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ETIKA INTERNATIONAL HOLDINGS LIMITED annual report **2006**

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annual report **2006**

Scaling New Horizons


100% Teh berkualiti tinggi
Teh
Tarik
Champ
1Kg
Tanpa Pewarna
SERBUK TEH
Fortified with vitamin A,B1&D
Dairy
Champ
SWEETENED CREAME
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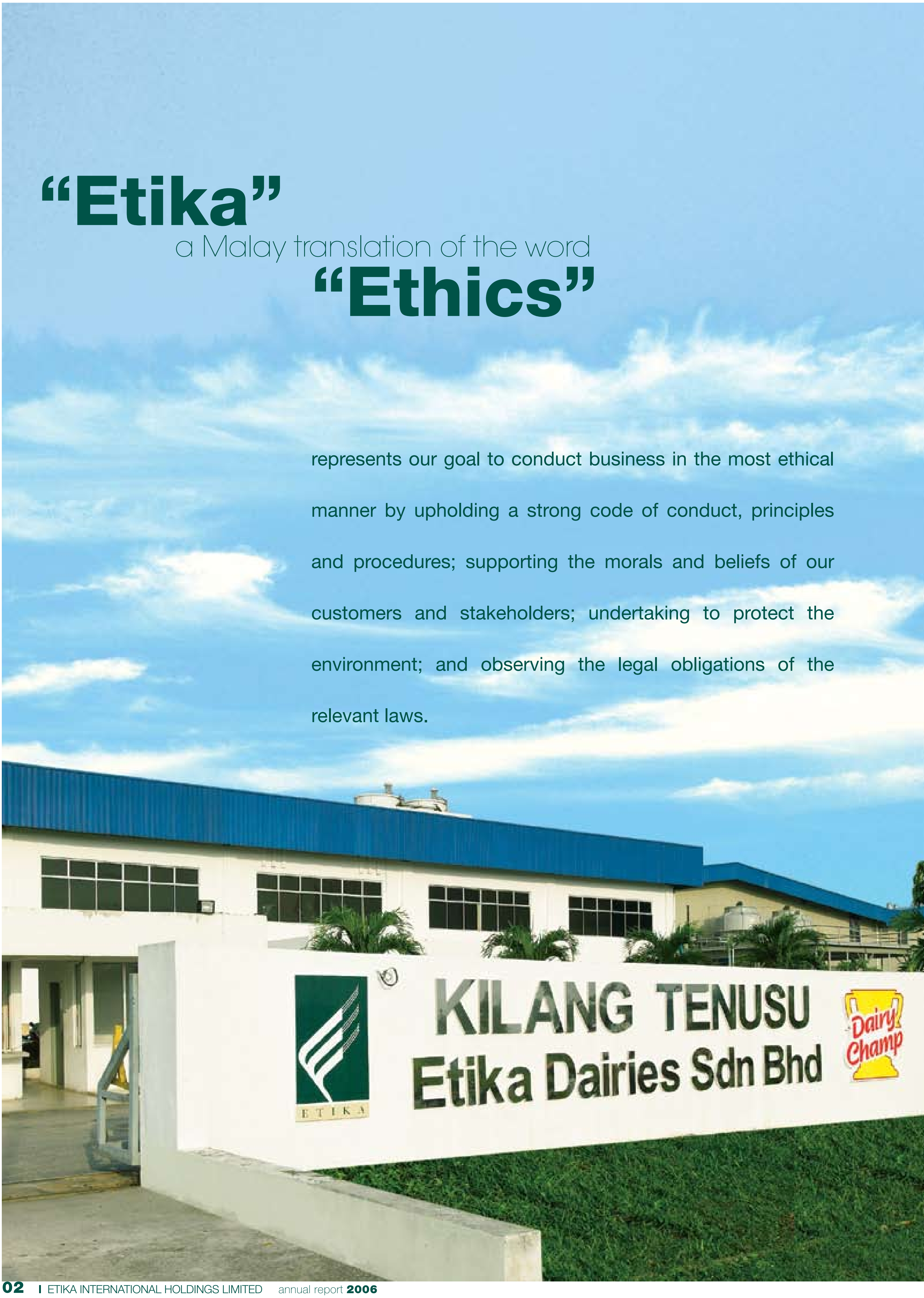
Proxy Form

"Etika"

a Malay translation of the word

"Ethics"

represents our goal to conduct business in the most ethical manner by upholding a strong code of conduct, principles and procedures; supporting the morals and beliefs of our customers and stakeholders; undertaking to protect the environment; and observing the legal obligations of the relevant laws.



Corporate Profile

Etika International Holdings Limited ("Etika") was incorporated on 23 December 2003 in the Republic of Singapore. Through a restructuring exercise carried out on 8 November 2004, the Company acquired the entire share capital of Etika Dairies Sdn. Bhd. ("EDSB"), a Malaysian company involved in the manufacturing and distribution of dairy products. Etika was listed on the SGX-SESDAQ on 23 December 2004. From a humble beginning as a manufacturer and distributor of dairy products, the Group has since transformed into a regional Food and Beverage Group after it acquired one of Malaysia's leading frozen food and premium food wholesaler Pok Brothers Sdn. Bhd. ("PBSB") and its subsidiaries ("PB Group") on 8 February 2006. The Group's activities are divided into 3 divisions, namely the Dairies Division, Frozen Foods (Wholesales and Distribution) Division ("Frozen Foods Division") and Butchery and Bakery Division ("Butchery & Bakery Division"), all carried out through the subsidiaries of Etika.

DAIRIES DIVISION

EDSB commenced operations in 1997 and has in a relatively short period grown to be a major player in the Malaysian domestic milk industry under its own brand "*DAIRY CHAMP*". EDSB manufactures sweetened condensed milk and evaporated milk for domestic and export markets. It also repacks and distributes complementary products such as full cream and instant high calcium non-fat milk powder, instant coffee powder and tea dust. Its brand "*DAIRY CHAMP*" has become a well regarded brand and was awarded "Superbrand" status by the Malaysian Superbrands Council for two consecutive years in 2003/2004 and 2004/2005.

Today, the Group's products can be found in ASEAN, East and West Africa, Central and South America, Middle East, and other Asia-Pacific countries. Apart from products exported under Etika's own "*DAIRY CHAMP*" trademark brand, it also exports various other products manufactured by Etika under OEM arrangements. The strength of the Group lies with its experienced management team that has a wide range of expertise in strategic planning, business development and in-depth operational and production expertise specific to the milk product industry.

FROZEN FOODS DIVISION

PBSB started as a general store business in Petaling Jaya, Malaysia, in 1963. As a premium food wholesaler, PBSB imports and distributes food products, both in raw and processed form, with particular emphasis on servicing the hospitality and consumer-based food industry. Its major clients include major 5-star hotels, airlines, cruise ships, hyper/supermarkets, bakeries, butcheries, fast-food chains, grocery stores, food processors and other wholesalers.

PB Group deploys one of the largest fleets of trucks (including refrigerated trucks) in Malaysia for servicing its customers. It has strategically located regional centres in Penang, Shah Alam, Johor Bahru, Langkawi and Kuantan that are equipped with cold storage facilities.

Most of the supplies are sourced internationally from the United States, Europe, Australia and New Zealand. Among others, its products include chilled and frozen beef, lamb, venison, turkey, canned fruits, seafood and dairy products (cheese, cream and ultra-heat treated milk), french fries and related potato products, fresh fruit juices, herbs & spices and etc. In Malaysia, PB Group is also a pioneer in supplying locally grown hydroponic vegetables which were previously available as imports.

BUTCHERY & BAKERY DIVISION

De-luxe Food Services Sdn. Bhd. ("DFSSB"), which is a wholly-owned subsidiary of PBSB, is involved in the manufacturing of value-added frozen food products like assortments of beef, chicken and turkey cold-cuts and sausages, breakfast beef, smoked salmon and trout as well as bakery/confectionery products such as baguette, croissants, dinner rolls and varieties of other pastries to complement the lines of fresh products.

DFSSB has an added advantage of manufacturing products according to the customer's exact specifications. As a testament to emphasis on quality, health and safety, DFSSB achieved ISO 9001:2000 (Quality Management System) certification and HACCP (Hazard Analysis Critical Control Point) system recognition in 2004. On 5 July 2006, DFSSB was awarded the Food Safety Management System Standard ISO 22000:2005 by Lloyd's Register Quality Assurance Ltd. DFSSB has also recently ventured into the export market and has successfully secured customers (via intermediaries) for Singapore, Japan, Australia, China and Middle East markets for its value-added frozen food products.

Message from the Chairman

Dear valued shareholders,

***Scaling New Horizons*, the theme for this year's annual report is reflective of the actions and initiatives the Group has undertaken to position itself for growth in the years ahead.**

The past financial year has proved to be a challenging year for the Group which was characterised by rising input and operating costs, disruption caused by import ban on certain supply chains and an overall highly competitive business environment. However, in spite of these tough business conditions, the Group has remained focus and steadfast in its efforts to forge ahead with its rationalisation and growth strategies in order to position itself as a leading regional Food and Beverage ("F&B") Group with global reach.

FINANCIAL REVIEW

For the year ended 30 September 2006, the Group recorded higher revenue of RM233.2 million, an impressive increase of 55.4% compared to RM150.0 million reported in the previous financial year. The increase was primarily attributed to the consolidation of Pok Brothers Sdn. Bhd. and its subsidiaries ("PB Group") following the completion of the acquisition on 8 February 2006 and higher export sales of sweetened condensed milk by Etika Dairies Sdn. Bhd.

Notwithstanding the higher revenue, the Group's profit after income tax was RM5.0 million, a decrease of 52.3% over the previous financial year, attributed mainly by the exceptional income relating to the accreditation of negative goodwill of RM3.1 million arising from the acquisition of Etika Dairies Sdn. Bhd. which was recognised last year. Excluding this exceptional income, the Group's profit after income tax declined by 32.1% due to higher administrative expenses, financing cost and income tax incurred.

CORPORATE DEVELOPMENT

The Company has through its wholly-owned subsidiary, Etika (NZ) Limited, entered into a sale and purchase agreement with Fonterra Brands Investments (NZ) Limited for the proposed acquisition of 2,398,000 ordinary shares in the share capital of Naturalac Nutrition Limited for a cash consideration of NZ$7.8 million. The transaction, which is subject to the shareholders' approval at an extraordinary general meeting, is pending completion as at the date of the financial year end.

FUTURE OUTLOOK AND PROSPECTS

Over the last 12 months, the Group has been actively strategising and implementing ways to expand the business and derive greater synergies from its different operating divisions. The seeds of these plans have been planted and I believe that over time, the pooling together of resources and knowledge between divisions while streamlining financial facilities and the increase in cross-selling and co-branding of products will enable us to realise our vision of becoming a well recognised Food and Beverage ("F&B") player, with regional facilities having a global reach.

While we continued to record impressive revenue growth due to our growing dairies business and contribution from our newly acquired subsidiary, PB Group, I believe that the full benefit from the ongoing proposed acquisitions will be felt from FY2008 onwards. Over the next one year, the Group will continue to expand organically and by acquisitions.

Our strategic partnership with YHS and the acquisition of Naturalac Nutrition Limited which owns the "Horleys", a well recognised brand name for food nutrition and health supplements with significant presence in the New Zealand and Australia, are just examples of new steps we have taken in our territorial and product expansion strategy to penetrate to more regions and create more value for our shareholders. Over time, our aim is for the *Etika* name to be synonymous with a food group that has leading brands in each of the food segments it operates in.

Despite operating in an environment with continued challenges, we continue to strive for improvements in operational efficiencies. We are pleased with the progress that we have made so far and looking ahead, we are confident of growing our business as a result of our enhanced ability to offer more depth and diversity in our products and services in expanded territories to fulfill our customers' expectations. To this end, we will continue to further sharpen our competitive edge and harness our capabilities to meet these challenges and capitalize on untapped market opportunities. The Management will continue to drive growth and create greater shareholders' value through topline and bottomline growth, consistent dividends and consistent return on shareholders' equity.

DIVIDEND

We are pleased to announce a tax exempt (one-tier) final dividend payment of 0.20 Singapore cents per share for the financial year ended 30 September 2006. Together with the interim dividend of 0.20 Singapore cents per share paid on 8 June 2006, total dividend for the full year works out to be 0.40 Singapore cents per share.

APPRECIATION

We are grateful to you, our valued shareholders, for investing in Etika and for your commitment to partner us in building sustainable long-term shareholders' value.

Above all, the Board is keenly aware that the future success of the Group amongst other factors, rests also upon its entire team. For and on behalf of the Board, I extend my personal gratitude to our staff for their total commitment to the Group.

Finally, my appreciation is also extended to our Board of Directors, our bankers and business partners locally and around the region for their continued confidence and support.

Dato' Jaya J B Tan
Chairman

Review of Operations

The Group's strategic business units are currently identified along the lines of revenue streams and can be segregated under the following core divisions:

- Dairies Division
- Frozen Foods Division
- Butchery & Bakery Division

The Dairies Division remained the Group's main contributor in terms of revenue and earnings for the foreseeable future, while efforts are underway to grow the two new divisions.

GROUP FINANCIAL RESULTS

Group revenue increased significantly by RM83.1 million or 55.4% over the previous financial year. This increase was mainly contributed by Pok Brothers Sdn. Bhd. and its subsidiaries ("PB Group"), comprising Frozen Foods Division and Butchery & Bakery Division, amounting to approximately RM54.4 million or 23.3% of the Group revenue.

Revenue generated from Dairies Division also showed an increase, albeit, by a lower rate of 19.1% when compared to FY2005, mainly contributed by higher export sales of sweetened condensed milk in the 390gm and 1kg pack size taking into account the fact that the Dairies Division for FY2005 was only for 11 months pursuant to the completion of the acquisition of Etika Dairies Sdn. Bhd. ("EDSB") as at 8 November 2004.

Notwithstanding the higher revenue, the Group's profit after income tax for FY2006 was RM5.0 million, a decrease of 52.3% over the previous financial year. The significant decrease was mainly attributed by the exceptional income recognised last year relating to the accreditation of negative goodwill of RM3.1 million, which arose as a result of the acquisition of EDSB. Excluding this exceptional income, the Group's profit after income tax had declined by 32.1%. This was due to the higher administrative expenses, financing costs and income tax incurred during the year notwithstanding the profit contribution from PB Group.

The Group's administrative expenses increased by RM7.4 million or 172.6%. Of this, RM4.9 million was incurred by PB Group as administrative expenses for eight months. The remaining increase of RM2.5 million was mainly due to directors' fee and remuneration, professional fee for increased banking facilities, increase in rental charges and higher staff costs, including professional fee incured in obtaining loan to finance the acquisition of PB Group.

In addition, the Group's marketing and distribution costs had increased by RM2.2 million or 30.8%. Increase in expenses incurred by EDSB was due to higher freight and transport charges as a result of higher sales to export market and increase in fuel prices and higher staff costs. This was, however, partially offset by lower rental incurred on the storage due to the completion of the factory extension and lower depreciation charge as a result of fully depreciated property, plant and equipment.

Finance costs have also increased significantly by RM2.3 million or 260.9% as a result of increased banking facilities obtained for the acquisition of PB Group and for additional working capital purposes.

The Group's income tax expense increased by RM1.1 million or 74.7% mainly due to income tax expense contributed from PB Group. The effective tax rate was 33.2% as compared with 11.9% previous year mainly due to the elimination of dividend income received from subsidiaries of RM6.31 million at the Group level.

Earnings per Share ("EPS") based on weighted average ordinary number of shares on a fully diluted basis declined 59.6% to 2.86 RM sen per share.

SEGMENTAL REVIEW BY BUSINESS DIVISIONS

Dairies Division contributed a majority of the Group's revenue at 76.7% while Frozen Foods Division contributed 20.9% and the balance contributed by Butchery & Bakery Division.

Even though the Butchery & Bakery Division is not required to be segmentalised for reporting purpose since it contributed less than 10% to the Group revenue and profit after tax, the Board of Directors ("Board") is of the view that it is more meaningful to present its results separately in view of its distinctive business and product offerings.

Dairies Division

Dairies Division performed satisfactorily last year, amidst keener competition with operating revenue rising 19.1% to RM178.8 million from RM150.0 million in FY2005. This increase was mainly contributed by higher export sales of sweetened condensed milk in the 390gm and 1kg pack-size. Export sales ratio (represented by non-Malaysian sales) increased to 40.5% for FY2006 as compared to 32.4% in FY2005. Sales to "Other" markets remained very strong especially for the Division's key African market, while sales within "ASEAN" countries have begun showing results with the penetration of Singapore market via its distribution arrangement with the sales arm of Yeo Hiap Seng Group, YHS (Sales) Pte Ltd ("YHS") and increasing demand from Kalimantan region in Indonesia.

Revenue in the Malaysian market would have been better if not because of the Hari Raya festivals which were celebrated twice during the financial year as compared to once in the previous financial year. The double festive holidays had resulted in lower sales as most of the customers had closed for business during the festivities. The Division does not expect this scenario to repeat anytime soon in future.

As a result of the increased business volume and higher sales to export markets, the Division also incurred higher selling expenses due to higher freight and transport charges as well as higher fuel prices. This was, however, partially offset by lower rental incurred on the storage due to the completion of the factory extension and lower depreciation charge as a result of fully depreciated property, plant and equipment.

Looking ahead, demand of dairy ingredients like skimmed milk powder and sweet whey powder in the world market is expected to continue to surge in view of the improving economic conditions in the developing countries and The People's Republic of China ("PRC"). Due to a current reduction in supply of milk, the price of skimmed milk powder is expected to trend higher in the near future. Though the Division has hedged with forward buying at prices below the current quote, the Division will experience higher costs of milk powder in FY2007 if the situation does not improve. In addition, crude palm oil price has surged higher of late in the commodity market with forward position remaining bullish in tandem with the soya oil market. This trend is expected to persist in the foreseeable future.

The Malaysian market will remain the backbone of the Group's Dairies Division and the Division shall continue with its efforts to increase market share by leveraging on the Division's well received and recognized "*DAIRY CHAMP*" brand name, notwithstanding, the keen competition experienced during the past year.

For the "Asean" market, the Division had entered into a distributorship arrangement with YHS for the sales and distribution of its products in the Singapore market in May 2006. Further, the Division's past efforts to lay the ground work to distribute its products in Indonesia have also started to bear fruits. The Division is now ready to push its distribution in East and West Java.

In the "Other" export markets, the Dairies Division has entered into new non-traditional markets in the Central American and African region in countries like Cuba, Trinidad and Tobago, Suriname, Mali and Angola. The Division will continue to work diligently with its

partners to expand its presence in these markets. Demand for its products from these African markets has been so strong during the financial year that the Division was not able to cater to all orders due to capacity constraints for its 1kg pack size. The Division is also stepping up its efforts to establish a stronger presence in the PRC and Hong Kong. These two markets are very important for the Division and the need to accelerate its entry into these two markets is recognised.

In view of the strong demand for the Division's 1kg pack size sweetened condensed milk, the Division has added a new high-speed production line to cater to this pack size targeted primarily for the African markets. Installation of this new production line was completed during the financial year and commercial production has commenced in October 2006. With the newly installed production capacity, the Division will be able to lower its unit cost on overhead and positive contribution from this added capacity can be expected in FY2007. In addition, the Division has completed the purchase of an additional 4 acres of freehold land adjacent to its existing factory on 8 acres freehold land.

The Division is working closely with its packaging suppliers (both tin cans and cartons) to reduce material costs by working on a new profile of packaging as well as different types and thickness of materials. This effort is for its proposed 2-piece evaporated milk tin can and thinner gauge materials for tin cans and cartons. In addition, the Division is also in the process of installing another packing line to produce evaporated milk and flavoured milk beverages in 170gm pack size.

The Division has rationalised and re-grouped its Dairies Division into three separate legal entities in accordance with their respective functional activities as given below:

- Etika Dairies Sdn. Bhd. which will be involved in manufacturing operations
- Etika Foods Marketing Sdn. Bhd. which will be involved in the sales and distribution within the Malaysian market
- Etika Global Resources Sdn. Bhd. which is an approved international procurement center and will handle all of the Division's dairy products exported out of Malaysia

This rationalisation exercise which took effect from 1 October 2006 is expected to bring more focus to the Division's business activities leading to a more efficient and effective management of the Division.

Frozen Foods Division

There are no comparative numbers since this is a new division under the Group resulted from the acquisition of PB Group. For the eight months' period from February to September 2006, this division contributed RM52.8 million or 22.6% to the Group revenue. A major part of this revenue was contributed by the sales of frozen meat, of which beef products made up the bulk of the revenue for the Division.

The ban on New Zealand beef imports into Malaysia is currently still in force and had affected the Division's financial performance for FY2006. In addition, as only three beef plants from Australia are approved by Malaysia, beef supplies have been inconsistent, leading to high prices. However, there is encouraging news that the relevant authorities in Malaysia are re-assessing the New Zealand situation and that more Australian beef plants will be approved in the near future. Though the ban of U.S. beef has been lifted, this has not had the desired effect of improving sales. To counter some of these factors and to improve sales, the Division's marketing efforts will be concentrated on grain-fed beef and Wagyu-grade beef from Australia and certified Black Angus beef from Uruguay.

Competition for the meat sector will come mainly from the local packers that import live cattle and slaughter them locally. Although pricing will be an important factor, quality consistency and taste factor of imported meat are elements that will ensure that the Division maintains its existing customer base. To cater to an expected higher business volume, the Division is also planning to

expand the capacities of its freezers and chillers. Besides beef, new product lines have been added to complement the existing range as well as diversifying the Division's revenue streams. The present range of premium pasta products from Italy is mainly for the catering industry and a new range of pasta products from Australia is now marketed for the end-consumers. A new line of Swiss yoghurt has also been added to complement the existing line of Australian yoghurt.

This division used to operate under four subsidiary companies within the PB Group, of which three are wholly-owned. In order to improve the Group's operating efficiency and effectiveness, the Division has undertaken a conversion exercise to turn all wholly-owned subsidiaries' operation into branch operations under its holding company, Pok Brothers Sdn. Bhd. This exercise was carried out with effect from 1 October 2006.

With the coming "Visit Malaysia Year 2007" coupled with the strong government promotion and incentives given to the hospitality sector, the Division expects to seize on these opportunities with the aim of registering better sales.

Butchery & Bakery Division

This is also a newly acquired division for the Group as a result of the acquisition of PB Group. Revenue from this division for the eight months' period was relatively small at RM1.6 million or 0.68% of total Group revenue.

Though this division has been operating under capacity constraints throughout the year, both of its sub-divisions have performed well last year. In particular, the Group is strongly encouraged by the favourable response to some of the Division's bakery products under contract-manufacture to an international food-chain customer located in Singapore. In fact, the Division may be awarded new contracts for such similar supplies to the customer's outlets in other Asean countries, affirming once again, the Group's strategic goal of offering quality product brands to all its customers.

In addition, research and development efforts will be focused on new product development, the improvement of tastes of products as well as product packaging. While the Division's sausages and cold-cuts are traditionally manufactured fresh and kept chilled, the Division's new production methods have created new freezable products that cater to customers' demand. New products that are expected to be launched include turkey and chicken coldcuts with localised tastes.

Selling prices and gross margins are expected to be similar as in previous years. Competition is expected from the usual small and specialized deli outlets which produce their own sausages and cold-cuts.

Looking ahead, the Group is optimistic that sales from both of the sub-divisions will see improvements with the coming "Visit Malaysia Year 2007" next year, when better opportunities are expected to be presented.

ACQUISITIONS AND POSITIONING

The Group will continue to chart its regional footprint through organic as well as via merger and acquisition activities whenever suitable opportunities are presented. However, priority shall always be given to organic expansion so as to further strengthen the Group's foothold in its existing core businesses. Nevertheless, the Group recognised the need to factor other considerations such as gestation period, position in market, product and industry risks, and investment returns whenever the Group is faced with a choice of growth through organic means or via acquisition.

In this regard, to further expand its business and diversify its product offerings, the Group has announced that its wholly-owned subsidiary, Etika (NZ) Limited, has entered into a Sale and Purchase Agreement with Fonterra Brands Investments (NZ) Limited, a wholly-owned subsidiary of Fonterra Co-operative Group Ltd ("FCL") to acquire 100% of Naturalac Nutrition Limited ("Horleys") in September 2006. This presents an excellent opportunity for the Group to enter a niche market in the high growth and high margin sector that Horleys is currently in. Furthermore, the Group will be able to expand geographically in more developed markets like Australia and New Zealand where the Group has limited presence currently. This proposed acquisition will also allow the Group to focus in the development and ownership of intellectual property like trademarks.

SCALING NEW HORIZONS

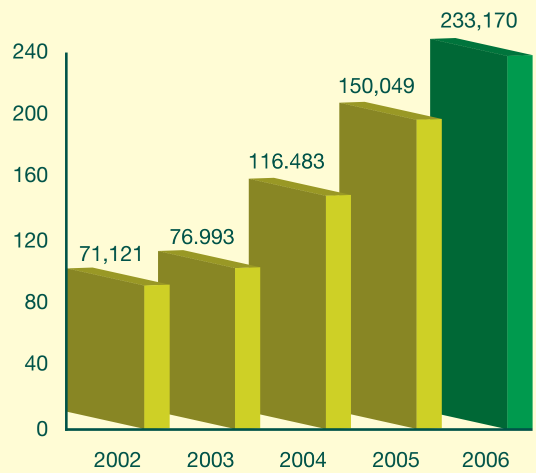
Much has been achieved in spite of the Group experiencing a very challenging past year. Looking ahead, the Group will continue to build on its momentum as the Group sees opportunities where it can incrementally improve the performance of its various business divisions. The Group will endeavour to drive growth and enhance shareholders' value by its growth strategy. In its drive to derive synergies from its various business divisions, the Group will continue to strive for pooling of resources and knowledge sharing amongst key management staff of the various divisions. In addition, the Group will continue with its on-going efforts to optimise its equity and debt structure. The Board is nonetheless, confident that with the steps that it is taking and the various strategies that are currently being pursued will put the Group in a better position to scale new horizons.

Financial Highlights

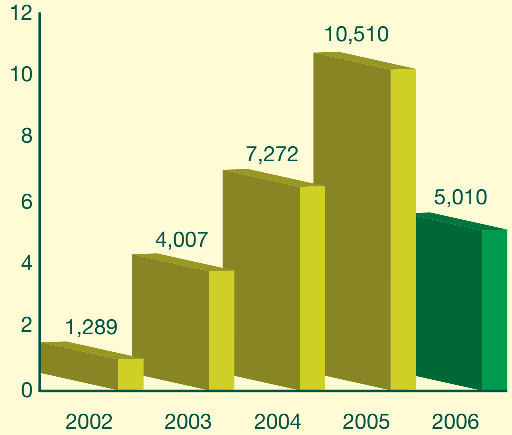
	FY2002 Proforma	FY2003 Proforma	FY2004 Proforma	FY2005 Actual	FY2006 Actual
KEY FINANCIAL INFORMATION					
1. Revenue (RM'000)	71,121	76,993	116,483	150,049	233,170
2. Profit after tax (RM'000)	1,289	4,007	7,272	10,510	5,010
3. Shareholders' equity-opening balance	7,319 [(1)]	8,606	12,614	33,731 [(1)]	45,564
4. Total equity	8,606	12,614	19,877	45,564	50,564
5. Weighted average number of shares	128,630,152	128,630,152	128,630,152	148,460,443	171,630,152
6. Weighted average number of days (revenue)	365	365	365	334	336
KEY FINANCIAL RATIO					
1. Earnings per share (EPS)(RM sen)	1.00	3.12	5.65	7.08	2.86
2. Return on equity (%)	17.61	46.56	57.65	31.16	10.99
3. Dividend per share (RM sen)	N/A	N/A	N/A	0.89	0.95
4. Net asset value per share (RM sen)	8.52	11.91	15.45	26.55	29.51
5. Inventory turnover (days)	31	52	44	54	40
6. Receivables turnover (days)	90	91	81	73	86
7. Payables turnover (days)	108	108	95	82	51
8. Working capital cycle (days)	13	35	30	45	75
9. Net gearing ratio (times)	2.20	1.49	1.02	0.40	1.40

[(1)] adjusted for new shares issued during the financial year

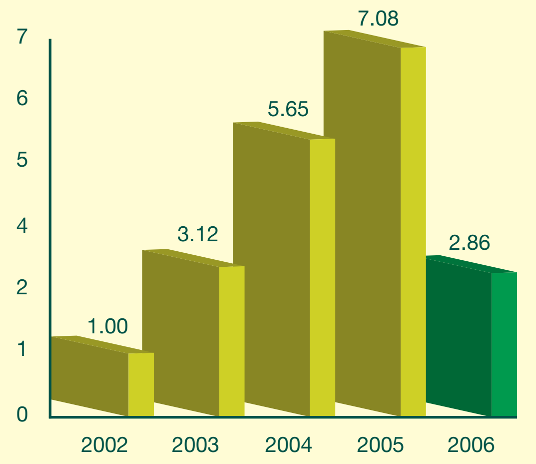
REVENUE *(RM'000)*



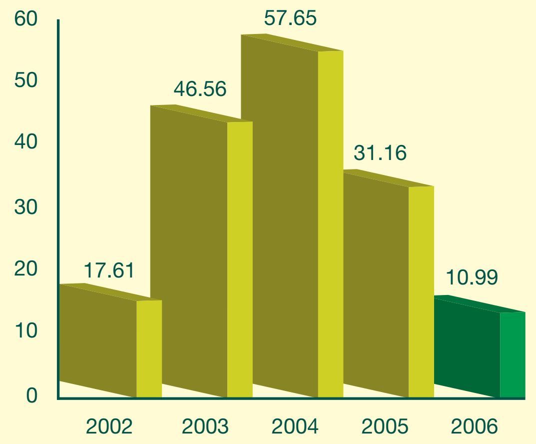
PROFIT AFTER TAX *(RM'000)*



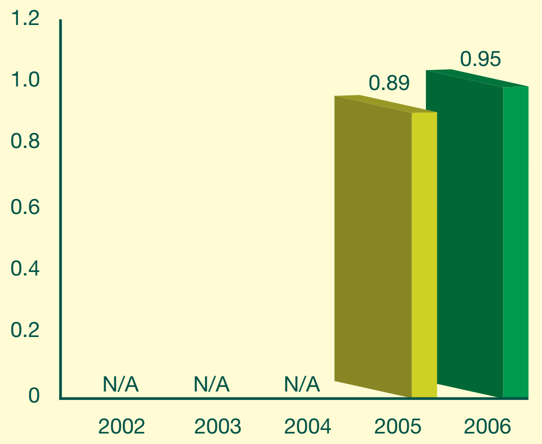
EARNINGS PER SHARE (EPS) *(RM sen)*



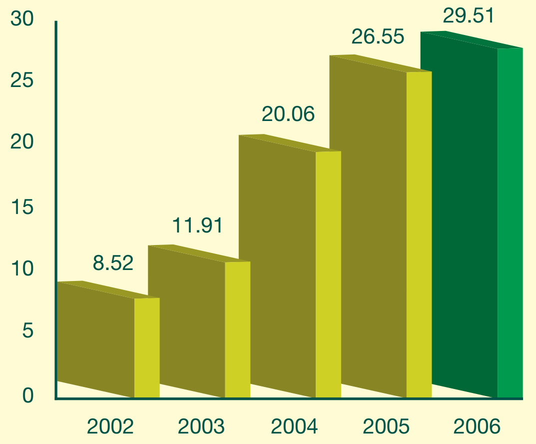
RETURN ON EQUITY *(%)*



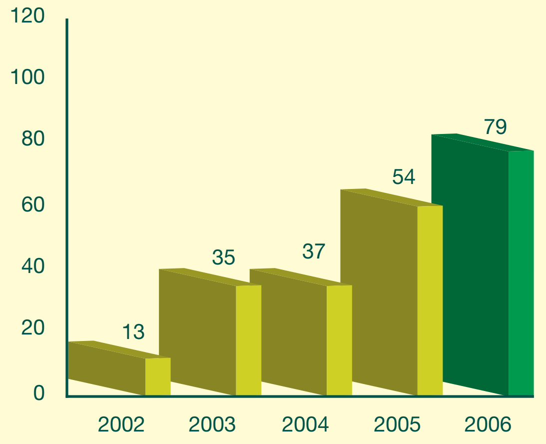
DIVIDEND PER SHARE *(RM sen)*



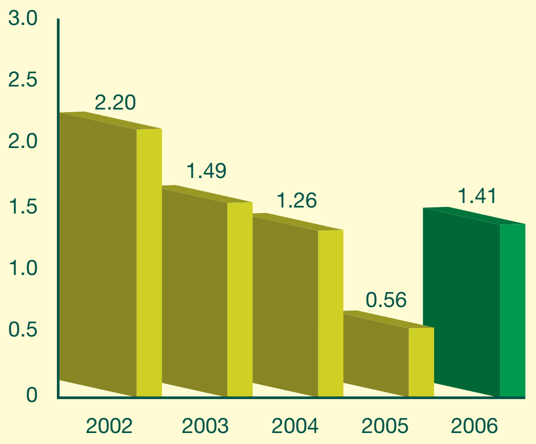
NET ASSET VALUE PER SHARE *(RM sen)*



WORKING CAPITAL CYCLE *(days)*



NET GEARING RATIO *(times)*



Board of Directors

DATO' JAYA J B TAN
Non-Executive Chairman
Member of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

Dato' Jaya is the Non-Executive Chairman of the Company and was appointed to the Board since 23 December 2003. He graduated from the University of Arizona and is a Mechanical Engineer by training. He has extensive experience in forestry, property development, food retail operations, trading and financial services. Previously, he has served as Chairman of several companies quoted on the stock exchanges of Malaysia, the UK, Singapore, Australia and India.

He is involved in gaming, hospitality and leisure businesses in Papua New Guinea and Ghana and acts as the Vice Chairman of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Apart from the present directorship of the Company, Dato' Jaya is also the Executive Chairman of another company listed on the Singapore Stock Exchange known as Lasseters International Holdings Limited as well as being the Chairman of two listed companies in Australia, namely, Lasseters Corporation Limited and Cypress Lakes Group Limited.

Dato' Jaya was re-elected at the last Annual General Meeting held in January 2006.

Dato' Jaya is the brother of Mr Kamal Y P Tan, brother-in-law of Ms Tan Yet Meng and uncle of Mr Tan San Chuan.

KAMAL Y P TAN
Executive Director

Mr Kamal is the Executive Director of the Company and was appointed to the Board on 23 December 2003. He is an Economics graduate from the London School of Economics and has held board positions with companies listed on the stock exchanges in Malaysia, Singapore, Australia, United Kingdom and India.

He is involved in gaming, hospitality and leisure businesses in Papua New Guinea and Ghana and acts as a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Apart from the present directorship of the Company, Mr Kamal is also the Non-Executive Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited and companies listed on the Australian Stock Exchange, Lasseters Corporation Limited and Cypress Lakes Group Limited.

Mr Kamal was re-elected at the last Annual General Meeting held in January 2006.

Mr Kamal is the brother of Dato' Jaya J B Tan, brother-in-law of Ms Tan Yet Meng and uncle of Mr Tan San Chuan.

TEO CHEE SENG
Independent Director
Chairman of Remuneration Committee
Chairman of Nominating Committee
Member of Audit Committee

Mr Teo Chee Seng was appointed Independent Director of the Company on 3 August 2004. He holds a Bachelor of Law (Hons) degree from the University of Singapore and is a lawyer in the Singapore private practice for more than 23 years.

He is also a Commissioner of Oaths and a Notary Public. He acts as the legal consultant to Tzu Chi Foundation, Taiwan's biggest charity organisation with 5 million members worldwide. Presently, he sits on the Advisory Board of Raffles Town Club.

Apart from the present directorship of the Company, Mr Teo is also an Independent Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited.

Mr Teo is due for re-election as a director of the Company at the forthcoming Annual General Meeting of the Company.

JOHN LYN HIAN WOON
Independent Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

Mr John Lyn Hian Woon was appointed Independent Director on 3 August 2004. He holds a BSc degree in Mechanical Engineering from the University of Leeds, UK and an MBA from Washington State University.

He is presently the Chief Executive Officer of Colonial Investment Pte. Ltd., where he is responsible for management, strategic planning, investment and corporate restructuring. Prior to that, he was an investment banker with various financial institutions such as Chase Manhattan Bank, Citibank, Schroders Securities and HSBC James Capel with a total of 15 years of experience.

Apart from the directorship of the Company, Mr John Lyn does not hold directorship in any other listed companies.

MAH WENG CHOONG
Non-Executive Director

Mr Mah Weng Choong is a Non-Executive Director of the Company and was appointed to the Board on 3 August 2004. He is a graduate in Science from the University of Malaya. Having spent 34 years in the Malaysian dairy division of a group listed on the SGX-ST, he has gained extensive experience in the manufacture of sweetened condensed milk and evaporated milk. He has worked in milk plants in Malaysia and Singapore that produces sweetened condensed milk, evaporated milk, ice-cream, UHT beverages, milk powder packing and other dairy-related products.

He was appointed Managing Director of Etika Dairies Sdn. Bhd. ("EDSB"), a wholly-owned subsidiary of the Company in 1996 and has successfully set up our current factory located in Meru, Klang, in Malaysia. His primary responsibilities include the formulation and implementation of the EDSB's business strategies and policies and charting its growth.

Apart from the directorship of the Company, Mr Mah does not hold directorship in any other listed companies.

Mr Mah is due for re-election as a director of the Company at the forthcoming Annual General Meeting of the Company.

TAN YET MENG
Non-Executive Director

Ms Tan Yet Meng was appointed as Non-Executive Director of the Company on 15 September 2005. She holds a Secretarial Diploma and has previous working experience in advertising, bakery and confectionery as well as retail and trading in frozen food and fresh juices.

She sits on the board of a few private companies which are involved in investment holding, property development and leisure business.

Apart from the directorship of the Company, Ms Tan does not hold directorship in any other listed companies.

Ms Tan was re-elected at the last Annual General Meeting held in January 2006.

Ms Tan is the mother of Mr Tan San Chuan and sister-in-law of Dato' Jaya J B Tan and Mr Kamal Y P Tan.

KHOR SIN KOK
Alternate Director to Mah Weng Choong

Mr Khor Sin Kok was appointed as Alternate Director to Mr Mah Weng Choong on 3 August 2004. He holds a degree in Mechanical Engineering from the University of Leeds, UK and a Master degree in Business Administration majoring in Finance from Michigan State University, USA. He has worked in a Malaysian dairy division of a group listed on the SGX-ST in 1985 as Assistant Project Development Manager. During his 12 years tenure with the company, he was involved in market research activities, project feasibility studies and implementation and manufacturing operations of various product lines like sweetened condensed milk, evaporated milk, milk powder packing, ice-cream, UHT beverages, sterilized and pasteurized products in plastic bottle and gable-top paper carton and can making plant. He joined EDSB in 1996 as its Executive Director. He oversees the day-to-day management and operations of EDSB as well as strategic planning and business development of the said company.

Apart from the directorship of the Company, Mr Khor does not hold directorship in any other listed companies.

TAN SAN CHUAN
Alternate Director to Tan Yet Meng

Mr Tan San Chuan was appointed as Alternate Director to Ms Tan Yet Meng on 15 September 2005. Mr Tan is an Accounting and Finance graduate from the London School of Economics. Prior to joining the Group, he was employed by KPMG and has gained experience in auditing. Mr Tan has also worked in a merchant bank in Malaysia in which he gained some experience in corporate finance through his involvement in mergers and acquisitions and corporate restructuring exercises.

He is a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Apart from the present directorship of the Company, Mr Tan is also the Non-Executive Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited and companies listed on the Australian Stock Exchange, Lasseters Corporation Limited and Cypress Lakes Group Limited.

Mr Tan is the son of Ms Tan Yet Meng and nephew of Dato' Jaya J B Tan and Mr Kamal Y P Tan.

Senior Management

POK YORK KEAW
Managing Director
Pok Brothers Sdn Bhd

Mr Pok York Keaw has extensive experience in the hotel and restaurant industry. He is the Managing Director of Pok Brothers Sdn Bhd and has been with the company since the mid 1960's. He joined Pok Brothers after his secondary school education and was instrumental in building up the company from a mini-market trader to an importer of quality foods and a distributor of a range of international branded products. Besides his duties as the Managing Director, he is also responsible for purchasing. As a testament to his leadership in the hotel and restaurant industry, Mr Pok was made an honorary member of the Malaysian Chef's Association.

CHUNG CHEE FOOK
Executive Director, Technical and Production
Etika Dairies Sdn Bhd

Mr Chung Chee Fook has overall responsibility of EDSB's technical and production departments. Prior to joining EDSB, Mr Chung was actively involved in the fields of research and development, product development, and quality assurance in the dairy product industry. Mr Chung has worked in the dairy product industry since 1966, holds a Technical Diploma in Milk Processing and Control from London and a Certificate on Low Acid Can Food from the Food and Drug Administration, U.S.A. He is also a qualified Lead Assessor for ISO 9000 Certification. During the mid-80s, he assisted the New Zealand Dairy Board in their research concerning the inter-laboratory testing of heat stability of milk powders. He was also the Quality Assurance Manager of a dairy company and was in charge of product development and quality assurance, in particular, monitoring the quality standards of products such as sweetened condensed milk, evaporated milk, milk powder packing, ice-cream, dairy beverages and fruit juices. He was appointed Executive Director, Technical and Production of EDSB in 1997 and is primarily responsible for production and quality assurance.

KWONG YUEN SENG
Executive Director, Sales and Marketing
Etika Dairies Sdn Bhd

Mr Kwong Yuen Seng has overall responsibility for EDSB's sales and marketing activities. Prior to joining EDSB, he had more than 34 years experience in the Malaysian dairy division of a group listed on the SGX-ST. He began his career at the age of 23 and as a sales representatives in a dairy company based in Malacca. During this time, he was part of a team of pioneers who advanced the sale of sweetened condensed milk in Malaysia and had over the years, gained considerable experience in the domestic milk product industry, having worked in both East and West Malaysia. He was appointed as Executive Director, Sales and Marketing of EDSB in 1999 and is primarily responsible for developing marketing strategies and expanding its market share in Malaysia and overseas.

THONG COOI SEONG
Chief Financial Officer

Mr Thong Cooi Seong is a holder of a MICPA (Malaysian Institute of Certified Public Accountant) qualification and has more than 20 years of experience in group accounts and reporting, joint venture start-up businesses, company mergers and acquisitions, cost and budgetary control processes, and strategic business planning. He started his career in 1985 where he spent an initial seven years in public accounting firms including Ernst & Young. He subsequently held senior finance and accounting positions in several private, public-listed and multinational corporations involved in manufacturing, construction and plantation industries prior to joining the Group in June 2004.

Corporate Information

BOARD OF DIRECTORS

Dato' Jaya J B Tan
Non-Executive Chairman

Kamal Y P Tan
Executive Director

Mah Weng Choong
Non-Executive Director

John Lyn Hian Woon
Independent Director

Teo Chee Seng
Independent Director

Tan Yet Meng
Non-Executive Director

Khor Sin Kok
(Alternate Director to Mah Weng Choong)

Tan San Chuan
(Alternate Director to Tan Yet Meng)

COMPANY SECRETARIES

Julie Koh Ngin Joo, ACIS
Kok Mor Keat, ACIS

REGISTERED OFFICE

3 Church Street
#08-01 Samsung Hub
Singapore 049483
Telephone : (65) 6536 5355
Facsimile : (65) 6536 1360

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

AUDITORS

BDO Raffles
Certified Public Accountants
5 Shenton Way #07-01
UIC Building
Singapore 068808
Partner-in-charge: Lee Joo Hai
(Appointed since the financial year ended 30 September 2005)

PRINCIPAL BANKERS

EON Bank Berhad
1st Floor Menara EON Bank
288 Jalan Raja Laut
50350 Kuala Lumpur

HSBC Bank Malaysia Berhad
Head Office, 2 Lebuh Ampang
50100 Kuala Lumpur

Malayan Banking Berhad
Mayban Tower
2 Battery Road
Singapore 049907

Malayan Banking Berhad
50-52 Jalan Sultan
Petaling Jaya
46200 Selangor

United Overseas Bank (Malaysia) Berhad
Kuala Lumpur Main Branch
Level 2 Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur

SOLICITORS

Stamford Law Corporation
9 Raffles Place #32-00
Republic Plaza
Singapore 048619

Corporate Governance

Etika International Holdings Limited ("Etika") is committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance (the "Code") as reviewed by the Singapore Council on Corporate Disclosure and Governance whose recommendations to revise the Code have been accepted by the Government in July 2005 ("the revised Code") and the Best Practice Guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") with regards to dealings in securities.

Etika believes it has put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. This report outlines Etika's corporate governance framework in place throughout the financial year ended 30 September 2006 ("FY2006").

BOARD MATTERS

Board's Conduct of its Affairs
Principle 1 : Effective Board to lead and control the Company

The primary functions of the Board are to provide stewardship for Etika and its subsidiaries (the "Group") and to enhance and protect long-term returns and value for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's long-term strategic objectives and directions, reviews and approves the Group's annual budgets, business and strategic plans and monitors the achievement of the Group's corporate objectives. It also oversees the management of the Group's business affairs and conduct periodic reviews of the Group's financial performance and implementing policies relating to financial matters, which include risk management and internal control and compliance.

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's half-year and full-year results and interested person transactions of a material nature. The Board ensures that incoming new Directors are familiarized with the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties.

Going forward, the Board proposed to meet on a quarterly basis to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. Ad-hoc meetings will be held when circumstances require. Etika's Articles of Association also provide for telephone conference and video conferencing meetings.

The attendance of the directors at meetings of the Board and Board committees is as follows :-

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2006	4	4	2	1
Name of Directors				
Dato' Jaya J B Tan	4	4	2	1
Kamal Y P Tan	4	-	-	-
Tan Yet Meng (Alternate Director : Tan San Chuan)	3	-	-	-
Mah Weng Choong (Alternate Director : Khor Sin Kok)	4	-	-	-
Teo Chee Seng	4	4	2	1
John Lyn Hian Woon	4	4	2	1

Board Composition and Balance
Principle 2 : Strong and independent element on the Board

Presently, the Board of Directors ("the Board") of Etika comprises 1 executive director, 3 non-executive directors and 2 independent directors, namely :-

Executive Director
Kamal Y P Tan

Non-Executive Directors
Dato' Jaya J B Tan (Chairman)
Mah Weng Choong
Tan Yet Meng
Khor Sin Kok (Alternate to Mah Weng Choong)
Tan San Chuan (Alternate to Tan Yet Meng)

Independent Non-Executive Directors
Teo Chee Seng
John Lyn Hian Woon

There is a good balance between the executive and non-executive directors and a strong and independent element on the Board. Key information on directors can be found in the "Board of Directors" section of the annual report.

The Board, through the delegation of its authority to the Nominating Committee ("NC"), has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

The independence of each director is reviewed annually by the NC. The Board considers an "independent" director as one who has no relationship with Etika, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment of the conduct of the Group's affairs.

The composition of the Board is reviewed on an annual basis by NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning.

Chairman and Executive Director
Principle 3 : Clear division of responsibilities at the top of the Company

The Chairman's primary function is to manage the business of the Board and the Board committees, and to promote harmonious relations with the shareholders. In respect of the Chairman's role with regard to Board proceedings, the Chairman being a non-executive Director :

- schedules meetings that enable the Board to perform its duties responsibly while not interfering with the flow of Etika's operations;
- prepares meeting agenda;
- exercises control over quality, quantity and timeliness of the flow of information between management and the Board; and
- assists in ensuring compliance with Etika's guidelines on corporate governance.

There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the management of Etika's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of executive management performance on a periodic basis.

The role of the Chairman and Executive Director are separate. Dato' Jaya J B Tan, the non-executive Chairman, is consulted on the Group's strategic direction and formulation of policies. The day-to-day operation of the Group is entrusted to the Executive Director, Mr Kamal Y P Tan, who is assisted by an experienced and qualified team of executive officers of the Group. Dato' Jaya and Mr Kamal are brothers.

Access to information

Principle 6 : Board members to have complete, adequate and timely information

Principle 10 : Accountability of the Board and management

The Board is provided with adequate information, management accounts, financial and corporate reports in a timely manner by the management to the Directors on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis.

The Board has separate and independent access to Etika's senior management and the Company Secretaries. At least one of the Company Secretaries attends the Board and Board committee meetings and is responsible for ensuring that board procedures are followed in accordance with the Memorandum and Articles of Association of Etika, and that applicable rules and regulations are complied with.

Management will, upon direction by the Board, assist the Directors, either individually or as a group, to get independent professional advice in furtherance of their duties, at Etika's expense.

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of Etika through half-year and full-year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

Presently, the Management presents to the AC the half-year and full-year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and public via SGXNET.

Board Committees

To assist the Board in the discharge of its responsibilities, the Board has established three Board Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The composition of each of the committees is as follows :-

Directors	Audit Committee	Remuneration Committee	Nominating Committee
Teo Chee Seng	Member	Chairman	Chairman
John Lyn Hian Woon	Chairman	Member	Member
Dato' Jaya J B Tan[1]	Member	Member	Member

[1] Dato' Jaya J B Tan was appointed as a member of the Audit Committee with effect from 19 October 2005.

Nominating Committee
Principle 4 : Formal and transparent process for appointment of new directors
Principle 5 : Formal assessment of the effectiveness of the Board and contributions of each director

The Nominating Committee ("NC") comprises one non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee, namely :-

Teo Chee Seng (Chairman)	Non-Executive, Independent
John Lyn Hian Woon (Member)	Non-Executive, Independent
Dato' Jaya J B Tan (Member)	Non-Executive

The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value, to be used for performance evaluation of the Board.

The NC performs the following principal functions:-

- reviews the structure, size and composition of the Board and make recommendations to the Board;
- identifies candidates and reviews all nomination for the appointment and re-appointment of members of the Board;
- make plans for succession, in particular for the Chairman and Chief Executive;
- determines annually whether or not a Director is independent in accordance with the guidelines of the Code;
- decides whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company; and
- assesses the effectiveness of the Board as a whole, as well as the contribution by each member of the Board.

The Board has power from time to time and at any time to appoint a person as a Director to fill a casual vacancy or as an addition to the Board. Any new Directors appointed during the year shall only hold office until the next Annual General Meeting ("AGM") and submit themselves for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Article 91 of Etika's Articles of Association requires one third of the Board to retire by rotation at every AGM. The Directors must present themselves for re-nomination and re-election at regular intervals of at least once every three years.

In reviewing the nomination of the retiring directors, the NC considered the performance and contribution of each of the retiring directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and efforts devoted to the Group's business and affairs, especially the operational and technical contributions.

In considering the appointment of any new director, the NC ensures that the new director possesses the necessary skills, knowledge and experience that could facilitate the Board in the making of sound and well-considered decisions. For re-appointments, NC takes into account the individual director's past contributions and performance.

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely Mr Mah Weng Choong and Mr Teo Chee Seng for re-election at the forthcoming AGM. Both Mr Mah and Mr Teo are retiring under Article 91 of the Company's Articles of Association.

Mr Mah Weng Choong, a non-executive and non-independent Director was appointed to the Board on 3 August 2004.

Mr Teo Chee Seng, an independent Director was appointed to the Board on 3 August 2004. He is the chairman of the Remuneration and Nominating Committees and a member of the Audit Committee. Upon his re-election as a Director of the Company at the forthcoming AGM, he will remain the chairman of the Remuneration and Nominating Committees and a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Mr Teo Chee Seng had abstained from making a recommendation on his own nomination.

Remuneration Committee

Principle 7 : Formal and transparent procedure for fixing remuneration packages of directors

Principle 8 : Remuneration of directors should be adequate but not excessive

Principle 9 : Remuneration policy, level and mix of remuneration and procedure for setting remuneration

The Remuneration Committee ("RC") comprises one non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee, namely :-

Teo Chee Seng (Chairman)	Non-Executive, Independent
John Lyn Hian Woon (Member)	Non-Executive, Independent
Dato' Jaya J B Tan (Member)	Non-Executive

The role of the RC is to review and recommend remuneration policies and packages for directors and key executives and to disseminate proper information on transparency and accountability to shareholders on issues of remuneration of the executive directors of the Group and employees related to the executive directors and controlling shareholders of the Group.

RC's review covers all aspect of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes, including share schemes and benefits in kind. Recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

Primary functions to be performed by RC:-

- reviews and recommends to the Board, a framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the Etika Employee Share Option Scheme (the "Scheme") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme; and
- recommends to the Board, the Executive Share Option Schemes or any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

DIRECTORS' REMUNERATION

a) Number of directors in remuneration bands:-

	23/12/2004 to 30/9/2005	1/10/2005 to 30/9/2006
Below S$250,000	7	7
S$250,000 to S$499,999	-	-
S$500,000 and above	-	-
	7	7

b) A breakdown, showing the level and mix of each individual director's remuneration and fees of Etika for FY2006 is as follows:

Remuneration Bands & Names of Directors	Salary*	Directors' Fees	Performance-related income/ Bonus**	Total Remuneration
	%	%	%	%
Below S$250,000				
Kamal Y P Tan	90.1	-	9.9	100.0
Dato' Jaya J B Tan	-	100.0	-	100.0
Mah Weng Choong	77.4	12.4	10.2	100.0
Teo Chee Seng	-	100.0	-	100.0
John Lyn Hian Woon	-	100.0	-	100.0
Tan Yet Meng	-	100.0	-	100.0
Khor Sin Kok	90.0	-	10.0	100.0
Tan San Chuan	-	-	-	-

* *Inclusive of benefits–in-kind, allowances and provident fund.*

** *On receipt basis during FY2006.*

The breakdown, showing the level and mix of each key executive's remuneration for FY2006, is as follows :-

Remuneration Bands & Names of Executive Officers	Salary*	Directors' Fees	Performance-related income/ Bonus**	Total Remuneration
	%	%	%	%
Below S$250,000				
Pok York Keaw	72.2	0.6	27.2	100.0
Kwong Yuen Seng	90.5	0.0	9.5	100.0
Pok Yoke Kung	76.4	0.3	23.3	100.0
Pok Yoke Keng	76.0	0.3	23.7	100.0
Thong Cooi Seong	86.8	-	13.2	100.0

* *Inclusive of benefits-in-kind, allowances and provident fund.*

** *On receipt basis during FY2006.*

Immediate family members of Directors

There are no immediate family members of Directors in employment with Etika and whose remuneration exceeds S$150,000 during the FY2006.

Audit Committee

Principal 11 : Establishment of audit committee with written terms of reference

The Audit Committee ("AC") comprises one non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the AC as at the date of this report are as follows: -

John Lyn Hian Woon (Chairman)	Non-Executive, Independent
Teo Chee Seng (Member)	Non-Executive, Independent
Dato' Jaya J B Tan[1] (Member)	Non-Executive

[1]Dato' Jaya was appointed as the AC member with effect from 19 October 2005.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the group's material internal controls, including financial, operational, compliance and risk management controls at least once annually, to safeguard Etika's assets and maintain adequate accounting records, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group.

The AC has authority to investigate any matter within its terms of reference, gain full access to and co-operation by management, exercise full discretion to invite any Director or executive officer to attend its meetings, and gain reasonable access to resources to enable it to discharge its function properly.

The AC will meet with the external auditors without the presence of the management at least once a year to review the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors.

It has undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the provision of such services would not affect the independence of the auditors.

In performing those functions, the AC reviews :-

- with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- the financial statements of Etika and the consolidated financial statements of the group before their submission to the Board of Directors;
- and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- potential conflicts of interest (if any);
- the adequacy of the internal audit function and the effectiveness of Etika's material internal controls;
- independence of the external auditors;
- interested person transactions;
- the internal control procedures and ensure co-operation given by the management to the external auditors;
- the appointment and re-appointment of external and internal auditors of Etika's and the audit fees; and
- and undertake such other functions and duties as requested by the Board and as required by statute or Listing Manual.

The external auditors have full access to the AC who has the express power to conduct or authorize investigations into any matters within its terms of reference. Minutes of the AC meetings will be regularly submitted to the Board for its information.

The AC has reviewed the Group's risk assessment, and based on the audit reports and management controls in place, is satisfied that there are adequate internal controls in the Group.

Having reviewed all non-audit services provided by the external auditors, BDO Raffles, the AC is of the view that such services do not affect BDO Raffles' independence and objectivity and has recommended their re-appointment to the Board.

Internal Controls and Internal Audit
Principle 12 : Sound system of internal controls
Principle 13 : Setting up independent audit function

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. Etika's auditors, BDO Raffles, carry out, in the course of their statutory audit, a review of the effectiveness of Etika's material internal controls, annually to the extent of their scope laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations, are reported to the AC members. For FY2006, the Board is of the view that based on the reports from the auditors, the system of internal controls that has been maintained by Etika's management throughout the financial year is adequate to meet the needs of Etika. The Board shall consider expanding its internal audit resources as and when the need arises.

Communication with Shareholders
Principle 14 : Regular, effective and fair communication with shareholders
Principle 15 : Shareholder participation at AGM

Etika is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST, shareholders, analysts, the public and its employees.

Information is communicated to shareholders and the public through the following channels:

- notice of Annual General Meeting ("AGM") and Annual Reports that are issued to all shareholders. The Board strives to ensure that these reports include all relevant information on the Group, including current developments, strategic plans and disclosures required under the Companies Act, Singapore Financial Reporting Standards, Listing Manual of the SGX-ST and other relevant statutory and regulatory requirements;
- price sensitive announcement of half-year and full-year results released through SGXNET;
- disclosures on the SGXNET;
- press releases;
- press and analysts' briefings as may be appropriate; and
- the Group's website (www.etikadairies.com.my) at which shareholders and the public may access information on the Group.

All shareholders are welcome to attend the AGM. The Board of Directors, AC members and other committee members, chief financial officer, auditors and the Company Secretary/Secretaries will be present and are available to address any questions from shareholders regarding the Group and its businesses.

Material Contracts

No material contracts were entered into between Etika or any of its subsidiaries involving the interests of any director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year except for related party transactions and director's remuneration as disclosed in the financial statements.

Interested Person Transactions

Etika has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

The aggregate value of interested person transactions entered into during the year were as follows :-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000)
	RM	**RM**
Perinsu (Broker Insurans) Sdn. Bhd. - Insurance premium	675,749 (or approximately S$290,933)	-
Life Medicals Berhad - Purchase of packing materials	1,007,463 (or approximately S$433,747)	-

Based on exchange rate as at 30 September 2006 of S$1 = RM2.3227

Risk Management

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in the financial statements.

Dealings in Securities

Following the introduction of Best Practice Guide by SGX-ST ("the Code"), the company has brought to the attention of its employees the implications of insider trading and recommendations of the Best Practice Guide.

Etika has adopted and implemented an internal compliance of the Code which prohibits securities dealings by directors and employees while in possession of unpublished price-sensitive information.

Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of Etika prior to the announcement of a matter that involves material unpublished price-sensitive information. They are required to report on all their dealings in Etika securities to Etika. They are also prohibited from dealing in Etika's securities during the period commencing one month before the announcement of Etika's half-year or full-year results and ending on the day after the announcement of the half-year and full-year results.

The Group has complied with the Best Practices Guide on Securities Transactions issued by the Singapore Exchange.

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Report of the Directors

The Directors of the Company present their report to the members together with the audited consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 September 2006.

1. Directors

The Directors of the Company in office at the date of this report are:

Dato' Jaya J B Tan
Kamal Y P Tan
Mah Weng Choong
John Lyn Hian Woon
Teo Chee Seng
Tan Yet Meng
Khor Sin Kok
Tan San Chuan

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the 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.

3. Directors' interests in shares or debentures

According to the register of the Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 ("Act"), none of the Directors who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as follows:

	Direct interest			**Deemed interest**		
	1.10.2005	**30.9.2006**	**21.10.2006**	**1.10.2005**	**30.9.2006**	**21.10.2006**
The Company						
Number of ordinary shares						
Dato' Jaya J B Tan	29,618,789*1	29,618,789*2	29,618,789*2	59,237,577	59,237,577	59,237,577
Kamal Y P Tan	29,618,789*3	29,618,789*4	29,618,789*4	59,237,577	59,237,577	59,237,577
Mah Weng Choong	4,536,846	4,636,846	4,636,846	-	-	-
John Lyn Hian Woon	200,000	200,000	200,000	-	-	-
Teo Chee Seng	50,000	50,000	50,000	-	-	-
Tan Yet Meng	-	-	19,745,858	-	-	69,110,508
Khor Sin Kok	4,577,846	4,577,846	4,577,846	-	-	-
Tan San Chuan	-	-	4,936,465	-	-	-

*1 Includes direct interest in 8,500,000 ordinary shares held through nominees.
*2 Includes direct interest in 15,400,000 ordinary shares held through nominees.
*3 Includes direct interest in 8,500,000 ordinary shares held through nominees.
*4 Includes direct interest in 27,100,000 ordinary shares held through nominees.

By virtue of Section 7 of the Act, Dato' Jaya J B Tan and Kamal Y P Tan are deemed to have interests in the shares of all the wholly-owned subsidiaries held by the Company, as at the beginning and end of the financial year.

4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

The Company has implemented a share option scheme known as the "Etika Employee Share Option Scheme" ("ESOS"). The ESOS was approved and adopted by the Shareholders at an Extraordinary General Meeting of the Company held on 8 November 2004. No share options have been granted under the ESOS.

6. Audit committee

The Audit Committee during the financial year and at the date of this report comprises the following members, all of whom are non-executive Directors and a majority of whom, including the Chairman, are independent Directors:

John Lyn Hian Woon	(Chairman)
Teo Chee Seng	
Dato' Jaya J B Tan	(appointed as member on 19 October 2005)

The Audit Committee performs the functions specified in Section 201B (5) of the Singapore Companies Act, Chapter 50.

In performing those functions, the Audit Committee reviewed the audit plans and the overall scope of examination by the external auditors of the Group and of the Company. The Audit Committee also reviewed the independence of the external auditors of the Company and the nature and extent of the non-audit services provided by the external auditors.

The Audit Committee also reviewed the assistance provided by the Company's officers to the external auditors and the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as well as the Auditors' Report thereon prior to their submission to the Directors of the Company for adoption. Interested person transactions of the Group during the financial year have also been reviewed by the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO Raffles, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

7. Auditors

The auditors, BDO Raffles, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

DATO' JAYA J B TAN

KAMAL Y P TAN

Singapore
28 December 2006

Statement by Directors

We state that, in the opinion of the Directors of Etika International Holdings Limited,

(a) the accompanying financial statements comprising the balance sheets of the Group and of the Company, consolidated profit and loss account, statement of changes in equity of the Group and of the Company and consolidated cash flow statement together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2006 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

DATO' JAYA J B TAN **KAMAL Y P TAN**

Singapore
28 December 2006

Auditors' Report to the Members of
Etika International Holdings Limited

We have audited the accompanying financial statements of Etika International Holdings Limited and of the Group comprising the balance sheets of the Group and of the Company as at 30 September 2006, consolidated profit and loss account, statements of changes in equity of the Group and of the Company and consolidated cash flow statement of the Group for the financial year then ended set out on pages 36 to 76. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2006 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO Raffles
Certified Public Accountants

Singapore
28 December 2006

Balance Sheets
as at 30 September 2006

		Group		Company	
	Note	2006	2005	2006	2005
		RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	4	82,482,106	46,759,578	-	-
Investments in subsidiaries	5	-	-	18,133,685	17,542,583
Associate	6	-	-	-	-
Available-for-sale financial assets	7	444,324	-	-	-
Deferred tax assets	8	73,737	-	-	-
Intangible assets	9	4,428,369	-	-	-
		87,428,536	46,759,578	18,133,685	17,542,583
Current assets					
Inventories	10	29,518,779	20,635,835	-	-
Trade and other receivables	11	66,791,104	36,092,497	20,106,716	9,350,515
Dividends receivable		-	-	-	2,198,572
Fixed deposits	12	387,926	7,273,386	-	7,273,386
Cash and bank balances		2,160,481	290,091	674,082	151,435
		98,858,290	64,291,809	20,780,798	18,973,908
Less:					
Current liabilities					
Trade and other payables	14	49,540,285	37,369,027	415,567	270,073
Bank borrowings	15	44,315,408	19,741,718	-	-
Finance leases	16	1,038,054	473,211	-	-
Current income tax payable		5,522	13,120	5,522	13,120
		94,899,269	57,597,076	421,089	283,193
Net current assets		3,959,021	6,694,733	20,359,709	18,690,715
Less:					
Non-current liabilities					
Deferred tax liabilities	8	4,620,049	2,354,982	-	-
Other payable	14	7,980,000	-	-	-
Bank borrowings	15	26,521,365	4,907,928	-	-
Finance leases	16	1,612,440	627,174	-	-
		40,733,854	7,890,084	-	-
		50,653,703	45,564,227	38,493,394	36,233,298
Capital and reserves					
Share capital	17	35,461,830	23,471,420	35,461,830	23,471,420
Share premium	18	-	11,990,410	-	11,990,410
Foreign currency translation reserve/(account)	19	204,066	(390,141)	317,339	(730,688)
Fair value reserve	20	47,172	-	-	-
Accumulated profits		13,247,765	10,492,538	2,714,225	1,502,156
Attributable to equity holders of the Company		48,960,833	45,564,227	38,493,394	36,233,298
Minority interests		1,692,870	-	-	-
		50,653,703	45,564,227	38,493,394	36,233,298

The accompanying notes form an integral part of the financial statements.

Consolidated Profit and Loss Account

for the financial year ended 30 September 2006

	Note	2006 RM	2005 RM
Revenue	21	233,170,383	150,048,872
Cost of sales		(200,515,217)	(128,130,664)
Gross profit		32,655,166	21,918,208
Other operating income	22	574,841	314,878
Administrative expenses		(11,654,743)	(4,275,028)
Marketing and distribution expenses		(9,204,766)	(7,034,703)
Other operating expenses		(1,679,191)	(1,231,017)
Exceptional item			
- Accreditation of negative goodwill arising on acquisition of a subsidiary	5(c)	-	3,128,816
Finance costs	23	(3,183,771)	(881,959)
Profit before income tax	24	7,507,536	11,939,195
Income tax	26	(2,497,457)	(1,428,947)
Profit after income tax attributable to shareholders		5,010,079	10,510,248
Attributable to:			
Equity holders of the Company		4,913,133	10,510,248
Minority interests		96,946	-
		5,010,079	10,510,248
Earnings per share	27		
Basic/Diluted			
- including exceptional income		2.86 sen	7.08 sen
- excluding exceptional income		2.86 sen	4.97 sen

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity
for the financial year ended 30 September 2006

Group	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Fair value reserve RM	Accumulated profits RM	Total attributable to equity holders of the Company RM	Minority interests RM	Total RM
Balance at 1 October 2005		23,471,420	11,990,410	(390,141)	-	10,492,538	45,564,227	-	45,564,227
Effect of Companies (Amendment) Act 2005	17, 18	11,990,410	(11,990,410)	-	-	-	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	1,595,924	1,595,924
Net fair value changes on available-for-sale financial assets	7	-	-	-	47,172	-	47,172	-	47,172
Net profit for the financial year		-	-	-	-	4,913,133	4,913,133	96,946	5,010,079
Dividends paid	28	-	-	-	-	(2,157,906)	(2,157,906)	-	(2,157,906)
Translation adjustment		-	-	594,207	-	-	594,207	-	594,207
Balance at 30 September 2006		35,461,830	-	204,066	47,172	13,247,765	48,960,833	1,692,870	50,653,703

Group	Note	Share capital RM	Share premium RM	Foreign currency translation account RM	Accumulated profits RM	Total RM
Balance at 1 October 2004		7	-	-	(17,710)	(17,703)
Issue of shares arising from acquisition of a subsidiary	17	17,542,573	-	-	-	17,542,573
Issue of shares in connection with the Company's initial public offering	17, 18	5,928,840	14,822,100	-	-	20,750,940
Listing expenses	18	-	(2,831,690)	-	-	(2,831,690)
Net profit for the financial year		-	-	-	10,510,248	10,510,248
Translation adjustment		-	-	(390,141)	-	(390,141)
Balance at 30 September 2005		23,471,420	11,990,410	(390,141)	10,492,538	45,564,227

The accompanying notes form an integral part of the financial statements.

Company	Note	Share capital RM	Share premium RM	Foreign currency translation reserve/ (account) RM	Accumulated profits RM	Total RM
Balance at 1 October 2005		23,471,420	11,990,410	(730,688)	1,502,156	36,233,298
Effect of Companies (Amendment) Act 2005	17, 18	11,990,410	(11,990,410)	-	-	-
Net profit for the financial year		-	-	-	3,369,975	3,369,975
Dividends paid	28	-	-	-	(2,157,906)	(2,157,906)
Translation adjustment		-	-	1,048,027	-	1,048,027
Balance at 30 September 2006		35,461,830	-	317,339	2,714,225	38,493,394
Balance at 1 October 2004		7	-	-	(17,710)	(17,703)
Issue of shares arising from acquisition of a subsidiary	17	17,542,573	-	-	-	17,542,573
Issue of shares in connection with the Company's initial public offering	17, 18	5,928,840	14,822,100	-	-	20,750,940
Listing expenses	18	-	(2,831,690)	-	-	(2,831,690)
Net profit for financial year		-	-	-	1,519,866	1,519,866
Translation adjustment		-	-	(730,688)	-	(730,688)
Balance at 30 September 2005		23,471,420	11,990,410	(730,688)	1,502,156	36,233,298

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 30 September 2006

	2006 RM	2005 RM
Cash flows from operating activities		
Profit before income tax	7,507,536	11,939,195
Adjustments for:		
Allowance for doubtful trade receivables	136,904	206,147
Allowance for doubtful trade receivables no longer required, now written back	(99,344)	(34,970)
Bad trade receivables written off	3,114	-
Depreciation of property, plant and equipment	3,641,382	2,283,042
Gain on disposal of plant and equipment	(35,134)	-
Interest income	(145,919)	(157,685)
Interest expense	3,183,771	881,959
Inventories written off	104,465	-
Plant and equipment written off	67,644	-
Appropriation of property, plant and equipment	-	114,337
Exceptional item arising from acquisition of a subsidiary	-	(3,128,816)
Operating profit before working capital changes	14,364,419	12,103,209
Working capital changes:		
Inventories	5,190,898	(8,274,636)
Trade and other receivables	(9,761,165)	(9,401,584)
Trade and other payables	(2,303,408)	3,840,804
Cash generated from/(used in) operations	7,490,744	(1,732,207)
Interest paid	(444,980)	(66,001)
Income tax paid	(270,411)	-
Net cash generated from/(used in) operating activities	6,775,353	(1,798,208)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(19,451,994)	(14,714,782)
Net cash outflow from acquisition of subsidiaries (Note 5(c))	(21,453,734)	(86,264)
Acquisition of shares in a subsidiary (Note 5(d))	(555,533)	-
Purchase of intangible assets	(6,521)	-
Proceeds from disposal of plant and equipment	39,902	-
Interest income received	145,919	157,685
Net cash used in investing activities	(41,281,961)	(14,643,361)
Cash flows from financing activities		
Dividends paid to shareholders	(2,157,906)	-
Proceeds from issue of shares, net of listing expenses	-	17,919,251
Increase in fixed deposits	(387,926)	-
Interest paid	(2,738,791)	(815,958)
Proceeds from bank borrowings	29,449,116	6,001,554
Repayment of finance lease obligations	(1,059,784)	(527,955)
Net cash generated from financing activities	23,104,709	22,576,892
Net change in cash and cash equivalents	(11,401,899)	6,135,323
Cash and cash equivalents at beginning of financial year	5,750,021	11,060
Effect of exchange rate changes	594,207	(396,362)
Cash and cash equivalents at end of financial year (Note 13)	(5,057,671)	5,750,021

The accompanying notes form an integral part of the financial statements.

Note to Consolidated Cash Flow Statement

A. Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment as follows:

	2006 RM	2005 RM
Additions of property, plant and equipment	19,921,455	16,257,475
Acquired under finance lease agreements	(469,461)	(325,610)
Amount owing to a contractor of freehold building	-	(1,217,083)
Cash payments made to acquire property, plant and equipment	19,451,994	14,714,782

The accompanying notes from an integral part of the financial statements.

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General corporate information

The balance sheet and statement of changes in equity of Etika International Holdings Limited ("Company") and the consolidated financial statements of the Company and its subsidiaries ("Group") for the financial year ended 30 September 2006 were authorised for issue in accordance with a Directors' resolution dated 28 December 2006.

The Company is a public limited liability company, incorporated and domiciled in Singapore with its registered office at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 and principal place of business at 20 Maxwell Road, #12-05, Maxwell House, Singapore 069113. The Company's registration number is 200313131Z.

On 10 November 2004, the Company was converted to a public limited company and changed its name from Etika International Holdings Private Limited to Etika International Holdings Limited. The Company was admitted to the official list of the Stock Exchange of Singapore Dealing and Automated Quotation System ("SGX-SESDAQ") on 23 December 2004.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

2. Significant accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of Financial Reporting Standards ("INT FRS").

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below.

On 1 October 2005, the Group adopted all the new and revised FRSs and INT FRS issued by the Council on Corporate and Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005 :

FRS 1 (revised)	:	Presentation of Financial Statements
FRS 2 (revised)	:	Inventories
FRS 8 (revised)	:	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	:	Events after the Balance Sheet Date
FRS 14 (revised)	:	Segment Reporting
FRS 16 (revised)	:	Property, Plant and Equipment
FRS 17 (revised)	:	Leases
FRS 19 (revised)	:	Employee Benefits
FRS 21 (revised)	:	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	:	Related Party Disclosures
FRS 27 (revised)	:	Consolidated and Separate Financial Statements
FRS 32 (revised)	:	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	:	Earnings Per Share
FRS 36 (revised)	:	Impairment of Assets
FRS 38 (revised)	:	Intangible Assets
FRS 39	:	Financial Instruments: Recognition and Measurement
FR 102	:	Share-based Payment
FRS 103	:	Business Combinations

The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

2. Significant accounting policies (cont'd)

(a) Basis of preparation of financial statements (cont'd)

FRS and INT FRS issued but not yet effective

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 40	Investment Property	1 January 2007
FRS 106	Exploration for and Evaluation of Mineral Resources	1 January 2006
FRS 107	Financial Instruments : Disclosures	1 January 2007
INT FRS 104	Determining whether an Arrangement Contains a Lease	1 January 2006
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration, and Environmental Rehabilitation Funds	1 January 2006
INT FRS 106	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 December 2005
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	Scope of FRS 102	1 May 2006
INT FRS 109	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	Interim Financial Reporting and Impairment	1 November 2006

The Group expects that the adoption of the above pronouncements, if applicable, will have no material impact on the financial statements in the period of initial application.

(b) Basis of consolidation

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(e)(i) to the financial statements.

2. Significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets, liabilities and contingent liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such case, the excess and further losses applicable to the minority are attributed to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributed to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company has been recovered.

Minority interests are presented in the balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the profit and loss account of the Group.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is calculated on the straight-line method so as to write off the cost of the property, plant and equipment over their estimated useful lives as follows:

Factory buildings	40 to 50 years
Cold room and freezer	10 years
Furniture and fittings	10 years
Renovation	10 years
Motor vehicles	5 to 6.25 years
Office and factory equipment	5 to 15 years
Computer system	5 years

No depreciation is provided on freehold land. Construction-in-progress are not depreciated as these assets are not available for use.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in the terms of property, plant and equipment.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the profit and loss account.

(d) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated at cost on the Company's balance sheet less impairment in value, if any.

2. Significant accounting policies (cont'd)

(e) Intangible assets

(i) *Goodwill*

Goodwill acquired in a business combination represents the excess of cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is tested for impairment on an annual basis as set out in Note 2(f) to the financial statements.

Goodwill acquired in a business combination is included in intangible assets.

Gains and losses on the disposal of a business combination or an associate include the carrying amount of goodwill relating to the entity or business sold.

(ii) *Product licences*

Product licences represent product licences registered in Indonesia. Product licence is stated at cost less accumulated amortisation and impairment in value, if any. The useful life of the product licences is 5 years, representing the period that benefits are expected to be received.

(f) Impairment of non-financial assets

Non-financial assets other than goodwill

The carrying amounts of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment in value and whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment in value is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment in value is recognised in the profit and loss account.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset, expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment in value is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment in value 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, if no impairment in value has been recognised. Reversals of impairment in value are recognised in the profit and loss account.

Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purposes of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating unit expected to benefit from synergies of the business combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit including the goodwill, the impairment in value is recognised in the profit and loss account and allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. Impairment in value on goodwill is not reversed in a subsequent period.

2. Significant accounting policies (cont'd)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials and packing materials are determined on the "first-in, first-out" basis and comprise original cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of finished goods includes cost of raw materials, direct labour and manufacturing overheads.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow-moving and defective inventories.

(h) Financial assets

The Group classifies its financial assets in the following categories, as applicable: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable. As at the balance sheet date, the Group did not have any financial assets in the category of financial assets at fair value through profit or loss or held-to-maturity investments.

Available-for-sale financial assets

These assets are non-derivative financial assets that are either designated in this category or not included in other categories of financial assets, and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. After initial recognition at fair value, the financial assets are subsequently re-measured to fair value at each balance sheet date with all fair value changes, other than impairment in value, taken to equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the profit and loss account.

(i) Quoted investments

Quoted investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Loans and receivables

Loans and receivables of the Group and of the Company are carried at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired as well as through the amortisation process.

(i) Trade and other receivables

Trade and other receivables classified and accounted for as loans and receivables are measured at initial recognition at fair value and subsequently measured at amortised cost, where applicable, using the effective interest rate method.

An allowance for doubtful receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is recognised in the profit and loss account.

(ii) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash with banks and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are presented net of bank overdraft which is repayable on demand and which forms an integral part of the Group's operating cash cycle.

2. Significant accounting policies (cont'd)

(i) Financial liabilities

The accounting policy adopted for specific financial liability is set out below:

Trade and other payables

Trade and other payables are carried at cost which represents the fair value of the consideration to be paid in the future for goods and services received and subsequently measured at amortised cost, where applicable, using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Finance leases

Leases in which the Group and the Company assume substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Finance lease payments are apportioned between the finance charges and reduction of the finance lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the finance lease term.

Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred and are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(j) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset) is derecognised when it is sold or settled.

Financial liabilities

A financial liability is derecognised when the contractual obligation has been discharged or cancelled or expired.

(k) Provisions

Provision is recognised when the Group and the Company have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

2. Significant accounting policies (cont'd)

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of goods

Revenue from sale of products is recognised when significant risks and rewards of ownership of goods have been transferred to the buyer upon passage of title to the customers, which generally coincides with their delivery and acceptance.

Interest income

Interest income is accrued on time-apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

Rental income under operating leases is recognised in the profit and loss account on a straight-line basis over the term of the lease.

Dividend income

Dividend income is recognised when the shareholders' rights to receive payment have been established.

(n) Employment benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the profit and loss account in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the balance sheet date.

(o) Leases

When a group company is the lessee.

Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Significant accounting policies (cont'd)

(p) Finance costs

Interest expense and similar charges are expensed to the profit and loss account in the financial year in which they are incurred.

(q) Income tax

Income tax for the financial year comprises current tax and deferred taxes. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case such income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the liability method, providing for temporary differences at the balance sheet date between the carrying amounts and tax bases of assets and liabilities in the financial statements. The amount of deferred tax is provided based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Foreign currencies

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its "functional currency").

Functional and presentation currency

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are included in the profit and loss account for the financial year. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit and loss account for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2. Significant accounting policies (cont'd)

(r) Foreign currencies (cont'd)

Translation of Group's entities' financial statements

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that financial year, in which case the exchange rates of the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit and loss account in the financial year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on acquisition of foreign operation are treated as assets and liabilities of the foreign operation are recorded in the functional currency of the foreign operation and translated at the closing exchange rate at the balance sheet date.

(s) Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders. Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date.

(t) Exceptional items

Exceptional items are those, which are derived from ordinary activities of the business, which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group for the financial year.

(u) Segment reporting

A segment is a distinguishable component of the Group's business that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business segments and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Intra-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

3. Significant accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting polices, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3. Significant accounting estimates and judgements (cont'd)

(i) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 50 years. The carrying amount of the Group's property, plant and equipment as at 30 September 2006 was RM82,482,106 (2005: RM46,759,578). Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised.

(ii) *Income taxes*

The Group has exposure to income taxes in Malaysia and Singapore. Significant judgement is involved in determining the Group's provision for income taxes.

The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the financial tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amount of the Group's current income tax payable and deferred tax liabilities as at 30 September 2006 was RM5,522 (2005: RM13,120) and RM4,620,049 (2005 : RM2,354,982) respectively.

(iii) *Impairment of investments in subsidiaries and financial assets*

The Directors of the Company follow the guidance of FRS 36 and FRS 39 in determining whether investments in subsidiaries or financial assets are other than temporary impaired requires the assumption made regarding the duration and extent to which the fair value of an investment or a financial asset is less than its costs and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management's assessment for impairment in value of investments in subsidiaries is based on the estimation of value in use of the cash generating unit by forecasting the expected future cash flows for a period of 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of investments in subsidiaries at 30 September 2006 was RM18,133,685 (2005: RM17,542,583).

(iv) *Impairment of goodwill*

The management determines whether goodwill is impaired at least on an annual basis and as and when there is an indication that goodwill may be impaired. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. In estimating the value in use, the management exercise judgement in estimating the expected future cash flows from the cash generating unit and using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 September 2006 was RM4,421,848 (2005: RMnil).

(v) *Allowance for doubtful receivables*

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required.

(vi) *Inventories and related allowance*

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the "first-in, first out" method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its contract, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories at 30 September 2006 was RM29,518,779 (2005: 20,635,835).

4. Property, plant and equipment

Group	Freehold land RM	Factory buildings RM	Cold room and freezer RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Construction-in-progress RM	Office and factory equipment RM	Computer system RM	Total RM
Cost										
Balance at 1 October 2005	7,500,000	12,896,677	-	307,906	250,008	1,894,112	-	26,193,917	-	49,042,620
Acquisition of subsidiaries	10,420,000	4,971,318	379,982	15,662	-	1,611,936	16,990	1,887,121	211,858	19,514,867
Reclassification	-	-	-	-	-	-	(8,372,443)	8,372,443	-	-
Additions	3,064,759	49,764	2,400	60,184	5,350	306,475	15,528,897	885,341	18,285	19,921,455
Disposals/written off	-	-	-	-	-	(120,616)	(66,990)	(129,722)	(13,448)	(330,776)
Balance at 30 September 2006	20,984,759	17,917,759	382,382	383,752	255,358	3,691,907	7,106,454	37,209,100	216,695	88,148,166
Accumulated depreciation										
Balance at 1 October 2005	-	174,680	-	36,206	40,508	464,821	-	1,566,827	-	2,283,042
Charged for the financial year	-	488,376	34,049	49,840	44,368	742,983	-	2,228,032	53,734	3,641,382
Disposals/written off	-	-	-	-	-	(120,606)	-	(125,356)	(12,402)	(258,364)
Balance at 30 September 2006	-	663,056	34,049	86,046	84,876	1,087,198	-	3,669,503	41,332	5,666,060
Net book value										
Balance at 30 September 2006	20,984,759	17,254,703	348,333	297,706	170,482	2,604,709	7,106,454	33,539,597	175,363	82,482,106

Group	Freehold land RM	Factory buildings RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Office and factory equipment RM	Total RM
Cost							
Balance at 1 October 2004	-	-	-	-	-	-	-
Acquisition of a subsidiary	7,500,000	6,000,000	231,433	250,008	1,371,111	17,546,930	32,899,482
Additions	-	6,896,677	76,473	-	523,001	8,761,324	16,257,475
Approriation	-	-	-	-	-	(114,337)	(114,337)
Balance at 30 September 2005	7,500,000	12,896,677	307,906	250,008	1,894,112	26,193,917	49,042,620
Accumulated depreciation							
Balance at 1 October 2004	-	-	-	-	-	-	-
Charged for the financial year	-	174,680	36,206	40,508	464,821	1,566,827	2,283,042
Balance at 30 September 2005	-	174,680	36,206	40,508	464,821	1,566,827	2,283,042
Net book value							
Balance at 30 September 2005	7,500,000	12,721,997	271,700	209,500	1,429,291	24,627,090	46,759,578

The land title deed for the freehold land and buildings of the Group with a net book value at the balance sheet date amounting to RM27,265,409 (2005: RM9,129,899) have yet to be issued by the relevant authorities.

4. Property, plant and equipment (cont'd)

As at the balance sheet date, the Group had property, plant and equipment with a net book value of RM76,480,694 (2005: RM44,641,574) charged for banking facilities granted to certain subsidiaries. In addition, the Group had motor vehicles held in trust by certain employees of the Group with a net book value of RM503,494 (2005: RM714,963).

During the financial year, borrowing costs amounting to RM131,928 has been capitalised as construction-in-progress.

Included in the net book value of the property, plant and equipment are the following assets acquired under finance lease arrangements:

	Group	
	2006	**2005**
	RM	**RM**
Cold room and freezer	91,125	-
Motor vehicles	2,340,162	1,122,025
Office and factory equipment	1,414,894	893,910
Computer system	77,799	-
	3,923,980	2,015,935

As at 30 September 2006, information relating to the Group's freehold properties are as follows:

Location	**Description**	**Existing use**	**Gross land area (sq ft)**	**Gross floor area (sq ft)**
Lot LS-1 Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	348,916	153,972
Lot LS-2 Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	174,458	-
Lot 57, Hicom Glenmarie Industrial Park	Industrial land	Vacant	96,758	-
Lot 55, Hicom Glenmarie Industrial Park	Warehouse	Processing factory	68,800	44,986
3 Jalan Bertam 6, Taman Daya, 81100 Johor Bahru	Industrial warehouse	Cold room / Office	-	2,400
1 Jalan Bertam 6, Taman Daya, 81100 Johor Bahru	Industrial warehouse	Cold room	-	4,690
7 Jalan Bertam 6, Taman Daya, 81100 Johor Bahru	Industrial warehouse	Cold room	-	2,400
HS(D): 123790 PTD 25393	Industrial Land	Vacant	16,882	-
49, Lorong Wong Ah Jang, Kuantan, Pahang	Shop office	Office	1,660	2,832
Lot 1-3-1 Sri Kerjaya Apartment, Shah Alam	Apartment	Staff quarters	-	862
Lot 1-3-3 Sri Kerjaya Apartment, Shah Alam	Apartment	Staff quarters	-	855

5. Investments in subsidiaries

(a) Investments in subsidiaries comprise:

	Company 2006 RM	Company 2005 RM
Unquoted equity shares in corporations, at cost	18,133,685	17,542,583

(b) Particulars of subsidiaries

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2006 %	Effective equity held by the Group 2005 %
Held by the Company			
Etika Brands Pte Ltd [(1)] (Singapore)	Dormant	100	*
Etika Dairies Sdn. Bhd. [(2)] (Malaysia)	Manufacturing and distribution of dairy products	100	100
Etika Capital (Labuan) Inc [(2)] (Malaysia)	Dormant	100	100
Etika Global Resources Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	*
Etika Foods Marketing Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	*
Etika Foods (M) Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	100
Pok Brothers Sdn. Bhd. [(2)] (Malaysia)	Wholesalers of foodstuff, provisions and frozen meat	100	-
Eureka Capital Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	*
PT Etika Marketing [(3)] (Indonesia)	Dormant	100	*
Etika (NZ) Limited [(4)] (New Zealand)	Dormant	100	*

5. Investments in subsidiaries (cont'd)

(b) Particulars of subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2006 %	2005 %
Held by subsidiary - Pok Brothers Sdn. Bhd.			
Pok Brothers (Selangor) Sdn. Bhd. (2) (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	-
Pok Brothers (Pahang) Sdn. Bhd. (2) (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	-
Pok Brothers (Penang) Sdn. Bhd. (2) (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	-
Pok Brothers (Johor) Sdn. Bhd. (2) (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	60	-
De-luxe Food Services Sdn. Bhd. (2) (Malaysia)	Manufacturing of convenient value added frozen food	100	-

(1) Audited by BDO Raffles, Singapore.
(2) Audited by BDO Binder, Malaysia.
(3) Audited by BDO Tanubrata, Indonesia.
(4) Newly incorporated, no operations.
* Incorporated during the financial year.

(c) Acquisition of subsidiaries

2006

Pok Brothers Sdn. Bhd. and its subsidiaries

On 8 February 2006, its wholly-owned subsidiary, Etika Foods (M) Sdn. Bhd. ("Purchaser") acquired 100% equity interest in Pok Brothers Sdn. Bhd. and its subsidiaries ("PB Group") for a cash consideration of RM21,453,734. The acquisition was accounted for using the purchase method.

PB Group contributed revenue of RM54,394,480 and net profit of RM2,868,072 to the Group for the financial year ended 30 September 2006. If the acquisition had occurred on 1 October 2005, the Group's revenue would have been RM179,960,111 and net profit would have been RM10,740,387.

Pursuant to the Sale & Purchase Agreement dated 12 October 2005, the former shareholders of Pok Brothers Sdn. Bhd., namely Pok Yock Tin, Pok Yoke Koon, Pok Yoke Kung, Pok Yoke Wang, Pak Yok Joon, Pok York Keaw, Pok York Keng, Tan Kiam Jong, Tan Mooi Ngoh, Kaw See @ Cheam Tat Min, Lai Meng Kam, Pok Yoke Cheng @ Peh Yoke Cheng and Pok Fook Soon (collectively known as "Vendors") have jointly and severally warranted to and undertaken with the Purchaser, *inter alia*, that:

(i) the consolidated profit after income tax for PB Group shall not be less than RM2.5 million in respect of the financial year ended 30 June 2006 ("Profit Guarantee"); and

(ii) on the Completion Date, i.e. 8 February 2006, the net tangible assets of PB Group shall not be less than RM16.1 million.

5. Investments in subsidiaries (cont'd)

(c) Acquisition of subsidiaries (cont'd)

Pok Brothers Sdn. Bhd. and its subsidiaries (cont'd)

Following the audit of the financial statements of PB Group for the financial year ended 30 June 2006 where the Profit Guarantee has been met, a sum of approximately RM5.3 million worth of trade receivables has also been identified as long outstanding, of which approximately 53% has been outstanding for more than 90 days.

On 26 October 2006, the Vendors have unconditionally and irrevocably agree and undertake that:

(a) The identified long outstanding receivables shall be duly collected and the Vendors have agreed to keep the Purchaser fully indemnified against any loss, claims, demands or liabilities arising out of the said receivables. Such guarantee shall be in force until the full amount has been collected, subject to further terms provided in (b) and (c) below.

(b) Out of the RM5.3 million, approximately RM4 million was undertaken by the Vendors that in the event that these are not collected in full within 120 days from 26 October 2006, the amount of uncollected receivables will be set-off against dividends that were declared to the Vendors, currently classified as part of other payables in Note 14 to the financial statements as follows:

	Group 2006 RM
Current:	
Dividends declared, payable on	
- 30 September 2006	4,000,000
- 31 January 2007	1,545,000
	5,545,000
Non-current:	
Dividends declared, payable on	
- 31 December 2007	2,000,000
- 31 January 2008	1,591,000
- 30 June 2008	2,000,000
- 31 December 2008	750,000
- 31 January 2009	1,639,000
	7,980,000

(c) For the remaining balance of approximately RM1.3 million which relates to one specific customer, the undertaking is perpetual as long as the customer concerned continues to operate its restaurant business. Notwithstanding the undertaking provided by the Vendors, the management of the Company is confident of the recoverability of the outstanding receivables and for added credit control measure, has initiated acceptance of new orders by this customer only based on 50% of the amount collected for each month. From the collection record subsequent to year end, the management expects full collection within 12 months from the balance sheet date based on a "first-in, first-out" basis.

Accordingly, the said receivables have not been included as allowance for doubtful receivables in Note 11 to the financial statements.

5. Investments in subsidiaries (cont'd)

(c) Acquisition of subsidiaries (cont'd)

Pok Brothers Sdn. Bhd. and its subsidiaries (cont'd)

The fair value of the identifiable assets and liabilities of PB Group as at the date of acquisition were:

	2006	
	Fair value recognised on acquisition RM	**Carrying amount before combination RM**
Property, plant and equipment	19,514,867	18,563,193
Investment in associate	27,691	27,691
Available-for-sale financial assets	397,152	397,152
Deferred tax assets	35,582	35,582
Inventories	14,178,307	14,178,307
Trade and other receivables	21,845,196	21,845,195
Cash and bank balances	4,287,520	4,287,520
Trade and other payables	(22,328,103)	(22,328,103)
Finance leases	(2,140,432)	(2,140,432)
Bank borrowings	(14,357,719)	(14,357,719)
Deferred tax liabilities	(936,206)	(936,205)
Minority interests	(2,102,290)	(2,102,290)
Net identifiable assets acquired	18,421,565	17,469,891
Goodwill arising on acquisition	4,421,848	
Total purchase consideration	22,843,413	
Less: Cash acquired		
- cash and bank balances	4,287,520	
- bank overdrafts included in bank borrowings	(2,897,841)	
	1,389,679	
Net cash outflow on acquisition	21,453,734	

2005

Etika Dairies Sdn. Bhd.

On 8 November 2004, the Group acquired all the shares in Etika Dairies Sdn. Bhd. for RM17,542,573, satisfied in full by the issue of 128,630,102 new ordinary shares of S$0.06 each at par. The acquisition was accounted for using the purchase method.

The acquired subsidiary, Etika Dairies Sdn. Bhd., contributed revenue of RM150,048,872 and profit from operations of RM8,196,580 to the Group for the financial year ended 30 September 2005. The fair value of the subsidiary's net identifiable assets as at the date of acquisition were RM20,671,389.

5. Investments in a subsidiary (cont'd)

(c) Acquisition of subsidiaries (cont'd)

Etika Dairies Sdn. Bhd. (cont'd)

The effect of acquisition of subsidiary is as follows:

	2005 RM
Property, plant and equipment	32,899,482
Inventories	12,361,199
Trade and other receivables	26,008,738
Cash and bank balances	(86,264)
Trade and other payables	(31,434,869)
Bank borrowings	(16,834,636)
Finance leases	(1,302,730)
Deferred tax liabilities	(939,531)
Net identifiable assets acquired	20,671,389
Negative goodwill arising on acquisition	(3,128,816)
Consideration payable	17,542,573
Issue of shares as consideration	(17,542,573)
Cash acquired	(86,264)
Net cash outflow from acquisition	(86,264)

(d) Acquisition of shares in a subsidiary

De-luxe Food Services Sdn. Bhd. ("De-luxe")

On 24 July 2006, the Group acquired the remaining 11.91% equity interest in De-luxe for a cash consideration of RM555,533, making it a wholly-owned subsidiary.

6. Associate

	Group 2006 RM	Group 2005 RM
Acquisition of subsidiaries	27,691	-
Reclassified to other receivables upon liquidation	(27,691)	-
	-	-
Represented by:		
Group's share of net assets	-	-

The details of the associate are as follows:

Name of company/ (Country of incorporation)	Effective interest 2006 %	Effective interest 2005 %	Principal activities
Held by subsidiary - Pok Brothers Sdn. Bhd.			
Ephraim (M) Sdn. Bhd. (Malaysia)	40	-	Supply and distribution of frozen meat and related food provisions

The associate has been put into Members' Voluntary Liquidation on 16 June 2006. The liquidation is still in progress.

7. Available-for-sale financial assets

	Group 2006 RM	Group 2005 RM
Balance at beginning of financial year	-	-
Acquisition of subsidiaries	397,152	-
Fair value gain recognised in fair value reserve	47,172	-
Balance at end of financial year	444,324	-

Available-for-sale financial assets denominated in Ringgit Malaysia include:

	Group 2006 At fair value RM
Listed securities:	
- equity securities - Malaysia	444,324

8. Deferred tax assets/(liabilities)

	Group 2006 RM	Group 2005 RM
Deferred tax assets		
Balance at beginning of financial year	-	-
Acquisition of subsidiaries	35,582	-
Recognised in profit and loss account	38,155	-
Balance at end of financial year	73,737	-
Deferred tax assets arise as a result of:		
Plant and equipment	7,849	-
Other temporary differences	65,888	-
	73,737	-
Deferred tax liabilities		
Balance at beginning of financial year	(2,354,982)	-
Acquisition of subsidiaries	(936,206)	(939,531)
Recognised in profit and loss account	(1,328,861)	(1,415,451)
Balance at end of financial year	(4,620,049)	(2,354,982)
Deferred tax assets/(liabilities) arise as a result of:		
Unutilised tax losses	337,689	610,297
Plant and equipment	(4,101,405)	(2,965,279)
Other temporary difference	(856,333)	-
	(4,620,049)	(2,354,982)

8. Deferred tax assets/(liabilities) (cont'd)

	Group 2006 RM	Group 2005 RM
Unrecognised deferred tax assets		
Balance at beginning of financial year	-	-
Unrecognised deferred tax assets during the financial year	534,777	-
Balance at end of financial year	534,777	-
Unrecognised deferred tax assets arise as a result of:		
Unutilised tax losses	193,201	-
Unabsorbed capital allowances	341,576	-
	534,777	-

As at the balance sheet date, the Group had unutilised tax losses and unabsorbed capital allowances amounting to approximately RM1,896,000 and RM1,220,000 (2005: RM2,180,000 and RMnil) respectively which are available for set-off against future taxable profits subject to agreement by the relevant authorities and with provisions of the tax legislation of the respective countries in which the Group operates. The related deferred tax assets have not been recognised because it is uncertain that future taxable profits will be available against which the Group can utilise the benefits.

9. Intangible assets

Group	Goodwill RM	Product licences RM	Total RM
Balance as at beginning financial year	-	-	-
Additions	-	6,521	6,521
Acquisition of subsidiaries	4,421,848	-	4,421,848
Balance as at end of financial year	4,421,848	6,521	4,428,369

Product licences

Product licences for dairy products registered in Indonesia have not been amortised during the financial year as they are registered at the end of the financial year.

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the Group's cash generating units ("CGUs") identified. An annual test is carried out at each balance sheet date to assess if there are impairment in value. Goodwill and product licences have been allocated to the following Group's CGUs, which are also part of the reportable segments, for impairment testing:

(a) Frozen Foods; and
(b) Dairies.

	Frozen Foods RM	Dairies RM	Total RM
Goodwill	4,421,848	-	4,421,848
Product licences	-	6,521	6,521
	4,421,848	6,521	4,428,369

9. Intangible assets (cont'd)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management for periods covering a 5 year period. The management has considered and determined the factors applied in the financial budgets which include budgeted gross margins, pre-tax discount rates and average growth rates. The budgeted gross margins are based on past performance and the average growth rates and discount rates used are based on management's best estimate. Key assumptions used for value in use calculations are as follows:

	Dairies	Frozen Foods
Gross margin [(1)]	12.00%	13.84%
Growth rate [(2)]	27.60%	7.10%
Discount rate [(3)]	7.75%	6.75%

(1) Budgeted gross margin
(2) Weighted average growth rate used to extrapolate cash flows for the 5 year period
(3) Pre-tax discount rate applied to the cash flow projections

10. Inventories

	Group	
	2006	2005
	RM	RM
At cost		
Finished goods	20,313,503	3,960,454
Raw materials	7,981,865	15,839,058
Packaging materials	1,223,411	836,323
	29,518,779	20,635,835

The cost of inventories recognised as an expense and included in "costs of sales" in the profit and loss account amounted to RM194,939,101 (2005: RM138,266,124).

The Group has pledged a floating charge over inventories with a carrying amount of RM14,731,886 (2005: RM20,635,834) as security for the banking facilities granted to its subsidiaries.

11. Trade and other receivables

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade receivables				
- within 60 to 90 days	46,788,831	32,165,386	-	-
- more than 90 days	13,181,945	2,919,733	-	-
	59,970,776	35,085,119	-	-
Allowance for doubtful receivables	(1,495,344)	(680,506)	-	-
	58,475,432	34,404,613	-	-
Other receivables	393,559	44,813	39,532	16,025
Tax recoverable	185,937	-	-	-
Prepayments	540,115	298,496	101,933	47,427
Deposits	286,184	112,700	4,369	-
Advance payment to supplier	-	1,231,875	-	-
Due from subsidiaries - non-trade	-	-	13,051,005	9,287,063
Other assets	6,909,877	-	6,909,877	-
	66,791,104	36,092,497	20,106,716	9,350,515

11. Trade and other receivables (cont'd)

The trade amounts owing by third parties are usually repayable within the normal trade credit terms of 60 days to 90 days. In the opinion of the Directors, based on the review of the trade receivables, including balances that are outstanding for more than 90 days, allowance for doubtful receivables at the balance sheet date is adequate.

Other receivables owing by third parties comprise mainly staff advances.

The amount due from subsidiaries is unsecured, interest-free and repayable on demand.

Other assets comprise the following:

(a) an amount of NZ$0.78 million (approximately RM1.83 million equivalent) comprising refundable deposit paid in connection with the proposed acquisition of Naturalac Nutrition Limited ("NNL"). The Company, through its wholly-owned subsidiary, Etika (NZ) Limited, had entered into a Sale and Purchase Agreement with Fonterra Brands Investments (NZ) Limited for the proposed acquisition of 2,398,000 ordinary shares, representing 100% equity interest in the share capital of NNL, for a cash consideration of NZ$7.8 million (RM18,938,400 equivalent). The transaction is subject to the shareholders' approval at an extraordinary general meeting. The amount of NZ$7.8 million (RM18,938,400 equivalent) less deposit paid of NZ$0.78 million (RM1,893,840 equivalent) is disclosed as capital commitment in Note 30 (a) to the financial statements.

(b) an amount of RM1 million comprising refundable deposit paid in connection with the proposed acquisition of an equity interest in a company incorporated in Malaysia. At the balance sheet date, there is no definitive agreement entered as the Directors are still in the midst of negotiations and conducting due diligence review.

(c) an amount of approximately RM3.37 million comprising advances made to Union Century Investment Limited ("UCIL"), a company incorporated in Hong Kong in respect of the proposed acquisition by UCIL in the equity interest of a canned food and drinks manufacturer and its related companies in the People's Republic of China. Should the transaction be aborted, UCIL will have to repay in full the advance, at 8% interest per annum. At the balance sheet date, there is no definitive agreement entered as the Directors are still in the midst of negotiations and conducting due diligence review.

(d) an amount of approximately RM0.71 million comprising deferred expenses stated at cost, incurred in connection with the above proposed transactions.

In the opinion of the Directors, the refundable deposits and advances are fully recoverable.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Ringgit Malaysia	53,945,862	36,029,045	6,325,611	9,203,609
Singapore dollar	1,673,637	63,452	674,594	39,927
United States dollar	1,587	-	8,930,880	106,979
Hong Kong dollar	9,221,968	-	2,227,581	-
New Zealand dollar	1,948,050	-	1,948,050	-
	66,791,104	36,092,497	20,106,716	9,350,515

Movements in allowance for doubtful trade receivables:

	Group	
	2006 RM	**2005 RM**
Balance at beginning of financial year	680,506	509,329
Acquisition of subsidiaries	787,330	-
Allowance made during the financial year	136,904	206,147
Written back of allowance no longer required	(99,344)	(34,970)
Bad receivables written off against allowance	(10,052)	-
Balance at end of financial year	1,495,344	680,506

12. Fixed deposits

Group and Company

Fixed deposits are placed for a period of 3 months (2005: 1 day to 1 month) and the effective interest rates on the fixed deposits approximated 3.30% (2005: 1.125% to 2.125%) per annum.

Fixed deposits of RM387,926 (2005: RMnil) of the Group have been pledged as security for the bank facilities granted to its subsidiaries.

13. Cash and cash equivalents

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits (unpledged)	-	7,273,386	-	7,273,386
Cash and bank balances	2,160,481	290,091	674,082	151,435
Bank overdrafts	(7,218,152)	(1,813,456)	-	-
	(5,057,671)	5,750,021	674,082	7,424,821

Cash and cash equivalents are denominated in the following currencies:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Ringgit Malaysia	(5,783,169)	(1,764,414)	144,854	15,413
Singapore dollar	529,228	7,409,408	529,228	7,409,408
United States dollar	196,270	105,027	-	-
	(5,057,671)	5,750,021	674,082	7,424,821

14. Trade and other payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current liabilities				
Trade payables	37,664,148	31,530,375	-	-
Other payables	9,703,773	4,033,022	63,490	9,962
Customers' deposits	789,925	372,966	-	-
Accruals	1,382,439	1,432,664	352,077	260,111
	49,540,285	37,369,027	415,567	270,073
Non-current liabilities				
Other payable	7,980,000	-	-	-
	57,520,285	37,369,027	415,567	270,073

The trade amounts owing by third parties are repayable within the normal trade credit terms of 60 days to 90 days.

Current portion of other payables comprise mainly retention sum and progress billing for construction of factory buildings, loan interest payable, other operating expenses payable and dividends payable to the Vendors arising from the acquisition of PB Group. Non-current portion of other payable comprise dividends payable to the Vendors arising from acquisition of PB Group as mentioned in Note 5(c) to the financial statements.

14. Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Ringgit Malaysia	55,069,349	37,100,559	11,051	-
Singapore dollar	464,250	267,671	351,573	270,073
United States dollar	1,681,252	797	-	-
Hong Kong dollar	-	-	-	-
British pound	145,428	-	-	-
Australian dollar	24,730	-	-	-
Euro	86,972	-	-	-
New Zealand dollar	48,304	-	52,943	-
	57,520,285	37,369,027	415,567	270,073

15. Bank borrowings

	Group	
	2006	2005
	RM	RM
Current liabilities		
Secured :		
Bank overdrafts	7,215,015	1,739,757
Banker's acceptance	12,974,000	10,450,000
Onshore foreign currency loan	10,219,685	-
Short term revolving credit	2,800,000	-
Trust receipts	737,995	-
Term loans	2,954,576	1,419,262
	36,901,271	13,609,019
Unsecured :		
Bank overdrafts	3,137	73,699
Banker's acceptance	7,411,000	6,059,000
	7,414,137	6,132,699
	44,315,408	19,741,718
Non-current liabilities		
Secured :		
Term loans	26,521,365	4,907,928

15. Bank borrowings (cont'd)

	Group 2006 RM	Group 2005 RM
Term loans		
Term loan I repayable by 120 monthly instalments of RM73,999 each commencing 1 July 1999	585,411	1,401,888
Term loan III repayment by 60 monthly instalments of RM65,114 each commencing 1 February 2005	2,254,270	2,813,178
Term loan IV repayable by 96 monthly instalments of RM56,717 each upon full drawdown of the credit limit of RM4,160,000	4,040,130	2,112,124
Term loan VI repayable by 60 monthly instalments of RM163,339 each upon full drawdown of the credit limit of RM8,200,000	1,843,171	-
Term loan repayable by 120 monthly instalments of RM2,415 each commencing July 2002	132,082	-
Term loan repayable by 60 monthly instalments of RM9,418 each commencing August 2005	370,877	-
Term loan repayable by 84 monthly instalment of RM310,600 each commencing 1 March 2006	20,250,000	-
	29,475,941	6,327,190
Analysed into :		
Current	2,954,576	1,419,262
Non-current	26,521,365	4,907,928
	29,475,941	6,327,190

Effective interest rates	Group 2006 %	Group 2005 %
Bank overdrafts	7.00 - 7.75	7.00 - 7.75
Bankers' acceptance	4.25 - 5.27	2.62 - 2.90
Onshore foreign currency loan	5.39 - 5.79	-
Short term revolving credit	4.95 - 5.60	-
Trust receipts	7.75 - 9.00	-
Term loans	6.00 - 8.90	7.00 - 7.75

Non-current bank borrowings are repayable as follows:

	Group 2006 RM	Group 2005 RM
Within one year	9,567,386	4,907,928
Two to five years	5,582,644	-
After five years	11,371,335	-
	26,521,365	4,907,928

15. Bank borrowings (cont'd)

2006

The secured bank borrowings are secured by:

(a) Supplemental loan agreement and assignment over land and factory building, currently being developed into an industrial park held under a Master Title No. Geran 24082, Lot 7215 Mukim Kapar, Daerah of Klang, Selangor Darul Ehsan, Malaysia, of Etika Dairies Sdn. Bhd.;

(b) First to eighth, debenture on Etika Dairies Sdn. Bhd.'s past, present, fixed and floating assets (excluding machineries and vehicles under finance lease contracts). Subsequent to the balance sheet date, these debentures have been discharged;

(c) Debenture on the floating assets of a subsidiary, Etika Foods (M) Sdn. Bhd.;

(d) Debenture of RM17.302 million on fixed and fleating assets of Pok Brothers Sdn. Bhd.;

(e) Certain freehold land and buildings of Pok Brothers Sdn. Bhd. and its subsidiaries ("PB Group") for banking facilities granted to PB Group;

(f) Pledged of unquoted shares of Pok Brothers Sdn. Bhd.; and

(g) Joint and several guarantees by certain directors and former directors of PB Group.

The unsecured bank borrowings are guaranteed by the Company.

2005

The secured bank borrowings are secured by:

(a) Supplemental loan agreement and assignment over land and factory building, currently being developed into an industrial park held under a Master Title No. Geran 24082, Lot 7215 Mukim Kapar, Daerah of Klang, Selangor Darul Ehsan, Malaysia, of Etika Dairies Sdn. Bhd.; and

(b) First to eighth, debenture on Etika Dairies Sdn. Bhd.'s past, present, fixed and floating assets (excluding machineries and vehicles under finance lease contracts).

The unsecured bank borrowings are guaranteed by the Company.

All bank borrowings are denominated in Ringgit Malaysia.

16. Finance leases

Group	**Minimum lease payments RM**	**Future finance charges RM**	**Present value RM**
2006			
Current			
- within one year	1,193,389	(155,335)	1,038,054
Non-current			
- two to five years	1,730,169	(143,930)	1,586,239
- after five years	27,910	(1,709)	26,201
	1,758,079	(145,639)	1,612,440
2005			
Current			
- within one year	568,188	(94,977)	473,211
Non-current			
- two to five years	711,451	(84,277)	627,174

16. Finance leases (cont'd)

The effective interest rates range from 2.37% to 11.52% (2005: 4.37% to 11.52%) per annum.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Included in lease obligations is an amount of RM38,865 (2005: RM64,169) which is guaranteed by the Company.

All the finance leases are denominated in Ringgit Malaysia.

17. Share capital

	Group and Company			
	2006		2005	
	S$	RM	S$	RM
Authorised:				
Balance at beginning of financial year				
- 800,000,000 (2005: 100,000) ordinary shares of S$0.06 (2005: S$1) each	48,000,000	107,855,150	100,000	223,850
Increased in the previous financial year - 47,900,000 ordinary shares at S$1 each	-	-	47,900,000	107,631,300
Consolidation and subdivision of the above ordinary shares of S$1 each into 800,000,000 ordinary shares of S$0.06 each in the previous financial year	-	-	-	-
Effect of Companies (Amendment) Act 2005	(48,000,000)	(107,855,150)	-	-
Balance at end of financial year				
- Nil (2005: 800,000,000) ordinary shares (2005: S$0.06 each)	-	-	48,000,000	107,855,150
Issued and fully paid:				
Balance at beginning of financial year - 171,630,152 (2005: 3) ordinary shares of S$0.06 (2005: S$1) each	10,297,809	23,471,420	3	7
Consolidation and subdivision of the above ordinary shares of S$1.00 each into 50 ordinary shares of S$0.06 each in the previous financial year	-	-	-	-
Issue of 128,630,102 new ordinary shares of S$0.06 each pursuant to the acquisition of a subsidiary in the previously financial year	-	-	7,717,806	17,542,573

17. Share capital (cont'd)

	Group and Company			
	2006		2005	
	S$	RM	S$	RM
Issued and fully paid: (cont'd)				
Issue of 43,000,000 new ordinary shares of S$0.06 each pursuant to the initial public offering exercise in the previous financial year:				
- 2,000,000 ordinary shares of S$0.06 each issued at S$0.21 for cash to the public	-	-	120,000	275,760
- 37,500,000 ordinary shares of S$0.06 each issued at S$0.21 per share for cash by way of placement shares	-	-	2,250,000	5,170,500
- 3,500,000 ordinary shares of S$0.06 each issued at S$0.21 per share for cash by way of placement, reserved for independent directors, employees, business associates and others who have contributed to the Group	-	-	210,000	482,580
	-	-	2,580,000	5,928,840
Effect of Companies (Amendment) Act 2005 (Note 18)	5,217,759	11,990,410	-	-
Balance at end of financial year - 171,630,152 ordinary shares	15,515,568	35,461,830	10,297,809	23,471,420

The Companies (Amendment) Act 2005 came into effect on 30 January 2006. Among other things, the Companies Act, Chapter 50 was amended to abolish the concepts of par value, authorised share capital, share premium, capital redemption reserve and share discounts. As a result, the balance of the share premium account amounting to RM11,990,410 became part of the share capital account as of that date.

From 30 January 2006, share capital does not have a par value and there is no authorised share capital.

18. Share premium

	Group and Company			
	2006		2005	
	S$	RM	S$	RM
Non-distributable				
Balance at beginning of the financial year	5,217,759	11,990,410	-	-
Issue of 43,000,000 new ordinary shares of S$0.06 each at S$0.21 per share for cash, pursuant to the initial public offering	-	-	6,450,000	14,822,100
Listing expenses	-	-	(1,232,241)	(2,831,690)
Effect of Companies (Amendment) Act 2005 (Note 17)	(5,217,759)	(11,990,410)	-	-
Balance at end of financial year	-	-	5,217,759	11,990,410

In the previous financial year, included in the listing expenses were fees paid to the auditors of the Company for acting as reporting accountants amounting to RM188,436 (S$82,000) and fees paid to auditors of subsidiary amounting to RM50,000 (S$21,758) in respect of professional services rendered in connection with the Company's initial public offering. The Audit Committee has undertaken a review of the non-audit services provided by the auditors of the Company and the auditors of it's subsidiaries and in the opinion of the Audit Committee, these services would not affect the independence of the auditors.

19. Foreign currency translation reserve/(account)

Group and Company

The foreign currency translation reserve/(account) comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain of its subsidiaries from non-Ringgit Malaysia (functional currency) to Ringgit Malaysia (presentation currency) and is non-distributable. Movements in this account are set out in the statements of changes in equity.

20. Fair value reserve

Fair value reserve includes the cumulative change in the fair value of available-for-sale financial assets until they are derecognised.

21. Revenue

Revenue represents the invoiced value of goods sold less returns and trade discounts.

22. Other operating income

	Group 2006 RM	Group 2005 RM
Allowance for doubtful trade receivables no longer required	99,344	34,970
Bad trade receivables recovered	-	106,489
Gain on disposal of plant and equipment	35,134	-
Insurance compensation	206,597	-
Interest income from fixed deposits	145,919	157,685
Gain on foreign exchange	59,604	10,204
Rental income	6,246	-
Sundry income	21,997	5,530
	574,841	314,878

23. Finance costs

	Group 2006 RM	Group 2005 RM
Interest expense		
- finance leases	195,479	122,749
- bank overdrafts	161,979	66,001
- bankers' acceptance	842,380	380,988
- term loans	1,489,667	312,221
- onshore foreign currency loan	351,263	-
- revolving credits	128,891	-
- trust receipts	14,112	-
	3,183,771	881,959

24. Profit before income tax

	Group 2006 RM	Group 2005 RM
After charging:		
Allowance for doubtful trade receivables	136,904	206,147
Auditors' remuneration		
- auditors of the Company	96,600	45,056
- other auditors	162,400	16,800
Non-audit fees		
- auditors of the Company	4,600	-
- other auditors	265,000	-
Bad trade receivables written off	3,114	-
Directors' remuneration		
- Directors of the Company	433,122	270,076
- Directors of the subsidiaries	1,693,887	931,602
Directors' fee		
- Directors of the Company		
- current year	288,036	220,012
- over provision in previous year	(2,789)	-
Inventories written off	104,465	-
Loss on foreign exchange	48,475	-
Operating leases	613,841	178,164
Plant and equipment written off	67,644	-

25. Staff costs

	Group 2006 RM	Group 2005 RM
Salaries, bonuses and allowances	11,089,949	7,684,700
Employee contributions to defined contribution plans	1,174,470	744,311
Other social expenses	365,317	172,837
	12,629,736	8,601,848

These include the amounts shown as Directors' remuneration in Note 29 to the financial statements.

26. Income tax

	Group 2006 RM	Group 2005 RM
Current income tax		
- current year	1,187,902	13,496
- under provision in previous year	18,849	-
	1,206,751	13,496
Deferred tax expense		
- current year	1,404,837	1,415,451
- over provision in previous year	(114,131)	-
	1,290,706	1,415,451
	2,497,457	1,428,947

26. Income tax (cont'd)

	Group 2006 RM	Group 2005 RM
Reconciliation of effective tax rate		
Profit before income tax	7,507,536	11,939,195
Income tax calculated at Singapore statutory tax rate of 20%	1,501,507	2,387,839
Effect of different tax rates in other country	600,603	404,415
Expenses not deductible for tax purposes	1,223,376	274,938
Income not subject to tax	(40,053)	(625,763)
Singapore statutory stepped income exemption	(8,013)	(15,761)
Deferred tax assets not recognised	124,077	-
Utilisation of reinvestment allowance	(658,854)	(999,925)
Income tax under provided in previous year	18,849	-
Deferred tax over provided in previous year	(114,131)	-
Double tax deduction on certain expenses	(36,990)	(14,327)
Others	(112,914)	17,531
	2,497,457	1,428,947

27. Earnings per share

The calculations for earnings per share are based on:

	Group 2006 RM	Group 2005 RM
Profit after income tax attributable to ordinary shareholders	4,913,133	10,510,248
Actual (2005: Weighted average) number of ordinary shares in issue during the financial year	171,630,152	148,460,443
Basic/Diluted earnings per share		
- including exceptional income	2.86 sen	7.08 sen
- excluding exceptional income	2.86 sen	4.97 sen

Basic earnings per share is calculated by dividing the Group's profit after income tax attributable to the equity holders of the Company by the actual (2005: weighted average) number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share are equivalent to basic earnings per share.

28. Dividends

	Group and Company 2006 RM	Group and Company 2005 RM
Dividends paid		
Final tax exempt 1-tier dividend of S$0.0035 per share paid in respect of financial year ended 30 September 2005	1,322,752	-
Interim tax exempt 1-tier dividend of S$0.002 per share paid in respect of the financial year ended 30 September 2006	835,154	-
	2,157,906	-

28. Dividends (cont'd)

The Directors propose that a final tax exempt 1-tier dividend of S$0.002 per share amounting to RM803,573 to be paid for the financial year ended 30 September 2006 subject to the approval of the shareholders at the Annual General Meeting.

These financial statements do not reflect this dividend, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 September 2007.

29. Significant related party transactions

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

In addition to information disclosed elsewhere in the financial statements, significant related party transactions between the Group and the Company and its related parties during the financial year were as follows:

	Group	
	2006	**2005**
	RM	**RM**
With related parties		
- Insurance premium paid to Perinsu (Broker Insurans) Sdn. Bhd.	675,749	500,513
- Rental of premises paid to Motif Etika Sdn. Bhd.	212,500	77,000
- Purchase of packing materials from Life Medicals Bhd.	1,007,463	715,000
- Rental of premises paid to a director of the subsidiary	18,000	18,000
With the Directors		
Purchase of 12,398,810 shares in Etika Dairies Sdn. Bhd. from Dato' Jaya J B Tan, Kamal Y P Tan, Tajuddin Joe Hok Tan (deceased), Mah Weng Choong and Khor Sin Kok	-	13,355,694

The remuneration of Directors and other members of key management of the Group and of the Company are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Short-term benefits	2,393,078	1,317,818	666,620	270,076
Post-employment benefits	252,676	103,872	-	-
	2,645,754	1,421,690	666,620	270,076
Analysed into :				
Directors of the Company	718,369	490,088	433,122	270,076
Directors of the subsidiaries	1,693,887	931,602	-	-
Other key management personnel	233,498	-	233,498	-
	2,645,754	1,421,690	666,620	270,076

30. Contingent liabilities and commitments

(a) Capital commitments

As at the balance sheet date, the Group had the following capital commitments:

	Group 2006 RM	Group 2005 RM
Purchase of property, plant and equipment	8,160,475	18,500,490
Acquisition of Naturalac Nutrition Limited (Note 11(a))	17,044,560	-
	25,205,035	18,500,490

(b) Operating lease commitments

As at the balance sheet date, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group 2006 RM	Group 2005 RM
Within one year	155,412	-

(c) Forward foreign exchange contracts

As at the balance sheet date, the Group had entered into the following forward foreign exchange contracts which are maturing within one year:

	Currency	Contract amount	Group RM Equivalent
Sales contract	US dollar	123,892	454,312

The unrecognised gain as at balance sheet date on the forward foreign exchange contract used to hedge committed sales which is substantially expected to occur amounted to RM1,239 (2005 : RM5,710). This gain on derivative financial instrument has not been recognised in the financial statement as amount is immaterial.

(d) Contingent liabilities - unsecured

Company

The Company has undertaken to provide financial support to its subsidiaries, namely Etika Capital (Labuan) Inc, Etika Foods (M) Sdn. Bhd., Eureka Capital Sdn. Bhd. and Etika Brands Pte Ltd to enable them to operate as going concern and to meet their obligations for at least 12 months from the date of their respective directors' report relating to the financial statements for the financial year ended 30 September 2006. In the opinion of the Directors, no losses are expected to arise.

As at the balance sheet date, there were contingent liabilities in respect of guarantees given by the Company to banks in connection with banking facilities granted to certain of its subsidiaries amounting to RM83,364,157 (2005: RM42,780,000). The amount of banking facilities utilised by the subsidiaries as at 30 September 2006 amounted to RM70,836,773 (2005: RM24,649,646).

31. Segment reporting

Business segments

The Group is principally engaged in the following business segments:
- Dairies;
- Frozen Foods; and
- Butchery & Bakery

	Dairies RM	Frozen Foods RM	Butchery & Bakery RM	Unallocated RM	Total RM
2006					
Revenue					
External revenue	178,775,903	52,793,697	1,600,783	-	233,170,383
Results					
Segments results	8,207,656	4,929,946	388,071	(2,980,285)	10,545,388
Interest income	15,050	56,165	-	74,704	145,919
Finance costs	(1,819,372)	(1,320,296)	(44,103)	-	(3,183,771)
Profit before income tax					7,507,536
Income tax					(2,497,457)
Profit after income tax					5,010,079
Segment assets	97,595,561	60,076,098	154,139	28,201,356	186,027,154
Unallocated assets	-	73,737	185,937	-	259,674
Total assets	97,595,561	60,149,835	340,076	28,201,356	186,286,828
Segment liabilities	75,826,173	47,556,584	1,592,488	6,032,307	131,007,552
Unallocated liabilities	3,703,956	914,839	1,254	5,522	4,625,571
Total liabilities	79,530,129	48,471,423	1,593,742	6,037,829	135,633,123
Other Information					
Capital expenditure	19,067,199	169,457	684,799	-	19,921,455
Depreciation	2,891,911	594,729	154,743	-	3,641,383

In the previous financial year, the Group's only principal business segment is manufacture and distribution of milk products and repacks and distribution of complementary products and therefore, no business segment information is presented.

Geographical segments

The Group's business segments operate in three main geographical areas. Revenue is based on the country in which the customer is located. Segment assets consist primarily of property, plant and equipment, inventories, receivables, fixed deposits, cash and bank balances. Capital expenditure comprises additions to property, plant and equipment. Segment assets and capital expenditure are shown by geographical area in which the assets are located.

31. Segment reporting (cont'd)

Geographical segments (cont'd)

2006	**Malaysia RM**	**Asean RM**	**Others RM**	**Group RM**
Total revenue from external customers	160,164,425	12,730,541	60,275,417	233,170,383
Segment assets	177,558,593	1,474,174	6,994,387	186,027,154
Capital expenditure	19,921,455	-	-	19,921,455
2005				
Total revenue from external customers	101,439,573	6,444,953	42,164,346	150,048,872
Segment assets	106,211,670	1,886,192	2,953,525	111,051,387
Capital expenditure	16,257,475	-	-	16,257,475

32. Financial risk management

The Group is exposed to financial risks arising in the normal course of business.

(a) Credit risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. This is done through reference to published credit ratings by prime financial institutions. In the absence of published ratings, an internal credit review is conducted. Please refer to Note 11 to the financial statements for the aging analysis on trade receivables.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets on the balance sheets.

(b) Interest rate risk

The Group finances its operations through a mixture of available cash and bank borrowings. The Group borrows in local currencies at both fixed and floating rates of interest to manage the Group's exposure to interest rate fluctuations. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be achieved if interest rates fall.

(c) Liquidity risk

The Group seeks to achieve a balance between certainty of funding, a flexible, cost-effective borrowing structure and continuity of funding. This is to ensure that all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturity in any one year is not beyond the Group's means to repay and refinance.

(d) Fair values

Financial instruments carried at fair value

The Group has carried its quoted investments that are classified as available-for-sale financial assets at their fair value.

Financial instruments whose carrying amount approximates fair value

Management has determined the carrying amounts of cash and cash equivalents, current trade and other receivables, bank borrowings (current), current trade and other payables reasonably approximate their fair values due to their short-term nature.

32. Financial risk management (cont'd)

(d) Fair values (cont'd)

Financial instruments carried at other than fair value

Group	**Discount rate [1] 2006 %**	**Carrying amount 2006 RM**	**Fair value 2006 RM**
Financial liabilties:			
Bank borrowings (non-current)	8.13	26,521,365	26,456,513
Other payable (non-current)	7.45	7,980,000	6,942,410

[1] Pre-tax discount rate applied to the cash flow projections.

(e) Foreign currency risk

The Group and the Company incur foreign currency risk on transactions and balances that are denominated in currencies other than the Company's functional currency. The main currencies giving rise to this risk are primarily United States dollar, Singapore dollar, Hong Kong dollar and New Zealand dollar. The Group will monitor changes on an on going basis, the exchange rate risk and, where appropriate, enter into forward currency contracts.

33. Events subsequent to the balance sheet date

Subsequent to 30 September 2006, the following events have taken place:

(a) On 2 October 2006, pursuant to internal restructuring, the board of directors of Pok Brothers Sdn. Bhd. had approved transfer of assets and liabilities of three wholly-owned subsidiaries, namely Pok Brothers (Selangor) Sdn. Bhd., Pok Brothers (Pahang) Sdn. Bhd. and Pok Brothers (Penang) Sdn. Bhd. based on audited net book value as at 30 September 2006 to Pok Brothers Sdn. Bhd.. The transfer of the assets and liabilities has yet to be completed.

(b) On 18 October 2006, the Company incorporated a wholly-owned subsidiary in Labuan, Malaysia, known as "Etika Foods International Inc." ("EFI"). EFI is an investment holding company with an authorized share capital of US$10,000 comprising 10,000 ordinary shares of US$1 and a paid-up share capital of US$2 comprising 2 ordinary shares of US$1 each fully paid.

(c) On 22 November 2006, the Company increased its shareholdings in its wholly-owned subsidiaries, namely Etika Foods Marketing Sdn. Bhd. and Etika Global Resources Sdn. Bhd., by 99,998 and 499,998 ordinary shares respectively through the allotment of new shares arising from subscription at an issue price of RM1 each.

(d) On 8 December 2006 the Company's subsidiary, Etika Dairies Sdn. Bhd., has entered into a Sale and Purchase Agreement with Fabina Properties Sdn. Bhd. to acquire a piece of industrial land, measuring approximately 3.97 acres, known as Lot No. LS-3, Meru Industrial Park in Klang, Selangor Darul Ehsan, for a cash consideration of RM3,804,530.

34. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation as follows:

Interest expenses have been reclassified to clearly present these items in accordance with their nature.

	Group	
	2005 balance as restated RM	**2005 balance as previously reported RM**
Profit and loss account		
Other operating expenses	(1,231,017)	(1,106,483)
Finance costs	(881,959)	(1,006,493)

Statistics of Shareholdings as at 22 December 2006

Issued and fully paid-up capital	**:**	**S$10,297,809.12**
Number of ordinary shares in issue	**:**	**171,630,152**
Class of shares	**:**	**Ordinary share**
Voting rights	**:**	**One vote per share**

VOTING RIGHTS

Shareholder's voting rights are set out in Article 65 of the Company's Articles of Association.

On a show of hands, each Member entitled to vote may vote in person or by proxy or by attorney or in the case of a corporation by a representative who shall have one vote and upon a poll, every Member present in person or by proxy shall have one vote for every share which he holds or represents.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed are at all held by the public.

Based on the information provided and to the best knowledge of the Directors, approximately 24.81% of the issued ordinary shares of the Company are held in the hands of the public as at 22 December 2006 and therefore Rule 723 of the Listing Manual of the SGX-ST is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 – 10,000	291	56.73	1,324,000	0.77
10,001 – 1,000,000	197	38.40	22,608,000	13.17
1,000,001 and above	25	4.87	147,698,152	86.06
TOTAL	**513**	**100.00**	**171,630,152**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	Tan Yet Meng	19,745,858	11.50
2.	Mayban Nominees (S) Pte Ltd	17,000,000	9.91
3.	Southern Nominees (S) Sdn Bhd	13,800,000	8.04
4.	GYA Nominees Sdn Bhd	10,406,708	6.06
5.	Jaya J B Tan	9,218,789	5.37
6.	SBS Nominees Pte Ltd	9,000,000	5.24
7.	Masuma Trading Company Limited	8,500,000	4.95
8.	Hong Leong Finance Nominees Pte Ltd	7,700,000	4.49
9.	Tan San Chuan	4,936,465	2.88
10.	Tan San Lin	4,936,465	2.88
11.	Mah Weng Choong	4,636,846	2.70
12.	Raffles Nominees Pte Ltd	4,636,000	2.70
13.	Khor Sin Kok	4,577,846	2.67
14.	Kwong Yuen Seng	4,566,846	2.66
15.	HSBC (Singapore) Nominees Pte Ltd	4,200,000	2.45
16.	Pok York Keaw	2,995,000	1.75
17.	Pok Yoke Kung	2,687,000	1.57
18.	Kamal Y P Tan	2,518,789	1.47
19.	Kim Eng Securities Pte. Ltd.	2,471,000	1.44
20.	Chung Chee Fook	2,468,231	1.44
	TOTAL	141,001,843	82.17

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed interest	%	Total Interest	%
Dato' Jaya J B Tan [1][2]	29,618,789	17.26	59,237,577	34.51	88,856,366	51.77
Kamal Y P Tan [1][3]	29,618,789	17.26	59,237,577	34.51	88,856,366	51.77
Tan Yet Meng [1]	19,745,858	11.50	69,110,508	40.27	88,856,366	51.77
GYA Nominees Sdn Bhd [4]	10,406,708	6.06	-	-	10,406,708	6.06
Pok Yock Tin [5]	718,000	0.42	12,570,309	7.32	13,288,309	7.74
Pok Yoke Koon [5]	1,407,000	0.82	11,881,309	6.92	13,288,309	7.74
Pok Yoke Kung [5]	2,687,000	1.57	10,601,309	6.18	13,288,309	7.74
Pok Yoke Wang [5]	1,868,000	1.09	11,420,309	6.65	13,288,309	7.74
Pak Yok Joon [5]	200,000	0.12	13,088,309	7.63	13,288,309	7.74
Pok York Keaw [5]	2,995,000	1.74	10,293,309	6.00	13,288,309	7.74
Pok York Keng [5]	1,217,309	0.71	12,071,000	7.03	13,288,309	7.74
Tan Kiam Jong [5]	242,000	0.14	13,046,309	7.60	13,288,309	7.74
Tan Mooi Ngoh [5]	221,000	0.13	13,067,309	7.61	13,288,309	7.74
Kaw See @ Cheam Tat Min [5]	110,000	0.06	13,178,309	7.68	13,288,309	7.74
Lai Meng Kam [5]	295,000	0.17	12,993,309	7.57	13,288,309	7.74
Pok Yoke Cheng @ Peh Yoke Cheng [5]	610,000	0.36	12,678,309	7.38	13,288,309	7.74
Pok Fook Soon [5]	718,000	0.42	12,570,309	7.32	13,288,309	7.74

Note :-
(1) *Deemed interested in each others shares through the shares held by Dato' Jaya, Mr Kamal, Ms Tan Yet Meng and children.*
(2) *Direct interest includes shares held through nominees.*
(3) *Direct interest includes shares held through nominees.*
(4) *Held in trust for Abd Hamid bin Mohamed.*
(5) *Deemed interested in each others shares by virtue of relationship as spouse, siblings, cousins and cousin's spouse.*

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Etika International Holdings Limited will be held at Singapore Marriott Hotel, Ballroom 1, Level 3, 320 Orchard Road, Singapore 238865 on Wednesday, 31 January 2007 at 11.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 30 September 2006 and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 91 of the Company's Articles of Association :-

   (i) Mr Mah Weng Choong **(Resolution 2)**

   (ii) Mr Teo Chee Seng **(Resolution 3)**

3. To approve the payment of Directors' fees of S$136,000 for the financial year ended 30 September 2006. (FY 2005 : S$95,905.38) **(Resolution 4)**

4. To declare the payment of a tax exempt (one-tier) final dividend of 0.2 Singapore cents per share for the financial year ended 30 September 2006. **(Resolution 5)**

5. To re-appoint Messrs BDO Raffles as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:-

7. **Ordinary Resolution : General Mandate to authorize Directors to allot and issue shares and convertible securities** **(Resolution 7)**

   THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue: -

   (a) shares; or
   (b) convertible securities; or
   (c) additional securities issued pursuant to Rule 829 of the Listing Rules; or
   (d) shares arising from the conversion of the securities in (b) and (c) above,

   in the Company (whether by way of rights, bonus or otherwise) and/or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible or exchangeable into shares at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding shares which may be issued pursuant to any adjustment effected under any relevant Instrument) must be not more than fifty per cent (50%) of the issued share capital of the Company of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) must be not more than twenty per cent (20%) of the issued share capital of the Company and that such authority shall unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (a)]

8. **Ordinary Resolution : Authority to issue shares under Etika Employee Share Option Scheme**
(Resolution 8)

THAT pursuant to Section 161 of the Companies Act, Cap 50, the Directors of the Company be and are hereby authorized and empowered to offer and grant options in accordance with the Etika Employee Share Option Scheme ("the Scheme") and to allot and issue shares in the capital of the Company to all the holders of options granted by the Company whether granted during the subsistence of this authority or otherwise, under the Scheme upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the issued share capital of the Company from time to time. [See Explanatory Note (b)]

BY ORDER OF THE BOARD

Julie Koh Ngin Joo
Kok Mor Keat
Company Secretaries

Singapore
16 January 2007

Explanatory Notes on Special Business to be transacted

(a) **Ordinary Resolution 7** proposed in item 7 above, if passed will empower the Directors to allot and issue shares and convertible securities in the capital of the Company and/or instruments (as defined above) from the date of the above Meeting until the date of the next Annual General Meeting of the Company, or the date of which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier, unless varied or revoked by the Company in general meeting.

For the purpose of this resolution, the aggregate number of shares and convertible securities to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) shall not exceed 50 per cent. (50%) of the issued share capital of the Company, with a sub-limit of 20 per cent. (20%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution, but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) to the shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the issued share capital of the Company as at the date of the passing of this Resolution after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities and share options that have been issued pursuant to any previous shareholder approval and which are outstanding as at the date of the passing of this Resolution; and

(ii) any subsequent consolidation or subdivision of shares.

This calculation is in accordance with Rule 806(3) of the Listing Manual of the SGX-ST.

(b) **Ordinary Resolution 8** proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options under the Etika Employee Share Option Scheme ('the Scheme") and to allot and issue shares in the Company of up to a number not exceeding in total fifteen per cent. (15%) of the issued share capital of the company from time to time pursuant to the exercise of the options under the Scheme.

NOTES:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorized officer or attorney.

3. The instrument appointing a proxy must be deposited at the Company's Registered Office at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

Notice of Books Closure

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of Etika International Holdings Limited (the "Company") will be closed on 9 February 2007 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Lim Associates (Pte) Ltd, 3 Church Street, #08-01 Samsung Hub, Singapore 049483 up to 5.00 p.m. on 8 February 2007 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 8 February 2007 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 31 January 2007, will be made on 27 February 2007.

PROXY FORM

ETIKA INTERNATIONAL HOLDINGS LIMITED
Company Registration No: 200313131Z
(Incorporated in the Republic of Singapore)

IMPORTANT	
1. For investors who have used their CPF monies to buy shares of Etika International Holdings Limited, the Annual Report 2006 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY. 2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. 3. CPF Investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees in accordance with their instructions within the timeframe specified. 4. CPF investors who wish to vote must submit their voting instructions to their CPF Approved Nominees to enable them to vote on their behalf.	
Number of shares held	

I/We,____

of ____

being a member/members of **ETIKA INTERNATIONAL HOLDINGS LIMITED** (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held on 31 January 2007 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the proxy/proxies will vote or abstain from voting at his/their discretion. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	To be used on a show of hands		To be used in the event of a Poll	
		For *	Against *	Number of Votes For **	Number of Votes Against **
1	Adoption of Directors' Reports and Financial Statements for the year ended 30 September 2006				
2	Re-election of Mr Mah Weng Choong as Director				
3	Re-election of Mr Teo Chee Seng as Director				
4	Approval of payment of Directors' fees				
5	Approval of payment of tax exempt (one-tier) final dividend				
6	Re-appointment of Messrs BDO Raffles as auditors and authorize Directors to fix their Remuneration				
7	Authority to allot and issue new shares				
8	Authority to allot and issue shares under Etika Employee Share Option Scheme				

*Please indicate your vote "For" or "Against" with a "X" within the box provided.
** If you wish to exercise all your votes "For" or "Against", please indicate with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________________ day of ____________________ 2007.

Total Number of Shares held	
CDP Register	
Register of Members	

____
Signature(s) of Member(s) or,
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Seal or under the hand of an officer or attorney duly authorised.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap.50.

General:

The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.