on 18 August 2010. Was Chairman of the Nomination Committee up to 24 February 2012. He is a member of the Executive Board of Royal FrieslandCampina N.V., the ultimate holding company of the Company, with responsibility for the business group Consumer Products International. He holds a degree in Economics and an MBA from the University of Delhi, India. 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 two out of four Board Meetings held during the financial year.

MR. RAHUL JOHN COLACO

Aged 39. Indian national. Executive Director. Appointed as Managing Director of the Company on 1 April 2012 and was appointed to the Board on the same date. Appointed as member of the Remuneration Committee on 1 April 2012. He holds a degree in Commerce from Mumbai University, India and has an MBA from the International Institute for Management Development, Lausanne in Switzerland. He does not have any family relationship with any director and/or shareholder of the Company other than as nominee director of Royal FrieslandCampina NV. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He did not attend any Board Meetings held during the financial year since he was only appointed as a Director on 1 April 2012.

MR. BOEY TAK KONG

Aged 57. Malaysian. Independent Non-Executive Director. Appointed to the Board on 12 November 2001. Chairman of the Audit Committee and member of the Nomination Committee. He is also a director of several publicly listed companies. Currently, he is the Managing Director of Terus Mesra Sdn Bhd, a leadership training company. A Fellow Member of the Chartered Association of Certified Accountants, United Kingdom, Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom, Chartered Accountant of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Management. He does not have any family relationship with any director and / or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past ten years and he does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.

DATO' DR. MHD. NORDIN BIN MOHD. NOR

Aged 65. 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 53. 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. FOO SWEE LENG

Aged 65. Malaysian. Independent Non-Executive Director. Appointed to the Board on 18 June 1986. Appointed Chairman of the Nomination Committee on 24 February 2012 and a member of the Audit and Remuneration Committees. He was formerly the Managing Director of the Company and the Regional Director of Friesland Asia Pacific. He holds a degree in Economics from University Malaya. He does not have any family relationship with any director and / or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.

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

1 Membership and Meeting of the Committee

Members of the Audit Committee are:-

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

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

The Audit Committee held four meetings during the financial year ended 31 December 2011. Details of attendance of the Audit Committee members are as follows:-

Name of Members	Total Meetings Attended
Boey Tak Kong	4 out of 4
Dato' Zainal Abidin bin Putih	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. Two members of the Committee are professional accountants.

  In compliance with the Code, all members of the Committee are Non-Executive Directors.

- **Quorum**
  The quorum for the Meeting is three.

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

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

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

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

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

- **Duties**
  The duties of the Committee are:

  (a) To consider the appointment of the External Auditors and fix their audit fee, and any question of their resignation or dismissal.

  (b) To discuss with the External Auditors their audit plan, the nature and scope of the audit, evaluation of the Company's system of internal controls and audit report on the annual Financial Statements.

  (c) To review the quarterly and annual Financial Statements of the Company before submission to the Board of Directors, focusing particularly on:

  (i) public announcement of the results and dividend payment;
  (ii) any changes in accounting policies and practices;
  (iii) the going concern assumption;
  (iv) compliance with approved accounting standards;
  (v) compliance with stock exchange and legal requirements; and
  (vi) significant adjustments arising from the audit.

  (d) To discuss issues and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss, in the absence of Management where necessary.

  (e) To review the External Auditors' letter to Management and Management's response thereon.

  (f) To do the following, in relation to the internal audit function:-

  (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  (ii) review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function by Management;

(iii) review and appraise the performance of members of the internal audit function;
(iv) approve any appointment or termination of senior staff members of the internal audit function; and
(v) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(g) To consider any related party transactions and conflict of interest situations that may arise within the Company.

(h) To consider the major findings of any internal investigations and Management's response thereon.

(i) To review the draft Circular on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors.

(j) To consider any other topics, as defined by the Board.

- **Reporting Procedures**
  The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

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

4 Internal Audit Function

The Company has an Internal Audit function that is supported by the Group's Corporate Internal Audit department. The Internal Audit function reports to the Audit Committee.

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

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

- prepared the audit plan for the year, which is reviewed and approved annually by the Audit Committee. The annual audit plan is based on the 2009 - 2011 audit plan following a risk likelihood/ impact assessment and approved by the Audit Committee on 18 November 2008, and modified where necessary by the Audit Committee;
- determined the manpower requirement to support the audit plan;
- prepared the audit programme based on the audit plan, for each activity or process to be audited;
- maintained the Company's Internal Control Framework, including designing controls, training on self assessments and ensured proper functioning of the system;
- discussed with auditees, process owners and Management on the results of the audit for each activity or process, and the recommendations for improvements;
- reported to the Audit Committee on a quarterly basis, the internal audit findings on risk management, control and governance issues identified during the risk based audits, together with recommendations for improvement in the processes;
- undertook investigations and special reviews of matters arising from the audits and/or as requested by Management and/or Audit Committee, and issued reports accordingly;
- followed up on recommendations from the previous internal audit reports to ensure that all matters arising are adequately addressed; and
- conducted follow-up of recommendations by the External Auditors in their Management letter.

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 during the financial year ended 31 December 2011 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 three meetings with the External Auditors, which included separate sessions between the Independent and Non-Executive Directors and External Auditors, without the presence of the Executive Directors and Management staff;

(iii) reviewed the compliance with accounting standards and ensured that the Company used appropriate accounting policies for its financial statements;

(iv) reviewed the Company's quarterly financial results and recommended the same to the Board for approval and announcement to Bursa Malaysia Securities Berhad;

(v) reviewed the Company's audited accounts for the year and audit report of the External Auditors on the financial statements and recommended the same to the Board for approval;

(vi) considered the quantum, timing and cash flow of dividend payments, and recommended the same to the Board for approval;

(vii) reviewed the related party transactions and any conflicts of interest situations during the year; and

(viii) 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.

Unite as One Team

People working together to deliver great results

Dutch Lady Malaysia's success does not happen by chance. In addition to carefully planned goals and well-executed strategies, the people factor comes into play. Collectively working as a team, each work team is committed to delivering the desired results within its domain while at the same time, functioning effectively as an interdependent contributor across the organisation. This way, Dutch Lady Malaysia moves forward as a seamless single entity.

Corporate Social Responsibility (CSR) is a key pillar of our business strategy and continues to be an important tenet of our operating philosophy. CSR is not new to us, we have always been engaged and elements of CSR run through the veins of our Company and are central to our business. We believe in leading responsibly and creating shared values to all our stakeholders through our strategic CSR initiatives. Taking this into account, we aim to demonstrate our commitment by:

- Leading in providing healthy dairy nutrition
- Ensuring sustainability in the environment and our business operations
- Moving society forward by giving back
- Being the number one employer in dairy

Leading in providing healthy dairy nutrition

In line with our mission of "Helping Malaysians move forward in life with trusted dairy nutrition", we aim to continue developing products that contribute to a healthy society. The year saw the Company involved in the biggest and most in-depth nutritional study in the region, organised by our parent company. The South East Asia Nutritional study (Seanut) was launched to identify nutritional habits and gaps in knowledge among children of 12 years old and below. In Malaysia, the project is a collaboration between Dutch Lady Malaysia and Universiti Kebangsaan Malaysia (UKM).

- **Sugar reduction campaign**

  In support of the Government's sugar reduction campaign, the Company launched its own aggressive two-year plan to reduce sugar consumption via its product range. The aim is to reduce 40% of its sugar consumption (from current usage level) by 2013. It is part of our continuous efforts towards improving the nutritional profile of our products. This campaign also aims to raise the awareness and understanding of consumers' habits related to sugar consumption by making relevant changes to the product portfolio.

- **Partner in the Government's School Milk Programme**

  Dutch Lady Malaysia's participation in the Program Susu 1Malaysia (PS1M) is in line with our efforts to spread the goodness of milk to school children to help them achieve optimum growth and learning. Our participation ultimately reinforces our strength as an expert in dairy nutrition. Through this partnership we provide milk to over 400,000 school children between the ages of 7 and 12 years in more than 1,500 primary schools in 2011.

Ensuring sustainability in environment and business operations

We will continue to maintain and improve our processes through Good Manufacturing Practices, Hazard Analysis Critical Control Point (HACCP) System and Quality Management System (ISO 9001). In addition, we are fully committed towards our responsibility on environmental issues in the conduct of our business. Our commitment and efforts towards the environment is embodied in the ISO 14001 Environment Management System, a systematic management approach towards the environment. Our Safety, Health & Environment Policy outlines our commitment and position on this.

- **Safety is paramount in all aspects of our operations**

  We are committed in ensuring a safe environment for our employees, contractors and visitors who work on-site through our demonstration of safe work practices. Concerted efforts are continually made to create awareness on the collective responsibility among our employees for the prevention of occupational injuries and health hazards when working within our vicinity of the workplace. We have in place OHSAS 18001 (Occupational Health and Safety Assessment Series) that assist the Company in managing and controlling the health and safety risks and improving our occupational health and safety performance.

- **Energy, water and waste management**

  Managing water consumption is an important priority for the Company. Various water recycling improvement projects were undertaken at production plants. Our Engineering department also regularly conducts audit of leakages to avoid wastages. We made conscious efforts in improving our manufacturing processes and continuously work towards the reduction in the use of energy throughout the Company. We use natural gas in our manufacturing operations where the consumption and trend of usage is continuously monitored. We regularly made efforts to ensure we have efficient operations in place to minimise the use of natural gas. We have a systematic procedure for the disposal of market-returned products, used packaging materials and scheduled waste. We believe all these efforts contribute to a cleaner and greener environment.

- **Foqus quality system**

  The Royal FrieslandCampina Group safeguards food safety and food quality with Foqus – a broad-based quality system that is applicable for both the farms of the member dairy farmers and FrieslandCampina's production and distribution facilities. Foqus supports the Company in the development of an increasingly robust production process. With Foqus audit implementation conducted in 2011, stricter requirements are enforced to ensure all our products and the way in which they are produced meet our own high standards on food safety, quality, labour safety and environment.

- **Continuous Improvement Programmes**

  In 2011, the Company implemented Lean and Six Sigma transformation programme as a continuous improvement tool. Various focused improvement programmes are conducted to reduce waste at all levels of operation processes. Waste elimination has helped to reduce cost and aids in faster operations which allows the Company to be more responsive to our customers, thereby driving growth.

- **Halal Standards**

  We introduced the Halal Policy statement which spells out the Company's commitment to provide Halal products to our consumers by adhering to Halal requirements which sets high standards for hygiene, quality, safety and sanitary conditions.

- **Sustainable palm oil**

  Since January 2011, Dutch Lady Malaysia has purchased sustainable palm oil certificated in accordance with the Round Table for Sustainable Palm Oil (RSPO) principles and criteria.

Moving society forward by giving back

We attach great value to establishing and maintaining good relationship with our consumers, customers, shareholders, suppliers, business partners, organisations and communities in which we operate. We fully acknowledge and remain committed to conduct our business responsibly whilst contributing to society.

- **Supporting local dairy farmers**

  Dutch Lady Malaysia started its Dairy Development Programme (DDP) in 2008 in cooperation with the Department of Veterinary Service (DVS) and the Embassy of the Kingdom of the Netherlands. The programme is designed to help local farmers produce better quality milk in higher volumes and helps to ensure sustainability of milk supply to us. In 2011, seven workshops on Dairy Development were conducted for local dairy farmers nationwide and DVS officials. Farmers were given access to the Dutch experts brought in for the workshops and the DDP became a good platform for farmers to network and share their ideas with the DVS officials and vice versa. As a result of this programme, the quality and volume of local fresh milk has improved.

The Company introduced a 90-day paid maternity leave effective January 2011. This move further reflects the Company's support towards the bond between mothers and their infants. In addition, a dedicated Mother Care room was designed in our new office to support our working mothers to continue with their maternal care duties.

- **Embedding CSR among employees through volunteerism**

  Dutch Lady Blue Brigade (DLBB), the Company's employee volunteering pool for community outreach programmes set up in 2010, continues to support the Company in its activities. Spreading the goodness of dairy is seen as pivotal in most of the DLBB activities. In 2011, DLBB continues to actively participate in nine community activities with media, charitable organisations, children's homes and schools. To date, DLBB members has donated more than 3,000 hours of their personal time for worthy causes.

- **Fundraising to support local underprivileged children's organisations**

  In August 2011, Dutch Lady Malaysia partnered with Giant Hypermarket Malaysia and Tesco Stores (Malaysia) Sdn. Bhd. and ran two separate fundraising campaigns in aid of underprivileged children where RM194,760 were raised for StART Society (a non-profit organisation that provides underprivileged children with free lessons in music, arts, dance and drama) and for 15 Children's Centres under the purview of the Department of Social Welfare Malaysia.

Being the Number One Employer in Dairy

We want to be an employer that respects its employees and inspires them to give their best to the Company. We aim to provide a working environment characterised by fairness, respect and integrity. We have always taken seriously the value of our people and are committed to good employment practices. In our ambition to be the number one dairy company in Malaysia, we have adopted the Group's 'Way We Work' working ethos and localised it to enable our employees to understand and assimilate into their own working culture. The "Passion for BLUE" (PfB) change programme introduced in 2010 as a strategy to realise our goals, was improved in 2011 through stronger co-operation amongst teams in the company. The BLUE values, which is based on the Group's 'Way We Work' was coined to help build a common set of values that employees can easily remember and assimilate. It is an acronym of four key values: Believe in Growth, Look Forward, Unite as One Team and Excel in Execution. Culture Club, a group of select employees formed in 2010, continues to support the Company's objective of driving the BLUE values among our employees through various employee engagement activities.

- **Employee engagement**

  We pride ourselves on ensuring open two-way communication channels are available to all employees. To facilitate better understanding of the Company's objectives and directions, we ensure line of sight through various face-to-face communications, town hall sessions, monthly MD podcasts, employees' newsletter known as SUARA and a regularly updated employee portal. We have organised various employee engagement initiatives, ranging from trainings to social gatherings like the Family Day in September as well as recreational activities through the Dutch Lady Sports and Social Club. We continue to recognise our employees through various employee recognition programmes.

Employee Engagement Survey known as the BLUE Pulse was continually administered every quarter as a key indicator of how we are performing as an employer. It is important for us to know if our employees believe in the Company's objectives and values, that they have a sense of belonging in the company and that they will strive for the Company. The results give us an insight on what areas we should focus to help improve the working experience for our employees. In 2011, to help improve the working environment of our employees, we moved the commercial office to Quill 9 building which is across the road from our factory. The open plan in the new office contributes to better communications and more conducive working environment

- **Training and development**

We place highest importance in ensuring that our people are continuously equipped with the necessary skills and knowledge to keep us at the forefront of our business. Various programmes were held which focused on upgrading the competencies of our people to help unleash their potential and productivity while creating a talent pool for effective succession planning. Investment is made in structured on-the-job training, workshops and seminars covering areas on management, technical, communication, leadership and soft-skills. We have in place a Talent Assessment Programme to identify and develop future leaders. We also have a Dutch Lady Associate Programme, a graduate training programme to identify and develop energetic young talents with excellent leadership and managerial qualities. A total of 10 trainees were recruited during the year.

- **Corporate and personal conduct**

To us, sustainability means carrying out our business in a socially responsible and holistic manner to ensure continued growth and success for the benefit of both the present and future generations. In pursuing this, we are guided by the Royal FrieslandCampina's Code of Conduct and Anti-Trust Code of Conduct which sets out the values, principles and guidelines for how we should conduct our business to ensure integrity, transparency and accountability in all our business undertakings. Employees are contractually bound to abide by the Code of Conduct when conducting themselves at work and with external stakeholders . Bribery and corruption is not tolerated. Employees are encouraged to report any malpractices without fear or favour to the Company's local trusted representatives or an external contact at the Group's head office. Whistle-Blowing Procedures are in place for employees to address these concerns.

Responsibility to shareholders and investors

We recognise the importance of maintaining transparency and accountability to our shareholders and investors. In line with good governance practices, we place utmost importance on compliance, accountability and transparency in the disclosure of information to our stakeholders. We frequently engage research analysts, fund managers and the media about our Company's performance, new product launches and corporate social activities. The Company's website at www.dutchlady.com.my provides corporate and financial information as well as news, highlights, events, product information and nutritional advice.

The Board has overall responsibility for the Company's system of internal controls, which includes the establishment of a 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 course of actions to manage those risks. The Company continually evaluates and manages risks and reviews the planned actions.

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

Internal Control Structure and Processes

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

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

- **Board Committees**

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

- **Organisational Structure and Responsibility Levels**

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

- **Authority Levels, Acquisitions and Disposals**

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

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

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

- **Procedures and Control Environment**

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

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

- **Standards of Business Ethics**

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

  In line with this, the Company has a comprehensive Employee Handbook, Code of Conduct and Whistle-Blowing Procedures. In addition, the Group's Anti-Trust Code of Conduct is cascaded to all relevant employees.

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

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

- **Reporting and Review**

  The Company's Management Team monitors on a daily or monthly basis the key performance indicators and reviews the financial results and forecasts for all the businesses within the Company against the operating plans and annual budgets. The results are communicated on a regular basis to employees.

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

- **Financial Performance**

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

- **Assurance Compliance**

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

- **Internal Control Framework**

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

  During the year, the Company completed the implementation of the Group's Internal Control Framework (ICF). ICF is the new internal control standard within the Group.

- **Update on Developments**

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

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

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

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

In addition to internal controls, the Directors have ensured that health and safety regulations, environmental controls and political risks have been considered; and relevant laws and regulations complied with. The quality of the Company's products is paramount. Quality Assurance, Quality Control and meeting customers' 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.

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

Conclusion

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

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

Excel in Execution

Focusing on key priorities and delivering in full and on time

Execution is key to strategic success. Based on this premise, focus is given to critical initiatives and drivers that generate energy and output to deliver on our value proposition in an effective, efficient and timely manner. Operational priorities, team roles and scorecards are defined, aligned and consistently communicated to all employees towards building high commitment and implementation support. We aim to deliver superior value to our customers, thereby making Dutch Lady Malaysia the premier brand for nutritious dairy products among Malaysians.

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2011.

Principal activities

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

Results

	RM'000
Profit for the year	108,082

Reserves and provisions

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

Dividends

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

i) a final ordinary dividend of 10.00 sen per ordinary share less tax at 25% totalling RM4,800,000 (7.50 sen net per ordinary share) in respect of the year ended 31 December 2010 on 1 July 2011;

ii) a final ordinary dividend of 5.00 sen per ordinary share, tax exempt, totalling RM3,200,000 in respect of the year ended 31 December 2010 on 1 July 2011;

iii) a special interim ordinary dividend of 30.00 sen per ordinary share less tax at 25% totalling RM14,400,000 (22.50 sen net per ordinary share) in respect of the year ended 31 December 2011 on 1 July 2011;

iv) an interim ordinary dividend of 10.00 sen per ordinary share less tax at 25% totalling RM4,800,000 (7.50 sen net per ordinary share) in respect of the year ended 31 December 2011 on 28 December 2011; and

v) a special interim ordinary dividend of 40.00 sen per ordinary share less tax at 25% totalling RM19,200,000 (30.00 sen net per ordinary share) in respect of the year ended 31 December 2011 on 28 December 2011.

Directors of the Company

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

Dato' Zainal Abidin bin Putih
Sebastiaan Gijsbertus van den Berg
Kapil Garg
Foo Swee Leng
Boey Tak Kong
Dato' Dr. Mhd Nordin bin Mohd. Nor
Huang Shi Chin

In accordance with Article 94(a) of the Company's Articles of Association, Dato Zainal Abidin bin Putih and Mr. Sebastiaan Gijsbertus van den Berg retire by rotation at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

Directors' interests

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

Directors' benefits

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

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

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Other statutory information

Before the statement of financial position and statement of comprehensive income of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent; or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading; or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for the impairment loss on property, plant and equipment of RM2,000,000 as disclosed in the Note 12 to the financial statements, the financial performance of the Company for the year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Holding companies

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

Auditors

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

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

Sebastiaan Gijsbertus van den Berg

Huang Shi Chin

Petaling Jaya
24 February 2012

statement of financial position

as at 31 december 2011

	Note	2011 RM'000	2010 RM'000
ASSETS			
Property, plant and equipment	3	71,602	69,803
Intangible assets	4	2,446	3,443
TOTAL NON-CURRENT ASSETS		74,048	73,246
Inventories	5	93,448	72,722
Trade and other receivables	6	36,714	75,176
Prepayments		1,161	689
Cash and cash equivalents	7	193,143	85,657
TOTAL CURRENT ASSETS		324,466	234,244
TOTAL ASSETS		398,514	307,490
EQUITY			
Share capital	8	64,000	64,000
Retained earnings	8	195,154	133,472
TOTAL EQUITY		259,154	197,472
LIABILITIES			
Deferred tax liabilities	9	4,051	3,757
TOTAL NON-CURRENT LIABILITIES		4,051	3,757
Trade and other payables	10	121,832	99,638
Provision	11	375	348
Current tax liabilities		13,102	6,275
TOTAL CURRENT LIABILITIES		135,309	106,261
TOTAL LIABILITIES		139,360	110,018
TOTAL EQUITY AND LIABILITIES		398,514	307,490

The notes on pages 34 to 58 are an integral part of these financial statements.

	Note	2011 RM'000	2010 RM'000 restated
Revenue		810,647	696,625
Cost of sales		(506,175)	(447,961)
GROSS PROFIT		304,472	248,664
Other income		2,057	1,147
Distribution expenses		(106,180)	(92,128)
Administrative expenses		(26,134)	(22,657)
Other expenses		(34,847)	(45,805)
RESULT FROM OPERATING ACTIVITIES		139,368	89,221
Interest income		3,104	883
Finance costs		(919)	-
PROFIT BEFORE TAX	12	141,553	90,104
Income tax expenses	14	(33,471)	(26,217)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		108,082	63,887
BASIC EARNINGS PER ORDINARY SHARE (SEN)	15	168.90	99.80

The notes on pages 34 to 58 are an integral part of these financial statements.

statement of changes in equity

for the year ended 31 december 2011

		Attributable to owners of the Company		
		Non-distributable	*Distributable*	
		Share capital	Retained earnings	Total equity
	Note	RM'000	RM'000	RM'000
AT 1 JANUARY 2010		64,000	115,985	179,985
Total comprehensive income for the year		-	63,887	63,887
Dividends to owners of the Company	16	-	(46,400)	(46,400)
AT 31 DECEMBER 2010/ 1 JANUARY 2011		64,000	133,472	197,472
Total comprehensive income for the year		-	108,082	108,082
Dividends to owners of the Company	16	-	(46,400)	(46,400)
AT 31 DECEMBER 2011		64,000	195,154	259,154
		Note 8	Note 8	

The notes on pages 34 to 58 are an integral part of these financial statements.

	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers and other receivables		849,442	730,398
Cash paid to suppliers and employees		(661,156)	(607,007)
CASH GENERATED FROM OPERATIONS		188,286	123,391
Income tax paid		(26,350)	(25,002)
NET CASH FROM OPERATING ACTIVITIES		161,936	98,389
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant and equipment		(10,882)	(9,089)
Additions of intangible assets		(823)	(136)
Proceeds from disposal of property, plant and equipment		1,470	278
Interest received		3,104	883
NET CASH USED IN INVESTING ACTIVITIES		(7,131)	(8,064)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(919)	-
Dividends paid	16	(46,400)	(46,400)
NET CASH USED IN FINANCING ACTIVITIES		(47,319)	(46,400)
Net increase in cash and cash equivalents		107,486	43,925
Cash and cash equivalents at 1 January	(i)	85,657	41,732
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	(i)	193,143	85,657

i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2011 RM'000	2010 RM'000
Cash and bank balances	7	85,945	46,657
Deposits placed with licensed banks	7	107,198	39,000
		193,143	85,657

The notes on pages 34 to 58 are an integral part of these financial statements.

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

Principal place of business / Registered office

Level 5, Quill 9
No 112, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan

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

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

These financial statements were authorised for issue by the Board of Directors on 24 February 2012.

1 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Boards (MASB) but have not been adopted by the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

The Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed in Note 3 – estimation of impairment loss on property, plant and equipment and Note 11 – estimation of provision for employees' pension contribution.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency transactions

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

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

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

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

(b) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see note 2(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

The estimated useful lives are as follows:

	2011	2010
• long term leasehold land	70 - 99 years	70 - 99 years
• buildings	10 - 25 years	10 - 25 years
• plant and machinery	5 - 33 years	5 - 13.3 years
• motor vehicles	5 years	5 years
• furniture and equipment	5 - 10 years	5 - 10 years

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

During the current financial year, the Company revised the estimated economic useful lives and accordingly, the estimated useful lives of certain buildings and plant and machinery have changed with effect from 1 January 2011 from a range of 5 – 25 years to a range of 5 – 33 years. The revision has been accounted for prospectively as a change in accounting estimates and the effect on the financial statements is to reduce depreciation charge and increase profit before taxation by RM1,831,000 for the current financial year.

(d) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(e) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Costs that are directly associated with identifiable computer software and that will probably generate economic benefits exceeding cost beyond one year or cost savings to the Company, and are not integral to other equipment are recognised as intangible assets. These costs include the employee costs of software development and an appropriate portion of relevant overheads.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Other intangible assets are amortised from the date they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of computer software for the current and comparative periods is 5 years.

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and cash equivalents

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

(h) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(j) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

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

(iii) Termination benefits

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

(k) Provisions

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

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(n) Earnings per ordinary share

The Company presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other Company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3 PROPERTY, PLANT AND EQUIPMENT

	Note	Long term leasehold land RM'000	Buildings RM'000	Plant and equipment* RM'000	Capital work-in progress RM'000	Total RM'000
COST/VALUATION						
At 1 January 2010		5,639	43,999	103,070	16,341	169,049
Additions		-	-	261	8,828	9,089
Disposals		-	-	(1,372)	-	(1,372)
Transfer		-	-	10,448	(10,448)	-
At 31 December 2010/ 1 January 2011		5,639	43,999	112,407	14,721	176,766
Additions		-	-	372	10,510	10,882
Disposals		-	-	(3,108)	-	(3,108)
Write off		-	-	(3,099)	-	(3,099)
Transfer		-	1,886	10,605	(12,491)	-
Reclassification from intangible assets	4	-	-	-	97	97
At 31 December 2011		5,639	45,885	117,177	12,837	181,538
DEPRECIATION AND IMPAIRMENT LOSS						
At 1 January 2010						
Accumulated depreciation		1,933	17,964	66,825	-	86,722
Accumulated impairment loss		-	-	-	-	-
		1,933	17,964	66,825	-	86,722
Depreciation for the year		76	1,776	6,850	-	8,702
Impairment loss		-	-	3,210	9,098	12,308
Disposals		-	-	(769)	-	(769)
At 31 December 2010 / 1 January 2011						
Accumulated depreciation		2,009	19,740	72,906	-	94,655
Accumulated impairment loss		-	-	3,210	9,098	12,308
		2,009	19,740	76,116	9,098	106,963
Depreciation for the year		75	1,819	5,068	-	6,962
Impairment loss		-	-	-	2,000	2,000
Disposals		-	-	(2,905)	-	(2,905)
Write off		-	-	(3,084)	-	(3,084)
At 31 December 2011						
Accumulated depreciation		2,084	21,559	71,985	-	95,628
Accumulated impairment loss		-	-	3,210	11,098	14,308
		2,084	21,559	75,195	11,098	109,936

	Long term leasehold land RM'000	Buildings RM'000	Plant and equipment* RM'000	Capital work-in progress RM'000	Total RM'000
CARRYING AMOUNTS					
At 1 January 2010	3,706	26,035	36,245	16,341	82,327
At 31 December 2010/ 1 January 2011	3,630	24,259	36,291	5,623	69,803
At 31 December 2011	3,555	24,326	41,982	1,739	71,602

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

3.1 Included in property, plant and equipment of the Company are fully depreciated assets, which are still in use, with an aggregate cost of approximately RM46,187,265 (2010 – RM49,221,489).

3.2 In 2010, due to the strategic re-alignment to its core businesses, the Company impaired the cost of four production lines that were no longer part of its focus. An amount of RM12,308,000 was charged to the statement of comprehensive income.

During the year, the Company impaired the remaining cost of a production line that was no longer part of its focus. An amount of RM2,000,000 has been charged to the statement of comprehensive income.

3.3 Long term leasehold land relates 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. Long term leasehold land 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.

3.4 During the financial year ended 31 December 2011, the Company conducted an operational efficiency review on its property, plant and equipment, which resulted in changes in their expected usage. The effect of these changes on depreciation expense, recognised in profit or loss, in current and future periods is as follows:

	2011	2012	2013	2014	2015	Later
(Decrease)/Increase in depreciation expense	(1,831)	(1,350)	(923)	(721)	(775)	5,600

4 INTANGIBLE ASSETS

	Note	Computer software RM'000	Capital work-in progress RM'000	Total RM'000
COST				
At 1 January 2010		7,069	499	7,568
Additions		-	136	136
Adjustment	4.1	-	(159)	(159)
Transfer		105	(105)	-
At 31 December 2010/ 1 January 2011		7,174	371	7,545
Additions		-	823	823
Adjustment	4.1	-	(244)	(244)
Transfer		315	(315)	-
Reclassification to property, plant and equipment	3	-	(97)	(97)
At 31 December 2011		7,489	538	8,027
AMORTISATION				
At 1 January 2010		2,689	-	2,689
Amortisation for the year		1,413	-	1,413
At 31 December 2010/ 1 January 2011		4,102	-	4,102
Amortisation for the year		1,479	-	1,479
At 31 December 2011		5,581	-	5,581
CARRYING AMOUNTS				
At 1 January 2010		4,380	499	4,879
At 31 December 2010/ 1 January 2011		3,072	371	3,443
At 31 December 2011		1,908	538	2,446

4.1 The adjustment is in relation to credit note received from a supplier for the additions in 2009.

5 INVENTORIES

	2011 RM'000	2010 RM'000
At net realisable value		
Finished goods	36,806	33,362
Raw materials	50,740	36,244
Packaging materials	5,823	2,986
Spare parts	79	130
	93,448	72,722

	2011 RM'000	2010 RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	414,584	386,035
Write-down to net realisable value	435	1,541

The write-down is included in cost of sales.

6 TRADE AND OTHER RECEIVABLES

	Note	2011 RM'000	2010 RM'000
TRADE			
Amount owing by related companies	6.1	6,819	5,049
Trade receivables	6.2	23,716	65,744
		30,535	70,793
NON-TRADE			
Amount owing by related companies	6.3	1,368	1,294
Other receivables		2,691	1,831
Deposits		2,120	1,258
		6,179	4,383
		36,714	75,176

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

6.2 During the year, the Company entered into an arrangement with a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. This has resulted in the financial institution assuming the debts to the Company and credit risk is effectively transferred to the financial institution.

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

7 CASH AND CASH EQUIVALENTS

	2011 RM'000	2010 RM'000
Cash and bank balances	85,945	46,657
Deposits placed with licensed banks	107,198	39,000
	193,143	85,657

The deposits placed with licensed banks bear interest at 3.30% (2010: 2.79%) per annum.

8 CAPITAL AND RESERVES

Share Capital

	Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '000
Ordinary shares of RM 1 each				
Authorised	100,000	100,000	100,000	100,000
Issued and fully paid	64,000	64,000	64,000	64,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has tax exempt income to frank and distribute approximately RM41,000,000 of its retained earnings at 31 December 2011 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. During the year, the Company fully utilised the remaining Section 108 tax credit balance.

9 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment	-	-	(6,602)	(5,263)	(6,602)	(5,263)
Inventories	1,211	385	-	-	1,211	385
Receivables	273	345	-	-	273	345
Provisions	1,067	776	-	-	1,067	776
Tax assets/(liabilities)	2,551	1,506	(6,602)	(5,263)	(4,051)	(3,757)

Movement in temporary differences during the year

	At 1.1.2010 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31.12.2010/ 1.1.2011 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31.12.2011 RM'000
Property, plant and equipment	(5,662)	399	(5,263)	(1,339)	(6,602)
Inventories	161	224	385	826	1,211
Receivables	648	(303)	345	(72)	273
Provisions	703	73	776	291	1,067
	(4,150)	393	(3,757)	(294)	(4,051)

10 TRADE AND OTHER PAYABLES

	Note	2011 RM'000	2010 RM'000
TRADE			
Amount owing to related companies	10.1	11,009	12,397
Trade payables		78,562	60,187
		89,571	72,584
NON-TRADE			
Amount owing to related companies	10.2	968	2,073
Accrued expenses		30,046	24,467
Other payables		1,247	514
		32,261	27,054
		121,832	99,638

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

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

11 PROVISION

	Employees' pension contribution	
	2011 RM'000	2010 RM'000
At 1 January	348	283
Addition during the year	27	65
Utilised during the year	-	-
At 31 December	375	348

Employees' Pension Contribution

Provision for employees' 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.

12 PROFIT BEFORE TAX

	2011 RM'000	2010 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible assets	1,479	1,413
Auditors' remuneration:		
Statutory audit - current year	85	85
Other services	15	15
Depreciation of property, plant and equipment	6,962	8,702
(Gain)/Loss on disposal of property, plant and equipment	(1,267)	325
Impairment loss recognised/(reversed):		
Property, plant and equipment	2,000	12,308
Trade receivables	68	(251)
Loss arising from cash flow hedge	-	4,398
Net loss/(gain) on foreign exchange		
Realised	423	(12,411)
Unrealised	(48)	418
Operating lease rental	3,531	2,252
Personnel expenses (including key management personnel)		
Contributions to state plans	5,084	5,005
Wages, salaries and others	44,233	38,324
Property, plant and equipment written off	15	-
Rental expense in respect of:		
Premises	1,147	151
Equipment	181	279
Write down of inventories	435	1,541

13 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2011 RM'000	2010 RM'000 restated
Directors		
Fees	200	174
Remuneration	1,742	1,420
Benefits-in-kind	719	766
Other emoluments	97	20
	2,758	2,380
Other key management personnel:		
Short-term employee benefits	4,138	3,993
EPF contributions	165	180
	4,303	4,173
	7,061	6,553

Directors' remuneration includes salaries, contributions to EPF, allowance and all other Directors related expenses. Included in salaries and other emoluments of Executive Directors are contributions to EPF by the Company amounting to RM93,000 (2010: RM89,000).

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

14 INCOME TAX EXPENSE

	2011 RM'000	2010 RM'000
RECOGNISED IN PROFIT OR LOSS		
Current tax expense		
Current year	35,947	26,610
Prior year	(2,770)	-
	33,177	26,610
Deferred tax expense		
Origination and reversal of temporary differences	294	(829)
Under provision in prior years	-	436
	294	(393)
Total income tax expense	33,471	26,217

	2011 RM'000	2010 RM'000
RECONCILIATION OF TAX EXPENSE		
Profit for the year	108,082	63,887
Total income tax expense	33,471	26,217
Profit excluding tax	141,553	90,104
Income tax calculated using Malaysian tax rate of 25%	35,388	22,526
Non-deductible expenses	853	3,255
(Over)/Under provided in prior year	(2,770)	436
	33,471	26,217

At 31 December 2011, the Company has the following tax exempt income accounts:

	2011 RM'000	2010 RM'000
Tax exempt income arising from:		
Reinvestment allowances claimed and utilised under the Income Tax Act, 1967	35,716	37,904
Tax incentives claimed under the Promotion of Investments Act, 1986	3,564	3,564
Income tax waived in accordance with Income Tax (Amendment) Act, 1999	1,533	1,533
	40,813	43,001

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

15 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2011 RM'000	2010 RM'000
Profit for the year	108,082	63,887
Weighted average number of ordinary shares of RM1 each in issue ('000)	64,000	64,000
Basic earnings per ordinary share (sen)	168.90	99.80

Diluted earnings per ordinary share

There were no diluted earnings per ordinary share for the Company as at 31 December 2011 and 2010.

16 DIVIDENDS

Dividends recognised by the Company:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2011			
Final 2010 ordinary			
(10.00 sen less 25% tax)	7.50	4,800	1.7.2011
Final 2010 ordinary			
(5.00 sen tax exempt)	5.00	3,200	1.7.2011
First special interim 2011 ordinary			
(30.00 sen less 25% tax)	22.50	14,400	1.7.2011
Interim 2011 ordinary			
(10.00 sen less 25% tax)	7.50	4,800	28.12.2011
Second special interim 2011 ordinary			
(40.00 sen less 25% tax)	30.00	19,200	28.12.2011
Total amount		46,400	
2010			
Final 2009 ordinary			
(10.00 sen less 25% tax and 5 sen tax exempt)	12.50	8,000	1.7.2010
First special Interim 2010 ordinary			
(30.00 sen less 25% tax)	22.50	14,400	1.7.2010
Interim 2010 ordinary			
(10.00 sen less 25% tax)	7.50	4,800	28.12.2010
Second special interim 2010 ordinary			
(40.00 sen less 25% tax)	30.00	19,200	28.12.2010
Total amount		46,400	

17 OPERATING SEGMENTS

The Company operates principally in Malaysia and in one major business segment. As such, only one reportable segment analysis is prepared. The Company's Board of Directors (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment total asset is used to measure the return of assets of the segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets.

	2011 RM'000	2010 RM'000
Segment profit	108,082	63,887
Included in the measure of segment profit are:		
Revenue from external customers	810,647	696,625
Cost of sales	(506,175)	(447,961)
Depreciation	(6,962)	(8,702)
Segment assets	398,514	307,490
Included in the measure of segment assets are:		
Additions to non-current assets	11,705	9,225

No reconciliation is performed for reportable segment profit, revenue from external customers, cost of sales, depreciation and assets as there is no difference.

18 FINANCIAL INSTRUMENTS

18.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R); and
(b) Other financial liabilities measured at amortised cost (OL)

	Carrying amount RM'000	L&R/ (OL) RM'000
2011		
Financial assets		
Trade and other receivables	36,714	36,714
Cash and cash equivalents	193,143	193,143
	229,857	229,857
Financial liabilities		
Trade and other payables	(121,832)	(121,832)
2010		
Financial assets		
Trade and other receivables	75,176	75,176
Cash and cash equivalents	85,657	85,657
	160,833	160,833
Financial liabilities		
Trade and other payables	(99,638)	(99,638)

18.2 Net gains and losses arising from financial instruments

	2011 RM'000	2010 RM'000
Net gains / (losses) arising from:		
Loans and receivables	666	(164)
Financial liabilities measured at amortised cost	(3)	13,291
	663	13,127

18.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

18.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has adopted a policy of only dealing with creditworthy customers, based on 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.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company performs credit evaluations on customers requiring credit over a certain amount and customers are also required to place collaterals with the Company in the forms of bank guarantees, cash deposits or property charge.

During the year, the Company entered into an arrangement with a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. This has resulted in the financial institution assuming the debts to the Company and credit risk is effectively transferred to the financial institution.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days which are deemed to have higher credit risk, are monitored individually.

Receivables amounting to RM7,293,000 (2010: RM37,533,000) are secured by bank guarantees, cash deposits and customers' properties charged to the Company.

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2011				
Not past due	18,392	-	-	18,392
Past due 0 - 30 days	4,913	-	-	4,913
Past due 31 - 90 days	1,435	(1,326)	-	109
Past due more than 90 days	8,173	(7,871)	-	302
	32,913	(9,197)	-	23,716
2010				
Not past due	46,266	-	-	46,266
Past due 0 - 30 days	17,845	-	-	17,845
Past due 31 - 90 days	1,307	-	-	1,307
Past due more than 90 days	9,455	(9,129)	-	326
	74,873	(9,129)	-	65,744

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2011 RM'000	2010 RM'000
At 1 January	9,129	9,380
Impairment loss recognised/(reversed)	68	(251)
At 31 December	9,197	9,129

The allowance for impairment losses at year end amounting to RM7,871,000 relates to trade receivable balances which are under legal proceedings and the remaining balance relates to invoices which are considered doubtful by management.

The allowance account in respect of receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Related company balances

Risk management objectives, policies and processes for managing the risk

The Company undertakes trade and non-trade transactions with a number of related companies. The Company monitors the repayment from its related companies on a regular basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Company regularly follows up on timely settlement of the amount owing by related companies. The related companies are not required to place any collateral with the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the amount owing by related companies are not recoverable as substantially all of these amounts are aged less than a year.

18.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

As at the end of the reporting period, the Company has no financial liabilities other than trade and other payables of RM121,832,000 (2010 - RM99,638,000). The trade and other payables of the Company do not bear any contractual interest and are expected to be settled within 1 year.

18.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

18.6.1 Currency risk

The Company undertakes trade transactions denominated in foreign currencies such as United States Dollar (USD), New Zealand Dollar (NZD), Singapore Dollar (SGD), Euro (EUR), Australia Dollar (AUD), Great Britain Pound (GBP) and Thai Baht (THB) with a number of related companies and third parties, where the amounts outstanding are exposed to currency translation risks.

Risk management objectives, policies and processes for managing the risk

Exposures to foreign currency risk are monitored on an ongoing basis. The Company does not hedge its foreign currency risk.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in						
	USD RM'000	NZD RM'000	SGD RM'000	EUR RM'000	AUD RM'000	GBP RM'000	THB RM'000
2011							
Amount owing by related companies	7,174	-	-	38	-	-	-
Cash at bank	2,599	-	-	-	-	-	-
Trade payables	(28,181)	(553)	(157)	(471)	(346)	-	-
Amount owing to related companies	(4,992)	-	-	(2,264)	-	-	(243)
	(23,400)	(553)	(157)	(2,697)	(346)	-	(243)
2010							
Amount owing by related companies	5,078	-	-	3	-	-	-
Cash at bank	9,776	-	-	-	-	-	-
Trade payables	(18,436)	(442)	(39)	(1,705)	(449)	(33)	-
Amount owing to related companies	(6,768)	-	-	(3,945)	-	-	(317)
	(10,350)	(442)	(39)	(5,647)	(449)	(33)	(317)

Currency risk sensitivity analysis

A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Equity		Profit or loss	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
USD	1,755	776	1,755	776
EUR	202	424	202	424

A 10% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

The movements in other currency exchange rates are not expected to have any significant effect on the profit or loss.

18.6.2 Interest rate risk

The Company is not exposed to a risk of change in cash flow due to changes in interest rates as the Company has no short term borrowing as of the financial year end. The Company places short term deposits with licensed banks which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

18.6.3 Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk comprises equity price risk and commodity price risk.

The Company is not exposed to any other price risk.

18.7 Fair values of financial instruments

The carrying amounts of cash and cash equivalents and short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

19 CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as results from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to shareholders.

The Company monitors and maintains a prudent level of total equity attributable to the owners of the Company to ensure it is adequate to balance the support to future development of the business and the payment of dividends to owners of the Company.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

20 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2011 RM'000	2010 RM'000
Less than one year	2,658	2,733
Between one and five years	4,136	3,692
	6,794	6,425

Operating lease payments represent rentals payable by the Company for certain vehicles, forklifts and machinery. Leases are negotiated and rentals are fixed for a term of between 3 to 5 years.

21 CAPITAL COMMITMENTS

	2011 RM'000	2010 RM'000
Property, plant and equipment		
Authorised but not contracted for	17,900	16,700
Contracted but not provided for	539	471

22 RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

The significant related party transactions of the Company, other than key management personnel compensation (see Note 13), are as follows:

	2011 RM'000	2010 RM'000
Immediate holding company		
Management fee payable to		
FrieslandCampina DLMI Holding BV	42	35
Related companies		
Sales to:		
FrieslandCampina (Singapore) Pte. Ltd.	33,778	34,927
FrieslandCampina Hong Kong Ltd.	1,428	1,488
Purchases from:		
FrieslandCampina Nederland Holding BV	85,418	54,765
FrieslandCampina Foremost (Thailand) Plc	2,683	3,225
P.T. Frisian Flag Indonesia	8,715	53,888
Know-how, Trademark Licence and Management Support fees paid to:		
Friesland Brands BV	27,339	23,719
Shared services charges paid to:		
FrieslandCampina Service Centre Asia Pacific Sdn. Bhd.	1,731	1,818
FrieslandCampina Nederland Holding BV	1,563	2,049
Shared services fees received from:		
FrieslandCampina Service Centre Asia Pacific Sdn. Bhd.	60	36
FrieslandCampina Business Development Unit Sdn. Bhd.	60	36

The transactions have been entered into in the normal course of business and have been established under negotiated terms.

There are no allowances for impairment loss being made in respect of the balances due from related companies.

The outstanding net amounts due from/(to) related companies as at 31 December are disclosed in Note 6 and Note 10 respectively.

23 Comparative figures

The following comparative figures have been re-presented to reflect the reclassification of certain expenses from distribution expenses to revenue to be consistent with the Company's revenue recognition policy;

	2010	
	As restated RM'000	As previously stated RM'000
Statement of comprehensive income		
Revenue	696,625	710,588
Distribution expenses	(92,128)	(106,091)

24 Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2011 RM'000	2010 RM'000
Total retained earnings		
Realised	199,157	137,647
Unrealised	(4,003)	(4,175)
	195,154	133,472

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

statement by directors

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

In the opinion of the Directors, the financial statements set out on pages 30 to 57 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 24 on page 58 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

SEBASTIAAN GIJSBERTUS VAN DEN BERG

HUANG SHI CHIN

Petaling Jaya,
Date: 24 February 2012

statutory declaration

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

I, Petrus Johannes Franciscus Kerckhaert, the Officer primarily responsible for the financial management of Dutch Lady Milk Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 58 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya on 24 February 2012.

PETRUS JOHANNES FRANCISCUS KERCKHAERT

Before me:
ARSHAD ABDULLAH (W550)
Commissioner for Oaths
Kuala Lumpur

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Dutch Lady Milk Industries Berhad, which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 57.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal control as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965, in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 24 on page 58 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

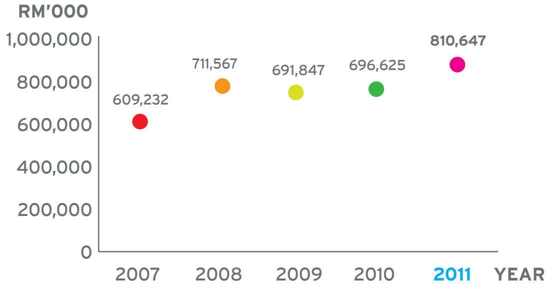
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

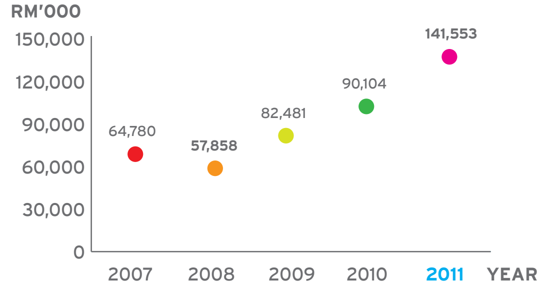
Chew Beng Hong
Approval Number: 2920/02/14(J)
Chartered Accountant

Petaling Jaya, Selangor
Date: 24 February 2012

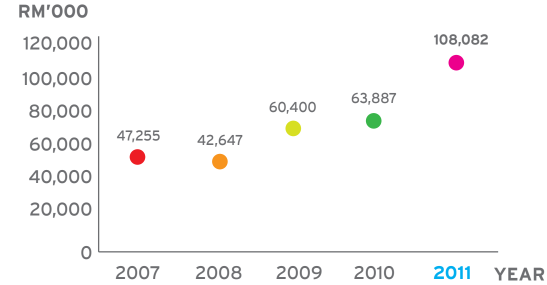
REVENUE



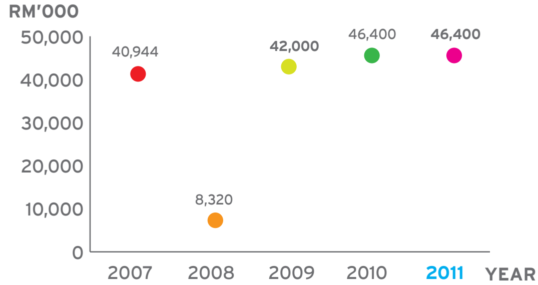
PROFIT BEFORE TAX



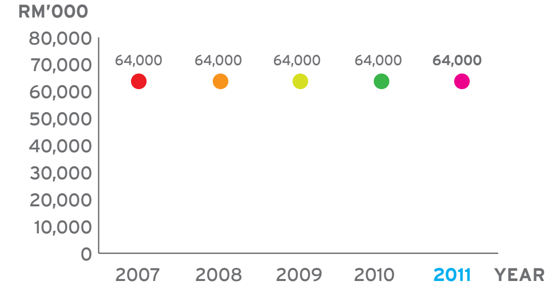
NET PROFIT FOR THE YEAR



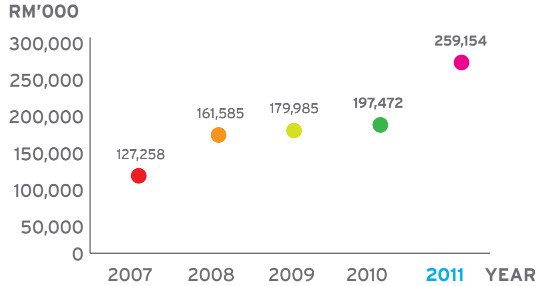
NET DIVIDEND PAID



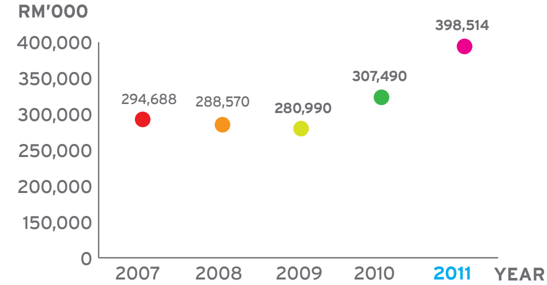
ISSUED & FULLY PAID CAPITAL



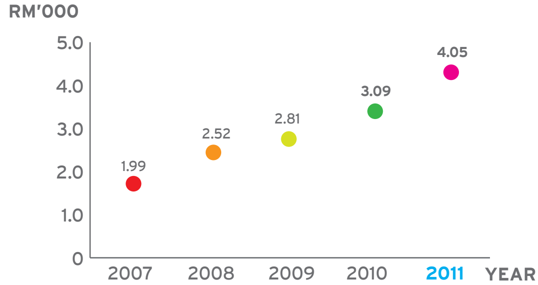
SHAREHOLDERS' FUNDS



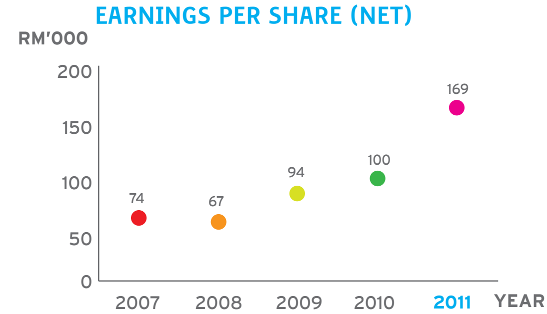
TOTAL ASSETS



NET TANGIBLE ASSET BACKING PER SHARE



EARNINGS PER SHARE (NET)



MATERIAL CONTRACTS

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

SHARE BUYBACKS

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

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

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

IMPOSITION OF SANCTIONS AND / OR PENALTIES

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

NON-AUDIT FEES

During the financial year, the Company paid RM15,000 in non-audit fees to the External Auditors.

PROFIT ESTIMATE, FORECAST OR PROJECTION

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

PROFIT GUARANTEES

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

UTILISATION OF PROCEEDS

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

Analysis of Shareholdings as at 19 March 2012

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	70	1.79	1,062	0.00
100 to 1,000 shares	2,110	54.06	1,488,292	2.33
1,001 to 10,000 shares	1,509	38.67	5,456,298	8.53
10,001 to 100,000 shares	191	4.89	4,834,248	7.55
100,001 to Less than 5% of issued shares	21	0.54	5,261,800	8.22
5% and above of the issued shares	2	0.05	46,958,300	73.37
Total	3,903	100.00	64,000,000	100.00

Name of 30 Largest Shareholders	No. of Shares	% of Holding
1. FrieslandCampina DLMI Malaysia Holding B.V.*	32,614,800	50.96
2. Amanahraya Trustees Berhad* - Skim Amanah Saham Bumiputera	14,343,500	22.41
3. Amanahraya Trustees Berhad as 1Malaysia	833,000	1.30
4. Yong Siew Lee	509,000	0.80
5. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Aun Huat & Brothers Sdn Bhd	467,500	0.73
6. Aun Huat & Brothers Sdn Bhd	453,500	0.71
7. Yeo Khee Bee	419,000	0.65
8. Universal Trustee (Malaysia) Berhad - CIMB Islamic Small Cap Fund	357,600	0.56
9. Cartaban Nominees (Asing) Sdn Bhd - BBH And CO Boston For Fidelity Low-Priced Stock Fund	250,000	0.39
10. Mayban Nominees (Tempatan) Sdn Bhd – Mayban Trustees Berhad for CIMB-Principal Small Cap Fund	246,400	0.39
11. Quek Guat Kwee	162,000	0.25
12. Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
13. Amanahraya Trustees Berhad - Public Index Fund	156,100	0.24
14. Amanahraya Trustees Berhad - Amanah Saham Didik	149,500	0.23
15. Amanahraya Trustees Berhad - Amanah Saham Malaysia	147,200	0.23
16. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Chan See Min	131,000	0.20
17. Citigroup Nominees (tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbankan) (Kenanga)	127,600	0.20
18. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	125,700	0.20
19. Lee Sim Kuen	120,000	0.19
20. Chow Kok Meng	119,400	0.19

21.	Tong Yoke Kim Sdn Bhd	111,000	0.17
22.	Wong So-Ch'i	111,000	0.17
23.	Wong So Haur	109,000	0.17
24.	Tan Kim Onm	89,900	0.14
25.	Amanahraya Trustees Berhad - Public Dividend Select Fund	89,800	0.14
26.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN For Kenanga Investors Bhd	82,000	0.13
27.	Foo Loke Weng	80,004	0.13
28.	BHLB Trustee Berhad Exempted - Trust Account For EPF Investment For Member Savings Scheme	78,000	0.12
29.	Tan Pak Nang	76,000	0.12
30.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd For Kenanga Growth Fund	75,500	0.12
		52,791,304	82.48

*Registered in the Company's Register as Substantial Shareholders

Substantial Shareholders

Name	Direct	%	Indirect	%
1. FrieslandCampina DLMI Malaysia Holding B.V.	32,614,800	50.96	0	0
2. Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputra	14,343,500	22.41	0	0

Directors' Shareholdings

Name	Direct	%	Indirect	%
1. Dato' Zainal Abidin bin Putih	-	-	-	-
2. Sebastiaan G. van den Berg	-	-	-	-
3. Foo Swee Leng	-	-	-	-
4. Boey Tak Kong	-	-	-	-
5. Dato' Dr. Mhd. Nordin bin Mohd. Nor	-	-	-	-
6. Huang Shi Chin	-	-	-	-
7. Kapil Garg	-	-	-	-

Particulars of Properties as at 31 December 2011

Location of property	13 & 15, Jalan Semangat, Petaling Jaya	Lot 79, Jalan 13/6, Petaling Jaya
Brief description	Factory buildings and office complex	Warehouse
Approximate land area	358,482 sq. ft.	74,135 sq. ft.
Tenure leasehold land	Leasehold land expiring in the year 2059	Leasehold land expiring in the year 2059
Date of acquisition	21.10.1960 & 19.03.1980	12.01.1989
Age of property	Between 25 years to 46 years	23 years
Net Book Value (RM'mln)	22.7	2.4

CDS Account No

No. of Shares held

proxy form

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/usand on my/our behalf at the Forty-Ninth 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, 13 June 2012 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 2011 together with the Reports of the Directors and Auditors' thereon.		
Ordinary Resolution 2	Approve the payment of Directors fees for the financial year ended 31 December 2011.		
Ordinary Resolution 3	Approve the payment of Directors' fees for the financial year ending 31 December 2012, to be paid quarterly in arrears.		
Ordinary Resolution 4	Re-election of Dato' Zainal Abidin bin Putih		
Ordinary Resolution 5	Re-election of Mr. Boey Tak Kong		
Ordinary Resolution 6	Re-election of Mr. Rahul John Colaco		
Ordinary Resolution 7	Re-appointment of Messrs KPMG as the Company's Auditors		
Ordinary Resolution 8	Approve the Proposed and New Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution 1	Approve the Amendments to the Company's Articles of Association.		

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

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

Signed this .... day of 2012

....

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 Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.

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

The instrument appointing the 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 attorney) must be deposited at the Company's place of business at 13, Jalan Semangat, 46200, Petaling Jaya, Selangor not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

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FrieslandCampina

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