

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 31 March 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	3 months TO DATE	3 months TO DATE
	31/03/19 (Unaudited) RM'000	31/03/18 (Unaudited) RM'000	31/03/19 (Unaudited) RM'000	31/03/18 (Unaudited) RM'000
Revenue	264,986	266,114	264,986	266,114
Cost of Sales	<u>(156,778)</u>	<u>(157,694)</u>	<u>(156,778)</u>	<u>(157,694)</u>
Gross Profit	108,208	108,420	108,208	108,420
Distribution Expenses	(39,735)	(36,690)	(39,735)	(36,690)
Administrative Expenses	(8,098)	(7,906)	(8,098)	(7,906)
Other Operating Expenses	<u>(17,494)</u>	<u>(17,030)</u>	<u>(17,494)</u>	<u>(17,030)</u>
Results from Operating Activities	43,986	46,794	43,986	46,794
Finance Costs	(783)	(573)	(783)	(573)
Interest Income	62	236	62	236
Profit Before Taxation	<u>43,265</u>	<u>46,457</u>	<u>43,265</u>	<u>46,457</u>
Income Tax Expenses	<u>(9,368)</u>	<u>(12,227)</u>	<u>(9,368)</u>	<u>(12,227)</u>
Profit After Taxation	<u>33,897</u>	<u>34,230</u>	<u>33,897</u>	<u>34,230</u>
Profit for the period/Total comprehensive income for the period	<u>33,897</u>	<u>34,230</u>	<u>33,897</u>	<u>34,230</u>
Profit Attributable to:				
Equity holders of the Company	33,897	34,230	33,897	34,230
Non-controlling interest	-	-	-	-
	<u>33,897</u>	<u>34,230</u>	<u>33,897</u>	<u>34,230</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>53.00</u>	<u>53.50</u>	<u>53.00</u>	<u>53.50</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 31 March 2019

	AS AT 31/03/19 RM'000 (Unaudited)	AS AT 31/12/18 RM'000 (Audited)
ASSETS		
Property, plant and equipment	122,041	122,297
Intangible assets	2,574	2,956
TOTAL NON-CURRENT ASSETS	124,615	125,253
Inventories	154,623	131,050
Trade and other receivables	143,826	112,381
Prepayments	3,966	3,819
Cash and cash equivalents	8,683	32,109
TOTAL CURRENT ASSETS	311,606	279,549
TOTAL ASSETS	436,221	404,802
EQUITY		
Share capital	64,000	64,000
Retained profits	75,356	41,459
Attributable to equity holders of the Company	139,356	105,459
TOTAL EQUITY	139,356	105,459
LIABILITIES		
Deferred tax liabilities	4,555	6,539
TOTAL NON-CURRENT LIABILITIES	4,555	6,539
Trade and other payables	260,291	266,388
Provision	193	191
Derivatives financial liabilities	1,015	1,059
Current tax liabilities	10,529	9,994
Bank overdraft	20,282	15,172
CURRENT LIABILITIES	292,310	292,804
TOTAL LIABILITIES	296,865	299,343
TOTAL EQUITY AND LIABILITIES	436,221	404,802
Net assets per share attributable to ordinary equity holders of the Company (RM)	2.18	1.65

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITYFor the financial quarter ended 31 March 2019
(The figures have not been audited)

	Share <u>Capital</u> RM'000	Distributable Retained <u>profits</u> RM'000	Attributable to equity holders of <u>the Company</u> RM'000	Non- Controlling <u>Interest</u> RM'000	<u>Total</u> RM'000
3 months ended 31 March 2019					
Balance at beginning of period	64,000	41,459	105,459	-	105,459
Movements during the period	-	33,897	33,897	-	33,897
Balance at end of period	<u>64,000</u>	<u>75,356</u>	<u>139,356</u>	<u>-</u>	<u>139,356</u>
3 months ended 31 March 2018					
Balance at beginning of period	64,000	40,010	104,010	-	104,010
Movements during the period	-	34,230	34,230	-	34,230
Balance at end of period	<u>64,000</u>	<u>74,240</u>	<u>138,240</u>	<u>-</u>	<u>138,240</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOW

For the financial quarter ended 31 March 2019

	3 months TO DATE	3 months TO DATE
	31/03/19 (Unaudited) RM'000	31/03/18 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	231,723	259,586
Cash paid to suppliers and employees	(244,423)	(230,976)
	<hr/>	<hr/>
Cash generated from operations	(12,700)	28,610
Income tax paid	(10,817)	(8,215)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	(23,517)	20,395
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(4,298)	(1,571)
Additions of intangible assets	-	(1)
Interest received	62	236
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(4,236)	(1,336)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(783)	(573)
	<hr/>	<hr/>
Net cash used in financing activities	(783)	(573)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(28,536)	18,486
Cash and cash equivalents brought forward	16,937	61,339
	<hr/>	<hr/>
Cash and cash equivalents carried forward	(11,599)	79,825
	<hr/>	<hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	8,683	39,325
Bank overdraft	(20,282)	40,500
	<hr/>	<hr/>
	(11,599)	79,825
	<hr/>	<hr/>

(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

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 the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, 'Interim Financial Reporting' in Malaysia and with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent audited financial statements of the Company as at and for the year ended 31 December 2018.

The accounting policies and methods of computation are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2018 except for the newly issued Malaysia Financial Reporting Standards (MFRS), interpretations and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2019:

- MFRS 16: Leases
- IC Interpretation 23: Uncertainty over Income Tax Treatments
- Amendments to MFRS 112: Income Taxes

Other than MFRS 16, the adoption of the above did not have any significant effect on the interim financial statements upon their initial application. The Company has adopted the standards retrospectively from 1 January 2019, with the practical expedients permitted under the standards. Comparatives for 2018 are not restated.

The effect from the adoption of MFRS 16 is stated in Note 12.

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 2018 was not subject to any audit qualification.

3. Seasonal and Cyclical Factors

The dairy and dairy 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.

5. 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.

6. **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.

7. **Dividends**

There were no dividends paid for the financial period under review.

8. **Segmental Analysis**

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

	Quarter ended 31/03/19 RM'000	Quarter ended 31/03/18 RM'000
Segment profit		
Revenue	264,986	266,114
Profit After Taxation	33,897	34,230

9. **Capital Commitments**

	As at 31/03/19 RM'000	As at 31/03/18 RM'000
Property, plant and equipment		
Authorised but not contracted for	13,652	12,900
Contracted but not provided for	228	16,776

10. **Subsequent Events**

There were no material subsequent events that will affect the financial results of the financial period under review.

11. **Changes in Composition of the Company**

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

12. **Operating Lease**

As of 1 January 2019 the Company has recognised right-of-use assets of RM3.7 million and a corresponding lease liability of RM3.7 million in respect of land and buildings and plant and equipment. The Company adopted MFRS 16: Leases accounting policy as of 1 January 2019 applying the simplified transition approach, and did not restate comparative amounts for the year prior to first adoption of the standard.

13. Related Party Transactions

The following are significant related party transactions:-

	Quarter ended 31/03/19 RM'000	Quarter ended 31/03/18 RM'000
Sales to related parties	4,503	5,608
Purchases from related parties	118,478	100,567
Know-how, Trademark License and Management Support fees	6,383	6,541
Shared services from related parties	5,057	4,811

These transactions have been entered into in the normal course of business and have been established under negotiated terms. The significant increase in related party purchases is driven by the purchase of fully packed dairy products and raw materials.

14. Review of Results (Against preceding year corresponding period)

RM '000	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	3 Months To Date	3 Months To Date	Changes TY vs LY
	31/03/19	31/03/18	%	31/03/19	31/03/18	%
Revenue	264,986	266,114	-0.4%	264,986	266,114	-0.4%
Operating Profit	43,986	46,794	-6.0%	43,986	46,794	-6.0%
Profit Before Interest and Tax	43,203	46,221	-6.5%	43,203	46,221	-6.5%
Profit Before Taxation	43,265	46,457	-6.9%	43,265	46,457	-6.9%
Profit After Taxation	33,897	34,230	-1.0%	33,897	34,230	-1.0%
Attributable to Ordinary Equity Holders of the parent	33,897	34,230	-1.0%	33,897	34,230	-1.0%

Investment in strategic pricing to ensure affordability leading to 6% volume growth (in kilograms) and 0.4% revenue decline versus same quarter 2018.

Profit before tax decreased by 6.9% for the quarter attributed to increased investment in advertising and promotional spend, and impact of SST on local and imported services.

15. Comments on Material Changes in Profit Before Taxation (Against immediate preceding quarter)

RM '000	Current	Preceding	Changes
	Quarter	Quarter	Q1 vs Q4
	31/03/19	31/12/18	%
Revenue	264,986	271,154	-2.3%
Operating Profit	43,986	39,785	10.6%
Profit Before Interest and Tax	43,203	38,752	11.5%
Profit Before Taxation	43,265	38,853	11.4%
Profit After Taxation	33,897	30,303	11.9%
Attributable to Ordinary Equity Holders of the parent	33,897	30,303	11.9%

Higher profit before tax by 11.4% driven by stronger currency and lower dairy prices.

16. Business Prospects

A. 2019 Prospects

The Company continues to focus on growth, increasing the consumption of milk among consumers. But market remains volatile and can be impacted by various domestic and global uncertainties, foreign exchange rate and any regulatory changes. The global dairy price is expected to increase in 2019.

Over the long term, the outlook for the company remains positive due to the strength of its brands and the increasing need and recognition of the goodness and nutritional value of milk and its complementing dairy products amongst Malaysians.

B. Progress and steps to achieve financial estimate, forecast, projection and internal targets previously announced.
Not applicable.

17. Statement of the Board of Directors' Opinion on Achievability of Financial Estimate, Forecast, Projection and Internal Targets Previously Announced

Not applicable.

18. Financial Estimate, Forecast or Projection / Profit Guarantee

There was no financial estimate, forecast or projection and profit guarantee issued by the Company.

19. Taxation

Taxation is made up as follows: -

	Quarter ended 31/03/19 RM'000	Quarter ended 31/03/18 RM'000
Income tax for current period	11,352	11,597
Deferred tax for current period	(1,984)	630
Total taxation	<u>9,368</u>	<u>12,227</u>

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

20. Deferred Tax Liabilities

	As At 31/03/19 RM'000	As at 31/03/18 RM'000
At 1 January	6,539	6,608
Recognised in the statement of comprehensive income	(1,984)	630
At period end	<u>4,555</u>	<u>7,238</u>

21. Corporate Proposals

There were no corporate proposals announced during the financial period under review.

22. Company Borrowings

	As at 31/03/19 RM'000	As at 31/03/18 RM'000
Unsecured short term borrowing		
Bank overdraft	<u>20,282</u>	<u>-</u>

The Company has drawn down on short term banking facilities to manage seasonal fluctuations of working capital.

23. Material Litigation

There were no material litigations against the Company during the financial period under review.

24. Financial Instruments

Derivatives

The foreign exchange contracts which have been entered into by the Company are as follows:

Forward exchange contracts	As At 31/03/19 RM'000	As at 31/03/18 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	155,707	107,923
Assets	508	-
Liabilities	1,015	3,212

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

25. Proposed Dividend

On 25 April 2019, the Company has declared a standard single-tier interim dividend of RM0.50 per share amounting to RM32.0 million in respect of the financial year ending 31 December 2019.

All shareholders whose names appear on the Record of Depositors on 13 May 2019 shall be paid the above dividends on 17 May 2019.

A Depositor shall qualify for entitlement only in respect of:-

- Securities transferred to the Depositor's Securities Account before 5.00pm on 13 May 2019, in respect of ordinary transfers; and
- Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

26. Earnings Per Share

	Quarter ended 31/03/19	Quarter ended 31/03/18
Basic earnings per share		
Profit for the period (RM'000)	33,897	34,230
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	53.00	53.50

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.

27. Notes to the Condensed Statement of Comprehensive Income

	Year to-date 31/03/19 RM'000	Year to-date 31/03/18 RM'000
Interest income	62	236
Finance costs	(783)	(573)
Depreciation of property, plant and equipment	(3,829)	(2,756)
Depreciation of rights-of-use assets	(725)	-
Amortisation of intangible assets	(381)	(389)
Write back/(down) of inventories	1,219	181
Gain/(Loss) on disposal of property, plant & equipment	-	(139)
Net gain/(loss) on derivatives	362	(31)
Net foreign exchange gain/(loss)		
- Realised	(1,132)	(2,655)
- Unrealised	402	(110)

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
25 April 2019

