

**DUTCH LADY MILK INDUSTRIES BERHAD** (5063-V)  
(Incorporated in Malaysia)

Quarterly report on results for the financial quarter ended 30 September 2010  
The figures have not been audited.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

|                                                                           | INDIVIDUAL QUARTER<br>CURRENT<br>QUARTER<br>ENDED | COMPARATIVE<br>QUARTER<br>ENDED | CUMULATIVE QUARTER<br>9 month<br>CUMULATIVE<br>TO DATE | 9 month<br>CUMULATIVE<br>TO DATE |
|---------------------------------------------------------------------------|---------------------------------------------------|---------------------------------|--------------------------------------------------------|----------------------------------|
|                                                                           | 30/09/10<br>RM'000                                | 30/09/09<br>RM'000              | 30/09/10<br>RM'000                                     | 30/09/09<br>RM'000               |
| Revenue                                                                   | 186,715                                           | 177,129                         | 548,755                                                | 522,326                          |
| Cost of Sales                                                             | <u>(109,796)</u>                                  | <u>(107,850)</u>                | <u>(338,852)</u>                                       | <u>(350,469)</u>                 |
| Gross Profit                                                              | 76,919                                            | 69,279                          | 209,903                                                | 171,857                          |
| Other Income                                                              | 508                                               | 599                             | 946                                                    | 1,092                            |
| Interest Income                                                           | 275                                               | 80                              | 519                                                    | 118                              |
| Distribution Costs                                                        | (31,141)                                          | (28,819)                        | (79,530)                                               | (74,118)                         |
| Administrative Expenses                                                   | (5,865)                                           | (4,227)                         | (16,500)                                               | (13,609)                         |
| Other operating Expenses                                                  | <u>(20,364)</u>                                   | <u>(9,974)</u>                  | <u>(41,177)</u>                                        | <u>(25,849)</u>                  |
| Profit From Operations                                                    | 20,332                                            | 26,938                          | 74,161                                                 | 59,491                           |
| Finance Costs                                                             | -                                                 | -                               | -                                                      | (1)                              |
| Profit Before Taxation                                                    | 20,332                                            | 26,938                          | 74,161                                                 | 59,490                           |
| Taxation                                                                  | <u>(7,010)</u>                                    | <u>(6,728)</u>                  | <u>(21,109)</u>                                        | <u>(15,138)</u>                  |
| Profit for the period                                                     | 13,322                                            | 20,210                          | 53,052                                                 | 44,352                           |
| Other Comprehensive Income:                                               |                                                   |                                 |                                                        |                                  |
| Changes in fair value of cash flow hedge                                  | (864)                                             | -                               | (1,659)                                                | -                                |
| Deferred tax on fair value of cash flow hedge                             | 217                                               | -                               | 415                                                    | -                                |
| Total comprehensive income for the period                                 | <u>12,675</u>                                     | <u>20,210</u>                   | <u>51,808</u>                                          | <u>44,352</u>                    |
| Attributable to:                                                          |                                                   |                                 |                                                        |                                  |
| Equity holders of the Company                                             | 13,322                                            | 20,210                          | 53,052                                                 | 44,352                           |
| Minority Interest                                                         | -                                                 | -                               | -                                                      | -                                |
|                                                                           | <u>13,322</u>                                     | <u>20,210</u>                   | <u>53,052</u>                                          | <u>44,352</u>                    |
| <b>EARNINGS PER SHARE</b>                                                 |                                                   |                                 |                                                        |                                  |
| - Basic earnings per share (sen)<br>(Based on 64,000,000 ordinary shares) | <u>20.82</u>                                      | <u>31.58</u>                    | <u>82.89</u>                                           | <u>69.30</u>                     |

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

**DUTCH LADY MILK INDUSTRIES BERHAD**

(5063-V)

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF FINANCIAL POSITION**

|                                                                                  | <b>AS AT<br/>END OF<br/>CURRENT<br/>QUARTER<br/>30/09/10<br/>(Unaudited)</b> | <b>AS AT<br/>PRECEDING<br/>FINANCIAL<br/>YEAR ENDED<br/>31/12/09<br/>(Audited)</b> |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
|                                                                                  | <b>RM'000</b>                                                                | <b>RM'000</b>                                                                      |
| <b>ASSETS</b>                                                                    |                                                                              |                                                                                    |
| <b>NON-CURRENT ASSETS</b>                                                        |                                                                              |                                                                                    |
| Property, Plant and Equipment                                                    | 69,366                                                                       | 78,621                                                                             |
| Prepaid lease payments                                                           | 3,649                                                                        | 3,706                                                                              |
| Intangible assets                                                                | 3,872                                                                        | 4,879                                                                              |
|                                                                                  | 76,887                                                                       | 87,206                                                                             |
| <b>CURRENT ASSETS</b>                                                            |                                                                              |                                                                                    |
| Inventories                                                                      | 73,673                                                                       | 57,552                                                                             |
| Trade receivables                                                                | 95,197                                                                       | 86,630                                                                             |
| Other receivables and prepaid expenses                                           | 4,620                                                                        | 2,401                                                                              |
| Amount owing by related companies                                                | 6,030                                                                        | 5,469                                                                              |
| Cash and bank balances                                                           | 65,078                                                                       | 41,732                                                                             |
| <b>TOTAL CURRENT ASSETS</b>                                                      | 244,598                                                                      | 193,784                                                                            |
| <b>TOTAL ASSETS</b>                                                              | <b>321,485</b>                                                               | <b>280,990</b>                                                                     |
| <b>EQUITY AND LIABILITIES</b>                                                    |                                                                              |                                                                                    |
| <b>CAPITAL AND RESERVES</b>                                                      |                                                                              |                                                                                    |
| Issued Capital                                                                   | 64,000                                                                       | 64,000                                                                             |
| Unappropriated Profits                                                           | 145,393                                                                      | 115,985                                                                            |
| Equity attributable to equity holders of the Company                             | 209,393                                                                      | 179,985                                                                            |
| Minority Interest                                                                | -                                                                            | -                                                                                  |
| <b>TOTAL EQUITY</b>                                                              | 209,393                                                                      | 179,985                                                                            |
| <b>NON-CURRENT LIABILITIES</b>                                                   |                                                                              |                                                                                    |
| Deferred Tax Liabilities                                                         | 3,976                                                                        | 4,150                                                                              |
|                                                                                  | 3,976                                                                        | 4,150                                                                              |
| <b>CURRENT LIABILITIES</b>                                                       |                                                                              |                                                                                    |
| Trade payables                                                                   | 45,319                                                                       | 53,547                                                                             |
| Other payables and accrued expenses                                              | 32,985                                                                       | 16,438                                                                             |
| Amount owing to related companies                                                | 21,994                                                                       | 21,920                                                                             |
| Provisions                                                                       | 335                                                                          | 283                                                                                |
| Current tax liabilities                                                          | 7,483                                                                        | 4,667                                                                              |
|                                                                                  | 108,116                                                                      | 96,855                                                                             |
| <b>TOTAL LIABILITIES</b>                                                         | 112,092                                                                      | 101,005                                                                            |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                              | <b>321,485</b>                                                               | <b>280,990</b>                                                                     |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | 3.27                                                                         | 2.81                                                                               |

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

**DUTCH LADY MILK INDUSTRIES BERHAD**

(5063-V)

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
For the period ended 30 September 2010**

|                                             | <u>Issued<br/>Capital</u><br>RM'000 | <u>Distributable<br/>Reserve -<br/>Unappropriated<br/>profit</u><br>RM'000 | <u>Attributable<br/>to equity<br/>holders of<br/>the Company</u><br>RM'000 | <u>Minority<br/>Interest</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---------------------------------------------|-------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------|------------------------|
| <u>9 months<br/>ended 30 September 2010</u> |                                     |                                                                            |                                                                            |                                        |                        |
| Balance at<br>beginning of period           | 64,000                              | 115,985                                                                    | 179,985                                                                    | -                                      | 179,985                |
| Movements<br>during the period              | -                                   | 51,808                                                                     | 51,808                                                                     | -                                      | 51,808                 |
| Dividends paid                              | -                                   | (22,400)                                                                   | (22,400)                                                                   | -                                      | (22,400)               |
| Balance at<br>end of period                 | <u>64,000</u>                       | <u>145,393</u>                                                             | <u>209,393</u>                                                             | <u>-</u>                               | <u>209,393</u>         |
| <u>9 months<br/>ended 30 September 2009</u> |                                     |                                                                            |                                                                            |                                        |                        |
| Balance at<br>beginning of period           | 64,000                              | 97,585                                                                     | 161,585                                                                    | -                                      | 161,585                |
| Movements<br>during the period              | -                                   | 44,352                                                                     | 44,352                                                                     | -                                      | 44,352                 |
| Dividends paid                              | -                                   | (5,400)                                                                    | (5,400)                                                                    | -                                      | (5,400)                |
| Balance at<br>end of period                 | <u>64,000</u>                       | <u>136,537</u>                                                             | <u>200,537</u>                                                             | <u>-</u>                               | <u>200,537</u>         |

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

**DUTCH LADY MILK INDUSTRIES BERHAD**

(5063-V)

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS  
For the period ended 30 September 2010**

|                                                         | 9 months<br>ended<br>30/09/10<br>RM'000 | 9 months<br>ended<br>30/09/09<br>RM'000 |
|---------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                                         |                                         |
| Cash receipts from customers and other receivables      | 538,303                                 | 537,515                                 |
| Cash paid to suppliers and employees                    | (470,728)                               | (470,851)                               |
|                                                         | <hr/>                                   | <hr/>                                   |
| Cash generated from operations                          | 67,575                                  | 66,664                                  |
| Income tax paid                                         | (18,053)                                | (12,028)                                |
|                                                         | <hr/>                                   | <hr/>                                   |
| Net cash from operating activities                      | 49,522                                  | 54,636                                  |
|                                                         | <hr/> <hr/>                             | <hr/> <hr/>                             |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>          |                                         |                                         |
| Additions of property, plant and equipment              | (4,346)                                 | (11,773)                                |
| Proceeds from disposal of property, plant and equipment | 51                                      | 5                                       |
| Interest received                                       | 519                                     | 118                                     |
|                                                         | <hr/>                                   | <hr/>                                   |
| Net cash used in investing activities                   | (3,776)                                 | (11,650)                                |
|                                                         | <hr/> <hr/>                             | <hr/> <hr/>                             |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>          |                                         |                                         |
| Interest paid                                           | -                                       | (1)                                     |
| Dividends paid                                          | (22,400)                                | (5,400)                                 |
|                                                         | <hr/>                                   | <hr/>                                   |
| Net cash used in financing activities                   | (22,400)                                | (5,401)                                 |
|                                                         | <hr/> <hr/>                             | <hr/> <hr/>                             |
| Net increase in cash and cash equivalents               | 23,346                                  | 37,585                                  |
| Cash and cash equivalents brought forward               | 41,732                                  | 23,792                                  |
|                                                         | <hr/>                                   | <hr/>                                   |
| Cash and cash equivalents carried forward               | 65,078                                  | 61,377                                  |
|                                                         | <hr/> <hr/>                             | <hr/> <hr/>                             |

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2009)

## **NOTES**

### **1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Company as at and for the year ended 31 December 2009.

The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2009 except as described below:

#### FRS 101 (revised), Presentation of Financial Statements

The Company has applied revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Company presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

#### FRS 139 Financial Instruments: Recognition and Measurement

This standard establishes principle of recognising and measuring financial assets, financial liabilities and contract to buy and sell non-financial items and permit hedge accounting only under strict circumstances. In accordance with the requirement of this standard, the Company assessed its derivatives to see if they qualify for hedge accounting, and following that, have designated its derivatives arising from the forward foreign exchange contracts as cash flow hedges. The Company recognises the changes in its fair value directly in equity, to the extent that the hedges are effective. The Company has no financial instrument for the financial year ended 31 December 2009 so no retrospective adjustment is required.

### **2. Auditors' Report of Preceding Annual Financial Statements**

The auditors' report of the Company in respect of the annual audited financial statements for the year ended 31 December 2009 was not subject to any audit qualifications.

### **3. Seasonal and Cyclical Factors**

The milk and milk related business can be influenced by the weather and major festivals.

### **4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review other than the impairment cost of certain equipment amounting to RM 7.7 million.

## 6. Changes in Estimates

There were no changes in estimates of amounts reported in the current quarter or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

## 7. Changes in Debt and Equity

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review.

## 8. Dividends

|                                                                                                              | Quarter<br>ended<br>30/09/10<br>RM'000 | Quarter<br>ended<br>30/09/09<br>RM'000 | Year<br>to-date<br>30/09/10<br>RM'000 | Year<br>to-date<br>30/09/09<br>RM'000 |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|---------------------------------------|---------------------------------------|
| In respect of the financial year ended<br>31 December 2009 (2009: 31 December 2008)<br>Final dividends paid: |                                        |                                        |                                       |                                       |
| - 5.00 sen (2009: 3.75 sen) tax exempt<br>per RM 1.00 ordinary share                                         | 3,200                                  | 2,400                                  | 3,200                                 | 2,400                                 |
| - 10.00 sen less income tax<br>(2009: 6.25 sen less income tax)<br>per RM 1.00 ordinary share                | 4,800                                  | 3,000                                  | 4,800                                 | 3,000                                 |
| In respect of the financial year ending<br>31 December 2010<br>Special interim dividend paid:                |                                        |                                        |                                       |                                       |
| - 30.00 sen less income tax<br>per RM 1.00 ordinary share                                                    | 14,400                                 | -                                      | 14,400                                | -                                     |
|                                                                                                              | <u>22,400</u>                          | <u>5,400</u>                           | <u>22,400</u>                         | <u>5,400</u>                          |
| Net dividend per share (sen)                                                                                 | 35.00                                  | 8.44                                   | 35.00                                 | 8.44                                  |

## 9. Segmental Analysis

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

## 10. Valuation of prepaid lease payments

There were no changes or amendments to the valuation of prepaid lease payments from the previous annual audited financial statements.

## 11. Subsequent Events

There were no material subsequent events as at 22 November 2010 that will affect the financial results of the financial period under review.

## 12. Changes in Composition of the Company

There were no changes in the composition of the Company during the financial period under review.

### **13. Contingent Liabilities**

There were no other contingent liabilities as at 22 November 2010 other than operating lease obligations by the Company amounting to RM4.3 million.

### **14. Related Party Transactions**

The following are significant related party transactions:-

|                                     | As at<br>end of quarter<br>30/09/10<br>RM'000 | 9 month<br>Year-to-date<br>30/09/10<br>RM'000 |
|-------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Sales to related parties            | 8,578                                         | 28,654                                        |
| Purchases from related parties      | 37,139                                        | 96,975                                        |
| Know-how and Trademark License fees | 4,650                                         | 14,246                                        |
| IT services from related party      | 1,200                                         | 2,715                                         |

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

### **15. Review of Results (Against preceding year corresponding period)**

The Company's revenue for the current quarter was 5.4% higher compared to the preceding year's corresponding quarter driven by higher sales. The profit before taxation for the financial quarter was lower at RM20.3 million, mainly attributed to higher marketing expenditure and impairment costs.

For the nine months ended 30 September 2010, the Company's revenue was improved by 5.1% mainly due to on-going marketing activities. Profit before taxation was however 25% higher than last year same period due to better sales mix and favourable exchange rates.

### **16. Comments on Material Changes in Profit Before Taxation**

The Company's revenue marginally lower by 1.1% compared to the preceding quarter. The profit before taxation for the current quarter was lower at RM20.3 million compared to the preceding quarter of RM25.5 million, mainly due to higher spending in marketing expenditure and impairment costs.

### **17. Business Prospects**

With successful marketing plans and good cost management, the Board of Directors expect that the results for the full year will be higher than the previous year.

### **18. Statement on Revenue or Profit Estimate, Forecast, Projection or Internal Targets Previously Announced or Disclosed in a Public Document**

Not applicable.

## 19. Profit Forecast

The Company did not issue any profit forecast during the financial period under review.

## 20. Taxation

Taxation is made up as follows: -

|                                 | As at<br>end of quarter<br>30/09/10<br>RM'000 | 9 month<br>Year to-date<br>30/09/10<br>RM'000 |
|---------------------------------|-----------------------------------------------|-----------------------------------------------|
| Income tax for current period   | 7,010                                         | 20,868                                        |
| Deferred tax for current period | -                                             | 241                                           |
| Total taxation                  | <u>7,010</u>                                  | <u>21,109</u>                                 |

The effective tax rate for the period under review is higher than the statutory tax rate due to certain expenses disallowed for tax purposes.

## 21. Deferred Tax Liabilities

|                                                              | As at<br>end of quarter<br>30/09/10<br>RM'000 | As at<br>31/12/09<br>RM'000 |
|--------------------------------------------------------------|-----------------------------------------------|-----------------------------|
| At 1 January 2010 / 2009                                     | 4,150                                         | 2,300                       |
| Transfer to statement of<br>comprehensive income             | 241                                           | 1,850                       |
| Recognised in the statement of other<br>comprehensive income | (415)                                         | -                           |
| At 30 September 2010 / 31 Dec 2009                           | <u>3,976</u>                                  | <u>4,150</u>                |

## 22. Sale of Unquoted Investments and / or Properties

There were no sales of investments or properties during the financial period under review.

## 23. Purchase or Disposal of Quoted Securities

- There were no purchases or disposals of quoted securities during the financial period under review.
- There were no investments in quoted securities as at the end of the financial period under review.

## 24. Corporate Proposals

There were no corporate proposals announced but not completed as at 22 November 2010.

## 25. Company Borrowings

There were no borrowings or debt securities as at the end of the reporting period.



## 26. Financial Instruments

### Derivatives

As at 30 September 2010, the foreign currency contracts which have entered into by the Company to hedge its foreign purchases in foreign currency are as follows:

| Forward Foreign Currency Contracts Designated as Cash Flow Hedges | Contract Value (RM'000) | Fair Value (RM'000) | Difference (RM'000) |
|-------------------------------------------------------------------|-------------------------|---------------------|---------------------|
| US Dollar                                                         |                         |                     |                     |
| - Less than 1 year                                                | 39,679                  | 38,020              | 1,659               |
| - 1 year to 3 years                                               | -                       | -                   | -                   |
| - More than 3 years                                               | -                       | -                   | -                   |
| <b>TOTAL</b>                                                      | <b>39,679</b>           | <b>38,020</b>       | <b>1,659</b>        |

Derivative financial assets and liabilities are recognised, and subsequently measured at fair value. The fair value of the derivatives are determined based on market rate (primarily exchange rate) to calculate the present value of all estimated flows associated with each derivatives at the balance sheet date. The Company's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency purchases, where cash flow hedging can be obtained.

Changes in fair values for derivatives that are designated as cash flow hedges are recognised directly to other comprehensive income, to the extent that they are effective, with the ineffective portion being recognised in the income statement. For derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair value are recognised in the income statement in the period in which they arise.

### Credit Risks

The above financial instruments were executed with creditworthy financial institution that in line with the Company's policy.

### Cash Requirement

The Company will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

### Unrealised unappropriated profits

The unrealised portion within unappropriated profits (retained earnings) as at 30 September 2010 relate to net fair values movements of the Company's derivatives that are designated as cash flow hedges as at 30 September 2010.

## 27. Material Litigation

There were no material litigations against the Company as at 22 November 2010.

## 28. Proposed Dividend

The Board of Directors declared on 29 November 2010 the payment of an interim dividend of 10.00 sen per share, less income tax, amounting to RM 4.8 million and a special interim dividend of gross 40.0 sen per ordinary share, less income tax, amounting to RM 19.2 million both in respect of the financial year ending 31 December 2010.

The dividend will be paid on 28 December 2010 to shareholders whose names appear in the Register of Members and Record of Depositors at the close of business on 15 December 2010.

## 29. Earnings Per Share

|                                                                     | Current<br>Quarter<br>ended<br>30/09/10 | Comparative<br>Quarter<br>ended<br>30/09/09 | 9 month<br>Cumulative<br>to-date<br>30/09/10 | 9 month<br>Cumulative<br>to-date<br>30/09/09 |
|---------------------------------------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>Basic earnings<br/>per share</b>                                 |                                         |                                             |                                              |                                              |
| Profit for the<br>period (RM'000)                                   | 13,322                                  | 20,210                                      | 53,052                                       | 44,352                                       |
| Weighted average<br>number of<br>ordinary shares in<br>issue ('000) | 64,000                                  | 64,000                                      | 64,000                                       | 64,000                                       |
| Basic earnings per<br>share (sen)                                   | 20.82                                   | 31.58                                       | 82.89                                        | 69.30                                        |

The Company does not have in issue any financial instrument or other contract that may entitle its holders to ordinary shares and therefore dilute its basic earnings per share.

By Order of the Board  
Huang Shi Chin  
Company Secretary  
29 November 2010  
cc. Securities Commissions