

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

Quarterly report on results for the financial quarter ended 31 December 2010
The figures have not been audited.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED	COMPARATIVE QUARTER ENDED	12 month CUMULATIVE TO DATE	12 month CUMULATIVE TO DATE
	31/12/10 RM'000	31/12/09 RM'000	31/12/10 RM'000	31/12/09 RM'000
Revenue	161,833	169,521	710,588	691,847
Cost of Sales	<u>(109,109)</u>	<u>(112,041)</u>	<u>(447,961)</u>	<u>(462,510)</u>
Gross Profit	52,724	57,480	262,627	229,337
Other Income	201	469	1,147	1,561
Interest Income	364	333	883	451
Distribution Costs	(26,561)	(24,579)	(106,091)	(98,697)
Administrative Expenses	(6,157)	(5,439)	(22,657)	(19,048)
Other operating Expenses	<u>(4,628)</u>	<u>(5,273)</u>	<u>(45,805)</u>	<u>(31,122)</u>
Profit From Operations	15,943	22,991	90,104	82,482
Finance Costs	-	-	-	(1)
Profit Before Taxation	15,943	22,991	90,104	82,481
Taxation	<u>(5,108)</u>	<u>(6,943)</u>	<u>(26,217)</u>	<u>(22,081)</u>
Profit After Taxation	10,835	16,048	63,887	60,400
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	<u>10,835</u>	<u>16,048</u>	<u>63,887</u>	<u>60,400</u>
Attributable to:				
Equity holders of the Company	10,835	16,048	63,887	60,400
Minority Interest	-	-	-	-
	<u>10,835</u>	<u>16,048</u>	<u>63,887</u>	<u>60,400</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>16.93</u>	<u>25.08</u>	<u>99.82</u>	<u>94.38</u>

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

CONDENSED STATEMENT OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 31/12/10 (Unaudited)	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/09 (Audited)
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, Plant and Equipment	66,173	78,621
Prepaid lease payments	3,630	3,706
Intangible assets	3,443	4,879
	73,246	87,206
CURRENT ASSETS		
Inventories	72,722	57,552
Trade receivables	65,744	86,630
Other receivables and prepaid expenses	3,778	2,401
Amount owing by related companies	6,343	5,469
Cash and bank balances	85,657	41,732
TOTAL CURRENT ASSETS	234,244	193,784
TOTAL ASSETS	307,490	280,990
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued Capital	64,000	64,000
Retained Profits	133,472	115,985
Equity attributable to equity holders of the Company	197,472	179,985
Minority Interest	-	-
TOTAL EQUITY	197,472	179,985
NON-CURRENT LIABILITIES		
Deferred Tax Liabilities	3,757	4,150
	3,757	4,150
CURRENT LIABILITIES		
Trade payables	60,187	53,547
Other payables and accrued expenses	24,981	16,438
Amount owing to related companies	14,470	21,920
Provisions	348	283
Current tax liabilities	6,275	4,667
	106,261	96,855
TOTAL LIABILITIES	110,018	101,005
TOTAL EQUITY AND LIABILITIES	307,490	280,990
Net assets per share attributable to ordinary equity holders of the Company (RM)	3.09	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 31 December 2010**

	Issued Capital RM'000	Distributable Reserve - Unappropriated profit RM'000	Attributable to equity holders of the Company RM'000	Minority Interest RM'000	Total RM'000
12 months ended 31 December 2010					
Balance at beginning of period	64,000	115,985	179,985	-	179,985
Movements during the period	-	63,887	63,887	-	63,887
Dividends paid	-	(46,400)	(46,400)	-	(46,400)
Balance at end of period	<u>64,000</u>	<u>133,472</u>	<u>197,472</u>	<u>-</u>	<u>197,472</u>
12 months ended 31 December 2009					
Balance at beginning of period	64,000	97,585	161,585	-	161,585
Movements during the period	-	60,400	60,400	-	60,400
Dividends paid	-	(42,000)	(42,000)	-	(42,000)
Balance at end of period	<u>64,000</u>	<u>115,985</u>	<u>179,985</u>	<u>-</u>	<u>179,985</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 31 December 2010**

	12 months ended 31/12/10 RM'000 (Unaudited)	12 months ended 31/12/09 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	730,398	721,781
Cash paid to suppliers and employees	(607,007)	(612,482)
	<hr/>	<hr/>
Cash generated from operations	123,391	109,299
Income tax paid	(25,002)	(19,922)
	<hr/>	<hr/>
Net cash from operating activities	98,389	89,377
	<hr/> <hr/>	<hr/> <hr/>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions of property, plant and equipment	(9,089)	(29,285)
Additions of intangible assets	(136)	(607)
Proceeds from disposal of property, plant and equipment	278	5
Interest received	883	451
	<hr/>	<hr/>
Net cash used in investing activities	(8,064)	(29,436)
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CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid	-	(1)
Dividends paid	(46,400)	(42,000)
	<hr/>	<hr/>
Net cash used in financing activities	(46,400)	(42,001)
	<hr/> <hr/>	<hr/> <hr/>
Net increase in cash and cash equivalents	43,925	17,940
Cash and cash equivalents brought forward	41,732	23,792
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Cash and cash equivalents carried forward	85,657	41,732
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(The Condensed Statement of Cash Flows 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)

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 4.9 million (full year : RM 12.3 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 ended 31/12/10 RM'000	Quarter ended 31/12/09 RM'000	Year to-date 31/12/10 RM'000	Year to-date 31/12/09 RM'000
In respect of the financial year ended 31 December 2009 (2009: 31 December 2008)				
Final dividends paid:				
- 5.00 sen (2009: 3.75 sen) tax exempt per RM 1.00 ordinary share	-	-	3,200	2,400
- 10.00 sen less income tax (2009: 6.25 sen less income tax) per RM 1.00 ordinary share	-	-	4,800	3,000
In respect of the financial year ended 31 December 2010 (2009: 31 December 2009)				
Interim dividend paid:				
- 10.00 sen less income tax (2009: 6.25 sen less income tax) per RM 1.00 ordinary share	4,800	3,000	4,800	3,000
Special interim dividend paid:				
- 30.00 sen less income tax per RM 1.00 ordinary share	-	-	14,400	-
Special interim dividend paid:				
- 40.00 sen less income tax (2009: 70.00 sen less income tax) per RM 1.00 ordinary share	19,200	33,600	19,200	33,600
	<u>24,000</u>	<u>36,600</u>	<u>46,400</u>	<u>42,000</u>
Net dividend per share (sen)	37.50	57.19	72.50	65.63

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 18 February 2011 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 18 February 2011 other than operating lease obligations by the Company amounting to RM6.4 million.

14. Related Party Transactions

The following are significant related party transactions:-

	As at end of quarter 31/12/10 RM'000	12 month Year-to-date 31/12/10 RM'000
Sales to related parties	7,761	36,415
Purchases from related parties	20,237	117,212
Know-how and Trademark License fees	4,139	18,385
IT services from related party	1,152	3,867

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 4% lower compared to the preceding year's corresponding quarter due to relatively weaker powder sales in the quarter. The profit before taxation for the financial quarter was lower at RM15.9 million, mainly attributed to higher marketing expenditure and impairment costs.

For the cumulative to date ended 31 December 2010, the Company's revenue was improved by 3% mainly due to strong demand for the Company's powder and drinks products. Profit before taxation was however 9% 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 in the current quarter was 13% lower mainly due to lower powder sales following relatively stronger sales in the preceding quarter. The profit before taxation for the current quarter was lower at RM15.9 million compared to the preceding quarter of RM20.3 million, mainly due to the lower sales and higher spending in marketing expenditure.

17. Business Prospects

After a relatively stable year for milk solid prices in 2010, we anticipate that prices for imported dairy raw materials will rise sharply starting early in 2011. This is mainly a result of increasingly strong demand in upcoming markets and climatic changes affecting milk powder exporting countries. It will unfortunately increase our input costs and likely to impact the bottom-line results for the financial year ending 31 December 2011.

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 end of quarter 31/12/10 RM'000	12 month Year to-date 31/12/10 RM'000
Income tax for current period	5,742	26,610
Deferred tax for current period	(634)	(393)
Total taxation	<u>5,108</u>	<u>26,217</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 end of quarter 31/12/10 RM'000	As at 31/12/09 RM'000
At 1 January 2010 / 2009	4,150	2,300
Transfer (from) / to statement of comprehensive income	(393)	1,850
At 31 December 2010 / 31 Dec 2009	<u>3,757</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

- a) There were no purchases or disposals of quoted securities during the financial period under review.
- b) 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 18 February 2011.

25. Company Borrowings

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

26. Financial Instruments

There were no financial instruments with off-balance sheet risk as at 18 February 2011.

27. Material Litigation

There were no material litigations against the Company as at 18 February 2011.

28. Proposed Dividend

The Company paid an interim dividend of 10.0 sen per share, less income tax, amounting to RM 4.8 million, and a special interim dividend both in respect of the financial year ended 31 December 2010 of gross 40.0 sen per ordinary share, less income tax, amounting to RM 19.2 million, on 28 December 2010.

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2010, of 10.0 sen, less 25% income tax, and 5.0 sen, tax exempt, per RM 1.00 ordinary share, amounting to a total net dividend of RM 8.0 million (12.5 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ended 31 December 2011.

29. Realised and unrealised profits

The breakdown of the retained profits of the Company as at 31 December 2010, into realised and unrealised profits, is as follows:

	As at 31/12/10 RM'000	As at 30/09/10 RM'000
Total retained profits:		
- Realised profit	137,647	149,339
- Unrealised loss	(4,175)	(3,946)
Total retained profits as per statement of financial position	133,472	145,393

30. Earnings Per Share

	Current Quarter ended 31/12/10	Comparative Quarter ended 31/12/09	12 month Cumulative to-date 31/12/10	12 month Cumulative to-date 31/12/09
Basic earnings per share				
Profit for the period (RM'000)	10,835	16,048	63,887	60,400
Weighted average number of ordinary shares in issue ('000)	64,000	64,000	64,000	64,000
Basic earnings per share (sen)	16.93	25.08	99.82	94.38

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
25 February 2011
cc. Securities Commissions