ETIKA INTERNATIONAL HOLDINGS LIMITED

annual report 2007

TAPPING

NEW OPPORTUNITIES

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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.

Etika Group
GAINING A STRONGER FOOTHOLD IN THE Food & Beverage INDUSTRY.

CORPORATE PROFILE

Listed on the SGX-SESDAQ, Etika International Holdings Limited is a leading regional Food and Beverage Group. Its wholly-owned subsidiary in Malaysia, Etika Dairies Sdn. Bhd. which was established in 1997, is one of the major producers of sweetened condensed milk in the world. It also repacks and distributes complementary products such as full cream milk powder, instant coffee powder and tea dust. Its brand "DAIRY CHAMP" has grown to become a well regarded name and was awarded "Superbrand" status by the Malaysian Superbrands Council for two consecutive years in 2003/2004 and 2004/2005.

This has been possible because of the Group's extensive distribution network where it sells and distributes directly to wholesalers, dealers, retailers and on-premise business operations. Its products are also distributed through influential hypermarkets such as Carrefour and Giant (under their in-house brands) as well as the Makro chain of hypermarkets (under Etika's "DAIRY CHAMP" brand).

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.

Corporate Profile
(CONT'D)

In 2006, Etika International Holdings Limited acquired Pok Brothers Sdn. Bhd., one of Malaysia's leading frozen food and premium food wholesaler. This has allowed the Group to further expand its business and diversify its product offerings.

In 2007, the Group further acquired Naturalac Nutrition Limited (trading under the brand name of "Horleys"), a well recognised brand name with a significant position in the New Zealand nutritional supplements market. It also has an established presence in Australia.

In the same year, the Group also acquired M.C. Packaging (M) Sdn. Bhd. (now known as General Packaging Sdn. Bhd.), a local tin can manufacturer with production facilities in Malaysia. General Packaging supplies its products to food related business customers, particularly condensed and evaporated milk manufacturers as well as non-food business customers eg. aerosol cans. Apart from catering to the Malaysian market, General Packaging also exports its products to countries such as Singapore, Philippines and Australia.

Dairies Division

Our Dairies Division continues to pave the way for our global expansion plans, registering increased sales volume and revenue for the financial year to date. In addition, the quality of our products were further affirmed through our ISO 9001:2000 certifications.

Message from the Chairman

Dear Valued Shareholders,

The past financial year has been an exciting one, marking the Group's significant improvement amidst challenging market conditions. I am delighted to report that our efforts over the past 12 months targeted at improving our business processes, cost management and strategic expansion have begun generating positive results. With our global expansion strategies and higher demand driving growth in all our business segments and markets, I am confident that we are well on track to an even better year ahead.

FINANCIAL REVIEW

For the year ended 30 September 2007, the Group recorded higher revenue of RM391.5 million, a commendable increase of 67.9% compared to RM233.2 million reported in the previous financial year. The increase was attributed to higher sales from all business segments. The Dairies Division was the main contributor, accounting for 66.7% of the Group's revenue. The Frozen Food Division contributed 24.2%, while the balance was contributed by the newly acquired businesses in the Packaging Division and Nutrition Division.

The Group's profit after income tax moved in tandem with the increase in revenue and doubled to RM10.1 million from the RM5.0 million reported in the previous financial year.

OUTLOOK AND FUTURE PROSPECTS

Following the completion of several acquisitions during the financial year, we are now in a better position to tap into new opportunities that are presented within the F&B industry. Our enlarged businesses have also allowed us to better synergise our existing resources to further grow our business organically, through the expansion of our product range and market reach. We are delighted to note that these efforts have translated into growth in all our markets and business segments.

Growing consumer acceptance coupled with new geographical markets are anticipated to increase the demand for our existing and new products, which are in turn expected to drive sales volume.

While the general trend in the market dictate higher input costs for major raw materials, we have been able to substantially mitigate this effect through the increase in selling prices and cost reduction through process improvements. We expect to continue seeing the positive effects of these measures in our future bottomline.

Our newly acquired Packaging Division, which serves as a vertical integrated component of the Dairies Division, has started off the financial year well. Plans are currently in the pipeline to expand its production capacity, on the back of continued high demand from our Dairies Division. As such, we are optimistic of achieving strong performance in this segment going forward.

Our other newly acquired Nutrition Division has performed well, closing the financial year beyond expectations in terms of both topline and bottomline growth, contributing positively to Group revenue and earnings. This was achieved as a result of increasing awareness of the benefits of supplementary nutrition, which has driven category growth and the enlargement of our brand share over the past 12 months. With various strategies and business efforts in place, we expect awareness of our brand to grow even further.

We have emerged very much stronger in financial year 2007. We are however not resting on our laurels. Moving ahead, we will endeavor to firmly establish ourself as a leading regional F&B player, building on the strengths of the various business divisions to drive maximum growth and enhance shareholders' value.

Message from the Chairman
(CONT'D)

DIVIDEND & APPRECIATION

In appreciation of our loyal shareholders, we are pleased to announce a final dividend payment of 0.5 Singapore cents for the financial year ended 30 September 2007.

On behalf of the Board, I would also like to recognise the effort of our staff and management in the success and continued growth of the Group.

Finally, I extend my sincere appreciation to our Board of Directors, our principals, our business partners locally and globally and the investment community for their continued confidence and loyal support to Etika.

Dato' Jaya J B Tan
Chairman

Frozen Food Division

Our Frozen Food Division remains true to its assurances of freshness, quality and innovation.

Review of Operations

Etika Group continues to gain a stronger foothold within the F&B industry, in terms of product expansion, customer base and geographical reach, achieved through organic growth and new acquisitions. As a consequence of this expansion, we have also managed to balance the group's overall risk profile by mitigating risks related to seasonality, margins, foreign exchange and country/geographical spread.

We have also increasingly recognized and have begun to develop the Group's intellectual property. Apart from the on-going and continuation of human capital development, we have initiated the recognition of our available intellectual property rights related to trademarks or brand names to be centrally managed with the view of harnessing and maximizing the power of branding to serve as the next springboard for our future growth.

During the financial year under review, the Group has completed the acquisitions of the following new businesses:

- **Naturalac Nutrition Limited ("NNL")**
  The acquisition of 100% interest in NNL based in New Zealand, via our wholly-owned subsidiary Etika (NZ) Limited, was completed on 8 February 2007 for a total consideration of NZD7.8 million. NNL, trading under the brand name of "Horleys", is principally in the business as marketer of branded sports nutrition and health food supplement.

- **General Packaging Sdn. Bhd. ("GPSB" formerly known as M.C. Packaging (M) Sdn. Bhd.)**
  GPSB's acquisition with 65.04% equity interest was completed on 25 April 2007, via our wholly-owned subsidiary Etika Industries Holdings Sdn. Bhd., for a purchase consideration of RM7.8 million. We have subsequent to our financial year ended 30 September 2007, increased our equity holding to 99.04% for a purchase consideration of approximately RM6.6 million, which was completed on 31 October 2007. GPSB's principal activity is the manufacture of tin cans, catering to food and non-food businesses, operating out of two manufacturing plants in Malaysia.

- **Consumer distribution business**
  We have taken over an ongoing consumer distribution business involved in chilled and dry consumer products with effect from 1 May 2007. This business is housed under Pok Brothers Sdn. Bhd. to complement our Frozen Food Division and supplies mainly to the modern retail trade channel especially the hypermarkets.

- **Etika Beverages Sdn. Bhd. ("EBSB")**
  A wholly-owned subsidiary, EBSB, has completed the acquisition of a canned beverage manufacturing plant on 3 July 2007 for a purchase consideration of RM3.8 million. EBSB manufactures carbonated and non-carbonated drinks under the brand name of "Polygold" as well as contract packing for third party.

Pursuant to the above new businesses, the Group's business units are categorized under the following core operating divisions:

- **Dairies Division**
- **Frozen Food Division ***
- **Packaging Division**
- **Nutrition Division**
- **Beverage Division**

* includes butchery & bakery products and consumer distribution businesses

The Dairies Division continued to be the main revenue and earnings contributor for the period under review, while the Frozen Food Division together with two other newly acquired businesses, the Packaging Division and Nutrition Division, have posted strong earnings, resulting in a sterling set of FY2007 financial figures.

For the purpose of segmental reporting, we are only reporting Dairies, Frozen Food and Packaging separately, while the rest are grouped under "Others" since their contribution to the Group's financial results represented less than 10% for the current financial year, partially due to less than 12 months contribution to the Group.

GROUP FINANCIAL RESULTS

The Group recorded a turnover of RM391.5 million for FY2007, a significant increase of RM158.3 million or 67.9% over the previous financial year. This was contributed by growth across all business segments. In particular, the Dairies Division accounted for 35.4% of turnover growth, driven by higher average selling prices and increased sales volume in both its domestic and export markets.

Revenue from the Frozen Food Division also increased. This was, however, due to a 12-month financial impact in FY2007 as compared to only 8 months in FY2006, as well as the acquisition of a new Consumer distribution business under Pok Brothers Group.

Cost of goods sold was 61.9% higher for the financial year under review, largely in line with, but at a lower rate of increase as compared to revenue.

This has resulted in an impressive 104.6% surge in gross profits to RM66.8 million and accordingly, gross profit margin expanded from 14.0% to 17.1%. More specifically, these were mainly attributed to Dairies Division's increased selling prices and process improvements resulting in lower product cost. Cheaper imports in the Frozen Food Division as a result of the stronger Ringgit versus US Dollar and higher margins from the newly acquired businesses, also contributed positively to gross profit and margin expansion.

The Group's profit after income tax for FY2007 leaped to RM10.1 million from RM5.0 million, an impressive 101.9% gain over the previous financial year led by a strong growth in revenue and gross profit margin, notwithstanding higher operating expenses for the Group.

Other operating income also increased by RM1.8 million, with RM0.9 million contributed by Packaging Division mainly due to a certain liabilities being written off pursuant to a settlement with a creditor. The remaining other income were mainly gain on disposal of quoted shares and reversal of impairment losses of investment in quoted shares in the Frozen Food Division.

REVIEW OF OPERATIONS
(CONT'D)

Administrative expenses increased by RM11.1 million or 95.4%, with the Frozen Food Division accounting for 39.5% of the percentage increase due to a 12-month impact as well as the acquisition of the Consumer distribution business. The holding company contributed 19.0% increase or RM2.1 million due to provision for doubtful receivables. Dairies Division contributed 10.6% on increases in directors' emoluments and fees, professional fees incurred for additional banking facilities, back payment for quit rent and allowance for doubtful debts. The balance 26.3% increase came from the newly acquired Packaging, Nutrition and Beverage Divisions.

The Group incurred a significant RM13.1 million or 142.7% increase in marketing and distribution expenses, the bulk of which was contributed by the newly acquired Packaging and Nutrition Divisions, representing 82.3% of the percentage increase. The Frozen Food Division contributed 30.3% as a result of full year impact while the balance of 30.1% came from Dairies Division mainly due to higher freight and transportation costs.

Other operating costs increased by RM3.0 million or 182.7%. This comprised mainly of RM1.0 million from Dairies Division due to increase in staff cost, realized foreign exchange loss and bank charges and RM1.1 million from newly acquired Packaging and Nutrition Divisions.

Finance costs increased by RM3.8 million or 118.9% as a result of increased working capital requirements from the Dairies Division, a 12-month financial impact for the Frozen Food Division and costs of financing the newly acquired businesses.

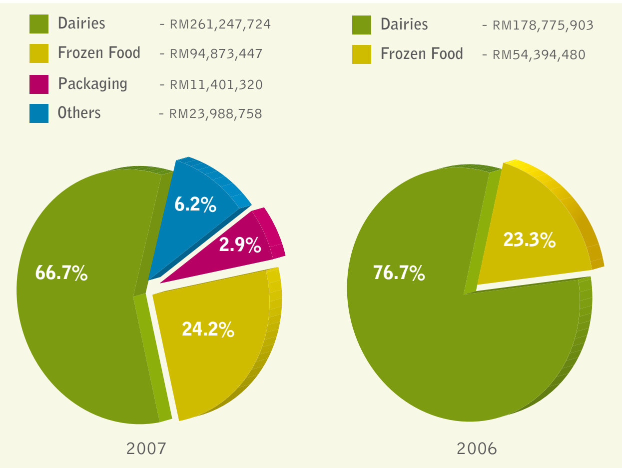
The Group's effective tax rate decreased by 5.2% percentage point, from 33.3% to 28.1%, due to negative goodwill. Excluding this negative goodwill, the Group's effective tax rate was 32.0%, a marginal improvement over that recorded in previous financial year.

Earnings per Share ("EPS") based on weighted average number of ordinary shares on a fully diluted basis grew 55.2% to 4.44 RM sen per Share.

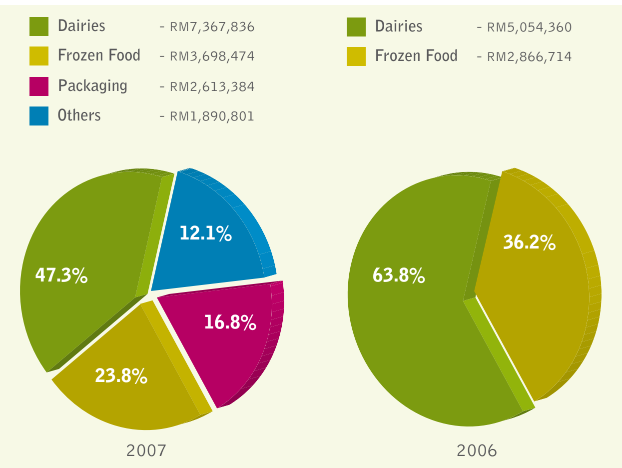
SEGMENTAL REVIEW BY BUSINESS DIVISIONS

Financial year 2007 was a good year for the Group, experiencing growth across all its business segments. Dairies Division contributed 66.7% of total revenue while Frozen Food Division contributed 24.2%, Packaging Division made up 2.9% and the other divisions (Nutrition and Beverage Divisions) the remaining balance of 6.2%.

Revenue by Business Segment



Profit After Tax (PAT) By Operating Business Segments



Dairies Division

The Dairies Division continued its stellar performance as the main contributor to the year's revenue growth. Revenue increased 46.1% to RM261.2 million, while profit jumped RM2.3 million or 45.8% from FY2006. This was mainly contributed by increased sales volume in both domestic and export markets, as well as increased selling prices in the export market.

Domestic sales revenue grew by 28.8% while sales volume also grew by 28.8%. The achievement of a double-digit growth rate within a relatively mature market like Malaysia is commendable and gave further credence to our brand standing and the strength of our distribution channel. Even though domestic sales growth remained robust, our export has been a greater experience for the year, which far outpaced domestic market. Export sales revenue surged by 71.5% while sales volume jumped by 54.0%. Export ratio now stood at 47.5% for FY2007 compared to 40.5% in FY2006.

The Division incurred higher input costs in FY2007, with raw material prices on a general uptrend and prices of dairy ingredients such as skimmed milk was at an all time high. However, the Division has been able to procure long term reliable supplies of milk ingredients from various overseas suppliers. The successful implementation of upward revision of selling prices during the second half of FY2007 helped to cushion escalating input costs. This together with positive process improvement efforts to lower production costs, resulted in a gross profit margin expansion. Barring unforeseen circumstances, these measures will continue to contribute positively to the Group's bottom line in the next 12 months.

In anticipation of higher demand for its dairy products, construction works of a 2-storey factory cum warehouse is currently in progress to serve as a warehouse for the Dairies Division, as well as for purpose of housing our Group's other business. Built on a 16,193 sq. metres (4 acres) plot of recently-acquired land located in close proximity to the Division's existing factory, the factory cum warehouse is scheduled to be completed in 3rd quarter of FY2008.

The Division has successfully obtained the ISO 9001:2000 certification in May 2007 and is currently preparing to obtain the ISO 22000:2005 certification pertaining to food safety management, which will complement the Ministry of Agriculture's certification on quality assurance and HACCP system for milk production.

Frozen Food Division

(Explanatory note: For current year's report, this Division has been merged with the results of our Butchery & Bakery sub-divisions in view of their business inter-dependence, which also coincided with the management reporting structure as well as their immaterial contribution at the moment).

The Frozen Food Division posted a substantial increase of 74.4% in revenue to RM94.9 million in FY2007, while profit grew by RM0.8 million or 29.0%. This was due to the 12-month revenue contribution in FY2007 compared to only 8 months in FY2006 and the takeover of a Consumer distribution business in Pok Brothers Group.

Domestic sales made up the bulk of the Division's revenue at 98.6% while export to Asean countries contributed the balance 1.4%, relatively consistent with FY2006 at 98.9% for domestic sales.

Notwithstanding the 12-month impact, the Division's achievement remained positive on an annualized comparison with FY2006, in particular, for the gross profit margin and net profit level. The appreciation of the Ringgit versus the US Dollar over the course of FY2007 by approximately 5.4% (approximate closing rate for FY2007: RM3.475/USD vs FY2006: RM3.673/USD) has lead to margin expansion as most of this Division's import were in USD while sales remained largely in RM.

Despite facing price competition from the local packers, the Division is confident of continued good performance for the beef sector in the year ahead, in view of various initiatives implemented by the Division and the Malaysian authorities.

The Division has also been successful in promoting the grain-fed Wagyu-grade beef from Australia, registering growth in sales volume. Recently, the Malaysian government had approved three more beef plants for Halal slaughtering and therefore should stabilize supplies and prices of Australian imports. Additionally, two beef plants for New Zealand beef imports had recently been approved and this should benefit the Division with consistent source of supply of good quality beef.

The introduction of new product lines such as Swiss yoghurt and cheese has exceeded expectations. Having gained widespread consumer acceptance and shelf placements in all leading retail outlets, the Division expects sales to continue growing in the coming year.

In anticipation of potential developmental growth in the Malaysian northern region, especially Penang in the coming years, the Division's Penang branch has entered into a sale and purchase agreement to acquire a piece of vacant land to expand its cool room facilities to support the expected increase in future demand.

The biggest challenge facing the Division is the continuing price increases in basic food items such as milk and wheat, which have witnessed unprecedented price increases towards the later half of our financial year and this impact will be translated down the food chain. Transportation costs are also expected to rise with surging crude oil prices and the impending increases in toll charges on 1 January 2008.

Packaging Division

The newly acquired Packaging Division has started off well in the financial year. A vertical integration strategy for the Dairies Division, the Packaging business has proven to be a right decision, contributing RM11.4 million or 2.9% of the Group's revenue. This percentage may be small and is arrived at after the elimination of inter-segment sales since a major bulk of its products were sold to the Dairies Division. Notwithstanding this, its' profit contribution as a percentage over aggregate results of all operating Divisions within the Group was much more significant at RM2.6 million or 16.8%, albeit the short period of 5 months following the completion of acquisition by the Group.

On the external sales, domestic contributed 54.9% of its total revenue while export made up 45.1%, of which the main market is Asean comprising 84.1% of the export portion.

Since becoming part of the Group, the Division has undergone some business re-structuring to streamline its operation where less profitable businesses have been discontinued and certain production line has been re-located. These measures were done in light of the sizeable captive internal demand from Dairies Division which resulted in pushing the limits of the Division's production capacity and to reduce transportation cost.

This Division was also not spared of the global phenomenon of rising commodity prices. The higher cost of tin plates, being the major raw material used in our production, has resulted in higher product cost during the year under review. We have managed to avoid any serious erosion to our margin by passing on most of this cost increase to our customers to minimize the impact to our margin.

However, tighter margins are expected in the coming year due to increasing oil prices, freight charges, and a further anticipated rise in tin plate price. To offset the potential margin squeeze and ensure continuous growth, plans are in the pipeline to upgrade production capacity and increasing production speed to lower costs.

Going forward, the Division will need to undergo an expansionary phase as it increases capacity of its "condensed milk cans" business to meet the demands of the Dairies Division. While this will remain its core business, the Division is also targeting to grow its non-food business (eg "aerosol can") in view of good market potential in the Asia Pacific region as well as to venture into other "food cans" business to diversify its product range.

Other Divisions

The Group's two other operating divisions include the Nutrition Division and the Beverage Division, which individually made up less than 10% of revenue as at end FY2007. Revenue contribution by these Other Divisions was RM24.0 million or 6.2% of Group's revenue, of which the main bulk was from the Nutrition Division at 99.0%.

The acquisition of the Nutrition Division has been positive to the Group's revenue and profit despite contributing only 8 months in FY2007 to the Group and is expected to play a larger role in the Group's business growth henceforth.

The Nutrition Division, trading under the "Horleys" trademark, markets branded sports nutrition and dietary supplement food products to athletes and mass consumers. While the Division is dependent on the global dairy market where prices are expected to remain high, we have been able to pass on price increases to the market to protect divisional margins. The impact of rising consumer prices on sales volume remains to be seen.

Despite tight competition from other brands, growing awareness of the benefits of supplementary nutrition continues to fuel category growth and the increase in the Group's brand share in Australia as well as New Zealand where it enjoys more than 40% market share. The exclusive supply arrangement of nutritional products to a prominent women's health and fitness

chain has assisted to increase revenue as well as providing a model for future divisional growth. With strategies in place to improve customer service, product improvement and innovation, we expect to rapidly gain greater market leadership in the Group's key markets.

At the same time, the Division plans to commence the review, research and re-launch of its entire elite product range in FY2008 to target the serious athletes market. These initiatives are to maintain the strong growth being achieved in Australia.

For the longer term, the Group intends to participate in the emergence of nutrition products in Australian supermarkets to maximize its market share in this niche channel. With an eye on the greater global market, plans are already underway to drive entry in Asia and Western high socio economic markets to expand the Group's international reach and presence.

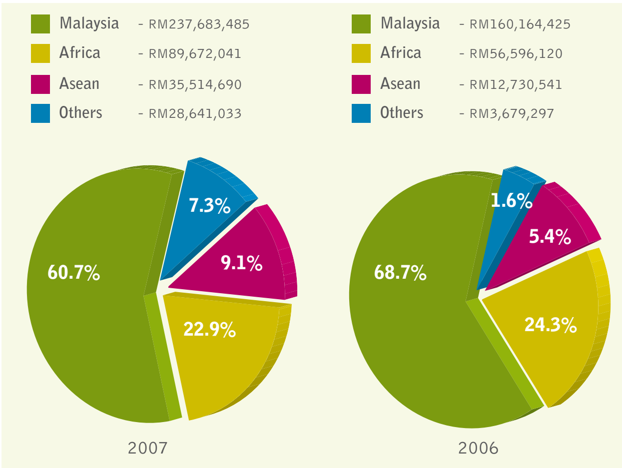
The Beverage Division remained a relatively small business outfit within the Group and is involved in the manufacture of carbonated and non-carbonated canned drinks. The Division has plans to strengthen its brand position of "Polygold" in the F&B segment with more creative selling and a more active A&P campaign. Synergising with the Group's existing range of milk products, this new beverage business will be able to ride on the Group's existing urban and rural distribution networks under the Dairies Division to gain market penetration.

SEGMENTAL REVIEW BY GEOGRAPHICAL MARKETS

Strong growth was recorded in all the Group's major geographical markets for the financial year under review. Sales to the Malaysian market grew by RM77.5 million or 48.4%; African by RM33.1 million or 58.4%; Asean by RM22.8 million or 179.0% and Others by RM25.0 million or 678.4%, compared to FY2006.

In line with our geographical expansion, the Group was less reliant on the Malaysian market in FY2007, which nevertheless remained the largest market for the Group, contributing RM237.7 million or 60.7% of revenue, albeit lower than the 68.7% contributed in FY2006. Of this, the main bulk of the Malaysian revenue was from Dairies Division which accounted for 57.7% while Frozen Food contributed 39.4%. Despite keen competition and upward revision of selling prices, Dairies Division recorded a 28.8% increase in sales volume over prior year. This further confirmed the strength of our "Dairy Champ" brand name in the market

Revenue by Geographical Segment



The Group continues to gain ground in the African markets as evidenced by the 58.4% growth in sales. We are today one of the leading exporters of condensed milk to the West African regions. African revenue recorded was RM89.7 million or 22.9% of total Group revenue compared to RM56.6 million or 24.3% in FY2006. Notwithstanding the impressive double-digit growth, the lower percentage to Group revenue reflected the Group's expanding geographical base, particularly in the Asean and Others markets.

Asean market sales was RM35.5 million or 9.1% of Group's revenue compared to only RM12.7 million or 5.4% in FY2006, mainly from the Dairies Division. The larger share was the positive results in countries such as Singapore, Indonesia and Philippines where Dairies Division's sales have grown substantially. The Division has gained a foothold in the Singapore market and with effect from November 2007, has commenced supplying sweetened condensed milk and evaporated milk to a key F&B chain, which operates more than 80 outlets all over the island state. As for Indonesia, sales have been very encouraging thus far, and in order to extend our market coverage in this large archipelago, the Division plans to appoint more distributors in the next financial year to grow its Indonesian business more aggressively. The Division commenced export to the Philippines in FY2007 with the appointment of a distributor in Cebu. Product sales are expected to further increase as the Division's "Dairy Champ" brand gains greater recognition and consumer acceptance in these countries.

Revenue generated by Others markets jumped substantially to RM28.7 million or 7.3% of Group's revenue compared to only RM3.7 million or 1.6% in FY2006. A large part of these sales at 80.1% were in new markets like New Zealand and Australia as a result of the acquisition of the Nutrition Division during FY2007. Dairies, Frozen Food and Packaging Divisions also recorded sales to Others markets like Middle East and South America.

The Group is constantly seeking opportunities to grow existing and new markets, and has recently appointed new distributors in Hong Kong and Southern China for our Dairies Division and are evaluating options to venture into new geographical markets which are more developed for our Nutrition Division business. We are also exploring channels to increase exports of a wider range of products within the Group to existing and new markets.

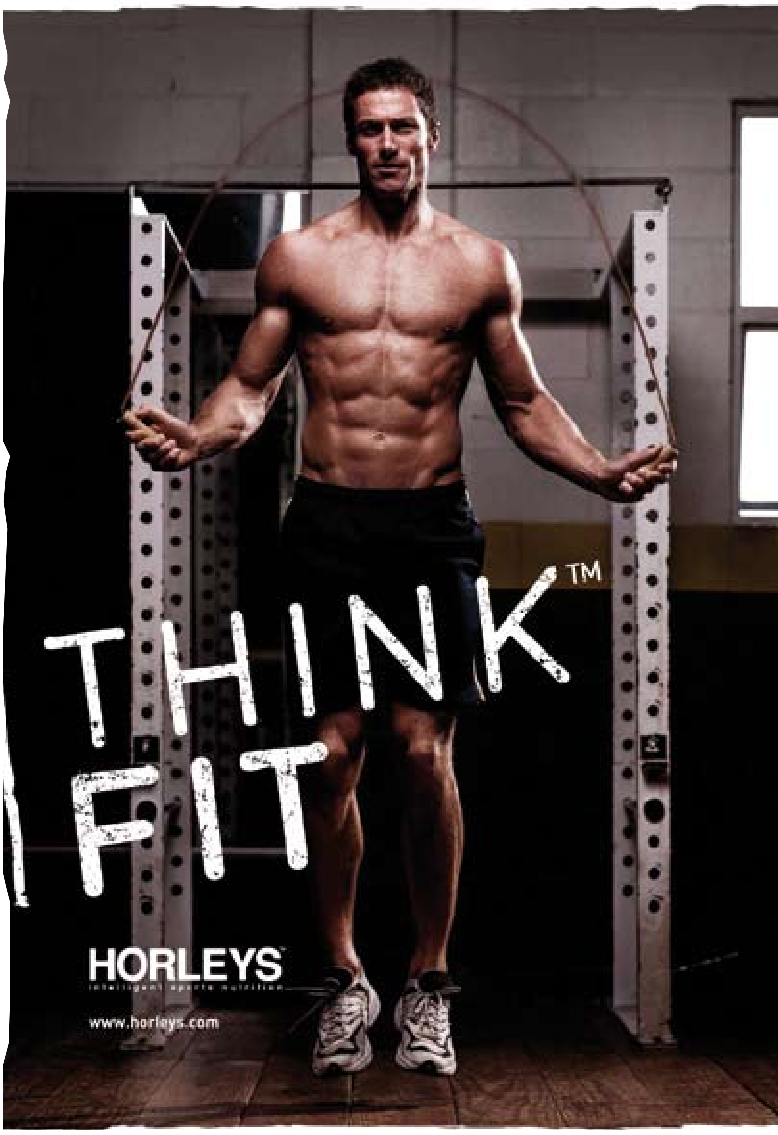
RIGHTS ISSUE PROCEEDS AND ITS UTILISATION

The Company has raised S$6.34 million (RM14.25 million) being the net proceeds from the successful rights issue exercise completed on 10 May 2007. As at 30 September 2007, these proceeds have been utilised in the following manner:-

- Approximately S$0.78 million (RM1.76 million) were used to repay bank borrowings.
- Approximately S$1.82 million (RM4.09 million) were used for the Group's business expansion; and
- Approximately S$2.74 million (RM6.13 million) were used for working capital purpose.

EMERGING REGIONAL F&B GROUP

We are delighted to have turned the corner in FY2007. With the strategies implemented over the last year and a half, the Group is beginning to see the fruits of its efforts, having achieved better integration of its functions, greater economies of scale, and an amazingly diverse range of product offering. In the Group's constant drive to seek better growth opportunities, it also strives to maintain the best corporate practices to ensure maximum efficiency and value for all shareholders. Right now, the Group is embarking on its next phase of growth to further synergise the Group's existing businesses and expand its facilities, capacity and market presence. Riding on the wave of the Group's success in the past year, Etika is truly emerging as a regional F&B Group – confident and ready to soar to greater heights.



Nutrition Division

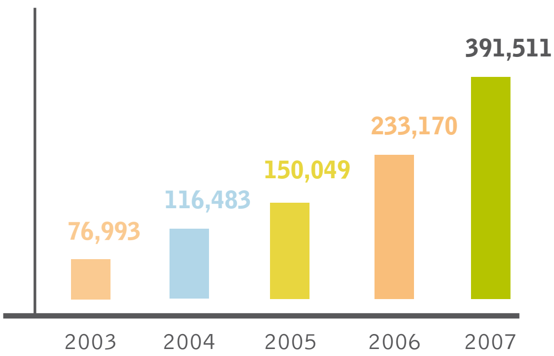
The acquisition of the Nutrition Division has been a positive move forward, building inroads to potential profit contribution to the overall Group.

FINANCIAL HIGHLIGHTS

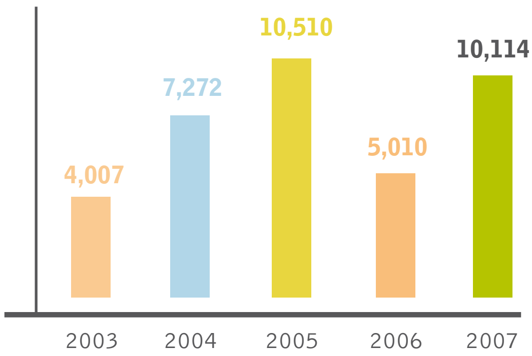
	FY 2003 Proforma	FY 2004 Proforma	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
KEY FINANCIAL INFORMATION					
1. Revenue (RM'000)	76,993	116,483	150,049	233,170	391,511
2. Profit after tax (RM'000)	4,007	7,272	10,510	5,010	10,114
3. Shareholders' equity-opening balance (RM'000)	8,606	12,614	33,731[1]	45,564	56,275[1]
4. Total equity (RM'000)	12,614	19,877	45,564	50,654	77,641
5. Weighted average number of shares	128,630,152	128,630,152	148,460,443	171,630,152	198,714,800
6. Weighted average number of days (revenue)	365	365	334	336	350
KEY FINANCIAL RATIO					
1. Earning per share (EPS) (RM sen)	3.12	5.65	7.08	2.86	4.60
2. Return on equity (%)	46.56	57.65	31.16	10.99	17.97
3. Dividend per share (RM sen)	N/A	N/A	0.89	0.95	1.14
4. Net asset value per share (RM sen)	11.91	15.45	26.55	29.51	32.31
5. Inventory turnover (days)	52	44	54	50	34
6. Receivables turnover (days)	91	81	73	86	89
7. Payables turnover (days)	108	95	82	63	72
8. Working capital cycle (days)	35	30	45	73	51
9. Net gearing ratio (times)	1.49	1.02	0.40	1.41	1.67

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

REVENUE (RM'000)

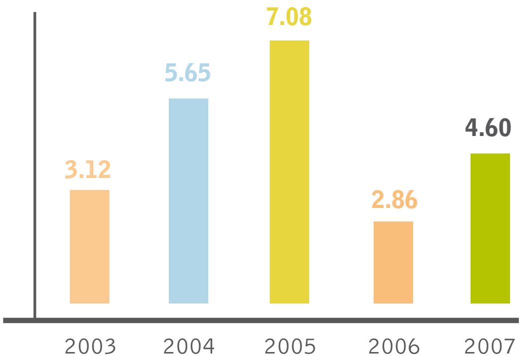


PROFIT AFTER TAX (RM'000)

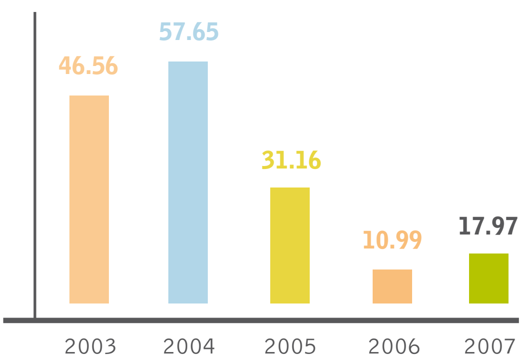


FINANCIAL HIGHLIGHTS
(CONT'D)

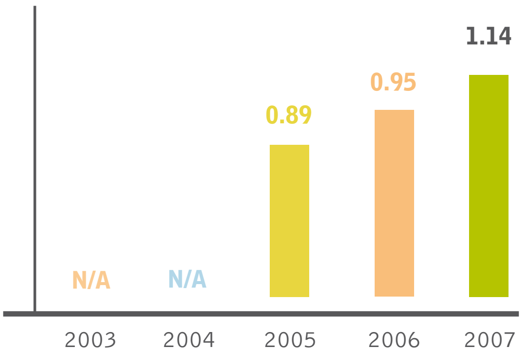
EARNING PER SHARE (EPS) (RM SEN)



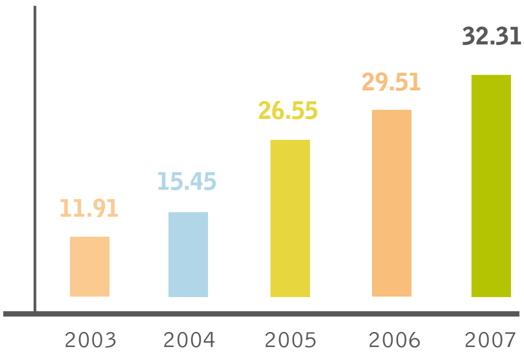
RETURN ON EQUITY (%)



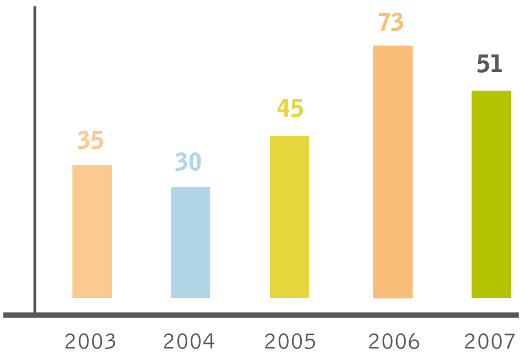
DIVIDEND PER SHARE (RM SEN)



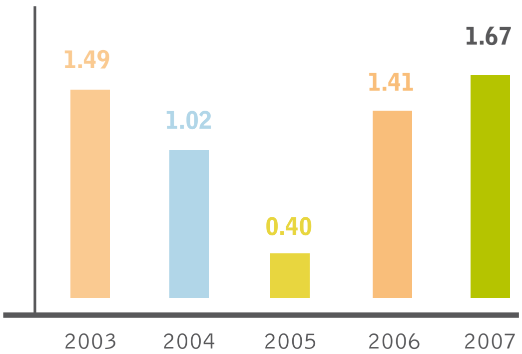
NET ASSET VALUE PER SHARE (RM SEN)



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, United Kingdom, Singapore, Australia and India.

Currently, Dato' Jaya is the Chairman of Lasseters Corporation Limited and Cypress Lakes Group Limited, both of which are entities listed on the Australian Stock Exchange and Lasseters International Holdings Limited, a company listed on the Singapore Stock Exchange. Dato' Jaya is the Vice Chairman of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam and is also involved in gaming businesses in Papua New Guinea and Ghana.

Dato' Jaya is due for re-election as a director of the Company at the forthcoming Annual General Meeting ("AGM").

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

Dato' Kamal Y P Tan
Executive Director

Dato' 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.

Currently, Dato' 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 Group Lakes Limited. 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.

Dato' Kamal was last re-elected at the AGM held in January 2006.

Dato' 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.

Board of Directors

Teo Chee Seng

Independent Director
Chairman of Remuneration and Nominating Committees
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 24 years.

Mr Teo 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 was re-elected as a director of the Company at the last AGM held in January 2007.

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.

Mr Lyn 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 Lyn does not hold directorship in any other listed companies.

Mr Lyn is due for re-election as a director of the Company at the forthcoming AGM.

Board of Directors

Mah Weng Choong
Non-Executive Director

Tan Yet Meng
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 was re-elected as a director of the Company at the last AGM held in January 2007.

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.

Apart from the directorship of the Company, Ms Tan does not hold directorship in any other listed companies. She sits on the board of a few private companies which are involved in investment holding, property development and leisure business.

Ms Tan was re-elected as a director at the AGM 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 Dato' Kamal Y P Tan.

Board of Directors

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.

Apart from the present directorship of the Company, Mr Tan is also the Executive Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited and the Non-Executive Director of companies listed on the Australian Stock Exchange, Lasseters Corporation Limited and Cypress Group Lakes Limited. He is a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

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

Senior Management

Desmond Thong Cooi Seong
Chief Financial Officer

Mr Desmond 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.

Ronnie Kwong Yuen Seng
Director, Sales and Marketing, Etika Dairies Sdn Bhd

Mr Ronnie 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 representative 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 our market share in Malaysia and overseas.

Lawrence Pok York Keaw
Managing Director, Pok Brothers Sdn Bhd

Mr Lawrence 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.

Richard Rowntree
Managing Director, Naturalac Nutrition Ltd

Mr Richard Rowntree has overall responsibility for the nutritional products business. Based in New Zealand, a significant proportion of current divisional sales and future prospects for growth are in overseas markets. This potential for growth will draw on Mr Rowntree's extensive experience in international business development. Prior to his appointment to his current role with Naturalac Nutrition Ltd in March 2003, he had been employed in international business development senior management roles with a number of public-listed New Zealand based companies including Cerebos, Fletcher Challenge and (Heinz) Watties. Mr Rowntree has had previous experience in leading export business development into markets including United Kingdom, Australia, the Pacific Islands and a number of South East Asian countries.

Yong Weng Chye
Managing Director, General Packaging Sdn Bhd

Mr Yong Weng Chye graduated with a Master Degree in Business Administration from Oklahoma City University, United States of America. He is a fellow member of the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants and an Associate Member of The Institute of Bankers, United Kingdom. He has accumulated extensive knowledge on the food and packaging business in the Malaysia, Thailand, Singapore, Hong Kong and the PRC markets through his involvement with the Lam Soon Group.

Robert Tan Cheng Leong
Chief Executive Officer, Pok Brothers (Consumer Division)

Mr Robert Tan is a graduate in Bachelor of Arts (Economics) Honours degree from University of Malaya. He has more than 34 years of hands-on experience in FMCG business, having carved a successful sales, marketing and general management career in established companies such as Nestle Products, Johnson & Johnson, Shell Chemicals, Rickett & Colman, Network Foods Sdn Bhd and QL Distribution Sdn Bhd ("QLD").

Mr Tan was the Managing Director of QLD from 2004 to April 2007. He joined our Group in May 2007 following the conclusion of the acquisition of the consumer business of QLD by Pok Brothers and heads the consumer division which carries food and non-food agency lines.

Corporate Information

BOARD OF DIRECTORS

Dato' Jaya J B Tan
Non-Executive Chairman

Dato' 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

9 Raffles Place
Republic Plaza #12-01
Singapore 048619
Telephone : (65) 6535 0550
Facsimile : (65) 6438 0550

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory
Services 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

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

National Australia Bank Limited

United Overseas Bank (Malaysia) Berhad

SOLICITORS

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

Packaging Division

Our newly acquired Packaging Division has resulted in cost and time efficiencies and paved the way for synergies with our Dairies Division.

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 issued by the Ministry of Finance on 14 July 2005. Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interest of all shareholders.

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 2007 ("FY2007").

1. BOARD MATTERS

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

The Board of Directors (the "Board") comprises one Executive Director, three non-executive Directors and two independent directors, having the appropriate mix of core competencies and diversity in experience, which in the course of deliberations, they are obliged to act in good faith and consider all times the interest of 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 yearly 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.

The Board meets regularly 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 FY2007	4	3	2	1
Name of Directors				
Dato' Jaya J B Tan	4	3	2	1
Dato' Kamal Y P Tan	4	-	-	-
Tan Yet Meng (Alternate Director : Tan San Chuan)	4	-	-	-
Mah Weng Choong (Alternate Director : Khor Sin Kok)	4	-	-	-
Teo Chee Seng	4	3	2	1
John Lyn Hian Woon	3	3	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 the following directors :-

Executive Director
Dato' 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, Dato' Kamal Y P Tan, who is assisted by an experienced and qualified team of executive officers of the Group. Dato' Jaya and Dato' Kamal are brothers.

2. BOARD MEMBERSHIP AND PERFORMANCE

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	Member	Member	Member

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 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 Dato' Jaya J B Tan and Mr John Lyn Hian Woon for re-election at the forthcoming Annual General Meeting. Both Dato' Jaya and Mr John Lyn are retiring under Article 91 of the Company's Articles of Association.

Dato' Jaya, the Chairman of the Company, was appointed to the Board on 23 December 2003, is a non-executive and non-independent director. Upon his re-election, Dato' Jaya will remain a member of the Audit Committee, Remuneration Committee and Nominating Committee.

Mr John Lyn, an independent Director was appointed to the Board on 3 August 2004. He is the Chairman of the Audit Committee. Upon his re-election as a Director of the Company at the forthcoming Annual General Meeting, he will remain as the Chairman of the Audit Committee and members of the Remuneration Committee and Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

To assist the Board in its discharge of duties and responsibilities, all directors are provided with adequate information in a timely manner by the management 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.

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:-

Remuneration Bands	FY2006	FY2007
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 FY2007 is as follows:

Remuneration Bands & Names of Directors	Salary*	Directors' Fees	Performance-related income/Bonus**	Total Remuneration
	%	%	%	%
Below S$250,000				
Dato' Kamal Y P Tan	89.2	-	10.8	100.0
Dato' Jaya J B Tan	-	100.0	-	100.0
Mah Weng Choong	76.4	13.5	10.1	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	88.7	-	11.3	100.0
Tan San Chuan	-	-	-	-

* inclusive of benefits–in-kind, allowances and provident fund.
** on receipt basis during FY2007.

The breakdown, showing the level and mix of each key executive's remuneration for FY2007, is as follows:-

Remuneration Bands & Names of Executive Officers	Salary*	Directors' Fees	Performance-related income/Bonus**	Total Remuneration
	%	%	%	%
S$250,000 to S$499,999				
Yong Weng Chye	1.0	74.2	24.8	100.0
Below S$250,000				
Richard Rowntree	71.4	-	28.6	100.0
Pok York Keaw	87.8	-	12.2	100.0
Kwong Yuen Seng	88.4	-	11.6	100.0
Thong Cooi Seong	86.6	-	13.4	100.0

* inclusive of benefits-in-kind, allowances and provident fund.
** on receipt basis during FY2007.

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 FY2007 save and except for Dato' Kamal Y P Tan who is related to Dato' Jaya J B Tan, Ms Tan Yet Meng and Mr Tan San Chuan.

Accountability
Principle 10 : Accountability of the Board and management

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 interim 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.

Audit Committee
Principle 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 (Member)	Non-Executive

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 FY2007, 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 interim 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	1,137,983 (or approximately S$495,205)	-
Life Medicals Sdn. Bhd. - Purchase of packing materials	987,663 (or approximately S$429,792)	-
Motif Etika Sdn Bhd - Rental of office premises	343,500 (or approximately S$149,478)	-

Based on average exchange rate as at 30 September 2007 of S$1 = RM2.298

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 the Etika's interim or full year results and ending on the day after the announcement of the interim 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 2007.

1. Directors

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

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

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 of the Company 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:

	Shareholdings registered in the name of Directors and nominees		Shareholdings in which Directors are deemed to have an interest	
	Balance as at 30.09.2007	**Balance as at 1.10.2006**	**Balance as at 30.9.2007**	**Balance as at 1.10.2006**
The Company				
	Number of ordinary shares			
Dato' Jaya J B Tan	41,466,304	29,618,789	82,932,607	59,237,577
Dato' Kamal Y P Tan	41,466,304	29,618,789	82,932,607	59,237,577
Mah Weng Choong	13,064,705	4,636,846	-	-
John Lyn Hian Woon	280,000	200,000	-	-
Teo Chee Seng	70,000	50,000	-	-
Tan Yet Meng	27,644,201	-	96,754,710	-
Khor Sin Kok	12,362,105	4,577,846	-	-
Tan San Chuan	6,911,051	-	-	-
	Number of warrants to subscribe for ordinary shares			
Dato' Jaya J B Tan	2,961,879	-	-	-
Dato' Kamal Y P Tan	2,961,879	-	-	-
Mah Weng Choong	888,908	-	-	-
John Lyn Hian Woon	20,000	-	-	-
Teo Chee Seng	5,000	-	-	-
Tan Yet Meng	1,974,585	-	-	-
Khor Sin Kok	883,007	-	-	-
Tan San Chuan	493,646	-	-	-

3. Directors' interests in shares or debentures (cont'd)

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interest as at 21 October 2007 in the shares of the Company have not changed from those disclosed as at 30 September 2007.

By virtue of Section 7 of the Act, Dato' Jaya J B Tan, Dato' Kamal Y P Tan and Ms Tan Yet Meng 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 except for those disclosed in Section 6 "Warrants" of this report.

6. Warrants

On 10 May 2007, the Company issued 17,162,931 free detachable warrants in connection with the rights issue to shareholders. Each warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of $0.095, exercisable from 14 May 2007 to 8 April 2010.

Movements of the warrants during the financial year were as follows:

Date of issue	Balance at 10.5.07	Exercised	Balance at 30.9.07	Exercise price	Exercisable period
10.5.2007	17,162,931	-	17,162,931	$0.095	14.5.2007 to 8.4.2010

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.

7. Audit committee

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

John Lyn Hian Woon (Chairman)
Teo Chee Seng
Dato' Jaya J B Tan

7. Audit committee (cont'd)

The Audit Committee performs the functions specified in Section 201B (5) of the Act. 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 for the financial year ended 30 September 2007 as well as the Auditors' Report thereon prior to their submission to the Directors of the Company for adoption.

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

8. 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 **Dato' Kamal Y P Tan**

Singapore
28 December 2007

STATEMENT BY DIRECTORS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In our opinion,

(a) the accompanying financial statements comprising the balance sheets of the Group and Company as at 30 September 2007, the consolidated income statement, statements of changes in equity of the Group and Company and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes are drawn up in accordance with the provisions of the 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 2007 and of the results, changes in equity and cash flows of the Group 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 **Dato' Kamal Y P Tan**

Singapore
28 December 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ETIKA INTERNATIONAL HOLDINGS LIMITED

We have audited the accompanying financial statements of Etika International Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and the Company as at 30 September 2007, and the consolidated income statement, 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, and a summary of significant accounting policies and other explanatory notes set out on pages 52 to 97.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 2007 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 2007

BALANCE SHEETS

AS AT 30 SEPTEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Non-current assets					
Property, plant and equipment	4	98,369,964	82,482,106	-	-
Prepaid lease payment for land	5	4,066,839	-	-	-
Investments in subsidiaries	6	-	-	19,833,688	18,133,685
Investments in associate	7	-	-	-	-
Available-for-sale financial assets	8	460,000	444,324	-	-
Deferred tax assets	9	148,762	73,737	-	-
Intangible assets	10	18,616,633	4,428,369	-	-
		121,662,198	87,428,536	19,833,688	18,133,685
Current assets					
Non-current asset held for sale	11	4,500,000	-	-	-
Inventories	12	57,219,065	29,518,779	-	-
Trade and other receivables	13	96,077,179	66,791,104	31,256,746	20,106,716
Fixed deposits	14	2,470,624	387,926	2,069,707	-
Cash and bank balances	15	9,913,986	2,160,481	599,204	674,082
		170,180,854	98,858,290	33,925,657	20,780,798
Less:					
Current liabilities					
Trade and other payables	16	61,490,942	49,540,285	600,654	415,567
Bank borrowings	17	75,879,110	44,315,408	-	-
Finance leases	18	1,217,334	1,038,054	-	-
Current income tax payable		530,998	5,522	12,288	5,522
		139,118,384	94,899,269	612,942	421,089
Net current assets		31,062,470	3,959,021	33,312,715	20,359,709
Less:					
Non-current liabilities					
Deferred tax liabilities	9	9,883,075	4,620,049	-	-
Other payable	16	2,389,000	7,980,000	-	-
Bank borrowings	17	60,817,895	26,521,365	-	-
Finance leases	18	1,994,012	1,612,440	-	-
		75,083,982	40,733,854	-	-
		77,640,686	50,653,703	53,146,403	38,493,394
Capital and reserves					
Share capital	19	49,711,245	35,461,830	49,711,245	35,461,830
Foreign currency translation reserve	20	315,049	204,066	378,442	317,339
Fair value reserve	21	47,172	47,172	-	-
Accumulated profits		21,595,136	13,247,765	3,056,716	2,714,225
Equity attributable to equity holders of the Company		71,668,602	48,960,833	53,146,403	38,493,394
Minority interests		5,972,084	1,692,870	-	-
Total equity		77,640,686	50,653,703	53,146,403	38,493,394

The accompanying notes form an integral part of the financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

	Note	2007 RM	2006 RM
Revenue	22	391,511,249	233,170,383
Cost of sales		(324,710,380)	(200,515,217)
Gross profit		66,800,869	32,655,166
Other operating income	23	2,337,972	526,366
Administrative expenses		(22,778,038)	(11,654,743)
Marketing and distribution expenses		(22,338,899)	(9,204,766)
Other operating expenses	24	(4,690,662)	(1,630,716)
Accreditation of negative goodwill	25	1,710,620	-
Finance costs	26	(6,967,927)	(3,183,771)
Profit before income tax	27	14,073,935	7,507,536
Income tax expense	28	(3,960,293)	(2,497,457)
Profit after income tax		10,113,642	5,010,079
Attributable to:			
Equity holders of the Company		9,132,063	4,913,133
Minority interests		981,579	96,946
		10,113,642	5,010,079
Earnings per share	29		
- Basic		4.60 sen	2.86 sen
- Diluted		4.44 sen	2.86 sen

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

The Group	Note	← Share capital RM	Foreign currency translation reserve RM	Attributable to equity holders of the Company Fair value reserve RM	Accumulated profits RM	Total → RM	Minority interests RM	Total equity RM
2007								
Balance at 1 October 2006		35,461,830	204,066	47,172	13,247,765	48,960,833	1,692,870	50,653,703
Currency translation differences	20	-	110,983	-	-	110,983	-	110,983
Net gain recognised directly in equity		-	110,983	-	-	110,983	-	110,983
Net profit for the financial year		-	-	-	9,132,063	9,132,063	981,579	10,113,642
Total recognised gains		-	110,983	-	9,132,063	9,243,046	981,579	10,224,625
Acquisition of a subsidiary		-	-	-	-	-	4,111,960	4,111,960
Acquisition of additional interest in a subsidiary		-	-	-	-	-	(814,325)	(814,325)
Issue of shares	19							
- Rights issue		14,664,596	-	-	-	14,664,596	-	14,664,596
- Expenses		(415,181)	-	-	-	(415,181)	-	(415,181)
Dividends	30	-	-	-	(784,692)	(784,692)	-	(784,692)
Balance at 30 September 2007		49,711,245	315,049	47,172	21,595,136	71,668,602	5,972,084	77,640,686

The accompanying notes form an integral part of the financial statements

The Group	Note	Share capital	Share premium	Foreign currency translation reserve	Fair value reserve	Accumulated profits	Total	Minority interests	Total equity
		← Attributable to equity holders of the Company					→		
		RM	RM	RM	RM	RM	RM	RM	RM
2006									
Balance at 1 October 2005		23,471,420	11,990,410	(390,141)	-	10,492,538	45,564,227	-	45,564,227
Currency translation differences		-	-	594,207	-	-	594,207	-	594,207
Net loss recognised directly in equity		-	-	594,207	-	-	594,207	-	594,207
Net profit for the financial year		-	-	-	-	4,913,133	4,913,133	96,946	5,010,079
Total recognised gains		-	-	594,207	-	4,913,133	5,507,340	96,946	5,604,286
Effect of Companies (Amendment) Act 2005		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	8	-	-	-	47,172	-	47,172	-	47,172
Dividends	30	-	-	-	-	(2,157,906)	(2,157,906)	-	(2,157,906)
Balance at 30 September 2006		35,461,830	-	204,066	47,172	13,247,765	48,960,833	1,692,870	50,653,703

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

The Company	**Note**	**Share capital RM**	**Share premium RM**	**Foreign currency translation reserve RM**	**Accumulated profits RM**	**Total RM**
		← Attributable to equity holders of the Company →				
2007						
Balance at 1 October 2006		35,461,830	-	317,339	2,714,225	38,493,394
Currency translation differences		-	-	61,103	-	61,103
Net gain recognised directly in equity		-	-	61,103	-	61,103
Net profit for the financial year		-	-	-	1,127,183	1,127,183
Total recognised gains		-	-	61,103	1,127,183	1,188,286
Issue of shares	19					
- Rights Issue		14,664,596	-	-	-	14,664,596
- Expenses		(415,181)	-	-	-	(415,181)
Dividends	30	-	-	-	(784,692)	(784,692)
Balance at 30 September 2007		49,711,245	-	378,442	3,056,716	53,146,403
2006						
Balance at 1 October 2005		23,471,420	11,990,410	(730,688)	1,502,156	36,233,298
Currency translation differences		-	-	1,048,027	-	1,048,027
Net gain recognised directly in equity		-	-	1,048,027	-	1,048,027
Net profit for the financial year		-	-	-	3,369,975	3,369,975
Total recognised gains		-	-	1,048,027	3,369,975	4,418,002
Effect of Companies (Amendment) Act 2005	19	11,990,410	(11,990,410)	-	-	-
Dividends	30	-	-	-	(2,157,906)	(2,157,906)
Balance at 30 September 2006		35,461,830	-	317,339	2,714,225	38,493,394

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

	2007 RM	2006 RM
Cash flows from operating activities		
Profit before income tax	14,073,935	7,507,536
Adjustments for:		
Accreditation of negative goodwill	(1,710,620)	-
Allowance for doubtful trade receivables - trade	1,641,443	136,904
Allowance for doubtful trade receivable - non trade	2,051,898	-
Allowance for doubtful trade receivables no longer required, now written back	(91,055)	(99,344)
Amortisation of intangible assets	2,868	-
Amortisation of prepaid lease payment for land	33,161	-
Bad trade receivables written off	17,740	3,114
Depreciation of property, plant and equipment	6,637,105	3,641,382
Gain on disposal of investment	(551,849)	-
Gain on disposal of plant and equipment	(133,711)	(35,134)
Interest income	(276,827)	(145,919)
Interest expense	6,967,927	3,183,771
Inventories written off	-	104,465
Plant and equipment written off	21,653	67,644
Reversal of impairment loss of investment in quoted shares	(269,808)	-
Loss on foreign exchange	448,180	-
Operating profit before working capital changes	28,862,040	14,364,419
Working capital changes:		
Inventories	(18,812,688)	5,190,898
Trade and other receivables	(14,928,994)	(9,761,165)
Trade and other payables	(6,600,566)	(2,303,408)
Cash (absorbed by)/generated from operations	(11,480,208)	7,490,744
Interest paid	(376,094)	(444,980)
Income tax paid, net	(2,529,157)	(270,411)
Net cash (used in)/generated from operating activities	(14,385,459)	6,775,353

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

	2007 RM	2006 RM
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 4)	(12,529,135)	(19,451,994)
Net cash outflow from acquisition of subsidiaries (Note 6(c))	(21,823,531)	(21,453,734)
Acquisition of shares in a subsidiary (Note 6(d))	-	(555,533)
Purchase of intangible assets	(6,202)	(6,521)
Proceeds from disposal of investments	805,981	-
Proceeds from disposal of plant and equipment	362,152	39,902
Interest income received	276,827	145,919
Net cash used in investing activities	(32,913,908)	(41,281,961)
Cash flows from financing activities		
Dividends paid to shareholders	(784,692)	(2,157,906)
Proceeds from issue of shares	14,249,415	-
Interest paid	(6,591,833)	(2,738,791)
Increase in fixed deposits	(12,991)	(387,926)
Proceeds from bank borrowings	53,416,458	29,449,116
Repayment of finance lease obligations	(1,418,964)	(1,059,784)
Net cash generated from financing activities	58,857,393	23,104,709
Net change in cash and cash equivalents	11,558,026	(11,401,899)
Cash and cash equivalents at beginning of financial year	(5,057,671)	5,750,021
Effect of exchange rate changes	110,983	594,207
Cash and cash equivalents at end of financial year (Note 15)	6,611,338	(5,057,671)

The accompanying notes form 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 subsidiary companies ("Group") for the financial year ended 30 September 2007 were authorised for issue in accordance with a Directors' resolution dated 28 December 2007.

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.

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

The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") the provisions of the Singapore Companies Act, Cap. 50 and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the Directors of the Company 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 assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to their operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies.

2. Summary of 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 and the Company have 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 1	:	Amendments to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	FRS 12 – Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The Group and the Company expect that the adoption of the above pronouncements, if applicable, will have no material impact on the financial statements in the period of initial application, except for FRS 40, FRS 107 and the amendments to FRS 1 (revised) as indicated below:

FRS 107, Financial Instruments: Disclosures and Amendments to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures).

FRS 107 introduces new disclosures about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitive analysis to market risk. The amendment to FRS 1 (revised) requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital.

FRS 40, Investment Property

The Group owns properties which are accounted for as property, plant and equipment as at 30 September 2007 in accordance with the accounting policy set out in Note 2(c) in these financial statements. These properties are occupied by the companies in the Group.

Under FRS 40, properties are required to be accounted for separately if they could be sold or leased out separately under a finance lease.

Under FRS 40, investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group could choose as its accounting policy either the fair value model or cost model to measure its investment property.

2. Summary of significant accounting policies (cont'd)

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

If the Group chooses the fair value model, gain or loss arising from changes in the fair value of the investment property is included in the income statement in the financial year in which they arise.

The Group and the Company will apply FRS 40, FRS 107 and amendment to FRS 1 (revised) from annual period beginning 1 October 2007.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to end of the financial year. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company.

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.

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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

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 consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

(c) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

2. Summary of significant accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

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.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of standard performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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 income statement.

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:

	Years
Factory buildings	40 - 50
Plant and machinery	7.5- 20
Cold room and freezer	10
Furniture and fittings	10
Renovation	10
Motor vehicles	5 - 6.25
Office and factory equipment	3 – 20
Computer system	5

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.

(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. Summary of significant accounting policies (cont'd)

(e) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the 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 measured at cost less any accumulated impairment in value. Goodwill is tested for impairment at lease annually as stated in Note 2(f) to the financial statements.

(ii) Product licences

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 income statement.

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 or amortisation, if no impairment in value has been recognised. Reversals of impairment in value are recognised in the income statement.

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 income statement 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. Summary of 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 and work-in-progress includes cost of raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity) but excludes borrowing costs.

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 and the Company classifies their financial assets in the following categories, as applicable: financial assets at fair value through income statement, 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 income statement or held-to-maturity investments.

(i) 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 income statement when the loans and receivables are derecognised or impaired as well as through the amortisation process.

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 income statement.

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. Summary of significant accounting policies (cont'd)

(h) Financial assets (cont'd)

(ii) 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 income statement.

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.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to the asset is also recognised in the income statement.

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment in value, if any.

Available-for-sale financial assets are re-measured at fair value with gains or losses recognised in the fair value reserve until the assets are derecognised, or determined to be impaired, at which time the cumulative gains or losses previously reported in equity are transferred to the income statement.

Impairment

The Group and the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

(h) Financial assets (cont'd)

(i) Loans and receivables (cont'd)

If, in a subsequent period, the amount of the impairment in value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment in value is reversed. Any subsequent reversal of an impairment in value is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment in value previously recognised in the income statement, is transferred from equity to the income statement. Reversal of impairment in value in respect of equity instruments classified as available-for-sale is recognised through equity. Reversal of impairment in value on debt instruments is recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment in value was recognised in the income statement.

(i) Financial liabilities

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

<u>Trade and other payables</u>

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 income statement when the liabilities are derecognised as well as through the amortisation process.

<u>Finance leases</u>

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 income statement

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.

<u>Borrowings</u>

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 income statement over the period of the borrowings using the effective interest method.

2. Summary of significant accounting policies (cont'd)

(i) Financial liabilities (cont'd)

Recognition and derecognition

Financial liabilities are recognised on the balance sheet when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the income statement.

(j) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issuance of new shares are shown in the equity as a deduction from the proceeds.

(k) 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. Revenue is measured at the fair value of the consideration received or receivable.

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 income statement 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.

2. Summary of significant accounting policies (cont'd)

(l) Research costs

Research costs are recognised as expenses when incurred.

(m) Employment benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the income statement 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.

(n) Operating leases

When a group company is the lessee

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 income statement 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.

(o) Finance costs

Interest expense and similar charges are expensed to the income statement in the financial year in which they are incurred.

(p) Income tax expense

Income tax expense for the financial year comprises current and deferred taxes. Income tax is recognised in the income statement 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 or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided, using the liability method, 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 provided is based on the manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively 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.

2. Summary of significant accounting policies (cont'd)

(p) Income tax expense (cont'd)

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its "functional 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 income statement for the financial year. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement 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.

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 financial year, 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 the income statement 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.

2. Summary of significant accounting policies (cont'd)

(r) 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.

(s) 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 subjected 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. Critical accounting judgements and key sources of estimation uncertainty

(a) Critical judgements made in applying the accounting policies

In the process of applying the accounting policies, the Directors of the Company are of the opinion that there are no critical judgments involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investment in subsidiaries and financial assets

The Directors of the Company follow the guidance of FRS 36 and FRS 39 on determining whether investment 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 of investment in subsidiaries is based on the estimation of value in use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period of up to five years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of investment in subsidiaries as at 30 September 2007 was RM19,833,688 (2006: RM18,133,685).

(b) 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 and reported amounts of revenue and expenses within the next financial year, are discussed below.

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Key sources of estimation uncertainty (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 3 to 50 years. The carrying amount of the Group's property, plant and equipment as at 30 September 2007 was RM98,369,964 (2006: RM82,482,106). 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, Singapore and New Zealand. 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 2007 was RM530,998 (2006: RM5,522) and RM9,883,075 (2006: RM4,620,049) respectively.

(iii) 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 as at 30 September 2007 was RM10,866,078 (2006: RM4,421,848).

(iv) 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. The carrying amount of the Group's trade and other receivables as at 30 September 2007 was RM96,077,179 (2006: RM66,791,104).

(v) 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 as at 30 September 2007 was RM57,219,065 (2006: RM29,518,779).

4. Property, plant and equipment

Group	Freehold land RM	Factory buildings RM	Plant and machinery 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 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
Acquisition of subsidiaries	-	2,400,000	9,641,048	-	138,618	-	150,483	-	149,480	-	12,479,629
Reclassification	24,955	-	-	-	-	-	-	(7,106,454)	7,081,499	-	-
Transfer to asset classified as held for sales	(4,500,000)	-	-	-	-	-	-	-	-	-	(4,500,000)
Additions	6,079,283	1,075,454	1,360,099	153,700	57,331	1,700	518,506	-	4,615,810	487,252	14,349,135
Fair value adjustment	(34,760)	24,546	456,509	-	-	-	-	-	-	-	446,295
Disposals	-	-	-	-	-	-	(523,072)	-	(42,249)	-	(565,321)
Written off	-	-	-	-	-	-	-	-	(41,116)	-	(41,116)
Balance at 30 September 2007	22,554,237	21,417,759	11,457,656	536,082	579,701	257,058	3,837,824	-	48,972,524	703,947	110,316,788
Accumulated depreciation											
Balance at 1 October 2006	-	663,056	-	34,049	86,046	84,876	1,087,198	-	3,669,503	41,332	5,666,060
Charged for the financial year	-	494,240	750,978	60,197	75,978	45,853	899,576	-	4,097,723	212,560	6,637,105
Disposals	-	-	-	-	-	-	(294,871)	-	(41,375)	-	(336,246)
Written off	-	-	-	-	-	-	-	-	(20,095)	-	(20,095)
Balance at 30 September 2007	-	1,157,296	750,978	94,246	162,024	130,729	1,691,903	-	7,705,756	253,892	11,946,824
Net book value											
Balance at 30 September 2007	22,554,237	20,260,463	10,706,678	441,836	417,677	126,329	2,145,921	-	41,266,768	450,055	98,369,964

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

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

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

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

	2007 RM	2006 RM
Additions of property, plant and equipment	14,349,135	19,921,455
Acquired under finance lease agreements	(1,820,000)	(469,461)
Cash payments made to acquire property, plant and equipment	12,529,135	19,451,994

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 RM5,995,085 (2006: RM27,265,409) have yet to be issued by the relevant authorities. Freehold land and building with net book value of RM16,559,152 (2006: Nil) are held in trust by the developers.

As at the balance sheet date, the Group had property, plant and equipment with a net book value of RM77,614,847(2006: RM76,480,694) charged for banking facilities granted to certain subsidiaries. In addition, the Group had motor vehicles with a net book value of RM178,810 (2006: RM503,494) held in trust by certain directors and employee of the Group.

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

	Group	
	2007 RM	2006 RM
Plant and machinery	235,964	-
Cold room and freezer	77,625	91,125
Motor vehicles	1,961,382	2,340,162
Office and factory equipment	2,587,708	1,414,894
Computer system	17,673	77,799
	4,880,352	3,923,980

As at 30 September 2007, 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	-

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

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Lot LS-3, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Under construction	173,143	-
Lot 3, Jalan 203, 74, Seksyen 20, Petaling Jaya, Malaysia	Industrial land	Factory building	51,731	34,003
Lot 57, Hicom Glenmarie Industrial Park, Malaysia	Industrial land	Vacant	96,758	-
Lot 55, Hicom Glenmarie Industrial Park, Malaysia	Warehouse	Processing factory	68,800	44,986
Lot 1-3-1, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	862
Lot 1-3-3, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	855
3, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru , Malaysia	Industrial warehouse	Cold room /Office	2,400	2,400
1, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	4,690	4,690
7, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	2,400	2,400
Intersection of Jalan Bertam 2 & Jalan Bertam 5, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial Land	Vacant	16,882	-
Lot 17225, Jalan Haruan 6, Oakland Industrial Park, 70300 Seremban, Malaysia	Industrial land	Factory building	64,809	25,000
49, Lorong Wong Ah Jang, Kuantan Pahang, Malaysia	Shop office	Office	1,660	2,832

5. Prepaid lease payment for land

Group

	Long-term leasehold land RM
2007	
Cost	
Balance at 1 October 2006	-
Acquisition of a subsidiary	4,100,000
Balance at 30 September 2007	4,100,000
Accumulated amortisation	
Balance at 1 October 2006	-
Charged for the financial year	33,161
Balance at 30 September 2007	33,161
Carrying amount	
Balance at 30 September 2007	4,066,839
Balance at 30 September 2006	-

6. Investments in subsidiaries

(a) Investments in subsidiaries comprise:

	Company 2007 RM	2006 RM
Unquoted equity shares in corporations, at cost	19,833,688	18,133,685

6. Investments in subsidiaries (cont'd)

(b) Particulars of subsidiaries

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2007 %	2006 %
Held by the Company			
Etika Beverages Sdn. Bhd. (formerly known as Ligaco Trading Sdn. Bhd.) (Malaysia)	Manufacturing and distribution of beverage products	100	-
Etika Brands Pte Ltd [1] (Singapore)	Collecting royalties for the brands that it owns	100	100
Etika Capital (Labuan) Inc [2] (Malaysia)	Intra-group lending	100	100
Etika Dairies Sdn. Bhd. [2] (Malaysia)	Manufacturing and distribution of dairy products	100	100
Etika Foods International (Labuan) Inc [2] (Malaysia)	Dormant	100	-
Etika Foods (M) Sdn. Bhd. [2] (Malaysia)	Investment holding	100	100
Etika Foods Marketing Sdn. Bhd. [2] (Malaysia)	Distribution of dairy products (local market)	100	100
Etika Global Resources Sdn. Bhd. [2] (Malaysia)	Distribution of dairy products (export market)	100	100
Etika Industries Holdings Sdn. Bhd. [2] (Malaysia)	Investment holding	100	-
Etika (NZ) Limited [4] (New Zealand)	Investment holding	100	100
Eureka Capital Sdn. Bhd. [2] (Malaysia)	Dormant	100	100
PT Etika Marketing [3] (Indonesia)	Dormant	100	100
Held by subsidiaries			
- Etika Foods (M) Sdn. Bhd.			
Pok Brothers Sdn. Bhd. [2] (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	100

6. 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 2007 %**	**2006 %**
- Pok Brothers Sdn. Bhd.			
De-luxe Foods Services Sdn. Bhd. [2] (Malaysia)	Manufacturing of convenient value added frozen food	100	100
Pok Brothers (Johor) Sdn. Bhd. [2] (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	81.3	60
Pok Brothers (Pahang) Sdn. Bhd. [2] (Malaysia)	Ceased operation w.e.f. 1.10.2006	100	100
Pok Brothers (Penang) Sdn. Bhd. [2] (Malaysia)	Ceased operation w.e.f. 1.10.2006	100	100
Pok Brothers (Selangor) Sdn. Bhd. [2] (Malaysia)	Ceased operation w.e.f. 1.10.2006	100	100
- Etika Industries Holdings Sdn. Bhd.			
General Packaging Sdn. Bhd. (formerly known as M.C. Packaging (M) Sdn. Bhd.) [2] (Malaysia)	Manufacturing and distribution of tin cans	65	-
- Etika (NZ) Limited			
Naturalac Nutrition Limited [4] (New Zealand)	Marketing of branded sport nutrition and weight management food	100	-

(1) Audited by BDO Raffles, Singapore.
(2) Audited by BDO Binder, Malaysia, a member firm of BDO International
(3) Audited by BDO Tanubrata, Indonesia, a member firm of BDO International
(4) Audited by BDO Spicers, New Zealand, a member firm of BDO International

Additional interest in subsidiary

During the financial year, the Group increased its interest in Pok Brothers (Johor) Sdn. Bhd. (Malaysia) from 60% to 81.3% through the acceptance of rights entitlement and shares allotted in respect of Pok Brothers (Johor) Sdn. Bhd.'s Rights Issue.

The fair value of identifiable assets at the date of acquisition accounted to RM1,414,321 resulting in negative goodwill on acquisition of RM814,325 which is recognised in the consolidated income statement.

6. Investments in subsidiaries (cont'd)

(c) Acquisition of subsidiaries in financial year 2007

Naturalac Nutrition Limited

On 8 February 2007, the Company's wholly-owned subsidiary, Etika (NZ) Limited acquired 100% equity interest in Naturalac Nutrition Limited ("NNL") for a cash consideration of RM20,210,765. The acquisition was accounted for using the purchase method.

NNL contributed revenue of RM23,757,446 and net profit of RM1,062,202 to the Group for the financial year ended 30 September 2007. If the acquisition had occurred on 1 October 2006, the Group's revenue would have been RM403,274,427 and net profit would have been RM10,765,841.

General Packaging Sdn. Bhd. (formerly known as M.C. Packaging (M) Sdn. Bhd.)

On 25 April 2007, the Company's wholly-owned subsidiary, Etika Industries Holdings Sdn. Bhd. acquired 65% equity interest in General Packaging Sdn. Bhd. ("GP") for a cash consideration of RM7,789,051. The acquisition was accounted for using the purchase method.

GP contributed revenue of RM7,789,051 and net profit of RM3,005,385 to the Group for the financial year ended 30 September 2007. If the acquisition had occurred on 1 October 2006, the Group's revenue would have been RM411,257,198 and net profit would have been RM9,988,482.

The fair value of the identifiable assets and liabilities of NNL and GP as at the dates of acquisitions were:

	2007 Fair value recognised on acquisitions RM	2007 Carrying amount before combination RM
Property, plant and equipment	12,479,628	7,074,347
Prepaid lease payment for land	4,100,000	2,631,825
Intangible assets	7,740,700	7,740,700
Deferred tax assets	180,820	180,820
Inventories	8,437,599	8,437,599
Trade and other receivables	18,313,898	18,313,898
Tax recoverable	28,000	28,000
Cash and bank balances	6,176,285	6,176,285
Trade and other payables	(12,960,223)	(12,960,223)
Finance leases	(159,816)	(159,816)
Bank borrowings	(14,289,572)	(14,289,572)
Current income tax payable	(625,896)	(625,896)
Deferred tax liabilities	(4,133,426)	(2,346,327)
Minority interests	(4,111,960)	-
Net identifiable assets acquired	21,176,037	20,201,640
Goodwill arising on acquisition	6,823,779	
Total purchase consideration	27,999,816	
Less: Cash acquired		
- cash and bank balances	(6,176,285)	
Net cash outflow on acquisitions	21,823,531	

6. Investments in subsidiaries (cont'd)

(d) Acquisition of subsidiaries in financial year 2006

Pok Brothers Sdn. Bhd. and its subsidiaries

On 8 February 2006, the Company's wholly-owned subsidiary, Etika Foods (M) Sdn. Bhd. 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.

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	

(e) Acquisition of shares in financial year 2006

De-luxe Foods 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 RM555,333, making it a wholly-owned subsidiary.

7. Investment in associate

	Group 2007 RM	Group 2006 RM
Acquisition of subsidiary	-	27,691
Reclassified to other receivables upon liquidation	-	(27,691)
	-	-

The details of the associate are as follows:

Name of company/ (Country of incorporation)	Effective interest 2007 %	Effective interest 2006 %	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 has been completed on 15 June 2007.

8. Available-for-sale financial assets

	Group 2007 RM	Group 2006 RM
Balance at beginning of financial year	444,324	-
Acquisition of subsidiaries	-	397,152
Net gains transfer to income statement	269,808	-
Disposals	(254,132)	-
Fair value gain recognised in fair value reserve	-	47,172
Balance at end of financial year	460,000	444,324

	2007 RM	2006 RM
Available-for-sale financial assets denominated in Ringgit Malaysia include:		
Listed securities:		
- equity securities - Malaysia	460,000	444,324

9. Deferred tax assets/(liabilities)

Deferred tax assets

	Group 2007 RM	Group 2006 RM
Balance at beginning of financial year	73,737	-
Acquisition of subsidiaries	180,820	35,582
Recognised in consolidated income statement	(105,795)	38,155
Balance at end of financial year	148,762	73,737
Deferred tax assets arise as a result of:		
Plant and equipment	17,939	7,849
Other temporary differences	130,823	65,888
	148,762	73,737

Deferred tax liabilities

	Group 2007 RM	Group 2006 RM
Balance at beginning of financial year	(4,620,050)	(2,354,982)
Acquisition of subsidiaries	(2,346,327)	(936,206)
Recognised in consolidated income statement	(2,916,698)	(1,328,861)
Balance at end of financial year	(9,883,075)	(4,620,049)
Deferred liabilities arise as a result of:		
Unutilised tax losses	-	337,689
Unabsorbed capital allowances	143,000	-
Taxable temporary difference relating to freehold and building	(856,334)	-
Fair value adjustments on property, plant and equipment	(114,000)	-
Plant and equipment	(7,478,388)	(4,101,405)
Other temporary differences	(1,577,353)	(856,333)
	(9,883,075)	(4,620,049)

Unrecognised deferred tax assets

	Group 2007 RM	Group 2006 RM
Balance at beginning of financial year	149,737	-
Unrecognised deferred tax assets during the financial year	220,994	149,737
Balance at end of financial year	370,731	149,737
Unrecognised deferred tax assets arise as a result of:		
Unutilised tax losses	315,686	54,096
Unabsorbed capital allowances	55,045	95,641
	370,731	149,737

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

Unrecognised deferred tax assets (cont'd)

As at the balance sheet date, the Group had unutilised tax losses and unabsorbed capital allowances amounting to approximately RM1,170,000 and RM204,000 (2006: RM193,000 and RM342,000) 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.

10. Intangible assets

Group	Goodwill RM	Patent and trademarks RM	Product licences RM	Total RM
Cost				
Balance at 1 October 2006	4,421,848	-	6,521	4,428,369
Additions	-	-	6,202	6,202
Acquisition of subsidiaries	6,823,779	7,740,700	-	14,564,479
Abolition of real property gain tax	(379,549)	-	-	(379,549)
Balance at 30 September 2007	10,866,078	7,740,700	12,723	18,619,501
Accumulated amortisation				
Balance at 1 October 2006	-	-	-	-
Amortisation for the financial year	-	-	2,868	2,868
Balance at 30 September 2007	-	-	2,868	2,868
Carrying amount				
Balance at 30 September 2007	10,866,078	7,740,700	9,855	18,616,633
Cost and carrying amount				
Balance at 1 October 2005	-	-	-	-
Additions	-	-	6,521	6,521
Acquisition of subsidiaries	4,421,848	-	-	4,421,848
Balance at 30 September 2006	4,421,848	-	6,521	4,428,369

<u>Product licences</u>

Product licenses are licenses for dairy products and amortised over useful lives of 5 years.

<u>Impairment testing of goodwill</u>

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) Dairies Division;
(b) Frozen Food Division;
(c) Packaging Division;
(d) Other Divisions.

10. Intangible assets (cont'd)

Impairment testing of goodwill (cont'd)

	Dairies 2007 RM	Frozen Food 2007 RM	Packaging 2007 RM	Others 2007 RM	Total 2007 RM
Goodwill	-	4,042,299	152,554	6,671,225	10,866,078
Patents and trademarks	-	-	-	7,740,700	7,740,700
Product licences	9,855	-	-	-	9,855
	9,855	4,042,299	152,554	14,411,925	18,616,633

	2006 RM	2006 RM	2006 RM	2006 RM	2006 RM
Goodwill	-	4,421,848	-	-	4,421,848
Patents and trademarks	-	-	-	-	-
Product licences	6,521	-	-	-	6,521
	6,521	4,421,848	-	-	4,428,369

Included under Other Divisions is mainly related to Nutrition Division.

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 Food		Packaging		Others	
	2007	2006	2007	2006	2007	2006	2007	2006
Gross margin [1]	12.38%	12.00%	16.70%	13.84%	21.00%	-	12.38%	-
Growth rate [2]	9.60%	27.60%	10.00%	7.10%	22.06%	-	9.60%	-
Discount rate [3]	7.75%	7.75%	6.75%	6.75%	8.00%	-	7.75%	-

[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

11. Non-current asset held for sale

	Group 2007 RM	Group 2006 RM
Cost of leasehold land	4,500,000	-

A piece of freehold land of a subsidiary is presented as an asset held for sale following the Company has entered into Sale and Purchase Agreement on 10 April 2007 to dispose off the said land at cash consideration of RM4,641,480. Efforts to sell the non-current asset have commenced, and the sale is expected to be completed by December 2007.

12. Inventories

	Group 2007 RM	Group 2006 RM
Finished goods	37,755,161	20,313,503
Raw materials	16,246,321	7,981,865
Packaging materials	1,673,841	1,223,411
Work in progress	1,527,695	-
Consumables	16,047	-
	57,219,065	29,518,779

The cost of inventories recognised as an expense and included in "costs of sales" in the consdidated income statement amounted to RM337,925,966 (2006: RM194,939,101).

The Group has pledged a floating charge over inventories with a carrying amount of RM23,711,974 (2006: RM14,731,886) as security for the banking facilities granted to its subsidiaries.

13. Trade and other receivables

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Trade receivables				
- within 60 to 90 days	73,611,590	46,788,831	-	-
- more than 90 days	22,485,339	13,181,945	-	-
	96,096,929	59,970,776	-	-
Allowance for doubtful trade receivables	(4,824,689)	(1,495,344)	-	-
	91,272,240	58,475,432	-	-
Other receivables	1,381,143	393,559	9,928	39,532
Tax recoverable	297,326	185,937	-	-
Prepayments	1,583,604	540,115	21,027	101,933
Deposits	472,311	286,184	9,973	4,369
Due from subsidiaries - non-trade	-	-	30,145,263	13,051,005
	95,006,624	59,881,227	30,186,191	13,196,839
Other assets	3,122,453	6,909,877	3,122,453	6,909,877
Allowance for doubtful other receivables	(2,051,898)	-	(2,051,898)	-
	96,077,179	66,791,104	31,256,746	20,106,716

The trade amounts owing by third parties are usually repayable within the normal trade credit terms of 30 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 goods and service tax and refunded lease payment.

13. Trade and other receivables (cont'd)

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

Other assets comprise the following:

(a) In financial year 2006, an amount of NZD0.78 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 & 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 NZD7.8 million (RM18,938,400 equivalent). The transaction is subject to the shareholders' approval at an extraordinary general meeting. The amount of NZD7.8 million (RM18,938,400 equivalent) less deposit paid of NZD0.78 million (RM1,893,840 equivalent) is disclosed as capital commitment in Note 32 (a) to the financial statements.

On 8 February 2007, the Company had completed the acquisition of 100% share capital of NNL pursuant to its sales and purchase agreement executed on 29 September 2006 as disclosed as acquisition of subsidiaries in Note 6 (c) to the financial statement.

(b) In financial year 2006, 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 30 September 2006, there was no definitive agreement entered as the Directors were still in the midst of negotiations and conducting due diligence review.

On 25 April 2007, the Company had completed the acquisition of 65% of the share capital of M.C. Packaging (M) Sdn. Bhd. ("MCP") pursuant to its share sales and subscription agreement executed on 24 January 2007 as disclosed as acquisition of subsidiary in Note 6 (c) to the financial statement.

The name of MCP had changed to General Packaging Sdn. Bhd. with effect from 11 July 2007.

(c) In financial year 2006, an amount of approximately RM3.37 million (HKD7,000,000) 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 30 September 2006, there was no definitive agreement entered as the Directors were still in the midst of negotiations and conducting due diligence review.

During the financial year, this transaction has been aborted and monthly repayment of HKD200,000 (RM448,365), is expected as per agreed repayment schedule commencing 30 November 2007. The Directors of the Company is of the opinion that those instalment amounts are collectible in the next 12 months, thus an allowance for doubtful receivables has been made on the remaining non-current balance of HKD4,600,000 (RM2,051,898).

(d) In financial year 2006, an amount of approximately RM0.71 million comprising deferred expenses stated at cost, incurred in connection with the above proposed transactions.

During the financial year, this amount has been written off to income statement as aborted corporate cost.

13. Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	72,802,971	53,945,862	21,404,099	6,325,611
Singapore Dollar	2,264,711	1,673,637	8,714,156	674,594
United States Dollar	12,887,856	1,587	-	8,930,880
Hong Kong Dollar	1,070,555	9,221,968	1,070,555	2,227,581
New Zealand Dollar	2,560,150	1,948,050	67,936	1,948,050
Australian Dollar	4,490,936	-	-	-
	96,077,179	66,791,104	31,256,746	20,106,716

Movements in allowance for doubtful trade receivables:

	Group	
	2007 RM	2006 RM
Balance at beginning of financial year	1,495,344	680,506
Acquisition of subsidiaries	2,016,059	787,330
Allowance made during the financial year	1,641,443	136,904
Written back of allowance no longer required	(91,055)	(99,344)
Bad receivables written off against allowance	(237,102)	(10,052)
Balance at end of financial year	4,824,689	1,495,344

Movements in allowance for doubtful other receivables:

	Group and Company	
	2007 RM	2006 RM
Balance at beginning of financial year	-	-
Allowance made during the financial year	2,051,898	-
Balance at end of financial year	2,051,898	-

14. Fixed deposits

Group and Company

Fixed deposits are placed for a period of 7 days to 3 months (2006: 3 months) and the effective interest rates on the fixed deposits approximated 1.60% - 2.50% (2006: 3.30%) per annum.

Fixed deposits of RM400,917 (2006: RM387,926) of the Group have been pledged as security for the bank facilities granted to its subsidiaries.

15. Cash and cash equivalents

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Fixed deposits (unpledged)	2,069,707	-	2,069,707	-
Cash and bank balances	9,913,986	2,160,481	599,204	674,082
Bank overdrafts	(5,372,355)	(7,218,152)	-	-
	6,611,338	(5,057,671)	2,668,911	674,082

Cash and cash equivalents are denominated in the following currencies:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Ringgit Malaysia	2,643,775	(5,783,169)	448,030	144,854
Singapore Dollar	2,244,780	529,228	2,220,881	529,228
United States Dollar	86,559	196,270	-	-
New Zealand Dollar	1,081,281	-	-	-
Australian Dollar	554,943	-	-	-
	6,611,338	(5,057,671)	2,668,911	674,082

16. Trade and other payables

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Current liabilities				
Trade payables	45,254,452	37,664,148	-	-
Other payables	9,312,824	9,703,773	98,541	63,490
Customers' deposits	468,216	789,925	-	-
Accruals	6,455,450	1,382,439	502,113	352,077
	61,490,942	49,540,285	600,654	415,567
Non-current liabilities				
Other payable	2,389,000	7,980,000	-	-
	63,879,942	57,520,285	600,654	415,567

The trade amounts owing to third parties is repayable within the normal trade credit terms of 9 days to 90 days.

16. Trade and other payables (cont'd)

Current portion of other payables comprise mainly retention sum and progress billing for construction of factory buildings, staff related expenses payable, other operating expenses payable and dividends payable to the Vendors arising from the acquisition of Pok Brothers Group ("PB Group"). Non-current portion of other payable comprise dividends payable to the Vendors arising from acquisition of PB Group.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	51,840,628	55,069,349	45,806	11,051
Singapore Dollar	633,456	464,250	554,848	351,573
United States Dollar	7,294,430	1,681,252	-	-
British Pounds	291,595	145,428	-	-
Australian Dollar	646,400	24,730	-	-
Euro	55,599	86,972	-	-
New Zealand Dollar	3,117,834	48,304	-	52,943
	63,879,942	57,520,285	600,654	415,567

17. Bank borrowings

	Group	
	2007 RM	2006 RM
Current liabilities		
Secured:		
Bank overdrafts	5,372,355	7,215,015
Banker's acceptance	15,012,000	12,974,000
Onshore foreign currency loan	-	10,219,685
Short term revolving credit	5,900,000	2,800,000
Trust receipts	-	737,995
Term loans	10,952,755	2,954,576
	37,237,110	36,901,271
Unsecured:		
Bank overdrafts	-	3,137
Banker's acceptance	38,642,000	7,411,000
	38,642,000	7,414,137
	75,879,110	44,315,408
Non-current liabilities		
Secured:		
Term loans	60,817,895	26,521,365

17. Bank borrowings (cont'd)

	Group 2007 RM	Group 2006 RM
Term loans		
Dairies Division		
Term loan I repayable by 120 monthly instalments of RM73,999 each commencing July 1999	-	585,411
Term loan III repayable by 60 monthly instalments of RM65,114 each commencing February 2005	1,625,567	2,254,270
Term loan IV repayable by 96 monthly instalments of RM56,717 each commencing 1 June 2006	3,659,740	4,040,130
Term loan VI repayable by 60 monthly instalments of RM163,339 each commencing 1 Nov 2006	8,051,683	1,843,171
Term loan repayable by 72 monthly instalments of RM35,000 each commencing 5 April 2007	2,676,844	-
Term loan repayable by 60 monthly instalments of RM41,991 each commencing 1 May 2007 of credit limit RM2,070,000	1,938,925	-
Frozen Food Division		
Term loan repayable by 120 monthly instalments of RM2,415 each commencing July 2002	112,849	132,082
Term loan repayable by 60 monthly instalments of RM9,418 each commencing August 2005	277,933	370,877
Term loan repayable by 48 monthly instalments of RM100,000 in 2008, RM200,000 in 2009, RM400,000 in 2011 with bullet repayment on the balance on March 2011	11,936,610	-
Packaging Division		
Term loan repayable by 24 quarterly instalments of RM257,375 commencing 25 July 2008	6,177,000	-
Term loan repayable by 84 monthly instalments of RM310,600 each commencing 1 March 2006	19,003,394	20,250,000

17. Bank borrowings (cont'd)

Term loans (cont'd)

	Group 2007 RM	Group 2006 RM
Other Divisions		
Term loan repayable quarterly commencing February 2007	1,554,933	-
Term loan repayable by 40 quarterly instalments of AUD132,600 each commencing May 2007	14,755,172	-
	71,770,650	29,475,941
Analysed into:		
Current	10,952,755	2,954,576
Non-current	60,817,895	26,521,365
	71,770,650	29,475,941

	Group 2007 %	Group 2006 %
Effective interest rates		
Bank overdrafts	7.75 - 7.80	7.00 - 7.75
Bankers' acceptance	3.20 - 4.00	4.25 - 5.27
Onshore foreign currency loan	-	5.39 - 5.79
Short term revolving credit	5.10 - 5.28	4.95 - 5.60
Trust receipts	-	7.75 - 9.00
Term loans	6.19 - 8.25	6.00 - 8.90

Non-current bank borrowings are repayable as follows:

	Group 2007 RM	Group 2006 RM
Within one year	12,386,764	9,567,386
Two to five years	26,519,249	5,582,644
After five years	21,911,882	11,371,335
	60,817,895	26,521,365

17. Bank borrowings (cont'd)

The secured bank borrowings are secured by:

Dairies Division

(a) Supplemental loan agreement and assignment over a piece of land known as LS-1, currently being developed into an industrial park held under Title No. HSD117114, No PT 55223 Mukim Kapar, Daerah of Klang, Selangor Darul Ehsan, Malaysia, of Etika Dairies Sdn. Bhd.;

(b) First to third legal charge over a freehold land known as LS3 held under Title No H.S.(D) 117112, No PT 55221, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan together with two units of office cum factory warehouse to be erected thereon in the development known as Meru Industrial Park;

(c) First legal charge over one piece of land known as Lot LS2 held under Ttile HSD117113, No PT55222, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

(d) Negative pledge over or in respect of all or any part of the business or present of future assets of the Company;

Frozen Food Division

(e) Debenture on the floating assets of a subsidiary, Etika Foods (M) Sdn. Bhd., both present and future;

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

(g) Lien on Fixed Deposits during the tenure of the facilities;

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

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

(j) Joint and several guarantees by certain directors and former directors of PB Group;

Packaging Division

(k) Debenture incorporating a fixed and floating charge over all assets of Etika Industries Holdings Sdn. Bhd., both present and future for RM6,177,000.

(l) Pledge of unquoted shares over the 65% of the issued and paid up capital of General Packaging Sdn. Bhd. (formerly known as M.C. Packaging (M) Sdn. Bhd.) and unquoted shares are to be registered in the name of EB Nominees (Tempatan) Sdn. Bhd.;

(m) Lien on Fixed Deposits during the tenure of the facilities;

(n) Joint and several guarantee by certain directors of Etika International Holdings Limited;

(o) Fresh debenture over fixed and floating assets of a subsidiary, General Packaging Sdn. Bhd;

Other Divisions

(p) General security agreement over all present and after acquired personal property of Etika (NZ) Limited including goodwill and uncalled capital, called but unpaid capital together with relative insurance policy assigned to the National Australia Bank Limited;

(q) Guarantee and indemnity for NZD6,600,000 New Zealand Dollars or Australian Dollar equivalent given by Etika International Holdings Limited and Naturalac Nutrition Limited;

All the above secured borrowings and unsecured borrowings are guaranteed by the Company.

18. Finance leases

Group	Minimum lease payments RM	Future finance charges RM	Present value RM
2007			
Current			
- within one year	1,409,778	(192,444)	1,217,334
Non-current			
- two to five years	2,156,991	(162,979)	1,994,012

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

The effective interest rates range from 2.37% to 11.52% (2006: 2.37% 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 RMNil (2006: RM38,865) which is guaranteed by the Company.

All the finance leases are denominated in Ringgit Malaysia.

19. Share capital

	Group and Company			
	2007		2006	
	S$	RM	S$	RM
Issued and fully paid:				
Balance at beginning of financial year - 171,630,152 (2006: 171,630,152) ordinary shares	15,515,568	35,461,830	10,297,809	23,471,420
Effect of Companies (Amendment) Act 2005	-	-	5,217,759	11,990,410
Proceeds from rights issue	6,337,298	14,249,415	-	-
Balance at end of financial year - 240,282,212 (2006: 171,630,152) ordinary shares	21,852,866	49,711,245	15,515,568	35,461,830

On 10 May 2007, the Company issued 17,162,931 free detachable warrants in connection with the rights issue to shareholders. Each warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of $0.095, exercisable from 14 May 2007 to 8 April 2010.

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.

20. Foreign currency translation reserve

Group and Company

The foreign currency translation reserve 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 reserve are set out in the statements of changes in equity.

21. Fair value reserve

Fair value reserve includes the cumulative change in the fair value of available-for-sale financial assets until they are derecognised. Movements in this reserve are set out in the statament of changes in equity.

22. Revenue

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

23. Other operating income

	Group 2007 RM	Group 2006 RM
Allowance for doubtful trade receivables no longer required	91,055	99,344
Debt waived by trade payable	887,790	-
Gain on disposal of plant and equipment	133,711	35,134
Insurance compensation	-	206,597
Interest income from fixed deposits	276,827	145,919
Gain on foreign exchange	-	11,129
Rental income	13,769	6,246
Reversal of impairment loss on investment	269,808	-
Gain on disposal of quoted investments	551,849	-
Sundry income	113,163	21,997
	2,337,972	526,366

24. Other operating expenses

Included under other operating expenses is an aborted corporate exercise in the previous financial year for the acquisition of a company in China and comprises mainly professional fees amounting to RM1,052,453.

25. Accreditation of negative goodwill

	Group 2007 RM	Group 2006 RM
Excess of net assets acquired over the cost of acquisition in a subsidiary	446,295	-
Excess of net assets acquired over the cost of acquisition in new business	450,000	-
Excess of net assets acquired over the cost of acquisition of additional shares in a subsidiary	814,325	-
	1,710,620	-

26. Finance costs

	Group 2007 RM	Group 2006 RM
Interest expense		
- finance leases	195,627	195,479
- bank overdrafts	376,094	161,979
- bankers' acceptance	1,780,800	842,380
- term loans	4,061,721	1,489,667
- onshore foreign currency loan	82,984	351,263
- revolving credits	419,269	128,891
- trust receipts	20,533	14,112
- other interests	30,899	-
	6,967,927	3,183,771

27. Profit before income tax

	Group 2007 RM	Group 2006 RM
After charging:		
Allowance for doubtful trade receivables		
- trade	1,641,443	136,904
- non trade	2,051,898	-
Non-audit fees		
- auditors of the Company	-	4,600
- other auditors	55,000	265,500
Amortisation of intangible assets	2,868	-
Bad trade receivables written off	17,740	3,114
Directors' remuneration		
- Directors of the Company	477,500	433,122
- Directors of the subsidiaries	2,207,178	1,693,887
Directors' fee		
- Directors of the Company		
- current year	354,330	288,036
- under/(over) provision in previous year	22,860	(2,789)
Inventories written off	-	104,465
Loss on foreign exchange	1,111,679	-
Operating leases	904,881	613,841
Plant and equipment written off	21,653	67,644
Research costs	1,600	-
Staff costs		
- Salaries, bonuses and allowances	19,171,871	11,089,949
- Employee contributions to defined contribution plans	1,631,449	1,174,470

28. Income tax expense

	Group 2007 RM	Group 2006 RM
Current income tax		
- current year	2,249,662	1,187,902
- under provision in previous year	91,686	18,849
	2,341,348	1,206,751
Deferred tax expense		
- current year	1,597,149	1,404,837
- under/(over) provision in previous year	21,796	(114,131)
	1,618,945	1,290,706
	3,960,293	2,497,457

28. Income tax expense (cont'd)

	Group 2007 RM	Group 2006 RM
Reconciliation of effective tax rate		
Profit before income tax	14,073,935	7,507,536
Income tax calculated at Singapore statutory tax rate of 18% (2006 :20%)	2,533,309	1,501,507
Effect of different tax rates in other countries	3,458,044	600,603
Changes in tax rates	(322,493)	-
Expenses not deductible for tax purposes	1,123,520	1,223,376
Income not subject to tax	(1,951,773)	(40,053)
Singapore statutory stepped income exemption	(14,742)	(8,013)
Deferred tax assets not recognised	16,828	124,077
Fair value adjustments on property, plant and equipment	115,953	-
Tax incentives	(491,607)	-
Utilisation of reinvestment allowance	(724,119)	(658,854)
Income tax under provided in previous year	91,686	18,849
Reduction in statutory tax rate on chargeable income up to RM500,000 for certain subsidiaries	(25,678)	-
Deferred tax over provided in previous year	21,796	(114,131)
Utilisation of deferred tax assets previously not recognised	43,436	-
Utilisation tax losses and capital allowances not recognised	288,976	-
Double tax deduction on certain expenses	(64,646)	(36,990)
Others	(138,197)	(112,914)
	3,960,293	2,497,457

29. Earnings per share

(a) Basic

The calculations for basic earnings per share are based on:

	Group 2007 RM	Group 2006 RM
Profit after income tax attributable to equity holders of the Company	9,132,063	4,913,133
Weighted average (2006: Actual) number of ordinary shares in issue during the financial year	198,714,800	171,630,152
Basic	4.60 sen	2.86 sen

29. Earnings per share (cont'd)

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 weighted average (2006: actual) number of ordinary shares in issue during the financial year. On 10 May 2007, the Company issued renounceable non- underwritten rights issue of up to 68,652,060 new ordinary shares in the capital of the Company at an issue price of S$0.095 for each right issue with up to 17,162,931 free detachable warrants.

(b) Diluted

The calculations for diluted earnings per share are based on:

	Group	
	2007 RM	2006 RM
Profit after income tax attributable to equity holders of the Company	9,132,063	4,913,133
Weighted average (2006: Actual) number of ordinary shares in issue during the financial year	205,485,962	171,630,152
Diluted	4.44 sen	2.86 sen

Diluted earning per share is calculated by adjusting the potential dilutive effect arising from the exercise of warrants into ordinary shares as at 30 September 2007.

30. Dividends

	Group and Company	
	2007 RM	2006 RM
Dividends paid:		
Final tax exempt 1-tier dividend of S$0.002 (2006 : S$0.0035) per share paid in respect of financial year ended 30 September 2006 and 30 September 2005 respectively	784,692	1,322,752
Interim tax exempt 1-tier dividend of Nil (2006 : S$0.002) per share paid in respect of the financial year ended 30 September 2007 and 30 September 2006 respectively	-	835,154
	784,692	2,157,906

The Directors proposed that a final tax exempt 1-tier dividend of S$0.005 per share amounting to RM2,746,426 to be paid for the financial year ended 30 September 2007 subject to the approval of the shareholders at the Annual General Meeting.

31. 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	
	2007 RM	2006 RM
With related parties		
- Insurance premium paid to Perinsu (Broker Insurans) Sdn. Bhd.	1,137,983	675,749
- Rental of premises paid to Motif Etika Sdn. Bhd.	343,500	212,500
- Purchase of packing materials from Life Medicals Bhd.	987,663	1,007,463
- Rental of premises paid to a director of a subsidiary	18,000	18,000
- Rental of shop office to a director of a subsidiary	50,400	45,000

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term benefits	3,513,075	2,393,078	1,089,869	666,620
Post-employment benefits	240,981	252,676	-	-
	3,754,056	2,645,754	1,089,869	666,620
Analysed into:				
- Directors of the Company	830,458	718,369	830,458	433,122
- Directors of the subsidiaries	2,162,427	1,693,887	-	-
- Other key management personnel	761,171	233,498	259,411	233,498
	3,754,056	2,645,754	1,089,869	666,620

32. Contingent liabilities and commitments

(a) Capital commitments

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

	Group	
	2007 RM	2006 RM
Purchase of property, plant and equipment	19,117,818	8,160,475
Acquisition of Naturalac Nutrition Limited (Note 13(a))	-	17,044,560
Acquisition of additional equity interest in General Packaging Sdn. Bhd. (Note 35)	6,636,930	-
	25,754,748	25,205,035

32. Contingent liabilities and commitments (cont'd)

(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	
	2007	**2006**
	RM	**RM**
Within one financial year	497,615	155,412
After one financial year but within five financial years	218,054	-
	715,669	155,412

(c) Forward foreign exchange contracts

As at the balance sheet date, the Group had entered into the following forward foreign exchange contracts to manage exposures to currency risk for payables which are denominated in a currency other than the functional currency of the Group. There is no forward foreign exchange contract outstanding as at 30 September 2007.

The notional amount of the forward foreign exchange contracts which are maturing within one year outstanding as at 30 September 2006 are as follows:

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

The unrecognised gain as at 30 September 2006 on the forward foreign exchange contract used to hedge committed sales which is substantially expected to occur amounted to RM1,239. This gain on derivative financial instrument has not been recognised in the financial statements as the 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 2007. 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 RM242,345,205 (2006: RM83,364,157) comprising RM223,173,610, USD852,200 (RM2,691,395 equivalent) and NZD6,600,000 (RM16,480,200 equivalent). The amount of banking facilities utilised by the subsidiaries as at 30 September 2007 amounted to RM132,629,517 (2006: RM70,836,773).

33. Segment reporting

Business segments

The Group is principally engaged in the following business segments:
- Dairies;
- Frozen Food;
- Packaging; and
- Others

2007	Dairies RM	Frozen Food RM	Packaging RM	Others RM	Unallocated RM	Total RM
Revenue						
External revenue	261,247,724	94,873,447	11,401,320	23,988,758	-	391,511,249
Results						
Segments results	11,649,639	5,882,067	4,311,858	2,881,332	(5,586,159)	19,138,737
Interest income	27,216	19,837	3,574	-	141,878	192,505
Finance costs	(3,125,524)	(2,422,641)	(613,140)	(806,622)	-	(6,967,927)
Exceptional item	-	1,264,325	-	446,295	-	1,710,620
Profit before income tax	8,551,331	4,743,588	3,702,292	2,521,005	(5,444,281)	14,073,935
Income tax expense	(1,183,495)	(1,045,114)	(1,088,908)	(630,204)	(12,572)	(3,960,293)
Profit after income tax	7,367,836	3,698,474	2,613,384	1,890,801	(5,456,853)	10,113,642
Segment assets	156,845,572	70,582,875	25,638,625	34,308,468	4,021,425	291,396,965
Unallocated assets	-	249,640	28,000	168,447	-	446,087
Total assets	156,845,572	70,832,515	25,666,625	34,476,915	4,021,425	291,843,052
Segment liabilities	104,301,906	54,962,451	23,652,086	20,172,313	699,538	203,788,294
Unallocated liabilities	4,870,479	692,215	4,708,043	131,047	12,288	10,414,072
Total liabilities	109,172,385	55,654,666	28,360,129	20,303,360	711,826	214,202,366
Other information						
Capital expenditure	8,116,974	2,046,636	95,624	4,089,901	-	14,349,135
Depreciation and amortisation	4,448,030	1,296,862	799,688	125,686	-	6,670,266

33. Segment reporting (cont'd)

2006	Dairies RM	Frozen Food RM	Unallocated RM	Total RM
Revenue				
External revenue	178,775,903	54,394,480	-	233,170,383
Results				
Segments results	8,207,656	5,318,017	(2,980,285)	10,545,388
Interest income	15,050	56,165	74,704	145,919
Finance costs	(1,819,372)	(1,364,399)	-	(3,183,771)
Profit before income tax	6,403,334	4,009,783	(2,905,581)	7,507,536
Income tax expense	(1,348,974)	(1,143,069)	(5,414)	(2,497,457)
Profit after income tax	5,054,360	2,866,714	(2,910,995)	5,010,079
Segment assets	97,595,561	60,230,237	28,201,356	186,027,154
Unallocated assets	-	259,672	-	259,672
Total assets	97,595,561	60,489,909	28,201,356	186,286,826
Segment liabilities	75,826,173	49,149,072	6,032,307	131,007,552
Unallocated liabilities	3,703,956	916,093	5,522	4,625,571
Total liabilities	79,530,129	50,065,165	6,037,829	135,633,123
Other information				
Capital expenditure	19,067,199	854,256	-	19,921,455
Depreciation	2,891,911	749,471	-	3,641,382

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.

The segment of Butchery and Bakery has been reclassified to Frozen Food to be comparative with current year presentation.

33. Segment reporting (cont'd)

Geographical segments (cont'd)

2007	Malaysia RM	Africa RM	Asean RM	Others RM	Group RM
Total revenue from external customers	237,683,485	89,672,041	35,514,690	28,641,033	391,511,249
Segment assets	269,404,906	1,762,763	5,387,614	14,841,682	291,396,965
Capital expenditure	14,169,928	-	-	179,207	14,349,135
2006					
Total revenue from external customers	160,164,425	56,596,120	12,730,541	3,679,297	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

34. 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 13 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.

34. Financial risk management (cont'd)

(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 where 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.

Financial instruments carried at other than fair value

Group

	Discount rate [1]		Carrying amount		Fair value	
	2007	2006	2007	2006	2007	2006
	%	%	RM	RM	RM	RM
Financial liabilities:						
Bank borrowings (non-current)	8.13	8.13	60,817,895	26,521,365	61,113,711	26,456,513
Other payable (non-current)	6.75	7.45	2,389,000	7,980,000	2,096,430	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 in the exchange rate risk and, where appropriate, enter into forward currency contracts.

35. Event subsequent to the balance sheet date

Subsequent to 30 September 2007, the following event has taken place:

The Company's wholly-owned subsidiary, Etika Industries Holdings Sdn Bhd, has acquired an additional 5,950,200 ordinary shares in GP for a total consideration of RM6,636,930 thus increasing its shareholdings in GP from 65.04% to 99.04% following the completion of the transaction on 31 October 2007.

If the acquisition has occured on 1 October 2006, the Group revenue would have been RM412,768,326 and net profit would have been RM10,095,823.

STATISTICS OF SHAREHOLDINGS

AS AT 11 DECEMBER 2007

Issued and fully paid-up capital	:	S$22,037,514.04
Number of ordinary shares in issue	:	240,282,212
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 22% of the issued ordinary shares of the Company are held in the hands of the public as at 11 December 2007 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	2	0.31	900	0.00
1,000 – 10,000	276	43.13	1,368,600	0.57
10,001 – 1,000,000	331	51.72	28,614,589	11.91
1,000,001 and above	31	4.84	210,298,123	87.52
TOTAL	**640**	**100.00**	**240,282,212**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1.	Tan Yet Meng	27,644,201	11.50
2.	Mayban Nominees (S) Pte Ltd	23,800,000	9.91
3.	CIMB Bank Nominees (S) Sdn Bhd	21,820,000	9.08
4.	DMG & Partners Securities Pte Ltd	15,070,129	6.27
5.	Jaya J B Tan	12,906,304	5.37
6.	SBS Nominees Pte Ltd	12,600,000	5.24
7.	Masuma Trading Company Limited	11,900,000	4.95
8.	Hong Leong Finance Nominees Pte Ltd	10,780,000	4.49

TWENTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of shares	%
9.	Mah Weng Choong	8,359,967	3.48
10.	Khor Sin Kok	7,680,967	3.20
11.	Tan San Chuan	6,911,051	2.88
12.	Tan San Lin	6,911,051	2.88
13.	Kwong Yuen Seng	6,669,966	2.78
14.	Pok York Keaw	4,193,000	1.75
15.	Pok Yoke Kung	3,761,800	1.57
16.	Kim Eng Securities Pte. Ltd.	3,020,629	1.26
17.	Phillip Securities Pte Ltd	2,677,000	1.11
18.	Pok Yoke Wang	2,615,200	1.09
19.	Chung Chee Fook	2,468,231	1.03
20.	Phang Mah Thiang	2,005,800	0.83
	TOTAL	**193,795,296**	**80.67**

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

	Name	Direct interest	%	Deemed interest	%	Total interest	%
(1)(2)	Dato' Jaya J B Tan	41,466,304	17.26	83,898,607	34.92	125,364,911	52.18
(1)(3)	Dato' Kamal Y P Tan	41,466,304	17.26	83,898,607	34.92	125,364,911	52.18
(1)	Tan Yet Meng	27,644,201	11.50	97,720,710	40.67	125,364,911	52.18
(4)	Pok Yock Tin	1,005,200	0.42	16,526,432	6.88	17,531,632	7.30
(4)	Pok Yoke Koon	1,407,000	0.59	16,124,632	6.71	17,531,632	7.30
(4)	Pok Yoke Kung	3,761,800	1.57	13,769,832	5.73	17,531,632	7.30
(4)	Pok Yoke Wang	2,615,200	1.09	14,916,432	6.21	17,531,632	7.30
(4)	Pak Yok Joon	200,000	0.08	17,331,632	7.22	17,531,632	7.30
(4)	Pok York Keaw	4,193,000	1.75	13,338,632	5.55	17,531,632	7.30
(4)	Pok York Keng	1,704,232	0.71	15,827,400	6.59	17,531,632	7.30
(4)	Tan Kiam Jong	242,000	0.10	17,289,632	7.20	17,531,632	7.30
(4)	Tan Mooi Ngoh	221,000	0.09	17,310,632	7.21	17,531,632	7.30
(4)	Kaw See @ Cheam Tat Min	154,000	0.06	17,377,632	7.24	17,531,632	7.30
(4)	Lai Meng Kam	413,000	0.17	17,118,632	7.13	17,531,632	7.30
(4)	Pok Yoke Cheng @ Peh Yoke Cheng	610,000	0.25	16,921,632	7.05	17,531,632	7.30
(4)	Pok Fook Soon	1,005,200	0.42	16,526,432	6.88	17,531,632	7.30
(5)	Mah Weng Choong	13,064,705	5.44	-	-	13,064,705	5.44
(6)	Khor Sin Kok	12,362,105	5.15	-	-	12,362,105	5.15

Note :-

(1) Deemed interested in each others shares through the shares held by Dato' Jaya, Dato' Kamal and spouse, Ms Tan Yet Meng and children.

(2) Direct interest includes shares held through nominees.

(3) Direct interest includes shares held through nominees.

(4) Deemed interested in each others shares by virtue of relationship as spouse, siblings, cousins and cousin's spouse.

(5) Direct interest includes shares held through nominee.

(6) Direct interest includes shares held through nominee.

STATISTICS OF WARRANTHOLDINGS

AS AT 11 DECEMBER 2007

DISTRIBUTION OF WARRANTHOLDINGS

Size of warrantholdings	No. of warrantholders	%	No. of warrants	%
1 – 999	76	17.55	31,198	0.18
1,000 – 10,000	286	66.05	750,415	4.37
10,001 – 1,000,000	67	15.47	9,696,703	56.50
1,000,001 and above	4	0.93	6,684,615	38.95
TOTAL	**433**	**100.00**	**17,162,931**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of warrants	%
1.	Tan Yet Meng	1,974,585	11.50
2.	Mayban Nominees (S) Pte Ltd	1,700,000	9.91
3.	DMG & Partners Securities Pte Ltd	1,630,030	9.50
4.	CIMB Bank Nominees (S) Sdn Bhd	1,380,000	8.04
5.	Jaya J B Tan	921,878	5.37
6.	SBS Nominees Pte Ltd	900,000	5.24
7.	Masuma Trading Company Limited	850,000	4.95
8.	Hong Leong Finance Nominees Pte Ltd	770,000	4.49
9.	Tan San Chuan	493,646	2.88
10.	Tan San Lin	493,646	2.88
11.	Khor Sin Kok	425,223	2.48
12.	Mah Weng Choong	425,223	2.48
13.	Kwong Yuen Seng	425,222	2.48
14.	OCBC Securities Private Ltd	333,750	1.94
15.	Pok York Keaw	299,500	1.75
16.	Pok Yoke Kung	268,700	1.57
17.	Koh Cheoh Liang Vincent	200,000	1.17
18.	Teo Hai Meng	200,000	1.17
19.	Pok Yoke Wang	186,800	1.09
20.	Raffles Nominees Pte Ltd	159,798	0.93
	TOTAL	**14,038,001**	**81.82**

ETIKA INTERNATIONAL HOLDINGS LIMITED
NOTICE OF ANNUAL GENERAL MEETING

COMPANY REGISTRATION NO: 200313131Z

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Etika International Holdings Limited will be held at Ballroom 2, Level 2, Grand Hyatt Singapore, 10 Scotts Road, Singapore 228211 on Friday, 25 January 2008 at 10.00 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 2007 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) Dato' Jaya J B Tan **(Resolution 2)**

   (ii) Mr John Lyn Hian Woon **(Resolution 3)**

   Mr John Lyn will upon re-election as Director of the Company, remain as Chairman of the Audit Committee and will be considered independent.

3. To approve the payment of Directors' fees of S$155,000 for the financial year ended 30 September 2007 (FY2006 : S$136,000). **(Resolution 4)**

4. To declare the payment of a tax exempt (one-tier) final dividend of 0.5 Singapore cents per share for the financial year ended 30 September 2007. **(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 total number of issued shares excluding treasury shares, 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 total number of issued shares excluding treasury shares 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 total number of issued shares excluding treasury shares from time to time. [See Explanatory Note (b)]

BY ORDER OF THE BOARD

Julie Koh Ngin Joo
Kok Mor Keat
Company Secretaries

Singapore
9 January 2008

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 total number of issued shares excluding treasury shares, 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 total number of issued shares excluding treasury shares is based on the Company total number of issued shares excluding treasury shares 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 bonus issue, consolidation or subdivision of shares.

This calculation is in accordance with Rule 806(2) 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 total number of issued shares excluding treasury shares 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 registered office of the Company at 9 Raffles Place, Republic Plaza #12-01, Singapore 048619 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

Notice of Books Closeure

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of Etika International Holdings Limited (the "Company") will be closed on 5 February 2008 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 3 Church Street, #08-01 Samsung Hub, Singapore 049483 up to 5.00 p.m. on 4 February 2008 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 4 February 2008 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 25 January 2008, will be made on 20 February 2008.

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

PROXY FORM

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Etika International Holdings Limited, the Annual Report 2007 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 25 January 2008 at 10.00 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 2007				
2	Re-election of Dato' Jaya J B Tan as Director				
3	Re-election of Mr Lyn Hian Woon 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 ____________________ 2008.

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 registered office of the Company at 9 Raffles Place, Republic Plaza #12-01, Singapore 048619 not less than forty-eight (48) hours registered 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.

ETIKA INTERNATIONAL HOLDINGS LIMITED

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