

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 September 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	9 months TO DATE	9 months TO DATE
	30/09/19 (Unaudited) RM'000	30/09/18 (Unaudited) RM'000	30/09/19 (Unaudited) RM'000	30/09/18 (Unaudited) RM'000
Revenue	276,313	257,052	784,905	777,414
Cost of Sales	<u>(177,754)</u>	<u>(146,449)</u>	<u>(486,925)</u>	<u>(465,411)</u>
Gross Profit	98,559	110,603	297,980	312,003
Other Income	1,170	4,246	3,010	9,945
Distribution Expenses	(40,568)	(46,269)	(121,432)	(119,517)
Administrative Expenses	(7,443)	(7,223)	(23,184)	(22,499)
Other Operating Expenses	<u>(16,070)</u>	<u>(15,030)</u>	<u>(50,710)</u>	<u>(45,852)</u>
Results from Operating Activities	35,648	46,327	105,664	134,080
Finance Costs	(890)	(960)	(2,596)	(2,397)
Interest Income	107	188	222	758
Profit Before Taxation	34,865	45,555	103,290	132,441
Income Tax Expenses	<u>(9,661)</u>	<u>(11,342)</u>	<u>(27,000)</u>	<u>(33,294)</u>
Profit After Taxation	25,204	34,213	76,290	99,147
Profit for the period/Total comprehensive income for the period	<u>25,204</u>	<u>34,213</u>	<u>76,290</u>	<u>99,147</u>
Profit Attributable to:				
Equity holders of the Company	25,204	34,213	76,290	99,147
Non-controlling interest	-	-	-	-
	<u>25,204</u>	<u>34,213</u>	<u>76,290</u>	<u>99,147</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>39.40</u>	<u>53.50</u>	<u>119.20</u>	<u>154.90</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 30 September 2019

	AS AT 30/09/19 RM'000 (Unaudited)	AS AT 31/12/18 RM'000 (Audited)
ASSETS		
Property, plant and equipment	123,553	122,297
Intangible assets	1,905	2,956
TOTAL NON-CURRENT ASSETS	125,458	125,253
Inventories	133,842	131,050
Trade and other receivables	120,644	112,381
Prepayments	5,286	3,819
Derivatives financial assets	1,317	190
Cash and cash equivalents	47,509	32,109
TOTAL CURRENT ASSETS	308,598	279,549
TOTAL ASSETS	434,056	404,802
EQUITY		
Share capital	64,000	64,000
Retained profits	85,749	41,459
Attributable to equity holders of the Company	149,749	105,459
TOTAL EQUITY	149,749	105,459
LIABILITIES		
Deferred tax liabilities	8,426	6,539
TOTAL NON-CURRENT LIABILITIES	8,426	6,539
Trade and other payables	256,670	266,388
Provision	202	191
Derivatives financial liabilities	-	1,059
Current tax liabilities	3,904	9,994
Bank overdraft	15,105	15,172
CURRENT LIABILITIES	275,881	292,804
TOTAL LIABILITIES	284,307	299,343
TOTAL EQUITY AND LIABILITIES	434,056	404,802
Net assets per share attributable to ordinary equity holders of the Company (RM)	2.34	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 30 September 2019
(The figures have not been audited)

	Share Capital RM'000	Distributable Retained profits RM'000	Attributable to equity holders of the Company RM'000	Total RM'000
9 months ended 30 September 2019				
Balance at beginning of period	64,000	41,459	105,459	105,459
Movements during the period	-	76,290	76,290	76,290
Dividend payable	-	-	-	-
Dividends paid	-	(32,000)	(32,000)	(32,000)
Balance at end of period	<u>64,000</u>	<u>85,749</u>	<u>149,749</u>	<u>149,749</u>
9 months ended 30 September 2018				
Balance at beginning of period	64,000	40,010	104,010	104,010
Movements during the period	-	99,147	99,147	99,147
Dividend payable	-	-	-	-
Dividends paid	-	(70,400)	(70,400)	(70,400)
Balance at end of period	<u>64,000</u>	<u>68,757</u>	<u>132,757</u>	<u>132,757</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 30 September 2019

	9 months TO DATE	9 months TO DATE
	30/09/19 (Unaudited) RM'000	30/09/18 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	778,184	785,930
Cash paid to suppliers and employees	(682,048)	(699,427)
	<hr/>	<hr/>
Cash generated from operations	96,136	86,503
Income tax paid	(31,202)	(33,147)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	64,934	53,356
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(15,011)	(16,780)
Additions of intangible assets	(82)	13
Interest received	222	758
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Net cash (used in)/generated from investing activities	(14,871)	(16,009)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,596)	(2,397)
Dividends paid	(32,000)	(70,400)
	<hr/>	<hr/>
Net cash used in financing activities	(34,596)	(72,797)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	15,467	(35,450)
Cash and cash equivalents brought forward	16,937	61,339
	<hr/>	<hr/>
Cash and cash equivalents carried forward	32,404	25,889
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	47,509	40,930
Bank overdraft	(15,105)	(15,041)
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	32,404	25,889
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(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 11.

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. 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 30/09/19 RM'000	Quarter ended 30/09/18 RM'000
Segment profit		
Revenue	276,313	257,052
Profit After Taxation	25,204	34,213

8. Capital Commitments

	As at 30/09/19 RM'000	As at 30/09/18 RM'000
Property, plant and equipment		
Authorised but not contracted for	913	1,824
Contracted but not provided for	6,170	12,657

9. Subsequent Events

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

10. Changes in Composition of the Company

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

11. 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.

12. Related Party Transactions

The following are significant related party transactions:-

	Quarter ended 30/09/19 RM'000	Quarter ended 30/09/18 RM'000
Sales to related parties	4,870	3,950
Purchases from related parties	97,828	89,958
Know-how, Trademark License and Management Support fees	6,484	6,246
Shared services from related parties	2,923	4,683

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 in line with the volume and revenue growth and is driven by the purchase of fully packed dairy products and raw materials.

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

RM '000	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	9 Months To Date	9 Months To Date	Changes TY vs LY
	30/09/19	30/09/18	%	30/09/19	30/09/18	%
Revenue	276 313	257 052	7.5%	784 905	777 414	1.0%
Operating Profit	35 648	46 327	-23.1%	105 664	134 080	-21.2%
Profit Before Interest and Tax	34 768	45 367	-23.4%	103 068	131 683	-21.7%
Profit Before Taxation	34 865	45 555	-23.5%	103 290	132 441	-22.0%
Profit After Taxation	25 204	34 213	-26.3%	76 290	99 147	-23.1%
Attributable to Ordinary Equity Holders of the parent	25 204	34 213	-26.3%	76 290	99 147	-23.1%

The Company recorded 11% volume growth (in kilograms) in the quarter generating 7.5% higher revenue versus same quarter in 2018. YTD Q3 volume grows at 5% with a corresponding revenue growth of 1% versus same period last year.

Current quarter Profit before Tax decreased by 23.5% mainly driven by Category product mix changes, coupled with increase of raw material prices, negative exchange rate impact, investment in advertising and promotional spend, and impact of SST on local and imported services.

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

RM '000	Current Quarter 30/09/19	Preceding Quarter 30/06/19	Changes Q3 vs Q2 %
Revenue	276,313	243,606	13.4%
Operating Profit	35,648	26,030	36.9%
Profit Before Interest and Tax	34,758	25,107	38.4%
Profit Before Taxation	34,865	25,161	38.6%
Profit After Taxation	25,204	17,190	46.6%
Attributable to Ordinary Equity Holders of the parent	25,204	17,190	46.6%

The Company recorded 13.4% higher revenue than the challenging quarter two coupled with an increase in Profit before tax by 38.6% driven by innovations and activations to drive increased penetration of milk consumption in the country.

15. Business Prospects

A. 2019 Prospects

The market remains volatile and is subject to various domestic and global uncertainties, foreign exchange rate and potential regulatory changes. However the Company continues to focus on growth increasing the consumption of milk among consumers. The global dairy price is also expected to stay high for the remainder of 2019.

Over the long term, the outlook for the company remains positive. The company has good leverage from the strength of its brands, the increasing need and recognition of the goodness and nutritional value of milk, as well as its complementing dairy products amongst Malaysians. The Company will continue to support the local dairy farmers and increase the quantity and quality of local fresh milk.

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

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

Not applicable.

17. Financial Estimate, Forecast or Projection / Profit Guarantee

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

18. Taxation

Taxation is made up as follows: -

	Quarter ended 30/09/19 RM'000	Quarter ended 30/09/18 RM'000
Income tax for current period	7,924	11,748
Deferred tax for current period	1,737	(409)
Total taxation	<u>9,661</u>	<u>11,342</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.

19. Deferred Tax Liabilities

	As At 30/09/19 RM'000	As At 30/09/18 RM'000
At 1 January	6,539	6,608
Recognised in the statement of comprehensive income	1,887	(1,358)
At period end	<u>8,426</u>	<u>5,249</u>

20. Corporate Proposals

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

21. Company Borrowings

	As at 30/09/19 RM'000	As at 30/09/18 RM'000
Unsecured short term borrowing		
Bank overdraft	<u>15,105</u>	<u>15,041</u>

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

22. Material Litigation

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

23. **Financial Instruments**

Derivatives

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

Forward exchange contracts	As At 30/09/19 RM'000	As At 30/09/18 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	117,130	109,681
Assets	1,317	2,991
Liabilities	-	58

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.

24. **Earnings Per Share**

	Quarter ended 30/09/19	Quarter ended 30/09/18
Basic earnings per share		
Profit for the period (RM'000)	25,204	34,213
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	39.40	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.

25. **Proposed Dividend**

On 28 November 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 December 2019 shall be paid the above dividends on 24 December 2019.

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

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

26. **Notes to the Condensed Statement of Comprehensive Income**

	Year to-date 30/09/19 RM'000	Year to-date 30/09/18 RM'000
Interest income	222	758
Finance costs	(2,596)	(2,397)
Depreciation of property, plant and equipment	(11,733)	(9,375)
Depreciation of rights-of-use assets	(2,021)	-
Amortisation of intangible assets	(1,133)	(1,173)
Write back/(down) of inventories	(729)	(1,169)
Gain/(Loss) on disposal of property, plant & equipment	-	(139)
Net gain/(loss) on derivatives	2,186	6,114
Net foreign exchange gain/(loss)		
- Realised	(2,679)	(725)
- Unrealised	(308)	(176)

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
28 November 2019

