



www.dutchlady.com.my

Dutch Lady Milk Industries Berhad (5063-V)
Level 5, Quill 9,
112, Jalan Semangat,
46300 Petaling Jaya,
Selangor Darul Ehsan
Malaysia



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FrieslandCampina 



Annual Report 2015 | Dutch Lady Milk Industries Berhad (5063-V)

Annual Report 2015



Dutch Lady Milk Industries Berhad



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

www.frieslandcampina.com

We believe in Values

Accountability

Ownership for making it happen

Action

Growth of people and business

Alignment

Clarity on how we win together

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**Milk. The best gift
for your family.**



Of all the gifts you can give your family, the steps we take to keep them strong and healthy are one of the best. With good health, they can make the most of everyday. Let's build strong families with the right nutritional choices - 2 servings of Dutch Lady PureFarm milk a day can help give your family the nutrients they need.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Fifty-Third Annual General Meeting of the Company will be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on **Tuesday, 26 April 2016** at 10 a.m. for the purpose of transacting the following business:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015, together with the Reports of the Directors and Auditors thereon (Please refer to Explanatory Note 1).

Resolution 1

2. To approve the payment of Directors' Fees of RM262,680 for the financial year ending 31 December 2016, to be made payable quarterly.

Resolutions 2 & 3

3. To re-elect Foo Swee Leng and Saw Chooi Lee who retire by rotation pursuant to Article 94(a) of the Company's Articles of Association.

Resolution 4

4. To consider and if thought fit, pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965 and Article 93(c) of the Company's Articles of Association:

"THAT pursuant to Section 129(6) of the Companies Act, 1965 and Article 93(c) of the Company's Articles of Association, Dato' Zainal Abidin bin Putih who is over the age of seventy years, be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company."

Resolution 5

5. To appoint Auditors and to authorise the Directors to fix their remuneration.

The Notice of Nomination of Messrs PricewaterhouseCoopers (AF: 1146) as the new Auditors of the Company, has been received by the Company and a copy of which is annexed hereto, of the intention to propose the following ordinary resolution:

"THAT Messrs PricewaterhouseCoopers (AF: 1146) be and is hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs KPMG, to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration accordingly."

AS SPECIAL BUSINESS

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

Resolution 6

6. **PROPOSED RENEWAL OF 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 1 April 2016 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 the earlier.

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

Resolutions 7 & 8

7. RETENTION OF INDEPENDENT DIRECTORS OF THE COMPANY

Resolution 7

- (i) “**THAT** subject to the passing of Resolution 2, approval be and is hereby given to Foo Swee Leng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non-Executive Director of the Company.”

Resolution 8

- (ii) “**THAT** approval be and is hereby given to Boey Tak Kong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non-Executive Director of the Company.”
8. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

IZREEN FARA BINTI ISMAIL
(MAICSA 7056439)
Company Secretary
Petaling Jaya
1 April 2016

Notes:

1. 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. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
2. 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.
3. 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.
4. Only Members whose names appear in the Record of Depositors as at 5.00 p.m. on 20 April 2016 shall be entitled to attend and vote at the Meeting or appoint a proxy/proxies to attend and vote on his behalf.

5. To be valid, the original instrument appointing a proxy, duly completed (and if applicable, the power of attorney or other authority under which it is originally signed or notarially certified copy of that power of authority) must be deposited at the Registered Office of the Company at Level 5, Quill 9, No. 112, Jalan Semangat, 46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

6. Registration and Door Gifts

Registration will commence at 8.00 a.m. on the day of the Meeting. Members and Proxies are advised to be punctual. For verification purposes, Members and Proxies are required to produce their original identification card at the registration counter.

In conformity with past practice, please take note that each Member or Proxy who is present shall be entitled to one (1) door gift only upon registration, irrespective of the number of Members he/she represent (e.g. in the event a Member and/or Proxy represents himself and/or two or more Members, he/she shall be entitled to one (1) door gift only).

Explanatory Notes to the Agenda

(i) First item of the Agenda

This item of the Agenda is meant for discussion only in accordance with the provision of Section 169(1) of the Companies Act, 1965.

(ii) Resolution 6: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

Please refer to the Circular to Shareholders dated 1 April 2016.

(iii) Resolutions 7 & 8: Retention of Foo Swee Leng and Boey Tak Kong as Independent Directors of the Company

The Nomination Committee has assessed the independence of Foo Swee Leng and Boey Tak Kong, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

- (a) They fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus they would be able to function as check and balance and bring with them an element of objectivity to the Board;
- (b) They provide the Board with a diverse set of experience, skill and expertise;
- (c) They have performed their duty diligently and in the best interest of the Company and provide a broader view, independent and balanced assessment of proposals from the Management; and
- (d) They do not hold any shares in the Company and have no business dealings with the Company, save and except as being a member of the Board of Directors of the Company.

notice of nomination



**FrieslandCampina DLMI
Malaysia Holding B.V.**

Stationsplein 4
3818 LE Amersfoort
The Netherlands
P.O. Box 1551
3800 BN Amersfoort
The Netherlands
t +31 (0)33 7133 333
f +31 (0)33 7133 092
www.frieslandcampina.com

The Board of Directors
Dutch Lady Milk Industries Berhad
Level 5, Quill 9,
No 112, Jalan Semangat,
Petaling Jaya, 46300
Selangor Darul Ehsan,
Malaysia.

Date: 1 January 2016

Dear Sirs,

NOMINATION OF MESSRS PRICEWATERHOUSECOOPERS (AF:1146) AS AUDITORS

We, being a substantial registered holder of shares of **DUTCH LADY MILK INDUSTRIES BERHAD** (5063-V), hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of our nomination of Messrs PricewaterhouseCoopers (AF: 1146) as Auditors of the Company in place of the retiring auditors at the forthcoming Annual General Meeting of the Company and of our intention to propose the following resolution as an ordinary resolution:

“THAT Messrs PricewaterhouseCoopers (AF: 1146) be and is hereby appointed Auditors of the Company in place of the retiring auditors, Messrs KPMG, to hold office until the conclusion of the next Annual General Meeting and that the directors be authorised to determine their remuneration accordingly.”

Yours sincerely,

FRIESLANDCAMPINA DLMI MALAYSIA HOLDING B.V.

Represented by its sole director FrieslandCampina International Holding B.V.
In its turn represented by its sole director Koninklijke FrieslandCampina N.V.

.....
H.M.A Schumacher

.....
W.S.J.M. Buck

PDPA notice/notis PDPA

NOTICE TO SHAREHOLDERS PURSUANT TO THE PERSONAL DATA PROTECTION ACT 2010

This Notice is given in connection with you being a shareholder of Dutch Lady Milk Industries Berhad (5063-V) ("Company").

The Personal Data Protection Act 2010 (hereinafter referred to as "PDPA"), which regulates the processing of personal data in commercial transactions, applies to the Company. For the purposes of this Notice, the terms "personal data" and "processing" shall have the same meaning as prescribed in the PDPA.

1. This written notice ("Notice") serves to inform you that your personal data is being processed by or on behalf of the Company.
2. The personal data processed by us may include name, national identity card number, contact number and address and other particulars provided by you or on your behalf in connection with your shareholding in the Company.
3. We are processing your personal data, including any additional information you may subsequently provide, for the following purposes ("Purposes"):
 - (a) Sending you notices and circulars relating to your status as a shareholder in the Company;
 - (b) Paying you dividends and giving you other benefits relating to your shareholding in the Company;
 - (c) Dealing with all matters in connection with your shareholding in the Company; or such other purposes as may be related to the foregoing.
4. The personal data processed by us include all information you have provided to us as well as other information we may obtain about you.
5. You may access and request for updating and correction of your personal data and to contact us with any enquiries or complaints in respect of your personal data as follows:

Contact Person: Company Secretary

Telephone: 03-7953 2600

Facsimile: 03-7957 1617

E-mail address: finance.dept@frieslandcampina.com

In accordance with the PDPA:

- (a) We may charge a prescribed fee for processing your request for access or correction; and
 - (b) We may refuse to comply with your request for access or correction to your personal data and if we refuse to comply with such request, we will inform you of our refusal and reason for our refusal.
6. Your personal data may be disclosed by us in connection with the above Purposes, to all governmental and/or quasi-governmental departments and/or agencies, regulatory and/or statutory bodies and third parties as may be required by law or arising from any legal obligation which is imposed on us and to our lawyers, auditors and/or service providers.
 7. You are responsible for ensuring that the personal data you provide us is accurate, complete and not misleading and that such personal data is kept up to date.
 8. If you fail to supply to us the abovementioned personal data, we may not be able to process your personal data for any of the Purposes.
 9. In the event of any inconsistencies between the English version and the Bahasa Malaysia version of this Notice, the English version shall prevail over the Bahasa Malaysia version.

NOTIS KEPADA PEMEGANG SAHAM DI BAWAH AKTA PERLINDUNGAN DATA PERIBADI 2010

Seperti mana yang berkenaan, notis ini diberikan berhubung dengan status anda sebagai pemegang saham Dutch Lady Milk Industries Berhad (5063-V) ("Syarikat").

Akta Perlindungan Data Peribadi 2010 (selepas ini disebut sebagai "PDPA"), yang mengawal selia pemprosesan data peribadi untuk tujuan transaksi komersial, adalah terpakai terhadap Syarikat. Untuk tujuan Notis ini, terma-terma "data peribadi" dan "pemprosesan" akan mempunyai maksud seperti yang ditakrifkan di dalam PDPA.

1. Notis bertulis ini ("Notis") bertujuan untuk memaklumkan kepada anda bahawa data peribadi anda sedang diproses oleh atau bagi pihak Syarikat.
2. Data peribadi yang diproses oleh kami termasuk nama, nombor kad pengenalan, nombor telefon, alamat dan butir-butir lain yang diberikan oleh anda atau bagi pihak anda berkenaan dengan pegangan saham anda dalam Syarikat.
3. Kami sedang memproses data peribadi anda, termasuklah sebarang maklumat tambahan yang anda mungkin berikan kemudian, untuk tujuan-tujuan berikut ("Tujuan-Tujuan"):
 - (a) Untuk menghantar kepada anda notis dan surat-surat pekeliling yang berkaitan dengan status anda sebagai pemegang saham dalam Syarikat;
 - (b) Untuk membayar kepada anda dividen dan memberikan anda manfaat-manfaat lain yang berkaitan dengan pegangan saham anda dalam Syarikat;
 - (c) Untuk berurusan dengan semua perkara yang berkaitan dengan pegangan saham anda di dalam Syarikat; atau bagi tujuan-tujuan lain yang mungkin berkaitan dengan perkara-perkara yang dinyatakan di atas.
4. Data peribadi anda yang diproses oleh kami merangkumi segala maklumat yang anda berikan serta yang kami perolehi berkenaan anda.
5. Anda boleh mengakses dan memohon untuk mengemaskini atau membuat pembetulan data peribadi anda serta menghubungi kami untuk sebarang pertanyaan atau aduan berkenaan dengan data peribadi anda seperti berikut:

Jawatan Individu Yang Perlu Dihubungi: Setiausaha Syarikat

No. Telefon: 03-7953 2600

No. Faksimili: 03-7957 1617

Alamat e-mel: finance.dept@frieslandcampina.com

Selaras dengan PDPA:

- (a) Kami mungkin mengenakan bayaran untuk memproses permintaan anda untuk akses atau pembetulan; dan
 - (b) Kami berhak untuk tidak mematuhi permintaan anda untuk mengakses atau untuk membuat pembetulan ke atas data peribadi anda dan sekiranya kami enggan mematuhi permintaan tersebut, kami akan memaklumkan kepada anda tentang kengangan kami berserta alasan-alasan terhadap kengangan kami.
6. Data peribadi anda mungkin dizahirkan oleh kami untuk Tujuan-Tujuan yang dinyatakan di atas, kepada semua jabatan dan/atau agensi kerajaan dan/atau kuasi-kerajaan, badan-badan penguatkuasa dan/atau berkanun dan sebarang pihak ketiga yang dikehendaki selaras dengan undang-undang atau tertimbul daripada sebarang obligasi undang-undang yang dikenakan ke atas kami dan kepada peguam, juru-audit dan/atau pembekal perkhidmatan kami.
 7. Anda bertanggungjawab untuk memastikan bahawa data peribadi yang anda berikan kepada kami adalah tepat, lengkap, tidak mengelirukan dan terkini.
 8. Jika anda gagal untuk memberikan kepada kami data peribadi yang dinyatakan di atas, kami mungkin tidak boleh memproses data peribadi anda untuk sebarang Tujuan-Tujuan.
 9. Sekiranya terdapat sebarang ketidakseragaman di antara versi Bahasa Inggeris dan Bahasa Malaysia ke atas Notis ini, maka versi Bahasa Inggeris akan digunakan.

corporate information

BOARD OF DIRECTORS

CHAIRMAN

Dato' Zainal Abidin bin Putih
Independent Non-Executive Director

DIRECTORS

Saw Chooi Lee
Managing Director

Piet Johannes Hilarides
Non-Independent Non-Executive
Director

Boey Tak Kong
Independent Non-Executive Director

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

Foo Swee Leng
Independent Non-Executive Director

Pieter van der Hoek
Non-Independent Non-Executive
Director

COMPANY SECRETARY

Izreen Fara binti Ismail
Chartered Secretary
(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

Saw Chooi Lee
Pieter van der Hoek

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

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

WEBSITE

www.dutchlady.com.my

INVESTOR RELATIONS & ENQUIRIES

finance.dept@frieslandcampina.com

STOCK EXCHANGE LISTING

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

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

CITIBANK BERHAD

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

MALAYAN BANKING BERHAD

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

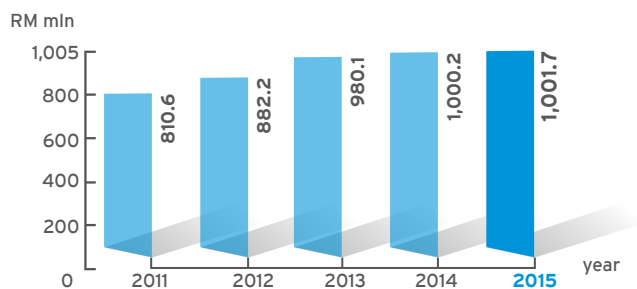
SOLICITORS

KHAW & PARTNERS

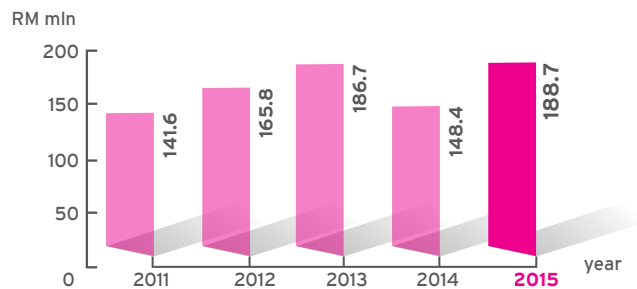
6th Floor
Menara Boustead
Jalan Raja Chulan
50200 Kuala Lumpur

5-year financial summary

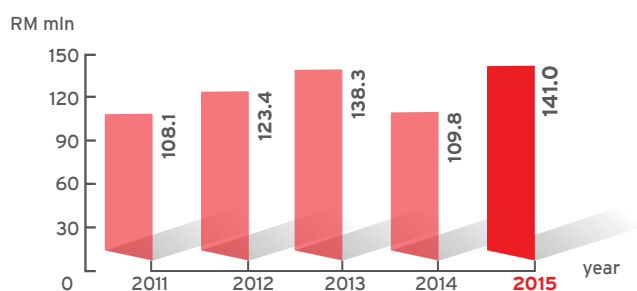
revenue



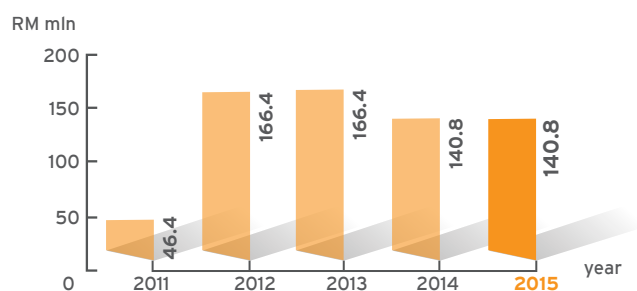
profit before tax



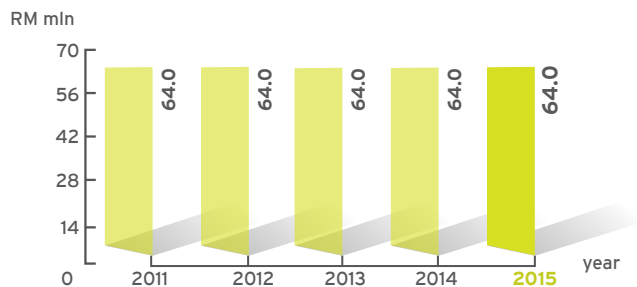
net profit for the year



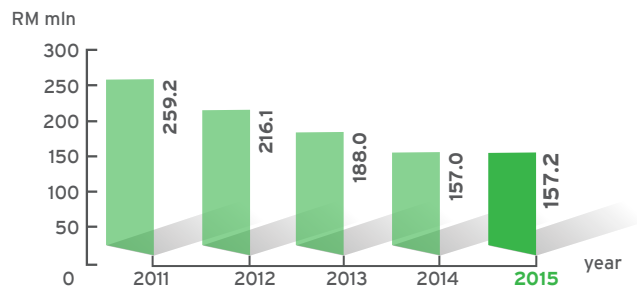
net dividend paid



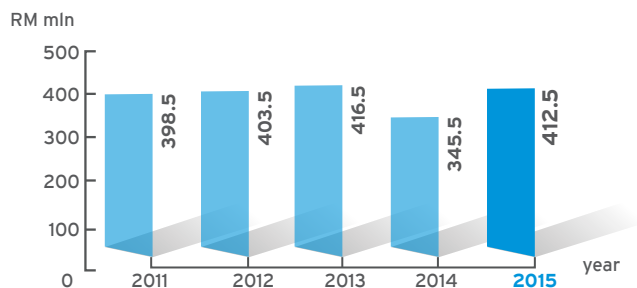
issued & fully paid capital



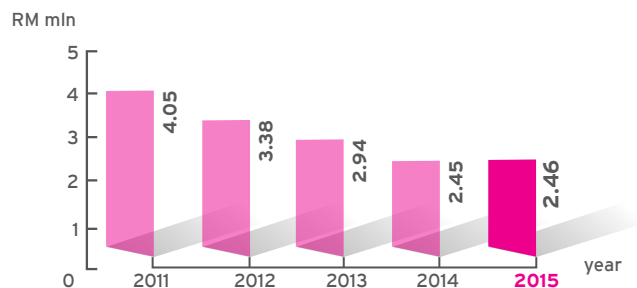
shareholders' funds



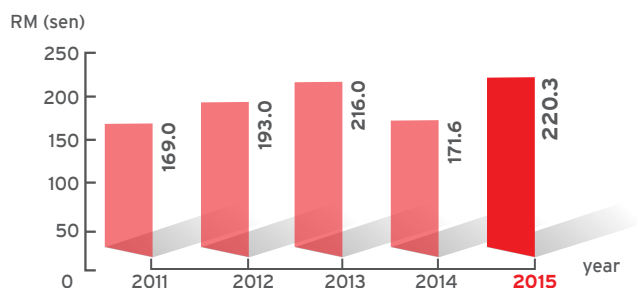
total assets



net assets backing per share



earnings per share (net)





**Saying YES
to experiences.**



Friso
GOLD



At Friso Gold, we believe that experience is the best teacher for our children. But only when your child is stronger from the inside, can he readily and wholeheartedly embrace these new experiences together with you. Friso Gold takes the natural goodness of fresh milk from our farm in Holland and seals the quality of the nutrients into every glass, to make your child stronger from the inside. This is so that you and your child can say Yes to experiencing everything the outside world has to offer, together.

board of directors



board of directors' profiles

DATO' ZAINAL ABIDIN BIN PUTIH

Aged 70. Malaysian. Independent Non-Executive Director. Chairman of the Company since 27 May 2009. Member of the Audit and Nomination Committees. He is a qualified Chartered Accountant (England & Wales), a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountant. 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.

Dato' Zainal is the Chairman of CIMB Bank Berhad, and is a director sitting on the boards of CIMB Group Holdings Berhad and the Group, CIMB Investment Bank Berhad, Land and General Berhad, Petron Malaysia Refining & Marketing Berhad, Southeast Asia Special Asset Management Berhad and Tenaga Nasional Berhad. He also holds directorships in several other private limited companies.

SAW CHOOI LEE

Aged 52. Malaysian. Executive Director. Appointed to the Board on 1 January 2014. Re-designated as Managing Director of the Company on 1 January 2015. A member of the Remuneration Committee on 1 January 2014. She holds a Bachelor's degree in Science and has an MBA from the University of Nebraska-Lincoln, USA. She does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V.. She does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. She does not hold any shares in the Company. She attended all four Board Meetings held during the financial year.

BOEY TAK KONG

Aged 61. Malaysian. Independent Non-Executive Director. Appointed to the Board on 12 November 2001. Chairman of the Audit Committee and member of the Nomination Committee. Currently, he is the Managing Director of Terus Mesra Sdn Bhd, a leadership and governance training company. A Fellow Member of the Association of Chartered 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.

Boey is a director sitting on the boards of Censof Holdings Berhad, Gadang Holdings Berhad, Green Packet Berhad and Ho Hup Construction Company Berhad.

DATO' DR. MHD. NORDIN BIN MOHD. NOR

Aged 69. 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.

PIET JOHANNES HILARIDES

Aged 51. Dutch national. Non-Independent Non-Executive Director. Appointed to the Board on 1 January 2015. He is a member of the Executive Board of Royal FrieslandCampina N.V., the ultimate holding company of the Company, with responsibility for Business Group Consumer Products Asia. He holds a Bachelor's degree in Economics and has an MBA from Erasmus University, Rotterdam in the Netherlands. He does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V.. 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.

FOO SWEE LENG

Aged 69. Malaysian. Independent Non-Executive Director. Appointed to the Board on 18 June 1986. Chairman of the Nomination Committee and a member of the Audit Committee. He was formerly the Managing Director of the Company and the Regional Director of Friesland Asia Pacific. He holds a degree in Economics from University Malaya. He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past ten years. He does not hold any shares in the Company. He attended all four Board Meetings held during the financial year.

PIETER VAN DER HOEK

Aged 51. Dutch national. Non-Independent Non-Executive Director. Appointed to the Board on 1 January 2015. He is currently the Finance Director for Royal FrieslandCampina N.V. - Business Group Consumer Products Asia. He holds a degree in Economics from the Hague Business School in the Netherlands and a post graduate degree in Accountancy from the Free University of Amsterdam in the Netherlands. He does not have any family relationship with any director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V.. 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.

management team



management team profiles

SAW CHOOI LEE

Aged 52. Malaysian. Appointed as Managing Director on 1 January 2015. Chooi Lee was appointed to the Board as a Non-Independent Non-Executive Director on 1 January 2014 and was subsequently re-designated to Managing Director when she returned to helm the Company.

Prior to this, Chooi Lee was the Managing Director for FrieslandCampina Mainland China, a position which she assumed in January 2011. She started her marketing career by joining the Unilever management training programme and since then, has held various senior managerial positions within the fast moving consumer goods industry. She joined the Company in March 2003 as its Commercial Director until March 2008, where she was then appointed as the General Manager for FrieslandCampina Hong Kong from March 2008 to December 2010.

Chooi Lee holds a Bachelor's Degree in Science and has an MBA from the University of Nebraska-Lincoln, USA.

ASHLEE NG

Aged 37. Malaysian. Appointed as the Marketing Director of Dutch Lady Milk Industries Berhad in March 2016. Prior to this position, she was the Director of the Personal Care Division for Unilever Malaysia, a position she assumed in February 2014. She has had experience in various marketing managerial roles within her 13 years' experience in Unilever Malaysia and Singapore, with responsibility for branding, marketing campaigns and communications and media strategies.

Ashlee holds a Master's Degree in Business Systems and a Bachelor's Degree in Marketing from Monash University, Australia.

ROGIER VAN DER HEIJDEN

Aged 41. Dutch national. Appointed as the Operations Director of Dutch Lady Milk Industries Berhad in December 2015. Prior to this position, he was the Procurement Director Asia for Royal FrieslandCampina N.V. based in Singapore, a position he assumed in July 2011. Before that, he has had various procurement roles within the Royal FrieslandCampina group of companies and other multinational companies.

Rogier holds a Master's Degree in Business Economics from Tilburg University, the Netherlands.

MIRJAM VAN THIEL

Aged 37. Dutch national. Appointed as Finance Director of Dutch Lady Milk Industries Berhad in March 2015. Prior to this position, Mirjam was Chief Financial Officer at H.J. Heinz Australia, New Zealand & Papua New Guinea upon her appointment in February 2014. Mirjam joined the H.J. Heinz Company in November 2002 and has held various managerial positions across Europe, Australia and Indonesia since.

Mirjam is a graduate in Management, Economics and Law from the Hogeschool in Utrecht in the Netherlands and has a Master in Financial Management and an Executive Master in Finance and Control from the Nyenrode Business University in the Netherlands.

KATRINA NEO

Aged 40. Malaysian. Assumed the role of Sales Director of Dutch Lady Milk Industries Berhad in December 2015. Prior to this she was the Company's National Sales Manager - Modern Trade, a position she assumed in August 2012. She was previously the General Manager, Sales - Circulation for the New Straits Time Press Sdn Bhd and has held various sales managerial positions with various FMCG companies based in Malaysia.

Katrina holds a Bachelor's Degree in Commerce (Management and Marketing) from Curtin University of Technology, Australia.

MAHADEVAN SIVARAMAKRISHNAN

Aged 48. Malaysian. Appointed as the Human Resources Director of Dutch Lady Milk Industries Berhad on September 2012. Prior to this, he was the Human Resource Manager of Danone Dumex Sdn Bhd. He has also held a variety of human resource positions in local companies of various industries.

Devan holds a Bachelor's Degree in Commerce from Delhi Commercial University, India and a Bachelor's Science Degree in Business Administration (with a double major in Human Resource Management) from Hawaii Pacific University, Honolulu, Hawaii.

AHMAD RIDZUAN SAMSUDIN

Aged 41. Malaysian. Appointed as the Corporate Affairs Director of Dutch Lady Milk Industries Berhad in March 2016. He joined the company from PETRONAS where he was the Head of Executive Communications. Until 2014, he was the Head of Business and Corporate Communications with Standard Chartered Bank. Throughout his career, he has helped organisations develop and execute communication strategies within ASEAN countries, the Middle East, North America and Africa.

Ridzuan holds a Bachelor's Degree in English Language and Literature from the International Islamic University Malaysia.

chairman's statement



**Helping Malaysians move forward in life
with trusted dairy nutrition.**



Focused on
**Product
Portfolio
Innovation**



Interim
dividends paid
RM140.8 mil

On behalf of the Board of Directors, I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2015.

Economic conditions have been challenging in 2015. The implementation of the Goods and Services Tax in April, the political uncertainty and the weakening of the Ringgit in the global market translated to weak consumer sentiment. Despite this, the strong established Dutch Lady brand with innovations supported by investments in marketing and promotional activities, resulted in a modest growth in revenue. The Company has improved its performance in the financial year ended 31 December 2015, with a marginal growth in revenue of 0.1% to exceed the RM1 billion revenue mark again.

The bearish dairy raw material prices, partly offset by the impact of the weak Ringgit, supported the Company's growth in profit of 27% from RM148.4m in 2014 to RM188.7m in 2015.

2015 was a year where we focused on innovating the Company's product portfolio. There was a relaunch of the range of Dutch Lady Growing Up Milk Products with improved formulation, the first in the Malaysian market to provide nutrition tailored to a child's milestones and mental development needs. The introduction of the new Dutch Lady PureFarm brand for flavoured and unflavoured liquid milk showcased the Company's commitment to continue delivering delicious and nutritious milk, that is high in quality and anchored in over 140 years of Dutch dairy farming expertise to help build strong families in Malaysia. Both innovations reinforced our leadership positions in the powdered milk for children category and in the ready-to-drink milk beverages category.

The Company continued its long standing involvement in the Dairy Development Programme. By supporting local dairy farmers in the development and ensuring sustainability of their dairy operations via the Farmer2Farmer programme in collaboration with the Department of Veterinary Services Malaysia and the Embassy of the Netherlands, we see local farmers have managed to improve both the production and quality of local fresh milk.

In strengthening the Company's involvement in the Government's school milk programme (PS1M), the Company was a solid partner to the *Program 3K* carried out by the Ministry of Education, which is a holistic programme aimed at enhancing the school-going experience of young Malaysian students. Through a specially designed project, this enabled the Company to put forth its Drink.Move.BeStrong proposition that would encourage school children to get proper nutrition and to lead a healthier lifestyle.

The Company made a marked step towards optimising its factory operations, with an upgrade to an automated and robotic line in its powder plant. Safety remains top priority within the organisation with increased efforts put in place to improve safety systems, practices and work culture. This is to ensure the safety of our employees and others who work within the premises.

For shareholders, a total of RM140.8 million was paid out as interim dividends during the year. I wish to remind shareholders though, that the payment of special interim dividends is very much dependent on the Company's business and operational needs during the year.

We foresee it to be another challenging year ahead of us, in light of the current economic outlook. Nonetheless, for the financial year 2016, the Company will remain focused and committed to leveraging on the strength of the Dutch Lady brand and the range of quality product offerings. The Company will continue to invest to remind Malaysians on the importance of drinking milk in line with the Company's purpose to help Malaysians move forward in their lives with trusted dairy nutrition.

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 dedication and commitment in 2015 despite the challenges in the market and I wish them greater success in the current year.

DATO' ZAINAL ABIDIN BIN PUTIH
Chairman

management discussion & analysis

STRATEGIC DIRECTION FOR FYE 2015

For FYE 2015, the Company set its strategic priorities as follows:

- Maintain our stronghold as the No 1 brand in Ready-To-Drink category.
- Strengthen market leadership in the children's powdered milk category.

The Company identified the following critical success factors to support its strategies:

- Focus Priority (Less is More)
- Accountability and Action
- Strive & Achieve Monthly KPI
- Courageous Dialogue
- Speed to Market and Agility.

Brands: A Refreshed Portfolio

During the year, the Company carried out two major product relaunches that saw a refreshment of 73% of the Company's product portfolio.

January 2015 saw the re-branding of Dutch Lady liquid milk whereby the Company launched all flavoured and unflavoured liquid milk under the new Dutch Lady PureFarm brand. PureFarm is a reference to our farming tradition, the pure Dutch heritage and dairy expertise, anchored in 140 years of experience to bring quality, delicious and nutritious milk to our consumers all around the world and here in Malaysia. We bring this commitment alive through Dutch Lady PureFarm so that Malaysian families can enjoy the same quality standard of milk that the Dutch farmers share with their families.

In March 2015, the Dutch Lady children's powdered milk was improved with the introduction of new Dutch Lady NutriPlan with 5x DHA. This enhanced range of formulated milk for children brought an innovative concept, first to be launched in Malaysia with nutrition tailored to a child's milestones and mental development needs.

These two major product relaunches were supported with a variety of exciting advertising, in-store and channel customised promotional activities.

Quarter 1	Dutch Lady PureFarm Ready-To-Drink nationwide road show and TVC campaign
	Jr. NBA Drink.Move.BeStrong campaign
Quarter 2	Dutch Lady Jom Menang Duit Raya promotion
	Friso 'Say Yes to Experiences' TVC campaign
Quarter 3	Dutch Lady Children's formula milk new TVC campaign
	Dutch Lady UHT Kids Disney "Room Makeover" contest
Quarter 4	Dutch Lady 'Anak Bijak Mak Menang' national consumer promotion
	Dutch Lady '2-A-day' campaign to promote milk consumption in collaboration with Nutrition Society of Malaysia

For 2015, the Company was recognised as a Silver medallist in the dairy beverages category for the 2015 Putra Brands People's Choice Awards.

REVIEW OF COMPANY RESULTS AND FINANCIAL HIGHLIGHTS

The implementation of the Goods and Services Tax in April 2015, the political uncertainty and the weak positioning of the Ringgit Malaysia in the global market translated to a weak consumer sentiment. Despite these challenges, the Company managed to achieve a marginal sales growth of 0.1% to RM1,001.7 million, compared to last year's revenue of RM1,000.2 million.

In Quarter 1 of 2015, the Company's performance was affected as a result of the planned phasing in of the new product relaunches, coupled with lower consumer intake post-Goods and Services Tax implementation.

Nonetheless, beginning of Quarter 2 2015, the Company's sales have shown a steady improvement compared to Quarter 2 of the previous year.

During the current financial year, Gross Profit increased by RM92.1 million, largely attributed to the lower dairy raw material prices. The lower global dairy material prices were partly offset by the impact of the weakening of the Ringgit given most of the Company's dairy raw materials were transacted in US Dollar.

Profit before tax increased by 27% to RM188.7 million.

Review of Business Segment Results

- 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 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 segment relative to other entities that operate within the industry.

Income Tax

With the higher profit before tax registered, the taxation charges for the financial year of 2015 under review of RM47.8 million was RM9.2 million higher compared to preceding financial year. The effective tax rate for the financial year of 2015 was 25.3%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Company's cash and bank balances amounted to RM160.4 million compared to RM124.3 million in the last financial year.

The excess cash, other than for working capital purposes, was transferred to short term fixed deposits. The deposits were placed with licensed financial institutions, bearing interest at an average rate of 3.7% during the financial year of 2015.

Currently, the Company does not have any drawdown of banking facilities.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Company adopted certain policies on financial risk management for different risk exposures. During the year, the Company entered into US Dollar forward exchange contracts to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currency of the Company. The forward exchange contracts have maturities of less than one year after the end of the financial year end.

- **Credit Risk**

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 of payments. The Company also maintains a large number of customers so as not to limit high credit concentration in a single customer.

The Company's credit risk is also mitigated by an arrangement made with a licensed financial institution which enables selected trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. The Company has also set in place a credit monitoring policy and procedure in respect of its other trade customers.

- **Liquidity Risk**

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company's exposure to liquidity risk arises principally from both trade and other payables.

- **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. During the financial year 2015 under review, the dairy raw materials prices declined compared to the previous financial year.

- **Currency Risk**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the functional currency of the Company. Primarily, the currencies giving rise to this risk are US Dollar and Euro that contributes to 64.5% of the total exposure.

During the financial year 2015 under review, foreign currency exchange rates were unfavourable compared to the previous financial year.

- **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 borrowing at the financial year end of 2015. The Company places short term deposits with licensed financial institutions 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.

CAPITAL COMMITMENTS

The Company's total capital commitment, authorised but not contracted for, as at 31 December 2015, amounted to RM19.1 million. This was principally the investments made in the upkeep of the current factory premises located in Petaling Jaya.

CHARGE ON ASSETS

As at 31 December 2015, the Company has not pledged any assets to any financial institutions.

CONTINGENT LIABILITIES

As at 31 December 2015, the Company has no material contingent liabilities.

OPERATING LEASES

As at 31 December 2015, the Company has operating leases for its equipment. The details of operating leases are disclosed in Note 21 to the audited financial statements for the financial year ended 2015.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company is operating as one single legal business entity and has not entered into any acquisition and disposal of subsidiaries and associated companies during the financial year under review.

EMPLOYEES

As at 31 December 2015, the Company employed a total of 632 employees. Employees were remunerated on the basis of their job scope, experience, performance and prevailing industry practices, with an aim to be the preferred employer in the dairy industry. The Company's remuneration policy is reviewed on a regular basis, in line with FrieslandCampina Group of Companies' remuneration policy. As an incentive for the employees, performance based bonus is given to employees based on their individual evaluation for the financial year.

As at 31 December 2015, the Company does not offer an employee share option scheme to its employees.

Further details on the Company's employees and engagement activities can be further referred to in the Company's Sustainability Statement.

statement of corporate governance

The Board of Directors ("Board") is pleased to report to shareholders the manner in which the Company has applied the principles and recommendations as set out in the Malaysian Code of Corporate Governance 2012 (the Code) pursuant to Paragraph 15.25 of the Main Market Listing Requirements (the Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

The Company has complied with relevant Principles and Recommendations as set out in the Code. The Board having duly considered the rationale for any exceptions as set out and explained in this Annual Report is committed to comply with the Principles and Recommendations of the Code.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1. Clear Functions of the Board and Management

The Board acknowledges its key responsibilities in providing entrepreneurial leadership, directing the strategic plans, overseeing the Company's business affairs and management effectiveness.

Together with the Managing Director who has 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 high standards of corporate governance and the development of best practices for the Company.

The Board retains full and effective 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;
- Reviewing principal risks to ensure the implementation of appropriate systems to manage these risks;
- Overseeing the succession planning and composition of the Board. The Board is also notified of the appointment, and where appropriate, replacement of senior management, in line with the guidelines as established by Royal FrieslandCampina N.V. ("RFC"), the ultimate holding company of the Company;
- Maintaining shareholder and investor relations for the Company; and
- Reviewing the adequacy and integrity of the Company's internal control and management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

For the financial year ended 2015, the Board carried out the following activities:

- Took cognisance of the Company's business activities throughout the year.
- Approved the revised remuneration for the members of the Committees of the Board.
- Approved the payment of interim dividends to the shareholders for the financial year ended 31 December 2015.
- Approved the Company quarterly results for the financial year ended 31 December 2015 and the audited financial statements for the financial year ended 31 December 2014.
- Approved the statements for insertion in the Company's Annual Report for the financial year ended 31 December 2014.
- Conducted a site visit and officiating ceremony of the upgraded powder plant facility in August 2015.
- Assessment on the effectiveness of the Board and Committees of the Board.

The Board delegates the authority and responsibility of the Company's management and day-to-day operations to the Management Team, which consists of six corporate directors and led by the Managing Director. In addition thereto, the Management Team also carries out the following key duties and responsibilities:

- Implementation of business plans and strategies.
- Communicating matters which require Board deliberation and/or approval accordingly.
- Carrying out the decisions that have been tabled and approved by the Board.

The duties and responsibilities of the Management Team are in line with the RFC Corporate Manual, which sets out the general scope and authorisation limits of the management teams within the RFC Group of Companies.

2. Board Charter

The Board has adopted a Board Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, the vision, mission, principles, as well as the policies and strategic development of the Company. The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Charter will periodically be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Charter was last reviewed in 2014, to incorporate changes to corporate governance requirements. The Charter is available for reference at the Company's website at www.dutchlady.com.my.

3. Formalised Ethical Standards

In discharging its responsibilities, the Board is guided by the RFC's Code of Conduct, which sets out the values, principles and guidelines as to how the Company conducts its business to ensure integrity, transparency and accountability. The Company also has in place the RFC Whistle Blowing Policy, which forms part of the Code of Conduct. This provides an avenue for any director or employee to freely communicate their concerns about unethical practices without fear or repercussions in a safe and confidential manner. This is done by directly writing in to the RFC Compliance Manager, approaching a local trusted representative of the Company or by dialling in to a hotline managed by an independent external service provider.

In January 2016, the RFC Group's Code of Conduct Policy and Whistle-Blowing Procedures were updated and embedded into the new RFC Compass and Speak-Up Procedure. The Compass encompasses not only the Employee Code of Conduct and the Fair Competition Code of Conduct, but also includes privacy and safety, thus providing a guidance to all concerned with a clear description as to how to behave with integrity and in a respectful and transparent way in conformity with the RFC values.

All employees have access to the Compass, which is cascaded to all employees via booklets, the employee shared portal on the intranet as well as e-learning sessions

4. Company Strategies for Sustainability

The Board is committed to implementing responsible and sustainable corporate practices. The Company has embraced good corporate responsibility and sustainability practices in the areas of stakeholder engagement, the community, workplace and environment. The sustainability initiatives undertaken by the Company for the financial year 2015 are disclosed in pages 36 to 42.

5. Access to Information and Advice

Directors have access to timely and accurate information within the Company, which allows them to discharge their duties effectively and efficiently. At Board Meetings, the agenda and board papers are distributed in advance to enable Directors to have sufficient time to review the board papers and to obtain further explanation or clarification to facilitate the decision-making process and the meaningful discharge of their duties.

Management reports presented to the Board for the deliberation and/or approval would include the following information:

- The Company's business and financial performance.
- Marketing and sales activities.
- Market developments and consumer trends.
- Industry issues and developments.
- Human resources, safety, environmental, legal and regulatory matters and updates thereof.
- Any latest development in the corporate, risk and regulatory framework affecting the RFC Group of Companies.

All proceedings of the Board and the Board Committees are minuted and signed by the Chairmen of the meetings.

The Directors also have access to independent professional advice in furtherance of their duties.

6. Qualified Company Secretary

The Board is supported by a qualified Company Secretary who is a Chartered Secretary. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretary organises and attends all Board and Board Committee Meetings and is responsible for ensuring that Board Meeting procedures are followed and that the Company's statutory records are maintained accordingly at the registered office of the Company.

statement of corporate governance

STRENGTHENING COMPOSITION

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

1. Nomination Committee

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

1. Foo Swee Leng
(Independent Non-Executive Director)
- Chairman
2. Dato' Zainal Abidin bin Putih
(Independent Non-Executive Director)
3. Boey Tak Kong
(Independent Non-Executive Director)

The Board has decided and agreed that the Senior Independent Director of the Company be Dato' Zainal Abidin bin Putih, instead of the Chairman of the Nomination Committee.

The appointment of new Directors is undertaken by the Board as a whole. The Nomination Committee recommends candidates suitable for appointment to the Board, and the final endorsement lies with the entire Board to ensure the required mix of skills, experience and expertise of members of the Board is sufficient to address the issues affecting the Company. In its deliberations, the Board is required to take into account the integrity, professionalism, skills, knowledge, expertise and experience of the proposed candidate. The Nomination Committee will also consider whether such candidate meets the requirements for independence as defined in Bursa Securities Listing Requirements.

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 ("AGM").

Directors who are appointed by the Board to fill a casual vacancy during the year are subject to re-appointment by shareholders at the next AGM following their appointment.

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

Pursuant to Section 129 of the Companies Act, 1965 and the Company's Articles of Association, Directors who are of the age of 70 and above shall retire at every AGM and may offer themselves for retirement to hold office until the next AGM.

The Nomination Committee's responsibility also includes the assessment of the effectiveness of the Board as a whole, examination of 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 criteria for assessing the independence of an Independent Director includes the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company. This annual assessment is conducted via questionnaires, which is led by the Chairman of the Nomination Committee with the support of the Company Secretary.

The Nomination Committee also ensures that an orientation and induction programme is in place for new Board members.

The activities of the Nomination Committee during the financial year include the following:

- Reviewed the composition of the Board and Board Committees, nominating the directors who are due for retirement and re-appointment and are eligible to stand for re-election and re-appointment accordingly; and
- Assessed and evaluated the effectiveness of Directors through self and peer assessments, the effectiveness of the Managing Director, as well as effectiveness of the Board and the Board Committees.
- Assessed the independence of the Independent Non-Executive Directors of the Company.

The Nomination Committee meets as required. One meeting was held during the financial year. All recommendations of the Nomination Committee are subject to the endorsement of the Board.

2. Remuneration Committee

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

1. Dato' Dr. Mhd. Nordin bin Mohd. Nor
(Non-Independent Non-Executive Director)
- Chairman
2. Saw Chooi Lee
(Managing Director)
3. Pieter van der Hoek
(Non-Independent Non-Executive Director)

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of Non-Executive Directors. In respect of the Executive Directors, the Company adheres to the human resource policies and procedures, (which includes that of remuneration of employees who are appointed as Executive Directors of subsidiary companies) of the RFC Group, which includes its performance appraisal system and compensation and benefits scheme.

The determination of Non-Executive Directors' fees is a matter deliberated by the Remuneration Committee and approved by the Board as a whole. The Non-Executive Directors concerned abstain from the discussion of their own remuneration. The Board as a whole recommends the remuneration payable to the Non-Executive Directors and any changes thereof to the shareholders for approval at the AGM.

3. Directors' Remuneration

The policy for Directors' remuneration is to provide a remuneration package needed to attract, retain and motivate directors of quality required to supervise and/or manage the business of the Company.

For Executive Directors of the Company, the Company adheres to the human resource policies and procedures, (which includes that of remuneration of employees who are appointed as Executive Directors of subsidiary companies) of the RFC Group, which includes its performance appraisal system and compensation and benefits scheme. For Executive Directors of the Company, corporate and individual performance is rewarded through the use of an integrated pay benefits and bonus structure. Market competitiveness, business results and individual performance is also considered by the RFC Group in evaluating the Executive Directors' remuneration. The Executive Directors are not paid meeting attendance allowance or directors' fees.

The Non-Executive Directors are paid fixed annual directors fees as members of the Board and these are approved by shareholders at the Annual General Meeting. Non-Executive Directors are also paid an attendance allowance for each Board or Committee meeting that they attend. The Chairmen of the Board Committees receive a Board Committee Chairman allowance. In addition thereto, the members of the Audit Committee also receive a committee allowance.

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2015 is as follows:

	Executive Director RM'000	Non-Executive Directors RM'000
Directors' fees	-	255
Meeting & Committee allowances	-	66
Salaries and other emoluments	1,229	-
Benefits in kind	17	-

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

Range of Remuneration (RM)	Executive Director	Non-Executive Directors
50,001 to 100,000	-	3
100,001 to 150,000	-	1
1,200,000 to 1,250,000	1	-

Piet Johannes Hilarides and Pieter van der Hoek, being Non-Executive Directors who are also nominee directors of RFC, are not paid Directors' fees in line with RFC Group's remuneration policies of RFC employees appointed as Directors of subsidiary companies within RFC Group.



statement of corporate governance

REINFORCE INDEPENDENCE

1. Board Composition and Balance

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

The 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 and gender, bringing depth and diversity in experience, expertise and perspectives to the Company's business operations. The profiles of the members of the Board are as set out in this Annual Report on page 13.



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.

The Board acknowledges the importance of gender, age, nationality, ethnicity and socio-economic background diversity and recognises the benefits that it can bring. The Nomination Committee considers diversity generally when making appropriate appointments to the Board, taking into account relevant skills, age, experience, knowledge, personality and gender. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Company will work towards addressing this as and when vacancies arise and suitable candidates are identified. The Company's prime responsibility, however, is the strength of the Board and the overriding aim in any new appointments must always be to select the best candidate available.

2. Assessments of Independent Directors

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 judgment.

As aforementioned, and pursuant to the recommendations of the Code, the Board has and will carry out an annual assessment of the independence of its Independent Directors.

3. Tenure of Independent Directors and Shareholders' Approval for Retention of Independent Directors

In line with the recommendation of the Code, the tenure of an Independent Director of the Company should not exceed a cumulative term of nine years. An Independent Director may continue to serve the Board subject to the re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine years, shareholders' approval will be sought. The Board believes that valuable contribution can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board notwithstanding their tenure on the Board.

Boey Tak Kong and Foo Swee Leng, two of the Independent Non-Executive Directors, have served the Board for more than nine years as an Independent Director. Notwithstanding their long tenure in office and based on the review and recommendation of the

Nomination Committee, the Board is unanimous in its opinion that both Boey Tak Kong and Foo Swee Leng's independence have not been impaired or compromised in any way. In view of the above, the Board resolves to seek the shareholders' approval and continue the services of both Boey Tak Kong and Foo Swee Leng to serve as Independent Directors respectively.

The Board has identified Dato' Zainal Abidin bin Putih as its Senior Independent Director, to whom concerns of shareholders, Management and other stakeholders may be conveyed. He may be reached in care of the Company Secretary at finance.dept@frieslandcampina.com.

FOSTER COMMITMENT OF DIRECTORS

1. 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 each 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.

The attendance of the directors at the Board Meetings is set out in the Directors' profile appearing on page 13 of the Annual Report.

2. Directors' Training

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

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

For the year under review, the training needs of all Directors were assessed and all Directors attended briefings and trainings to enable them to effectively discharge their duties. Particulars of the development and training programmes attended by Directors are as set out on pages 28 to 29 of the Annual Report.

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.

UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

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

The Audit 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.

statement of corporate governance

The Audit 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 oversees the review of related party transactions conducted by the Related Party Transactions Review Committee and any conflicts of interest situations during the year.

The Audit Committee Report for the financial year ended 31 December 2015 is contained on pages 30 to 33 of this Annual Report.

The Audit Committee's activities during the financial year 2015 are as set out on pages 32 to 33 of this Annual Report.

2. Directors' Responsibility Statement in respect of Audited Financial Statements

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, the Chairman's Statement and the Management Discussion and Analysis in the Annual Report.

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 applied them consistently.
- Made judgements and estimates that are prudent and reasonable.
- Ensured applicable accounting standards have been followed.
- Prepared the Financial Statements on an on-going 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.

3. External Audit

The Company's independent external auditors, Messrs. 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.

Notice of Nomination pursuant to Section 172(ii) of the Companies Act, 1965, has been received by the Company nominating Messrs. PricewaterhouseCoopers for appointment as the new external Auditors, in place of the retiring External Auditors, Messrs. KPMG at the forthcoming AGM of the Company.

RECOGNISE AND MANAGE RISKS

1. Risk Management and Internal Controls

The Company's Statement of Risk Management and Internal Control is as set out on pages 43 to 45 of this Annual Report. This Statement provides an overview of the Company's approach in maintaining a sound system of risk assessment and management to safeguard the best interest of the Company and its stakeholders.

2. Internal Audit

The Company has an Internal Audit function that is supported by the RFC Group's Corporate Internal Audit Department.

Internal Audit reports 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 area of business risks.

The Internal Auditors' audit plan, nature and scope of the internal audit were approved by the Audit Committee prior to the commencement of their audit based on the Company'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.

The Internal Audit function also carries out activities under the Enterprise Risk Management programme developed by the RFC Group and implemented by the Company. The programme incorporates a process of identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURES

Corporate Disclosures

The Company is fully committed in ensuring the dissemination of relevant and material information. Strong emphasis is being placed on timely dissemination of information to its shareholders.

STRENGTHENING RELATIONSHIP BETWEEN COMPANY AND ITS SHAREHOLDERS

1. Annual Report and General Meeting of Shareholders

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Company. As a listed issuer, the contents and disclosure requirements of the Annual Report are also governed by the Listing Requirements.

The Company's AGM is the principal forum for dialogue with individual shareholders. It is the crucial mechanism in shareholder communication for the Company. At the Company's AGM, which is generally well attended, shareholders are presented with an overview of the Company's performance during the year. Shareholders have direct access to the Board at the AGM 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.

The Company would conduct poll voting if demanded by shareholders at the general meeting. Shareholders will be informed of their right to demand for a poll.

The outcome of the AGM is announced to Bursa Securities on the same meeting day.

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 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.

2. Communication and Engagement with Investors and Stakeholders

In addition, Management personnel responsible for investor relations activities meet regularly with equity research analysts, fund managers, institutional shareholders and investors on a one-to-one basis upon request. In these meetings, Management also addresses queries and/or concerns raised with regards to the Company's performance, market outlook, business operations and other matters affecting shareholders' interest.

Announcements are made on a timely basis to Bursa Securities and these are made electronically to the public via Bursa Securities 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 and product information.

Investors may forward their queries to the Company in care of the Company Secretary via e-mail: finance.dept@frieslandcampina.com.

statement of corporate governance

Training programmes attended by Directors for the Financial Year Ended 2015

Director	Title of Training Programme	Organiser	Date
Dato' Zainal Abidin bin Putih	IPO Preparedness Session	KPMG / Tenaga Nasional Berhad	14 Jan 2015
	TNB Top Management Risk Forum	Tenaga Nasional Berhad	15 Jan 2015
	CIMB Group Asset Management, Compliance, Audit & Risk Conference - Synergising A Robust Governance Culture With Business	CIMB Principal Asset Management	24 Jan 2015
	L&G Directors' In House Training - Detecting Financial Frauds	Tricor Knowledge House Sdn Bhd	26 Jan 2015
	FIDE Core Programme : Board Dynamics : A Conversation with a Chairman	FIDE/The ICLIF Leadership & Governance Centre	10 Mar 2015
	TNB Board Breakout Session	Tenaga Nasional Berhad	9 Apr 2015
	Invest Malaysia 2015	CIMB Investment Bank / Bursa Malaysia	23 Apr 2015
	CIMBG 2015 Risk Appetite Workshop	CIMB Group	9 Jun 2015
	Risk Posture Workshop for CIMB Group Board Risk Committee members	CIMB Group	28 Jul 2015
	TNB Accountants Conference - Value of Finance Community in TNB	Tenaga Nasional Berhad	11 Aug 2015
	Australia All Energy 2015 Exhibition & Conference, Melbourne	Reed Exhibitions Australia Pty Ltd, Melbourne	6 & 7 Oct 2015
	Directors' Training • Integrated reporting • Will the next scandal be on your watch, and do your minority shareholders trust you? • Economic outlook & lookout	Shell Refining Company (Federation Of Malaya) Berhad	20 Oct 2015
	CIMB Group Annual Management Summit	CIMB Group	20 & 21 Nov 2015
Boey Tak Kong	Trouble In The Boardroom	KPMG / Wong & Partners	5 Mar 2015
	Conversation With Audit Committees	Audit Oversight Board	7 May 2015
	Walking The Ethical Tightrope	Malaysian Institute Of Accountants & ICAEW	18 May 2015
	A Dialogue: Post-Workshop On Risk Management & Internal Control For Audit Committee Members	Bursa Malaysia Securities Berhad	9 Jun 2015
	Bringing The Best Out In Boardrooms	Bursa Malaysia Securities Berhad & Iclif	31 Jul 2015
	The Board's Response In Light Of Rising Shareholder Engagement	Bursa Malaysia Securities Berhad & Iclif	4 Aug 2015
	Advocacy Session On Management Discussion & Analysis For CEO & CFO	Bursa Malaysia Securities Berhad	3 Sep 2015
	Future of Auditor Reporting - The Game Changer for Boardroom	Bursa Malaysia Securities Berhad with MIA & MICPA	21 Sep 2015
	The Interplay Between Corporate Governance, Non-Financial Information and Investment Decision - What Boards of Listed Companies Need to Know	Bursa Malaysia Securities Berhad with SIDC	22 Sep 2015
	Directors' Training • Integrated reporting • Will the next scandal be on your watch, and do your minority shareholders trust you? • Economic outlook & lookout	Shell Refining Company (Federation Of Malaya) Berhad	20 Oct 2015

Director	Title of Training Programme	Organiser	Date
Saw Chooi Lee	RFC Leadership Days	Royal FrieslandCampina N.V.	8-9 Jan 2015 15-18 Jun 2015 17-18 Dec 2015
	Media Engagement Workshop	Burson Marsteller / Dutch Lady Malaysia	10 Apr 2015
	Directors' Training <ul style="list-style-type: none"> Integrated reporting Will the next scandal be on your watch, and do your minority shareholders trust you? Economic outlook & lookout 	Shell Refining Company (Federation Of Malaya) Berhad	20 Oct 2015
Piet Johannes Hilarides	RFC Leadership Days	Royal FrieslandCampina N.V.	8-9 Jan 2015 15-18 Jun 2015 17-18 Dec 2015
	Directors' Mandatory Accreditation Programme	Bursatra	10 - 11 Jun 2015
	Corporate & Statutory Directors Legal Training	Royal FrieslandCampina N.V.	27 Oct 2015
Foo Swee Leng	Directors' Training <ul style="list-style-type: none"> Integrated reporting Will the next scandal be on your watch, and do your minority shareholders trust you? Economic outlook & lookout 	Shell Refining Company (Federation Of Malaya) Berhad	20 Oct 2015
Dato' Dr. Nordin bin Mohd Nor	Seminar: Current Trends in Shareholders Activism and Predicting Financial Crime and Fraud-Detection, Prevention and Remediation	Permodalan Nasional Berhad	31 Mar 2015
	Yayasan Tun Ismail Mohamed Ali Lecture: Light and Shadow in the Boardroom - Reflections on Board Evaluation and Development	Permodalan Nasional Berhad	12 May 2015
	Yayasan Tun Ismail Mohamed Ali Lecture: Revisiting Islamic Philanthropy for Sustainable Opportunities Finance	Permodalan Nasional Berhad	12 Aug 2015
	Financial Freedom: Growing Dreams	Permodalan Nasional Berhad	6 Oct 2015
	Directors' Training <ul style="list-style-type: none"> Integrated reporting Will the next scandal be on your watch, and do your minority shareholders trust you? Economic outlook & lookout 	Shell Refining Company (Federation Of Malaya) Berhad	20 Oct 2015
	Yayasan Tun Ismail Mohamed Ali Lecture: The Shaking Foundations of Finance	Permodalan Nasional Berhad	23 Nov 2015
Pieter van der Hoek	RFC Leadership Days	Royal FrieslandCampina N.V.	8-9 Jan 2015 15-18 Jun 2015 17-18 Dec 2015
	Directors' Mandatory Accreditation Programme	Bursatra	4 - 5 Mar 2015
	How Brands Grow - by Prof. Byron Sharp	Royal FrieslandCampina N.V. / Ehrenberg Institute	10 Apr 2015
	Finance Transformation - What Companies Do to Get it Right	Profile Search & Selection	22 May 2015
	Sharing session: Consumer Insights	Deloitte	8 Jul 2015
	Directors' Training <ul style="list-style-type: none"> Integrated reporting Will the next scandal be on your watch, and do your minority shareholders trust you? Economic outlook & lookout 	Shell Refining Company (Federation Of Malaya) Berhad	20 Oct 2015
	Corporate & Statutory Directors Legal Training	Royal FrieslandCampina N.V.	27 Oct 2015

audit committee report

Pursuant to Paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

1 MEMBERSHIP AND MEETING OF THE COMMITTEE

Members of the Audit Committee are:

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

Boey Tak Kong and Dato' Zainal Abidin bin Putih, being members of the Malaysian Institute of Accountants, fulfil the requirement of Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Securities.

The Audit Committee held four meetings during the financial year ended 31 December 2015. 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
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 and supports 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 Internal and External 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 which is independent. The Chairman is an Independent Non-Executive Director. Two members of the Audit Committee are professional accountants.

In compliance with Paragraph 15.09(1)(b) of the Listing Requirements of Bursa Securities, all members of the Audit 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 of the Audit Committee are responsible for preparing and circulating the Agenda and the Notice of Meeting, together with explanatory documentation to members of the Audit Committee prior to each meeting.

• Attendance of Meeting

Other Board members, Finance Director, Internal Auditors and External Auditors attend the Audit Committee meeting by invitation of the Audit Committee.

• Frequency of Meeting

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

The Audit 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 Audit Committee are:

- (a) To consider the appointment of the External Auditors and fix their audit fee, and to assess the suitability and independence of the External Auditors.
- (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 the Listing Requirements of Bursa Securities 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 execute 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 audit 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 the audit plan conducted during the year;
- (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 reasons for resigning (if any).

(g) To oversee the following, in relation to the External Audit function:

- (i) monitor developments in the external audit field and standards issued by professional bodies and other regulatory authorities;
- (ii) review the provision of non-audit services by the External Auditors to ascertain whether such provision of services would impair the auditor's independence or objectivity.

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

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

(j) 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.

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

audit committee report

- **Reporting Procedures**

The Secretary shall circulate the minutes of meetings of the Audit 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 Audit Committee before each Meeting at which the said reports are tabled.

4 INTERNAL AUDIT FUNCTION

The Company has an Internal Audit function that reports to the Audit Committee.

The Internal Auditors are empowered with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Company's records, physical properties, to carrying out any engagement.

The Internal Audit function also carries out risk management activities implemented by the Company under the Enterprise Risk Management programme developed by Royal FrieslandCampina group of companies. The programme incorporates a process of identifying, evaluating, monitoring, reporting and managing significant risks that affect the achievement of the Company's objectives and policies.

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

- (a) prepared the audit plan for the year, which is reviewed and approved annually by the Audit Committee and updated where necessary by the Audit Committee.
- (b) completed a total of 24 audit engagements as per the approved 2015 audit plan and 12 management requests.
- (c) prepared the audit programme based on the audit plan, for each activity or process to be audited.
- (d) maintained the Company's Internal Control Framework, including reviewing controls, organising self-assessments and ensured proper functioning of the system.

- (e) discussed with auditees, process owners and Management on the results of the audit for each activity or process, and the recommendations for action plan to mitigate the identified risk or control improvements.

- (f) on a quarterly basis, reviewed the Enterprise Risk Assessment updates, which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan where necessary.

- (g) reported to the Audit Committee on a quarterly basis, the internal audit findings on risk management, control and governance issues identified during the risk based audits, together with recommendations for improvements in the processes.

- (h) followed up on all the action plans recommended from the previous internal audit reports to ensure that all matters arising are adequately addressed by the Management.

Costs amounting to RM492,724 were incurred in relation to the internal audit function for the financial year ended 31 December 2015.

5 SUMMARY OF THE 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 focussed and detailed manner. The minutes of each meeting held were distributed to each member of the Board at subsequent Board Meetings. The Audit Committee Chairman reported on each meeting to members of the Board.

The Audit Committee had two meetings with the External Auditors, without the presence of the Executive Directors and Management staff and had four meetings with the Internal Auditors.

The activities of the Audit Committee during the financial year ended 31 December 2015 were as follows:

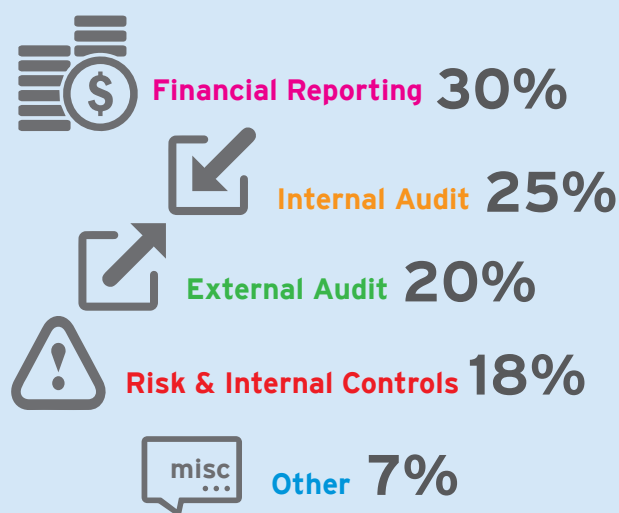
- (a) Reviewed the audit plan (both Internal and External Audit) for 2015, audit resources and scope of the audit.
- (b) Discussed the audit result, and recommendations by the Internal and External Auditors on the systems controls and weaknesses, and ensured that corrective actions were taken by Management.
- (c) Reviewed the compliance with accounting standards and ensured that the Company used appropriate accounting policies for its financial statements.
- (d) Reviewed the Company's unaudited quarterly financial results and recommended the same to the Board for approval and announcement to Bursa Securities.
- (e) 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.
- (f) Reviewed the Company's annual report prior to submission to the Board for their perusal and approval, to ensure compliance in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board ("MASB").
- (g) Reviewed of the Company's compliance with the Listing Requirements, MASB and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements.
- (h) Reviewed the Company's dividend proposal.
- (i) Considered the quantum, timing and cash flow of dividend payments, and recommended the same to the Board for approval.

- (j) Reviewed the related party transactions, and any conflict of interest situations during the year.

This was also done via the formation of Related Party Transactions Review Committee ("RPT Review Committee"), for which Boey Tak Kong (who is also the Chairman of the Audit Committee) also serves as Chairman of the RPT Review Committee. During the financial year ended 31 December 2015, two RPT Review Committee meetings were convened whereat the recurrent related party transactions for the year was presented and tabled for review.

- (k) 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.
- (l) Discussed with the external auditors any issues arising from the final audit (in the absence of the Management).

**Type of Activity spent by the
Audit Committee for FYE 2015
(% of time spent)**





Drink.Move.BeStrong



'Drink.Move.BeStrong' is Dutch Lady Malaysia's movement to build strong families. We encourage families to be physically and emotionally stronger together through the twin pillars of Drink and Move. Two glasses of milk and an hour of sun a day, and we build a brighter future for Malaysia with mental and physical strength. It's a big idea that starts with small steps for all families, which will make a big difference to families in Asia. Let's Drink. Move. Be Strong. Together.

sustainability statement

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

CORPORATE RESPONSIBILITY STRATEGY : DAIRY WITH A PURPOSE

Our mission is to create shared value to all our stakeholders through our strategic initiatives. We aim to demonstrate our commitment by actively undertaking strategic initiatives based on the following three priority areas:

- Balanced nutrition.
- The environment and social responsibility.
- Dairy self-sufficiency.

BALANCED NUTRITION

As the world population increases, so has the need to ensure consistent and sustainable provision of quality nutrition. Our parent company, Royal FrieslandCampina N.V. ("RFC") places this as one of the four cornerstones of its own corporate sustainability priorities - to ensure sufficient nutritious food to help combat undernourishment and a shortage of nutrients.

Locally, Dutch Lady Malaysia aims to continue our efforts in combating obesity and nutrient deficiency by ensuring that our products are responsibly manufactured, healthy and available in various choices and portion sizes. We have also reduced the sugar content in our products and constantly looked at ways in educating our consumers on healthy eating and lifestyle and emphasising the importance of sports and exercise.

• SEANUTS Survey

Dutch Lady Malaysia continues to spread the Goodness of Milk by underlining the findings of the South East Asian Nutrition Survey (SEANUTS), the largest and most extensive nutrition and health study ever done in South East Asia, wherein 16,744 children up to 12 years old were surveyed over a four-year period.

According to the Nutrition Survey of Malaysian Children (SEANUTS Malaysia) that was published in the British Journal of Nutrition 2013, nearly 50% of children studied in the SEANUTS was found to have calcium and Vitamin D insufficiency. In addition, the Malaysian Adults Nutrition Survey that was concluded in 2014 highlighted that the average nutrition intake amongst grown-ups was below 50% of the recommended nutrient intake. Both these studies highlighted the pressing need to ensure better nutrition and dietary practices in Malaysian children.

As a continuation of our efforts to draw nationwide attention to these findings, Dutch Lady Malaysia held various SEANUTS exposés in the states of Penang and Johor in April and May 2015. These series of exposés provided a platform for healthcare professionals to discuss the SEANUTS findings and bring to light the implications of nutrient insufficiency in Malaysian children.

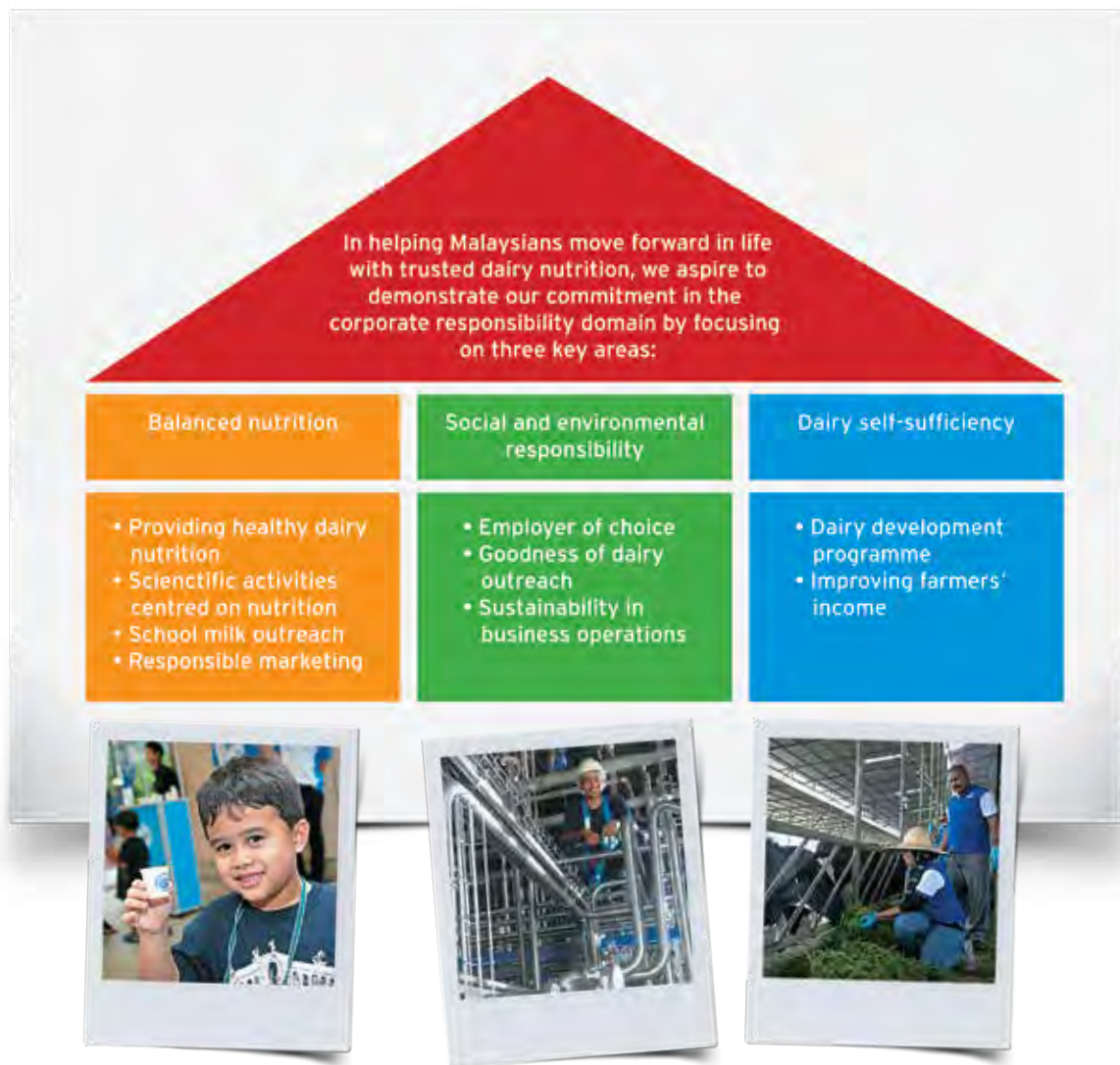
The SEANUTS findings also paved the way for enhanced collaboration with the Nutrition Society Malaysia vis-à-vis sharing best practices and contributing towards the overall national strategy on food quality to promote optimal nutrition amongst Malaysians.

• Drink.Move.BeStrong

Launched in 2014, the Drink.Move.BeStrong campaign was launched as a result of the SEANUTS findings to address the double burden of malnutrition amongst children in South East Asia. The Drink.Move.BeStrong campaign is an RFC regional corporate responsibility programme that aims at shaping healthy lifestyles across South East Asia.

Now in its second year, the Drink.Move.BeStrong was a success again. FrieslandCampina Asia's Drink.Move.BeStrong nutrition campaign was crowned as the winner for Best Use of CSR Practices in FMCG at the 2015 Best CSR Practices Awards ceremony held in August 2015. This award was testimony to RFC's commitment in improving the health and well-being of consumers within South East Asia.

In 2015, Dutch Lady Malaysia carried out an open basketball clinic in April 2015 for children between the ages of five and 14, whereby the children had an opportunity to learn fun, fundamental basketball drills and manoeuvres guided by NBA coaches. Drink.Move.BeStrong was also embedded in the in-school trainings held across selected schools in the Klang Valley, which reached out to over 900 students. Selected players advanced to a national training camp that was held in June 2015 where students were exposed to healthy nutrition, teamwork and sportsmanship. These children also had the opportunity to be selected as the Jr. NBA Malaysia All-Stars players and was rewarded with an exclusive meet up with the South East Asia NBA All Stars team.



• National School Milk Programme

Similar to last year, Dutch Lady Malaysia continued its participation in the *Program Susu 1Malaysia* (PS1M). PS1M is an important platform for us to spread the goodness and benefits of milk to school children, which ultimately supports our aim of heightening the awareness of the importance of a healthy lifestyle with trusted dairy nutrition for the benefit of our future generation.

Through working with the Ministry of Education, we provided milk to more than 238,000 selected school children from primary schools in the states of Kelantan and Terengganu from 2013 to 2015. With the Ministry of Education's support, a series of educational road shows were also conducted to educate the school teachers and students on proper milk handling and the benefits of milk consumption in totality.

In 2015, we partnered with the Ministry of Education through the relaunch of the *Anugerah 3K* (the 3K Awards Programme - Health, Cleanliness, Safety), which is programme aimed at ensuring that every school has an established system in dealing with issues relating to school safety, health and cleanliness. This awareness movement spreads the message on the goodness of dairy and nutrition, with our involvement in the *Cabaran Cergas.Ceria* programme, under the health component of the *Anugerah 3K*.



SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

• Being the number 1 employer in dairy

Dutch Lady Malaysia provides a working environment characterised by fairness, respect and integrity. We are committed to equal opportunities at all levels of our business, both at recruitment stage and through opportunities for development and promotion. Dutch Lady Malaysia is also committed to principles of diversity, and our employee profile reflects a broad variety of gender, ethnicity and age.

An overview of workforce statistics:

Category	Executive		Non-Executive	
	50%		50%	
Gender	Male		Female	
	66%		34%	
Age Group	<30	30 to <40	40 to <50	50 and above
	17%	46%	22%	15%
Diversity	Malay	Chinese	Indian	Others
	49%	38%	5%	8%

We are an employer that respects its employees and inspires them to fulfil their potential. We have a rigorous performance management system that provides opportunities for employees and managers to discuss performance, opportunities for development and a chance to raise any issues or concerns. This reflects our commitment to treat everyone fairly and consistently, responding to their needs and supporting their career progression, thus enabling us to be a high performing organisation that is agile to changing economic conditions.

We promote AAA culture values that stand for Accountability, Alignment and Action in our daily work. Under the AAA values, employees are encouraged to review their behaviours so as to achieve better results by working and winning together. In 2015, a total of four AAA workshops were conducted for our employees to further drive the AAA values within the organisation.

• Employee engagement

We ensure open two-way communication channels are available to all employees through various initiatives. Town hall meetings are regularly held at both the corporate office and factory site as means to provide employees with business updates and to facilitate better understanding of the Company's objectives and directions. In addition, our senior executives are constantly engaged via workshops to enhance cross functional alignment in the execution of the Company's strategies and plans.

The Management Team also conducts skip level meetings with junior level employees as part of getting them immersed into the business and which also provides a platform for valuable feedback that would further enhance the way of working within the organisation.

Employees have access to a shared portal on the Intranet, where they can gain updated information on the Company and the RFC Group as well as acquire necessary documents and schedules. The Company's internal employees' newsletter, also known as *SUARA*, is published periodically to highlight key updates that have happened in the last few months. Plant managers in the Operations Division have Daily Report Meetings every morning to keep each other informed.

Employee engagement also extends beyond employees to their family members, who have opportunities to gather and get to know families of other employees. In line with the Company's mission to underline the spirit of winning together as a family, various activities have been carried out in 2015, such as the Family Day and the school holiday programme called Grass to Glass Camp, where children of employees have the opportunity to take part in fun activities and learn about the goodness of milk. In celebration of Mothers' and Fathers' days in 2015, our employees were encouraged to write-in to express their appreciation to their loved ones - and the winning entries were rewarded with a special celebratory tribute.

As part of our initiative to support educational excellence for the young generation, an Education Excellence Award is presented to employees' children who have shown commendable excellence in their examinations. For 2015, there was a total of 16 Education Excellence Award recipients who were recognised for their outstanding achievements.



- **Training and development**

Our people are paramount to our sustainable success. We aim to grow global leaders equipped with the knowledge and skills to keep us at the forefront of the industry. We are passionate about talent management and development, which includes on the job training, mentorship programmes, specific skill development programmes, performance improvement plans and job realignment programmes that allow our people to learn and grow in the workplace.

Being a progressive and team-based organisation, our commitment to human capital growth, leadership and development extends within the region via our functional academies and globally, through RFC's Future Leader and Academic Potential leadership programmes. In 2015, we clocked a total of 1,204 training man-days from 97 training programs conducted for staff at all levels, including the unionised staff. And from these figures, 39 staff underwent leadership development. We also establish a compulsory syllabus for all new staff to ensure proper assimilation into our working culture. This creates an impetus for us to strive for greater achievements and continuously build our talent pipeline.



- **Nurturing the younger talent**

Dutch Lady Malaysia understands that the future lies in the hands of the younger generation. Hence, we place emphasis on cultivating and nurturing the future generation with the right skills, knowledge and values essential to shaping a brighter tomorrow. In addition to the Educational Excellence Award presented to employees' children, the Company also plays host to numerous visits by educational institutions who wish to expose their students to corporate life. During the tour, students gain quick insight into the operations of a leading dairy company in the FMCG industry. Our Management Team have also invested in the future by their participation in various leadership talks organised by local universities. We strive to remain attractive to the younger talent pool through our involvement in various career fairs organised throughout the year where we provide career guidance and planning to this group. Our efforts was identified in the industry and we were conferred an award as one of Malaysia's 100 Leading Graduate Employers for FMCG by Talent Corp and GradMalaysia.

EMPLOYEE VOLUNTEERING INITIATIVES

Community outreach programmes are a mainstay in our annual CSR plan and we do so through the Dutch Lady Blue Brigade, our own volunteer arm that reaches out to young Malaysians. The Blue Brigade members participate in community outreach activities with the media, charity organisations, children's homes and schools throughout the nation.

The Blue Brigade helps to spread the goodness of milk in the Goodness of Dairy (GooD) programme. Through the GooD programme, volunteers provide a better understanding of dairy, such as the benefits of drinking milk, the importance of milk in a balanced diet, as well as where milk comes from.

In March 2015, Dutch Lady Malaysia collaborated with the Jabatan Kebajikan Masyarakat (JKM) in sponsoring the JKM Kids Fun Run, where children under the Social Welfare Department participated in the run and benefited from the Goodness of Milk through milk products and activities set up in the Dutch Lady booth.

sustainability statement

During the Ramadhan month, Dutch Lady Malaysia collaborated with local council Majlis Bandaraya Petaling Jaya (MBPJ) and local mosque Masjid Tun Abdul Aziz to cook and distribute 3,000 packs of rice porridge (*bubur lambuk*) to the local community in Section 14, Petaling Jaya. A total of 35 Blue Brigade members took part in this noble cause, resulting in closer ties between Dutch Lady Malaysia and the local council.

In late October 2015, the Blue Brigade visited the MegaTernak Farm in Tapah, Perak, to conduct a *Gotong-Royong* to spruce up the farm. A total of 25 Blue Brigade members took part in this effort, which was conducted in collaboration with Dairy Development Programme team.



SPREADING THE GOODNESS OF DAIRY

Milk is an important source of nutrition for the development of our physical and intellectual health. In Malaysia, the average milk consumption is relatively low compared to other Asian countries. Therefore, along with our purpose of helping Malaysians move forward with trusted dairy nutrition, we have played an active role in supporting deserving organisations through sponsorship and donation of our dairy products, especially where the well-being and health and nutrition of families and children are concerned.

In the same year, Dutch Lady Malaysia contributed products to a total of more than 50 organisations including schools, NGOs, orphanage homes, enrichment centres and key external stakeholder events such as Family Days and CSR-centric activities.

For 2015, we also reached out to our external stakeholders in spreading the Goodness of Dairy message, such as an engagement session with the Inland Revenue Board in June 2015 as well as a collaboration with the Halal Industry Development Cooperation in their Halal Outreach Programme, whereby Goodness of Dairy sessions were organised in the sessions carried out in Penang and Melaka.

Ensuring sustainability in environment and business operations

We remain committed towards our responsibility on environmental issues in the conduct of our business. It combines our responsibility with our business objectives for long-term sustainable development. Our Safety, Health and Environmental (SHE) Policy outlines our commitment and position on this.

- **Energy, water and waste management**

Conservation of resources is an important priority for the Company. Despite an increase in production volume, our Operations team, with the support of our parent company, have put in place strategy and actions to decrease our water footprint with a goal to reduce water usage by 20% per kilo by 2020 compared to 2010, through an efficiency gain of 2% per year. Water recycling improvement actions take place in our production plants. In addition, our Engineering department regularly conducts audit of leakages to identify areas of leakages in the plant, taken steps to repair or replace the faulty pipes to avoid further wastages.

We made conscious efforts in improving our manufacturing processes and continuously work towards the reduction in the use of electricity throughout the Company. In 2015, we achieved an overall energy savings of 4.4% through various initiatives, such as setting in place a system that enables us to automatically monitor and improve maximum demand in energy consumption and upgrading the plant refrigeration system. On our premises, we had also replaced the existing halogen lights used to LED lighting which are lower in terms of energy consumption, resulting in 30% to 50% reduction in energy consumption.

We use natural gas in our manufacturing operations where the consumption and trend of usage is continuously monitored. In 2015, the boiler system used on the factory premises was converted to a Direct Control Combustion Control system which would increase the efficiency of the overall combustion system. 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.

- **Sustainable sourcing**

Milk is the basis of our products, but it is not the only raw material used. Where raw materials are concerned, for instance, the use of cocoa and palm oil for some of our end products and paper and cardboard for packaging, we are committed to sustainable way of use.

Our parent company Royal FrieslandCampina N.V. is a member of the Round Table on Sustainable Palm Oil (RSPO). In line with this, we have, since 2011, manufactured our products using 100% sustainable palm oil.

The same effort has been put in place for cocoa, another major ingredient used. We use only sustainable cocoa that meets the UTZ2 Certified criteria.

Aside from sourcing sustainable (agricultural) raw materials, we have also demonstrated our commitment to responsible forestry by using the Forest Stewardship Council (FSC)-certified materials as the primary packaging used for our Dutch Lady UHT milk.

In Malaysia, Dutch Lady Malaysia was the first manufacturer to use FSC-certified packaging since mid-2013. This is easily identified through the FSC logo on the printed on the products. Our efforts do not stop merely at primary packaging but it continues to secondary packaging as the majority of materials used by our Company are from sustainable sources.

SAFETY REMAINS OUR NO. 1 PRIORITY

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 responsibility of keeping everyone safe when working within the vicinity of our workplace. In developing a strong safety culture within our Company, for the year, we took proactive steps to enhance our safety initiatives by offering more programmes together with the introduction of more stringent safety rules. Safety champions were also elected across departments to lead internal projects and promoted involvement from employees. Employees are constantly reminded on keeping safety top most of mind, be at the factory operations or within the corporate office, with Safety Policy and Emergency cards and poster made available to all. In addition, defensive driving training sessions were carried out to ensure the enhanced safety of our sales employees and we also carried out annual fire drill and first aid sessions.

As at 31 December 2015, we registered a total of 805 days of Lost Time Accident free days. For this, we were recognised by the Executive Board of FrieslandCampina for an outstanding safety performance of over 365 days.

IMPROVING DAIRY SELF-SUFFICIENCY

Dutch Lady Malaysia and the Department of Veterinary Service (DVS) together with the Netherlands Embassy have been working together since 2008 to help local dairy farmers make their business more sustainable. Through our Dairy Development Programme (DDP), we have helped local farmers increase their production of milk in both quality and volume as well as helped to ensure sustainability of milk supply to us. We are the largest purchaser of local fresh milk in Malaysia.

In an effort to educate and train Malaysian dairy farmers on better farm practices and to gain better earnings, Dutch Lady Malaysia embarked on the second Farmer2Farmer (F2F) programme. For 2015, the focus of the F2F programme was on good farm management and administration (sustainability and profitability), good milking/handling practices, effective feed and nutritional programme for cattle, monitoring methods, good breeding and fertility programme, with a particular focus on hygiene management and reducing the total plate count (bacteria count) in local milk that was to be used in manufacturing local dairy products.

As a part of the F2F programme carried out for the year, three RFC co-operative member farmers spent two weeks in local farms in the states of Negeri Sembilan, Melaka, Seremban and Perak, sharing best practices and exchanging knowledge with local farmers on ways to improve their farming skills. A total of 24 DVS officers and 90 local farmers who supply fresh milk to Dutch Lady Malaysia were involved in another successful programme.



FIRM FOUNDATION TO OUR BUSINESS

- **Commitment to Quality**

The RFC 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 RFC Group and the Company in the development of an increasingly robust production process. With FoQus, stricter requirements are enforced to ensure that all our products and the way in which it is produced meets our own high standards on food safety, quality, labour safety and environment.

As we are committed to the safety and quality of our products, we have on our premises an accredited quality control laboratory to ensure the same. In 2015, investments were made in new laboratory equipment to support the factory production side more effectively with regard to microbe testing of products manufactured and raw milk delivered to the factory premises.

- **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 RFC's 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. We expect all our employees to maintain the highest standards of propriety, integrity and conduct in all their business relationships. Employees are contractually bound to abide by the Code of Conduct when conducting themselves at work and with external stakeholders such as our customers and suppliers. 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 RFC Group's head office. Whistle-Blowing Procedures are in place for employees to address these concerns.

In January 2016, the RFC Group's Code of Conduct and Whistle-Blowing Procedures were updated and embedded into the new RFC Compass and Speak-Up Procedure which was introduced worldwide. The Compass encompasses not only the Employee Code of Conduct and the Fair Competition Code of Conduct, but also includes privacy and safety, thus providing all employees with a clear description as to how to behave with integrity and in a respectful and transparent way in conformity with the RFC values. The Compass and Speak-Up Procedure is cascaded to all employees within the Company.

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



statement on risk management and internal control

The Board has overall responsibility for the Company's management of risk and system of internal controls, which includes the adoption of Internal Control Framework (ICF) established by Royal FrieslandCampina N.V. ("RFC"). ICF requires controls to be tested either quarterly, half yearly or yearly, depending on their criticality, to ensure its effectiveness, adequacy and integrity. The Board is responsible for identifying the key 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 has received assurance from the Managing Director and the Finance Director that the Company's risk management and internal control system is adequate and operating effectively, in all material aspects.

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

RISK MANAGEMENT

The Company implemented the Enterprise Risk Management programme in August 2012 based on the framework that was developed and issued by RFC. The programme establishes an enterprise risk assessment (ERA) for identifying, evaluating, monitoring, reporting and managing significant business risks that affect the achievement of the Company's objectives and policies, on an annual basis.

Key business risks are identified during the business planning process and are reviewed annually by the Board and the Audit Committee, as part of the normal governance process, taking cognisance of changes in the regulatory and business environment. This is to ensure the adequacy and integrity of evaluation within the system of risk management and internal controls.

The Enterprise Risk Management programme encompasses the following, with the potential business risks being escalated to the Audit Committee and the Board for their consideration:

- (i) Identification and assessment of risks;
- (ii) Increase risk awareness amongst key personnel; and
- (iii) Mitigation of risks by means of the relevant control mechanisms and action plans.

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 but 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 responsibility and authorisation procedures within which senior management operates and is accountable for.

- **Authority Levels, Acquisitions and Disposals**

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

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

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

statement on risk management and internal control

- **Procedure and Control Environment**

In addition to internal controls, the Directors have ensured that health and safety regulations, environmental controls and political risks have been considered, and relevant laws and regulations complied with. The quality of the Company's products is of paramount importance. Quality Assurance, Quality Control and meeting customers' requirements are prime considerations and these are achieved by the Company being FSSC 22000 certified (which is an upgrade from the former ISO 9001 certification). Ultimately, the aim of the Company is to deliver safe food to consumers, whilst demonstrating compliance with the prevailing laws and regulations.

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

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

Since 2011, the Company has embarked upon FoQus, a broad based quality system. The frequency of FoQus audit, usually once in one to three years, depends on the grade obtained by the Company in the last FoQus audit. This ensures that products produced by the Company and the way in which they are being produced meet the necessary high standards on food safety, quality, labour safety and environment.

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

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

- **Standards of Business Ethics**

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

In line with this, the Company has an Employee Handbook that guides the Company's employees in their day to day work. In January 2016, the RFC Group's Code of Conduct, Whistle-Blowing Procedures and Fair Competition Code of Conduct were updated and embedded into the new RFC Compass and Speak-Up Procedure. The Compass encompasses not only the Employee Code of Conduct and the Fair Competition Code of Conduct, but also includes privacy and safety, thus providing all employees with a clear description as to how to behave with integrity and in a respectful and transparent way in conformity with the RFC values. The Compass and Speak-Up Procedure is cascaded to all employees within the Company.

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

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

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

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

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

- **Reporting and Review**

The Company's Management Team monitors the monthly reporting and reviews the financial results and forecasts for all the businesses within the Company against the operating plans and annual budgets. The results are communicated to employees at the Company's town hall sessions. A separate monthly financial reporting booklet is also disseminated to the senior managers of the Company.

The Managing Director reports on a quarterly basis to the Audit Committee and the Board of Directors on significant changes in the business and 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.

- **Assurance Compliance**

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

- **Internal Control Framework**

The Company has in place an Internal Control Framework (ICF) based on the framework that was developed and issued by RFC.

During the year, the Company continued the execution and self-assessment testing of the ICF controls and procedures.

- **Update on Developments**

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

INTERNAL AUDIT FUNCTION

The Internal Audit independently focuses on the key areas of business and operations risk based on the audit plan approved annually by the Audit Committee. Internal audit report is presented on a quarterly basis to the Audit Committee.

The Internal Audit team highlights to the Audit Committee and Management on areas for improvement and follows-up on the progress of implementation of the agreed actions arising from the internal audit report.

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

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

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

- The Board will be informed quarterly of the degree to which the Company's strategic, operational and financial objectives are being achieved;
- The internal and external financial reporting do not contain any material misstatement and that the risk management and internal control systems functioned effectively during 2015; and
- The Company has complied with the relevant legislation and regulations.

THE REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors, Messrs KPMG, have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Company for the financial year ended 31 December 2015, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Company, in all material respects:

- has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers; or
- is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Company's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

4-Step NutriPlan

Tailored for smart



Curious™



1-2

Explore™



2-4

***Based on Retail Audit for

Tailored for
Smart Milestones.

Nutri Plan[™]

Smart milestones

Learn[™]

No.1
BRAND IN
MALAYSIA

FOR FORMULATED MILK
POWDER FOR CHILDREN[™]



4-6

6+

www.smartmoments.com.my

*4-step Nutri Plan includes Dutch Lady[®] Curious, Explore, Create and Learn formulated milk powder for children.
*Compared to previous formulated milk powder for children formulation (Year 2009).
or 12 months ending October 2015 in Total Peninsular Malaysia (Copyright © 2015, The Nielsen Company (M) Sdn Bhd).

The new and improved Dutch Lady Nutri Plan with 5x DHA* is a total nutritional programme formulated to support your child's progression at every smart milestone. When your child's nutrition is being taken care of by the Dutch Lady Nutri Plan range, you can focus on spending quality time guiding your child every step of the way.

directors' report

for the year ended 31 December 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2015.

Principal activities

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

Results

RM'000

Profit for the year	140,980
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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 first interim ordinary dividend of 50.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM32,000,000 in respect of the financial year ended 31 December 2015 on 19 May 2015;
- (ii) a first special interim ordinary dividend of 60.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM38,400,000 in respect of the financial year ended 31 December 2015 on 19 May 2015;
- (iii) a second interim ordinary dividend of 50.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM32,000,000 in respect of the financial year ended 31 December 2015 on 18 December 2015; and
- (iv) a second special interim ordinary dividend of 60.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM38,400,000 in respect of the financial year ended 31 December 2015 on 18 December 2015.

The Directors do not recommend any final dividend to be paid for the financial year under review. The first interim and special interim ordinary dividends declared by the Directors in respect of the financial year ending 31 December 2016 are 50.00 sen and 60.00 sen per ordinary share respectively totalling RM32,000,000 and RM38,400,000 respectively.

Directors of the Company

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

Dato' Zainal Abidin bin Putih
Dato' Dr. Mhd Nordin bin Mohd. Nor
Foo Swee Leng
Boey Tak Kong
Saw Chooi Lee
Piet Johannes Hilarides
Pieter van der Hoek

In accordance with Article 94(a) of the Company's Articles of Association, Mr. Foo Swee Leng and Ms. Saw Chooi Lee retire by rotation at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act 1965 and Article 93(c) of the Company's Articles of Association, Dato' Zainal Abidin bin Putih, who is over the age of seventy, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

directors' report

for the year ended 31 December 2015

Directors' interests in shares

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 its related corporations 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 or of related corporations) 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 financial statements 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.

directors' report

for the year ended 31 December 2015

Other statutory information (continued)

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

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

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2015 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.

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

.....
Saw Chooi Lee

.....
Pieter van der Hoek

Petaling Jaya
23 February 2016

statement of financial position

as at 31 December 2015

	Note	2015 RM'000	2014 RM'000
Assets			
Property, plant and equipment	3	90,831	82,811
Intangible assets	4	5,099	1,759
Total non-current assets		95,930	84,570
Inventories	5	99,067	92,545
Trade and other receivables	6	55,172	37,346
Prepayments		909	1,229
Derivative financial assets	7	1,056	5,548
Cash and cash equivalents	8	160,391	124,269
Total current assets		316,595	260,937
Total assets		412,525	345,507
Equity			
Share capital	9	64,000	64,000
Retained earnings		93,219	93,039
Total equity		157,219	157,039
Liabilities			
Deferred tax liabilities	10	6,394	6,704
Total non-current liabilities		6,394	6,704
Trade and other payables	11	231,136	176,496
Provision	12	118	229
Current tax liabilities		16,657	5,020
Derivative financial liabilities	7	1,001	19
Total current liabilities		248,912	181,764
Total liabilities		255,306	188,468
Total equity and liabilities		412,525	345,507

The notes on pages 55 to 87 are an integral part of these financial statements.

statement of profit or loss and other comprehensive income

for the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Revenue – sales of goods		1,001,663	1,000,244
Cost of sales		(580,947)	(671,677)
Gross profit		420,716	328,567
Other income		6,587	7,193
Distribution expenses		(157,873)	(121,628)
Administrative expenses		(24,330)	(25,067)
Other expenses		(56,609)	(40,876)
Results from operating activities		188,491	148,189
Interest income		3,854	3,784
Finance costs		(3,608)	(3,550)
Profit before tax	13	188,737	148,423
Tax expense	15	(47,757)	(38,582)
Profit for the year/Total comprehensive income for the year		140,980	109,841
Basic earnings per ordinary share (sen)	16	220.3	171.6

The notes on pages 55 to 87 are an integral part of these financial statements.

statement of changes in equity

for the year ended 31 December 2015

		<i>Non-distributable</i>	<i>Distributable</i>	
	Note	Share capital	Retained earnings	Total equity
		RM'000	RM'000	RM'000
At 1 January 2014		64,000	123,998	187,998
Profit/Total comprehensive income for the year		–	109,841	109,841
Dividends to owners of the Company	17	–	(140,800)	(140,800)
At 31 December 2014/1 January 2015		64,000	93,039	157,039
Profit/Total comprehensive income for the year		–	140,980	140,980
Dividends to owners of the Company	17	–	(140,800)	(140,800)
At 31 December 2015		64,000	93,219	157,219

Note 9

statement of cash flows

for the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Cash flows from operating activities			
Cash receipts from customers and other receivables		991,271	1,004,990
Cash paid to suppliers and employees		(754,249)	(866,732)
Cash generated from operations		237,022	138,258
Income tax paid		(36,430)	(48,255)
Net cash from operating activities		200,592	90,003
Cash flows from investing activities			
Additions of property, plant and equipment		(24,487)	(13,710)
Additions of intangible assets		(84)	(595)
Proceeds from disposal of property, plant and equipment		655	11
Proceeds from disposal of assets classified as held for sale		—	1,485
Interest received		3,854	3,784
Net cash used in investing activities		(20,062)	(9,025)
Cash flows from financing activities			
Interest paid		(3,608)	(3,550)
Dividends paid	17	(140,800)	(140,800)
Net cash used in financing activities		(144,408)	(144,350)
Net increase/(decrease) in cash and cash equivalents		36,122	(63,372)
Cash and cash equivalents at 1 January		124,269	187,641
Cash and cash equivalents at 31 December	(i)	160,391	124,269

(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	2015 RM'000	2014 RM'000
Cash and bank balances	8	8,891	10,269
Deposits placed with licensed banks	8	151,500	114,000
		160,391	124,269

The notes on pages 55 to 87 are an integral part of these financial statements.

notes to the financial statements

Dutch Lady Milk Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. The Company markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso and Dutch Lady PureFarm.

The immediate and ultimate holding companies are FrieslandCampina DLMI Malaysia Holding B.V. and Royal FrieslandCampina N.V. respectively. Both companies are incorporated in the Netherlands.

These financial statements were authorised for issue by the Board of Directors on 23 February 2016.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective from a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, Amendments to MFRS 10, MFRS 12 and MFRS 128, Amendments to MFRS 11, Amendments to MFRS 116 and MFRS 141 and Amendments to MFRS 127 which are not applicable to the Company.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards, amendments or interpretations is not expected to have any material financial impacts to the financial statements of the Company except as mentioned below:

MFRS 9, Financial Instruments (2014)

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(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 MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency transactions

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

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

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

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

(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

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(i)(i)).

notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are derivatives (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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 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, 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 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 and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(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. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leased assets (continued)

(ii) Operating lease

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) Computer software

Computer software that is acquired by the Company, which has finite useful life, is measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

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

(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.

notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) 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. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(ii) Other assets (continued)

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

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

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

(j) Equity instruments

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

(k) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer to those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

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

(m) 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 persuasive evidence exists, usually in the form of an executed sales agreement, that 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.

(n) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

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 the 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 assets and liabilities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Earnings per ordinary share

The Company presents basic 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.

(p) Operating segments

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

(q) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

notes to the financial statements

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
Cost								
At 1 January 2014		5,639	56,368	98,669	762	12,512	11,193	185,143
Additions		—	—	—	—	234	13,476	13,710
Disposals		—	—	—	—	(450)	—	(450)
Written off		—	—	(400)	—	(292)	—	(692)
Transfer		—	1,886	3,447	—	400	(5,733)	—
At 31 December 2014/ 1 January 2015		5,639	58,254	101,716	762	12,404	18,936	197,711
Additions		—	—	—	—	—	24,487	24,487
Disposals		—	—	(5,006)	(372)	—	—	(5,378)
Written off		—	—	(339)	—	(237)	—	(576)
Transfer		—	4,321	12,515	607	2,431	(19,874)	—
Transfer to intangible assets	4	—	—	(3,861)	—	—	—	(3,861)
At 31 December 2015		5,639	62,575	105,025	997	14,598	23,549	212,383
Depreciation and impairment loss								
At 1 January 2014								
Accumulated depreciation		2,234	26,412	63,269	413	8,746	—	101,074
Accumulated impairment loss		—	—	—	—	—	6,893	6,893
		2,234	26,412	63,269	413	8,746	6,893	107,967
Depreciation for the year		75	2,621	4,134	156	1,085	—	8,071
Disposals		—	—	—	—	(450)	—	(450)
Written off		—	—	(400)	—	(288)	—	(688)
At 31 December 2014/ 1 January 2015								
Accumulated depreciation		2,309	29,033	67,003	569	9,093	—	108,007
Accumulated impairment loss		—	—	—	—	—	6,893	6,893
		2,309	29,033	67,003	569	9,093	6,893	114,900
Depreciation for the year		75	2,924	4,674	134	1,248	—	9,055
Impairment loss	3.3	—	—	2,427	—	—	—	2,427
Disposals		—	—	(3,975)	(279)	—	—	(4,254)
Written off		—	—	(339)	—	(237)	—	(576)

notes to the financial statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Capital work-in progress RM'000	Total RM'000
At 31 December 2015								
Accumulated depreciation		2,384	31,957	67,363	424	10,104	–	112,232
Accumulated impairment loss		–	–	2,427	–	–	6,893	9,320
		2,384	31,957	69,790	424	10,104	6,893	121,552
Carrying amounts								
At 1 January 2014		3,405	29,956	35,400	349	3,766	4,300	77,176
At 31 December 2014/ 1 January 2015		3,330	29,221	34,713	193	3,311	12,043	82,811
At 31 December 2015		3,255	30,618	35,235	573	4,494	16,656	90,831

- 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 RM60,238,000 (2014: RM55,429,000).
- 3.2** Leasehold land relates to the lease of land with unexpired lease period of less than 50 years for the Company's factory buildings, office complex and warehouse located in Petaling Jaya. The lease will expire in 2059 and the Company does not have an option to purchase the leased land at the expiry of the lease period. Leasehold land are amortised over the lease term of the land.
- 3.3** During the year, due to the optimisation on the newer production machinery with higher capacity and efficiency, the Company tested the other production machinery for impairment and recognised an impairment loss of RM2,427,000.

notes to the financial statements

4. INTANGIBLE ASSETS

	Note	Computer software RM'000	Capital work-in progress RM'000	Total RM'000
Cost				
At 1 January 2014		8,847	365	9,212
Additions		–	595	595
Written off		(154)	–	(154)
Transfer		462	(462)	–
At 31 December 2014/1 January 2015		9,155	498	9,653
Additions		–	84	84
Transfer from property, plant and equipment	3	3,861	–	3,861
At 31 December 2015		13,016	582	13,598
Amortisation and impairment loss				
At 1 January 2014				
Accumulated amortisation		7,558	–	7,558
Accumulated impairment loss		97	–	97
		7,655	–	7,655
Amortisation for the year		400	–	400
Reversal of impairment loss	4.1	(7)	–	(7)
Written off	4.1	(154)	–	(154)
At 31 December 2014/1 January 2015				
Accumulated depreciation		7,894	–	7,894
Accumulated impairment loss		–	–	–
		7,894	–	7,894
Amortisation for the year		605	–	605
At 31 December 2015				
Accumulated depreciation		8,499	–	8,499
Accumulated impairment loss		–	–	–
		8,499	–	8,499
Carrying amounts				
At 1 January 2014		1,192	365	1,557
At 31 December 2014/1 January 2015		1,261	498	1,759
At 31 December 2015		4,517	582	5,099

- 4.1 In 2012, the Human Resource software was impaired and an amount of RM128,000 was charged to the profit or loss. In 2014, the Company has reassessed its estimates and RM7,000 of the initially recognised impairment had been reversed. The remaining accumulated depreciation of RM64,000 and accumulated impairment loss of RM90,000 were written off as at 31 December 2014.

notes to the financial statements

5. INVENTORIES

	2015 RM'000	2014 RM'000
Finished goods	51,090	51,094
Raw materials	41,692	35,546
Packaging materials	6,226	5,814
Spare parts	59	91
	99,067	92,545
Recognised in profit or loss:		
Inventories recognised as cost of sales	494,364	607,517
Reversal of write down of inventories	(646)	(434)

The reversal of write down is included in cost of sales.

6. TRADE AND OTHER RECEIVABLES

	Note	2015 RM'000	2014 RM'000
Trade			
Amount owing by related companies	6.1	7,152	5,254
Trade receivables		38,003	28,738
		45,155	33,992
Non-trade			
Amount owing by related companies	6.2	935	886
Other receivables		6,602	493
Deposits		2,480	1,975
		10,017	3,354
		55,172	37,346

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

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

notes to the financial statements

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

6.3 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and financial liabilities that have been set off for presentation purposes:

	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2015				
Trade receivables		65,863	(27,860)	38,003
Trade payables	11	(189,303)	27,860	(161,443)
2014				
Trade receivables		50,708	(21,970)	28,738
Trade payables	11	(125,816)	21,970	(103,846)

7. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2015			2014		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	85,862	1,056	(1,001)	92,783	5,548	(19)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's payables denominated in currencies other than the functional currency of the Company. All of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

8. CASH AND CASH EQUIVALENTS

	2015 RM'000	2014 RM'000
Cash and bank balances	8,891	10,269
Deposits placed with licensed banks	151,500	114,000
	160,391	124,269

The deposits placed with licensed banks bear an average interest of 3.70% (2014: 3.38%) per annum.

notes to the financial statements

9. SHARE CAPITAL

	Amount 2015 RM'000	Number of shares 2015 '000	Amount 2014 RM'000	Number of shares 2014 '000
Ordinary shares of RM1 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.

10. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment	—	—	(8,282)	(6,882)	(8,282)	(6,882)
Inventories	405	566	—	—	405	566
Receivables	—	257	—	—	—	257
Provisions	1,496	737	—	—	1,496	737
Other items	—	—	(13)	(1,382)	(13)	(1,382)
Tax assets/ (liabilities)	1,901	1,560	(8,295)	(8,264)	(6,394)	(6,704)

Movement in temporary differences during the year

	At 1.1.2014 RM'000	Recognised in profit or loss RM'000	At 31.12.2014/ 1.1.2015 RM'000	Recognised in profit or loss RM'000	At 31.12.2015 RM'000
Property, plant and equipment	(8,217)	1,335	(6,882)	(1,400)	(8,282)
Inventories	675	(109)	566	(161)	405
Receivables	16	241	257	(257)	—
Provisions	1,831	(1,094)	737	759	1,496
Other items	—	(1,382)	(1,382)	1,369	(13)
	(5,695)	(1,009)	(6,704)	310	(6,394)

Note 15

Note 15

notes to the financial statements

11. TRADE AND OTHER PAYABLES

	Note	2015 RM'000	2014 RM'000
Trade			
Amount owing to related companies	11.1	35,842	45,643
Trade payables	6.3, 11.2	161,443	103,846
		197,285	149,489
Non-trade			
Amount owing to related companies	11.3	932	1,572
Accrued expenses		31,117	25,311
Other payables		1,802	124
		33,851	27,007
		231,136	176,496

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

11.2 Financial assets and financial liabilities that have been set off for presentation purposes are shown in Note 6.3.

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

12. PROVISION

	Employees' pension contribution	
	2015 RM'000	2014 RM'000
At 1 January	229	173
Addition during the year	40	56
Utilised during the year	(52)	–
Reversal during the year	(99)	–
At 31 December	118	229

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 provision has been made on the assumption that all relevant staff will complete their five year term and that therefore their benefits will vest in its entirety.

notes to the financial statements

13. PROFIT BEFORE TAX

	2015 RM'000	2014 RM'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of intangible assets	605	400
Auditors' remuneration:		
- Statutory audit - current year	102	102
- Other services	62	28
Depreciation of property, plant and equipment	9,055	8,071
Property, plant and equipment written off	—	4
Loss/(Gain) on disposal of property, plant and equipment	469	(11)
Gain on disposal of assets classified as held for sale	—	(856)
Net loss/(gain) on derivatives	5,474	(5,452)
Impairment loss recognised/(reversed):		
- Property, plant and equipment	2,427	—
- Intangible assets	—	(7)
- Trade receivables	—	1,027
Net (gain)/loss on foreign exchange:		
- Realised	(11,860)	1,769
- Unrealised	112	170
Operating lease rental	5,289	6,155
Personnel expenses (including key management personnel):		
- Contributions to state plans	7,558	7,241
- Wages, salaries and others	53,245	51,920
Rental expense in respect of:		
- Premises	1,839	2,248
- Equipment	242	233
Reversal of write down of inventories	(646)	(434)

notes to the financial statements

14. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2015 RM'000	2014 RM'000
Directors:		
- Fees	255	239
- Remuneration	1,229	536
- Benefits-in-kind	17	338
- Other emoluments	66	63
	1,567	1,176
Other key management personnel:		
- Short-term employee benefits	3,958	4,681
- State plans contributions	207	191
	4,165	4,872
	5,732	6,048

Directors' remuneration includes salaries, allowance and all other Directors related expenses.

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

15. TAX EXPENSE

Recognised in profit or loss

	2015 RM'000	2014 RM'000
Current tax expense		
- current year	49,382	37,573
- over provision in prior year	(1,315)	–
	48,067	37,573
Deferred tax expense		
Origination and reversal of temporary differences	(310)	1,069
Over provision in prior year	–	(60)
	(310)	1,009
Total income tax expense	47,757	38,582

notes to the financial statements

15. TAX EXPENSE (CONTINUED)

	2015 RM'000	2014 RM'000
Reconciliation of tax expense		
Profit for the year	140,980	109,841
Total income tax expense	47,757	38,582
Profit before tax	188,737	148,423
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)	47,184	37,106
Non-deductible expenses	1,888	1,536
Over provision in prior year	(1,315)	(60)
	47,757	38,582

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2015 RM'000	2014 RM'000
Profit for the year	140,980	109,841
Average number of ordinary shares of RM1 each in issue ('000)	64,000	64,000
Basic earnings per ordinary share (sen)	220.3	171.6

notes to the financial statements

17. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2015			
Single tier first interim 2015 ordinary	50.00	32,000	19.05.2015
Single tier first special interim 2015 ordinary	60.00	38,400	19.05.2015
Single tier second interim 2015 ordinary	50.00	32,000	18.12.2015
Single tier second special interim 2015 ordinary	60.00	38,400	18.12.2015
Total amount		<u>140,800</u>	

2014

Single tier first interim 2014 ordinary	50.00	32,000	20.05.2014
Single tier first special interim 2014 ordinary	60.00	38,400	20.05.2014
Single tier second interim 2014 ordinary	50.00	32,000	26.12.2014
Single tier second special interim 2014 ordinary	60.00	38,400	26.12.2014
Total amount		<u>140,800</u>	

After the end of the reporting period, the following dividends were declared by the Directors. These dividends will be recognised in subsequent financial year.

	Sen per share	Total amount RM'000
2016		
First interim 2016 ordinary	50.00	32,000
First special interim 2016 ordinary	60.00	38,400
Total amount		<u>70,400</u>

18. OPERATING SEGMENTS

The Company operates principally only in Malaysia and in one major business segment being manufacturing and distribution of a wide range of dairy products. The Company's Board of Directors (the chief operating decision maker) reviews internal management reports in respect of this segment at least on a quarterly basis.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

notes to the financial statements

19. FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

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

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL"):
 - Held for trading ("HFT"); and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount 2015 RM'000	L&R/ (FL) 2015 RM'000	FVTPL - HFT 2015 RM'000	Carrying amount 2014 RM'000	L&R/ (FL) 2014 RM'000	FVTPL - HFT 2014 RM'000
Financial assets						
Trade and other receivables	55,172	55,172	—	37,346	37,346	—
Derivative financial assets	1,056	—	1,056	5,548	—	5,548
Cash and cash equivalents	160,391	160,391	—	124,269	124,269	—
	216,619	215,563	1,056	167,163	161,615	5,548
Financial liabilities						
Trade and other payables	(231,136)	(231,136)	—	(176,496)	(176,496)	—
Derivative financial liabilities	(1,001)	—	(1,001)	(19)	—	(19)
	(232,137)	(231,136)	(1,001)	(176,515)	(176,496)	(19)

19.2 Net gains and losses arising from financial instruments

	2015 RM'000	2014 RM'000
Net gains/(losses) from:		
Fair value through profit or loss	(5,474)	5,452
Loans and receivables	4,268	(3,392)
Financial liabilities measured at amortised cost	5,489	(1,612)
	4,283	448

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

19.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has adopted a policy of only dealing with creditworthy customers, based on evaluation of the customers' financial condition and credit history, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risk arises principally from its receivables from customers and related companies and deposits placed with licensed banks.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company performs credit evaluations on customers requiring credit over a certain amount.

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

Exposure to credit risk, credit quality and collateral

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

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

notes to the financial statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Credit risk (continued)

Receivables (continued)

Impairment losses

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

	Gross RM'000	Individual impairment RM'000	Net RM'000
2015			
Not past due	32,556	—	32,556
Past due 1 – 30 days	5,447	—	5,447
Past due 31 – 90 days	—	—	—
Past due over 90 days	3,953	(3,953)	—
	41,956	(3,953)	38,003
2014			
Not past due	27,950	—	27,950
Past due 1 – 30 days	788	—	788
Past due 31 – 90 days	—	—	—
Past due over 90 days	4,980	(4,980)	—
	33,718	(4,980)	28,738

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

	2015 RM'000	2014 RM'000
At 1 January	4,980	3,953
Impairment loss recognised	—	1,027
Impairment loss written off	(1,027)	—
At 31 December	3,953	4,980

The allowance account in respect of trade 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 trade 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.

notes to the financial statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Credit risk (continued)

Related company balances (continued)

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 is not recoverable as substantially all of these amounts are aged less than a year.

Deposits placed with licensed banks

Risk management objectives, policies and processes for managing the risk

Investments are only allowed in placing deposits with licensed banks.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Company has only placed deposits with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

As deposits are only placed with licensed banks, management does not expect the banks to fail to meet their obligations.

The deposits placed with licensed banks are unsecured.

Impairment losses

As at the end of the reporting period, there is no indication that the deposits placed with licensed banks are not recoverable.

19.5 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

notes to the financial statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000
2015				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	231,136	—	231,136	231,136
<i>Derivative financial liabilities</i>				
Forward exchange contracts (gross settled):				
Outflow	—	—	85,862	85,862
Inflow	(55)	—	(85,917)	(85,917)
	231,081		231,081	231,081
2014				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	176,496	—	176,496	176,496
<i>Derivative financial liabilities</i>				
Forward exchange contracts (gross settled):				
Outflow	—	—	92,783	92,783
Inflow	(5,529)	—	(98,312)	(98,312)
	170,967		170,967	170,967

19.6 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.

19.6.1 Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily United States Dollar (USD), New Zealand Dollar (NZD), Singapore Dollar (SGD), Euro (EUR), Australia Dollar (AUD), Thai Baht (THB) and Indonesia Rupiah (IDR).

Risk management objectives, policies and processes for managing the risk

The Company uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

notes to the financial statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.6 Market risk (continued)

19.6.1 Currency risk (continued)

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in						
	USD	NZD	SGD	EUR	AUD	THB	IDR
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015							
Amount owing by related companies	1,697	—	—	1,865	—	—	—
Cash at bank	1,047	—	—	—	—	—	—
Trade payables	(3,265)	(3)	(397)	(2,408)	(624)	(2,531)	—
Amount owing to related companies	(6,697)	—	—	(910)	—	(203)	(1,024)
	(7,218)	(3)	(397)	(1,453)	(624)	(2,734)	(1,024)
2014							
Amount owing by related companies	4,183	—	—	183	—	—	1,566
Cash at bank	5,768	—	—	—	—	—	—
Trade payables	(2,073)	(541)	(422)	(2,291)	(486)	(3,586)	—
Amount owing to related companies	(18,405)	—	—	(1,777)	—	(917)	—
	(10,527)	(541)	(422)	(3,885)	(486)	(4,503)	1,566

notes to the financial statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.6 Market risk (continued)

19.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2014: 10%) strengthening of 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 is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Equity		Profit or loss	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
USD	541	790	541	790
EUR	109	291	109	291
THB	205	338	205	338

A 10% (2014: 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.

19.6.2 Interest rate risk

The Company is not exposed to a risk of change in cash flows due to changes in interest rates as the Company has no short term borrowings 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.

19.6.3 Other price risk

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

The Company is not exposed to any other price risk.

notes to the financial statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.7 Fair value information

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

The table below analyses financial instruments carried at fair value together with their carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
2015					
Financial assets					
Forward exchange contracts	–	1,056	–	1,056	1,056
Financial liabilities					
Forward exchange contracts	–	(1,001)	–	(1,001)	(1,001)
2014					
Financial assets					
Forward exchange contracts	–	5,548	–	5,548	5,548
Financial liabilities					
Forward exchange contracts	–	(19)	–	(19)	(19)

Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

notes to the financial statements

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.7 Fair value information (continued)

Level 2 fair value (continued)

Derivatives

The fair value of forward exchange contracts is based on the quoted price provided by the licensed banks with which the foreign exchange contracts are entered into.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the asset or liability.

20. 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 for future development of the business and the payment of dividends to owners of the Company.

21. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2015 RM'000	2014 RM'000
Less than one year	4,213	4,557
Between one and five years	7,484	11,516
	11,697	16,073

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

22. CAPITAL COMMITMENTS

	2015 RM'000	2014 RM'000
Property, plant and equipment		
Authorised but not contracted for	19,104	17,819
Contracted but not provided for	217	3,528

notes to the financial statements

23. RELATED PARTIES

Identity of related parties

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

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

The Company has related party relationship with its holding companies, related companies and key management personnel (see Note 14).

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 6 and Note 11.

	2015 RM'000	2014 RM'000
<i>Immediate holding company</i>		
Management fees expense	(108)	(101)
<i>Related companies</i>		
Sales of goods	22,183	23,902
Purchases	(357,634)	(268,463)
Know-how, Trademark Licence and Management support fees paid	(24,695)	(26,362)
Shared services fees expense	(7,397)	(8,234)
Shared services fees income	251	180

notes to the financial statements

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:

	2015 RM'000	2014 RM'000
Total retained earnings		
- realised	99,670	94,384
- unrealised	(6,451)	(1,345)
	93,219	93,039

The determination of realised and unrealised profits is based on 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 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 51 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2015 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 87 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:

.....
Saw Chooi Lee

Petaling Jaya
23 February 2016

.....
Pieter van der Hoek

statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Mirjam Joanna Ghislaine van Thiel, 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 51 to 87 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 23 February 2016.

.....
Mirjam Joanna Ghislaine van Thiel

Before me:



independent auditors' report

to the members of Dutch Lady Milk Industries Berhad

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 2015, and the statements of profit or loss and other 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 51 to 86.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 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.

independent auditors' report

to the members of Dutch Lady Milk Industries Berhad

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 87 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 Malaysian 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 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.

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

Petaling Jaya
23 February 2016

Lam Shuh Siang

Approval Number: 3045/02/17(J)
Chartered Accountant

recurrent related party transactions

of a revenue or trading nature

At the Fifty-Second Annual General Meeting of the Company held on 27 May 2015, the Company had obtained a general mandate from its shareholders' for recurrent related party transactions of a revenue or trading nature, to be entered into by the Company ("RRPT Mandate").

The RRPT Mandate is valid until the conclusion of the forthcoming Fifty-Third Annual General Meeting of the Company to be held on 26 April 2016. The Company proposes to seek a renewal of the existing RRPT Mandate and a new RRPT Mandate at its forthcoming Fifty-Second Annual General Meeting. The renewal of the existing RRPT Mandate and the new RRPT Mandate, if approved by the shareholders, will be valid until the conclusion of the Company's next Annual General Meeting. Details of the RRPT Mandate being sought is provided in the Circular to Shareholders dated 1 April 2016 sent together with the Annual Report.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 31 December 2015 by the Company are as follows:

Related Party	Nature of Transaction	Value of Transaction RM'000
FrieslandCampina Nederland Holding B.V., the Netherlands and its subsidiaries	Purchase and sale of fully packed dairy products and raw materials	262,743
PT. Frisian Flag Indonesia, Indonesia	Purchase of fully packed dairy products and raw materials	44,723
FrieslandCampina Foremost (Thailand) Pte Ltd	Purchase of fully packed dairy products	–
FrieslandCampina AMEA Pte Ltd, Singapore	Purchase of fully packed dairy products	55,622
FrieslandCampina (Singapore) Pte Ltd, Singapore	Sale of fully packed dairy products	16,729
FrieslandCampina Nederland B.V. (formerly known as Friesland Brands B.V.), the Netherlands	Know-how, Trademark licence and Management support fees	24,695
FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands	Corporate fees	108
FrieslandCampina Nederland Holding B.V.	ICT and Communications services	7,397
FrieslandCampina Service Centre Asia Pacific Sdn Bhd	Shared services	251

additional compliance information

OTHER COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following information is provided:

MATERIAL CONTRACTS

For the financial year, there were no material contracts entered into by the Company (not being contracts entered into in 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 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 RM62,000 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

ANALYSIS OF SHAREHOLDINGS AS AT 29 FEBRUARY 2016

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	142	3.07	1,423	0.00
100 to 1,000 shares	2,865	61.92	1,525,618	2.38
1,001 to 10,000 shares	1,407	30.41	4,991,561	7.80
10,001 to 100,000 shares	191	4.13	5,531,098	8.64
100,001 to Less than 5% of issued shares	20	0.43	8,335,500	13.02
5% and above the issued shares	2	0.04	43,614,800	68.15
	4,627	100.00	64,000,000	100.00

Name of 30 Largest Shareholders

	No. of Shares	% of Holdings
1. Frieslandcampina DLMI Malaysia Holding B.V.*	32,614,800	50.96
2. Amanahraya Trustees Berhad* - Amanah Saham Bumiputera	11,000,000	17.19
3. Amanahraya Trustees Berhad – Amanah Saham Malaysia	1,358,200	2.12
4. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	1,230,100	1.92
5. Amanahraya Trustees Berhad As 1Malaysia	1,159,400	1.81
6. Yong Siew Lee	560,000	0.88
7. Amanahraya Trustees Berhad - Amanah Saham Didik	538,400	0.84
8. Yeo Khee Bee	439,000	0.69
9. Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Aun Huat & Brothers Sdn Berhad (E-IMO/BCM)	420,600	0.66
10. Aun Huat & Brothers Sdn Berhad	416,500	0.65
11. Kumpulan Wang Persaraan (Diperbadankan)	407,000	0.64
12. Amanahraya Trustees Berhad - Amanah Saham Nasional 3 Imbang	219,250	0.34
13. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Chan See Min Realty Sdn Bhd (E-KUG)	200,000	0.31
14. Amanahraya Trustees Berhad - Public Dividend Select Fund	199,200	0.31
15. CIMB Commerce Trustee Berhad - Public Focus Select Fund	190,600	0.30
16. Amanahraya Trustees Berhad - Amanah Saham Gemilang For Amanah Saham Pendidikan	166,750	0.26
17. Quek Guat Kwee	162,400	0.25
18. Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
19. Amanahraya Trustees Berhad - Amanah Saham Gemilang For Amanah Saham Kesihatan	149,600	0.23
20. Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA Emerging Markets Small Cap Series	141,300	0.22
21. Chow Kok Meng	119,400	0.19

analysis of shareholdings

Name of 30 Largest Shareholders (cont'd)		No. of Shares	% of Holdings
22.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Yaw Kah Huei (E-JAH)	101,500	0.16
23.	Cartaban Nominees (Asing) Sdn Bhd - BBH And Co Boston For Fidelity Low-Priced Stock Fund (Prin Allsec Sub)	100,000	0.16
24.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	98,800	0.15
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund W4B9 For WASATCH Frontier Emerging Small Countries Fund	97,300	0.15
26.	Malacca Equity Nominees (Tempatan) Sdn Bhd - Exempt An For Phillip Capital Management Sdn Bhd (EPF)	96,300	0.15
27.	Amanahraya Trustees Berhad - Amanah Saham Gemilang For Amanah Saham Persaraan	94,200	0.15
28.	Tan Kim Onm	89,900	0.14
29.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad For Hong Leong Consumer Products Sector Fund	89,000	0.14
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund W4B0 For WASATCH International Opportunities Fund	81,100	0.13
Total		52,696,900	82.34

*Registered in the Company's Register as Substantial Shareholders

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF 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 Bumiputera	11,000,000	17.19	0	0

DIRECTORS' SHAREHOLDINGS

Name	Direct	%	Indirect	%
1. Dato' Zainal Abidin bin Putih	—	—	—	—
2. Saw Chooi Lee	—	—	—	—
3. Foo Swee Leng	—	—	—	—
4. Boey Tak Kong	—	—	—	—
5. Dato' Dr. Mhd. Nordin bin Mohd. Nor	—	—	—	—
6. Piet Johannes Hilarides	—	—	—	—
7. Pieter van der Hoek	—	—	—	—

PARTICULARS OF PROPERTIES AS AT 31 DECEMBER 2015

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	358,448 sq. ft.	74,185 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	21.01.1989
Age of property	Between 29 years to 50 years	27 years
Net Book Value (RM 'mln)	22.7 mln	2.3 mln

proxy form



CDS Account No

No. of Shares held

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)
(incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

I/We
(Full name in block letters, NRIC No. / Company No.)

of

being a member/members of DUTCH LADY MILK INDUSTRIES BERHAD, hereby appoint:

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fifty-Third Annual General Meeting of the Company to be held at Atlanta Ballroom, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 April 2016 at 10 a.m. and any adjournment thereof, in respect of my/our shareholding in the manner indicated below:

RESOLUTION NO.	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Approve the payment of Directors' fees for the financial year ending 31 December 2016, to be paid quarterly		
Ordinary Resolution 2	Re-election of Foo Swee Leng		
Ordinary Resolution 3	Re-election of Saw Chooi Lee		
Ordinary Resolution 4	Re-appointment of Dato' Zainal Abidin bin Putih		
Ordinary Resolution 5	Appointment of Messrs PricewaterhouseCoopers as the Company's Auditors		
Ordinary Resolution 6	Approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 7	Approve the retention of Foo Swee Leng as an Independent Director of the Company		
Ordinary Resolution 8	Approve the retention of Boey Tak Kong as an Independent Director of the Company		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instruction, your proxy will vote or abstain as he/she thinks fit.

Signed this _____ day of _____, 2016

.....
Signature(s) of Shareholder/Attorney
(if Shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

Notes:

1. 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. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
2. 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.
3. This instrument appointing the proxy must be signed by the Member or the 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.
4. Only Members, whose names appearing the Record of Depositors as at 5.00 p.m. on 20 April 2016 shall be entitled to attend and vote at the Meeting or appoint proxy/proxies to attend and/or vote on his behalf.
5. To be valid, 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 Registered Office of the Company at Level 5, Quill 9, No. 112, Jalan Semangat, 46300, Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.
6. Registration and Door Gifts

Registration will commence at 8.00 a.m. on the day of the Meeting. Members and Proxies are advised to be punctual. For verification purposes, Members and Proxies are required to produce their original identification card at the registration counter.

In conformity with past practice, please take note that each Member or Proxy who is present shall be entitled to one (1) door gift only upon registration, irrespective of the number of Members he/she represent (e.g. in the event a Member and/or Proxy represents himself and/or two or more Members, he/she shall be entitled to one (1) door gift only).

Please fold here to seal

STAMP

COMPANY SECRETARY
DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)
Level 5, Quill 9
No. 112 Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Please fold here to seal

