ETIKA INTERNATIONAL HOLDINGS LIMITED

Annual Report 2011


Shaping Up for GROWTH

LEGEND

OPERATION BASE

OUR GLOBAL PRESENCE

Our facilities in the operation base have expanded as planned and our sales have reached more than 60 countries around the world.

CONTENTS

DAIRIES DIVISION

FROZEN FOOD DIVISION

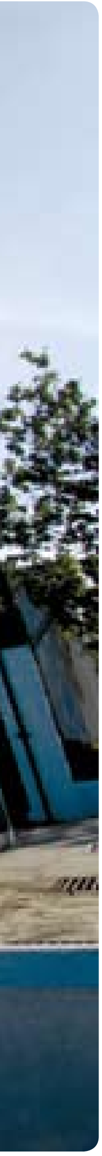
PACKAGING DIVISION

OTHERS

NUTRITION DIVISION & BEVERAGE DIVISION

CORPORATE PROFILE

Listed on SGX Catalist (previously known as the SGX-SESDAQ) on 23 December 2004 and upgraded to the Mainboard on 18 June 2009, Etika International Holdings Limited ("Etika" or "the Group") is one of the world's largest manufacturers and distributors of sweetened condensed milk and a leading regional Food and Beverage ("F&B") Group.



Founded in 1997, the Group started as a manufacturer and distributor of sweetened condensed milk and evaporated milk and in the years following its listing, has evolved into a diversified regional F&B player vide several acquisitions. Today, the Group has the following operating divisions:

DAIRIES DIVISION

FROZEN FOOD DIVISION

PACKAGING DIVISION

OTHERS
Nutrition Division & Beverage Division

The Group's operating facilities are located in Malaysia, Indonesia, Vietnam and New Zealand.

Apart from Malaysia, the Group's products can be found in over 60 countries around the world, including ASEAN, North and Central Asia, Middle East, Asia Pacific region, Central America and the Caribbean, and Africa. The Group's products are traded under various brand names like Dairy Champ, Vixumilk, Goodday, Mr. Farmer, Sky Fresh, Gourmessa, Horleys, Polygold, Daily Fresh and Salam mie.

Helmed by an experienced management team whom are industry veterans, possessing wide range of expertise in strategic planning, business development and operational and production skills, the Group is well-positioned to anchor its name as a leading regional F&B Group.

CORPORATE PROFILE

DAIRIES DIVISION

Tracing its origins back to the Group's establishment in 1997, the Dairies Division began as the Group's principal business, involved in the manufacturing and distribution of milk products, comprising mainly sweetened condensed milk and evaporated milk. The Dairies Division also repacks and distributes complementary products such as full cream milk powder, instant coffee powder and tea dust. Today, the Dairies Division continues to be the Group's core business division and main growth driver.

The Division's Malaysian manufacturing plant is located in Meru Industrial Park, Klang, Selangor and has branches throughout the main cities of Malaysia.

Presently, the products in the Group's Malaysian Dairies Division are distributed domestically in Malaysia and in many other parts of the world. In the domestic market, the Group's products are supplied to all major hypermarkets, supermarkets, dealers, wholesalers, food service outlets such as restaurants, coffee shops and Mamak /Teh Tarik stalls. The Division's export market covers over 60 countries around the world, including ASEAN, North and Central Asia, Middle East, Asia Pacific region, Central America and the Caribbean, and Africa.

The Dairies Division also successfully obtained the ISO9001:2000 certification in May 2007, which was then upgraded to ISO9001:2008 in March 2010 and it is now in the process of obtaining the ISO 22000:2005 certification pertaining to food safety management. This will complement the Ministry of Agriculture's certification on quality assurance and the HACCP system for milk production – further reinforcing the Group's keen emphasis on quality and reliable products.

The Group made its first foray into the ready-to-drink segment vide the joint venture in New Zealand in March 2009 to establish New Zealand's first state-of-the-art, UHT Aseptic PET bottling line for dairy, juice and water products. The plant located at Whakatu Industrial Park, near Hastings is ideally-suited for bottling operations with its existing resources, including trade waste discharge rights and tanker access. This marks a major step forward for Etika in the contract manufacturing of dairy, juice and water products for both the local and export markets.

The Group completed the acquisition of Susu Lembu Asli (Johore) Sdn Bhd (“SLAJ”) and Susu Lembu Asli Marketing Sdn Bhd (“SLAM”) during the year. The companies are engaged in the manufacture and distribution of pasteurised milk and other beverages in Malaysia.

The Division’s Vietnamese plant, which was acquired in April 2010, is located in Cu Chi District, Ho Chi Minh City. Tan Viet Xuan Joint Stock Company (“TVX”) is involved in the selling and distribution of UHT fresh milk, milk products and beverages. In particular, its products include UHT milk, soy milk and condensed milk registered under the brand name of Vixumilk and is one of the larger domestic milk processors in Vietnam. TVX’s products are extensively distributed in Vietnam, covering the Midlands, Mekong Delta, Eastland, Westland and Ho Chi Minh City via distributors, trade centers, supermarkets, bookstores and other retailers.

The Group completed the acquisition of Susu Lembu Asli (Johore) Sdn Bhd (“SLAJ”) and Susu Lembu Asli Marketing Sdn Bhd (“SLAM”) during the year. The companies are engaged in the manufacturing and distribution of pasteurised milk and other beverages in Malaysia. SLAJ’s manufacturing facility is located in Johor Bharu whereas its marketing arm, SLAM has a warehouse and office located in Petaling Jaya. Both companies started operations more than 40 years ago as a small-scale fresh milk distributor with their activities mainly concentrated in the state of Negeri Sembilan. Over the years, their product offering has grown to include full cream milk, low-fat milk, flavoured milk, soya milk and fruit drinks and these products are distributed in major hypermarkets, supermarkets, dealers, wholesalers, on-premise outlets as well as restaurants in Peninsular Malaysia.

This acquisition will generate a new revenue stream for the Group as it provides a strategic platform for Etika to gain a foothold in the larger ready-to-drink dairy market through Susu Lembu Asli’s established and well-known brand “Goodday” and their range of healthier product offerings.

With the acquisition of PT. Sentraboga Intiselera, we now have access to additional factory space to set up a production line for sweetened condensed milk in Indonesia which is in line with our plan to grow our core dairies business.

CORPORATE PROFILE

FROZEN FOOD DIVISION

In order to expand its scope of business and diversify its product offerings, the Group acquired Pok Brothers Sdn. Bhd. ("Pok Brothers"), one of Malaysia's leading frozen food and premium food wholesalers, in February 2006.

Pok Brothers started as a general store business in Petaling Jaya in 1963 and from this humble beginning, it has managed to transform itself into one of the leading frozen food companies in Malaysia. As a premium food wholesaler, Pok Brothers imports and distributes food products, both in raw and processed form, with particular emphasis on servicing the hospitality and consumer-based food industry. Its major clients include major 5-star hotels, airlines, cruise ships, hypermarkets, supermarkets, bakeries, butcheries, fast-food chains, grocery stores, food processors and other wholesalers. Pok Brothers is also an appointed importer and distributor of goods for several internationally known restaurant chains in Malaysia such A&W, Chili's, TGIF and Bubba Gump.

Most of Pok Brothers's supplies are sourced internationally, in particular from the United States, Europe, Australia and New Zealand.

It operates out of Glenmarie, Shah Alam and Meru, Klang, Selangor and has branches in major cities within Peninsular Malaysia, all with coldroom facilities.

Pok Brothers currently has 3 sub-divisions:

- **FROZEN FOOD TRADING**
- **BUTCHERY AND BAKERY BUSINESS**
- **FMCG DISTRIBUTION BUSINESS**

Leveraging on Pok Brothers' exposure to numerous industries, this Frozen Food Division has allowed the Group to better penetrate the upper segments of the consumer food market.

In order to complement the frozen bakery range, the Group has acquired 100% equity interest in Family Bakery Sdn. Bhd., Daily Fresh Bakery Sdn. Bhd. and Hot Bun Food Industries Sdn. Bhd. ("Family Group") for a cash consideration of RM18.68 million in October 2010. Family Group's manufacturing facility is located in Meru, Klang and it produces fresh breads and buns in Malaysia under the brand name of Daily Fresh. Their products are distributed nationwide to hypermarkets, supermarkets, factory canteens, petrol stations, grocery stores and convenience shops.

In addition to fresh bakery, the Group has ventured into the instant noodle segment.

The Group's acquisition of 70% equity interest in PT. Sentrafood Indonusa ("PTSF") and PT. Sentraboga Intiselera ("PTSB") in October 2010 and the balance 30% equity interest in July 2011 provided us with an immediate entry into the instant noodle segment in Indonesia.

PTSF, which has a manufacturing facility in Karawang, West Java manufactures and distributes its instant noodles under the trademark of Salam mie and is also an OEM manufacturer for a few private label products (eg. Mie Sehati and Pandaroo). PTSF's products are currently distributed locally in Indonesia and overseas via authorized distributors to countries such as Malaysia and Brunei Darussalam. PTSB is now leasing its premises in Pasuruan, East Java to PT. Etika Marketing for the operation of a sweetened condensed milk factory on its land. There are still four idle instant noodle production lines in PTSB which could be activated once sales in East Java reach an economically viable volume for production.

The acquisition of the instant noodles business signifies the beginning of a new F&B segment in the vast Indonesian market and also brings us a step closer towards achieving a stronger foothold there.

PACKAGING DIVISION

Acquired in April 2007, General Packaging Sdn. Bhd., formerly known as M.C. Packaging (M) Sdn. Bhd., ("General Packaging") is a manufacturer of tin cans with production facilities located in Petaling Jaya and Meru, Klang, Selangor.

General Packaging supplies its products to food-related business customers, particularly condensed and evaporated milk manufacturers as well as non-food business customers (e.g. aerosol cans). Apart from catering to the Malaysian market, plan is afoot, whenever feasible, to export the finished goods or set up manufacturing facilities together with Dairies Division in line with the Group's overseas expansion plan.

This Packaging Division is part of the Group's vertical integration strategy and as such its production capacity is used mainly for the Dairies Division.

OTHERS - NUTRITION DIVISION & BEVERAGE DIVISION

Nutrition Division

In February 2007, the Group acquired Naturalac Nutrition Limited ("NNL"), a marketer of branded sports nutrition and weight management food products to athletes and mass consumer markets. The business trades under the Horleys™ brand name and other proprietary brands, including Sculpt™ (a weight management product tailored for women), Replace™ (an isotonic sports drink in both powder and carbonated format) and Pro-Fit™ (a high protein ready-to-drink beverage). The key benefits of these products are weight management (both muscle mass gain and weight loss through satiety control), energy delivery and hydration.

NNL became a "virtual" company in 2002 in order to enable its management to focus efforts on key areas of marketing and product development. As such, many of its key functions including manufacturing, distribution and selling have been

CORPORATE PROFILE

out-sourced to third party providers, both in New Zealand and Australia. This lean business model, akin to popular sports apparel brands, has provided NNL with the needed flexibility and speed in delivering high quality products to its customers, while focusing and leveraging on its key competency in product development, advertising and promotion and customer service. This model has reduced the need for substantial resources, both financial and non-financial, otherwise required for setting up of processing and production centers.

By concentrating on its core competencies, NNL has been able to significantly shorten the time normally taken in its product development from concept to market. This ability is considered an edge over its competitors.

In New Zealand, NNL's products are primarily distributed through the route channels (gyms, health food shops, specialty stores and specialty nutrition shops) and retail channels (supermarkets, oil and convenience retail outlets) whilst its Australian sales are made predominantly through the route channels.

The formation of the Group's Nutrition Division has allowed the Group to develop its presence in new geographical regions. Horleys™ is a leading brand name in New Zealand and Australia as well as enjoying a growing presence in South East Asia.

Beverage Division

The Group acquired a canned beverages manufacturing plant in July 2007 based in Seremban, Negeri Sembilan. This facility produces both carbonated and non-carbonated drinks under the brand name of "Polygold". In addition we also produce "Air Champ" energy drink and "Power Champ" isotonic sports drink.

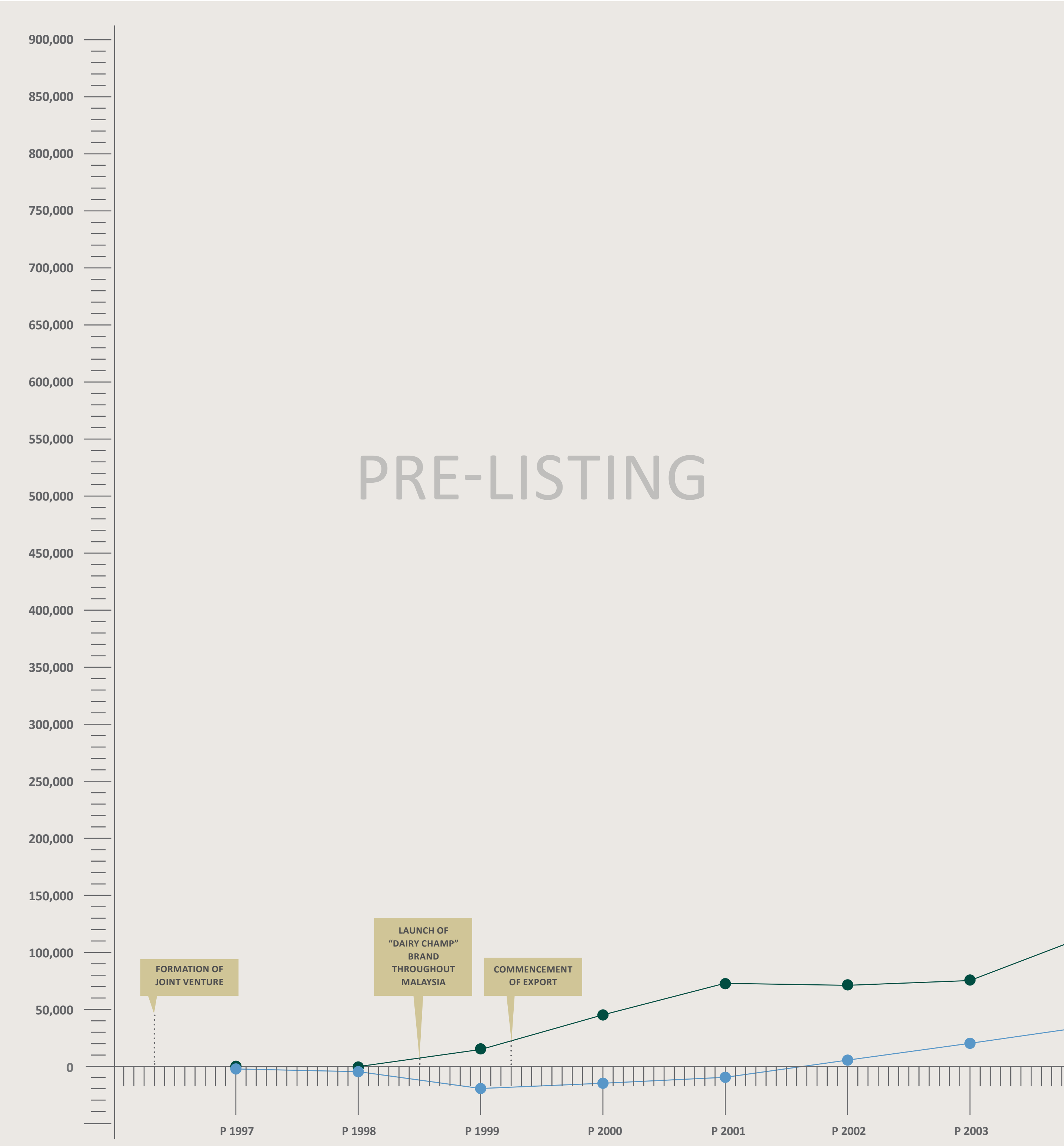
Although it is still a relatively small business for the Group, the Beverage Division will be able to ride on the Group's existing export and domestic nationwide distribution networks under the Dairies Division in order to gain greater market penetration.

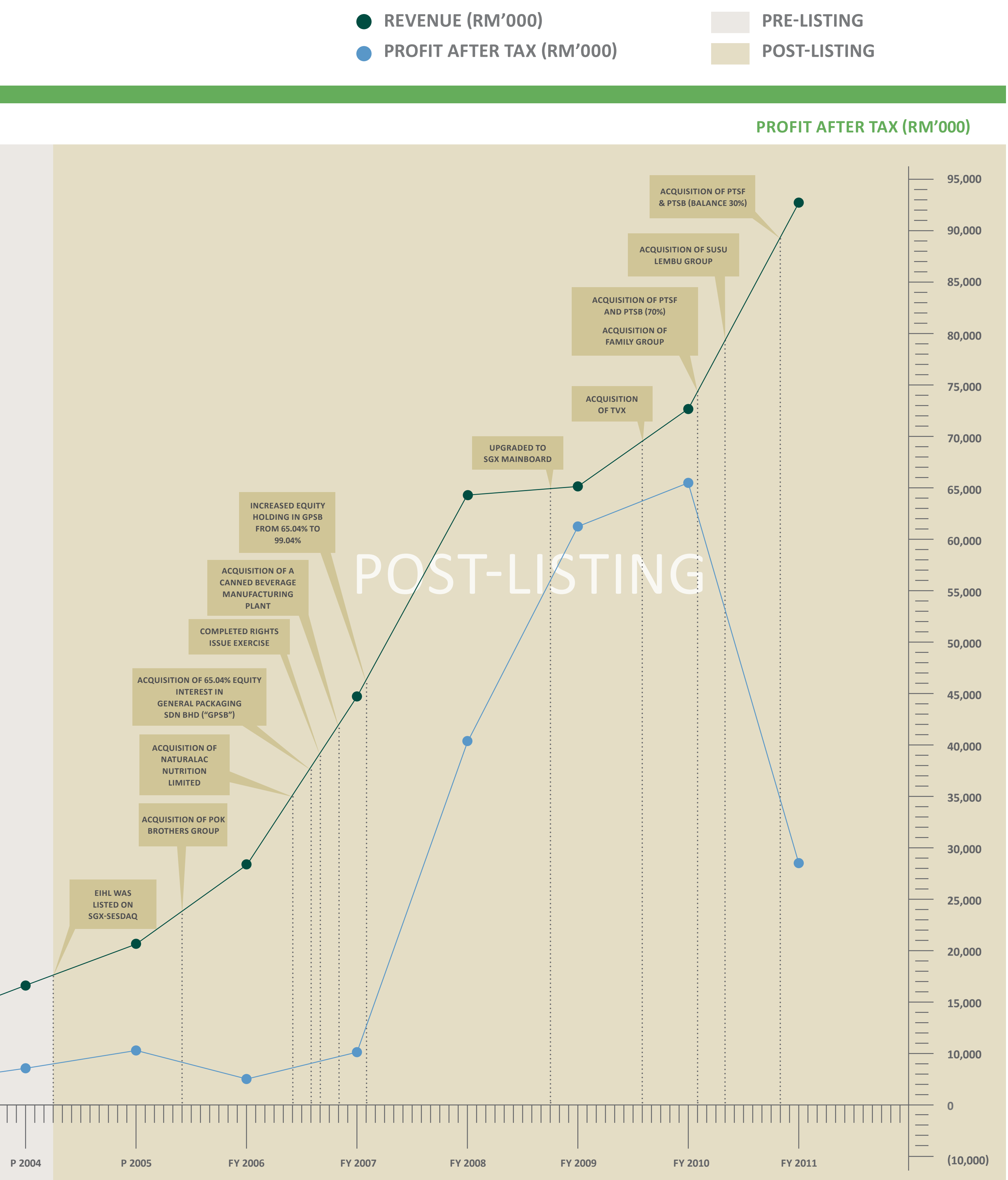
DAIRIES DIVISION

CORPORATE MILESTONE

CORPORATE HISTORY CHART

REVENUE (RM'000)





REVENUE (RM'000)
PROFIT AFTER TAX (RM'000)
PRE-LISTING
POST-LISTING
PROFIT AFTER TAX (RM'000)
POST-LISTING
ACQUISITION OF PTSF & PTSB (BALANCE 30%)
ACQUISITION OF SUSU LEMBU GROUP
ACQUISITION OF PTSF AND PTSB (70%)
ACQUISITION OF FAMILY GROUP
ACQUISITION OF TVX
UPGRADED TO SGX MAINBOARD
INCREASED EQUITY HOLDING IN GPSB FROM 65.04% TO 99.04%
ACQUISITION OF A CANNED BEVERAGE MANUFACTURING PLANT
COMPLETED RIGHTS ISSUE EXERCISE
ACQUISITION OF 65.04% EQUITY INTEREST IN GENERAL PACKAGING SDN BHD ("GPSB")
ACQUISITION OF NATURALAC NUTRITION LIMITED
ACQUISITION OF POK BROTHERS GROUP
EIHL WAS LISTED ON SGX-SESDAQ
95,000
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85,000
80,000
75,000
70,000
65,000
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P 2004
P 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011

CORPORATE MILESTONE

YEAR	MONTH	MAJOR DEVELOPMENTS
1997	Jan	Clarity Valley Sdn Bhd was used as a joint venture ("JV") vehicle between the Tan Brothers (Motif Etika Sdn Bhd) and Messrs Mah Weng Choong, Khor Sin Kok and others (Jasnida Sdn Bhd) to engage in the manufacturing and distribution of milk products in Malaysia. Subsequently, Clarity Valley Sdn Bhd changed its name to Etika Dairies Sdn Bhd.
1999	Feb	Etika Dairies Sdn Bhd completed installation of its maiden modern and fully automated sweetened condensed milk production line in our production factory in Meru, Klang, Selangor, Malaysia.
	Mar	Commercial launch of sweetened condensed milk under the Dairy Champ brand throughout Malaysia.
	Dec	Commencement of export of sweetened condensed milk to Malawi.
2003	Dec	Etika International Holdings Limited (EIHL) was incorporated in Singapore on 23 December 2003 as a private limited company.
2004	Nov	Pursuant to a Restructuring Exercise, EIHL became the holding company of Etika Dairies Sdn Bhd on 8 November 2004.
	Dec	EIHL was converted into a public limited company on 10 December 2004. Subsequently, it was listed on SGX-SESDAQ (now known as SGX Catalist) on 23 December 2004.
2006	Feb	1st acquisition pursuant to our listing, we acquired Pok Brothers Group, one of Malaysia's leading frozen food and premium food wholesaler, on 8 February 2006 vide our wholly-owned subsidiary, Etika Foods (M) Sdn Bhd for a consideration of approximately RM21.5 million.
2007	Jan	The Group proposed a 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 rights share with up to 17,163,016 free detachable warrants.
	Feb	Completed acquisition of Naturalac Nutrition Limited ("NNL") based in New Zealand vide our wholly-owned subsidiary Etika (NZ) Limited on 8 February 2007 for a consideration of NZD7.8 million.
	April	Completed acquisition of 65.04% equity interest in General Packaging Sdn Bhd ("GPSB") (formerly known as M.C. Packaging (M) Sdn Bhd) on 25 April 2007 vide our wholly-owned subsidiary Etika Industries Holdings Sdn Bhd for a consideration of RM7.8 million.
	May	The Group completed the take-over of an ongoing consumer distribution business involved in chilled and dry-ambient consumer products on 1 May 2007. This business is housed under Pok Brothers Group to complement our Frozen Food Division. On 10 May 2007, we completed the renounceable non-underwritten rights issue (proposed in January 2007) which resulted in issuance of 17,162,931 free detachable warrants and net proceeds of S$6.34 million.
	July	Completed acquisition of a canned beverage manufacturing plant by Etika Beverages Sdn Bhd ("EBSB") on 3 July 2007 for a consideration of RM3.8 million.
	Oct	Increased equity holding in GPSB from 65.04% to 99.04% for purchase consideration of approximately RM6.7 million on 31 October 2007.

YEAR	MONTH	MAJOR DEVELOPMENTS
2009	Mar	Entered JV in New Zealand via Etika Dairies NZ Limited ("EDNZ"), our newly incorporated subsidiary in New Zealand for an initial stake of 50.7% on 18 March 2009, which was later increased to 60.7% in December 2009.
	June	Upgraded to SGX Mainboard on 18 June 2009.
	July	Entered into a conditional sale and purchase agreement for proposed acquisition of 100% equity interest in Tan Viet Xuan Joint Stock Company ("TVX") on 24 July 2009 for an estimated purchase consideration of USD8.45 million.
	Sept	Completed acquisition of wholly-owned subsidiary in Indonesia, PT. Vixon Indonesia on 30 September 2009. PT. Vixon Indonesia serves as the main distributor of Etika Group's products - in particular Dairy Champ in Indonesia.
2010	April	Completed the acquisition of 100% equity interest in TVX on 9 April 2010 for approximately USD9.0 million.
	May	Signed syndicated financing facilities of RM368 million with a consortium of three leading Malaysian financial institution groups on 4 May 2010.
	June	Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Family Bakery Sdn. Bhd., Daily Fresh Bakery Sdn. Bhd. and Hot Bun Food Industries Sdn. Bhd. (" Family Group") on 4 June 2010 for a cash consideration of RM18.68 million.
	July	Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in PT. Sentrafood Indonusa ("PTSF") and PT. Sentraboga Intiselera ("PTSB"), an Indonesian instant noodle manufacturer and distributor on 5 July 2010 for an aggregate consideration of approximately IDR19.1 billion. Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Susu Lembu Asli (Johore) Sdn. Bhd. ("SLAJ") and Susu Lembu Asli Marketing Sdn. Bhd. ("SLAM"), collectively known as "Susu Lembu Group" on 19 July 2010 for a cash consideration of RM89.5 million.
	Oct	Completed the acquisition of 100% equity interest in Family Group on 1 October 2010. Etika ventures into the manufacturing and distribution of fresh baked breads and buns. Completed the acquisition of 70% equity interest in PTSF and PTSB on 6 October 2010, for an aggregate consideration of approximately IDR24.2 billion, marking the Group's entry into the huge instant noodles industry. Allotment and issuance of 267,290,764 Bonus Shares on 12 October 2010
2011	Jan	Completed the acquisition of 100% equity interest in Susu Lembu Group on 4 January 2011.
	July	Completed the acquisition of balance 30% equity interest in PTSF and PTSB on 4 July 2011.

MESSAGE FROM THE CHAIRMAN

Dear Valued Shareholders,
On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Financial Statements of Etika International Holdings Limited for the financial year ended 30 September 2011 ("FY2011").

Dato' Jaya J B Tan
Non-Executive Chairman

FINANCIAL REVIEW

The Group recorded a 30% growth in revenue to RM880 million for FY2011 driven mainly by the increase in revenue by the Dairies Division, Frozen Food Division and other newly acquired subsidiaries involved in the manufacturing and distribution of fresh milk, bakery and instant noodles.

The Group's gross profit rose marginally by 4% to RM180 million after taking into consideration the increase in cost of goods sold by 39% compared to the previous financial year. FY2011 has been a challenging year for the Group as we were impacted by the high raw material prices and the weak United States Dollar ("USD") currency brought about by the global financial uncertainties. Higher costs of commodities such as milk powder and the withdrawal of sugar subsidy by the Malaysian Government has resulted in a higher cost of production in the Dairies Division, which contributed approximately 69% of the Group's revenue. The escalation in raw material costs has resulted in production cost to increase by about 21% which was not accompanied by a corresponding increase in selling prices due to the time lag in passing the increased costs to consumers. On the whole, selling price has increased by 15%. Although selling prices of export market have improved, the revenue generated was negated by the weakening of USD vis-à-vis Ringgit

Official opening of the UHT Aseptic PET Bottling plant in New Zealand by the Prime Minister of New Zealand, Mr. John Key (fourth from left).

Malaysia. Against these conditions, the Group managed to register an operating profit after tax of RM29 million, which include a one-off non-operating negative goodwill of RM10 million, representing a decline of 57% from FY2010.

CORPORATE DEVELOPMENT

The Company has completed the Bonus Issue of 1 for 1 following the issuance and allotment of 267,290,764 bonus shares to the shareholders on 12 October 2010. The bonus issue has doubled the total number of issued shares of the Company to 534,581,528. The broadened shareholders' base would enhance investors' accessibility, trading liquidity and greater participation by investors.

On 4 January 2011, the Group completed the acquisition of the entire equity interest in Susu Lembu Asli Marketing Sdn Bhd and Susu Lembu Asli (Johore) Sdn Bhd (collectively "Susu Lembu Group"). Susu Lembu Group is involved in the manufacturing and distribution of pasteurised milk and other beverages in Malaysia and has been in the business for more than 40 years. It started as a small-scale fresh milk distributor in the state of Negeri Sembilan, Malaysia and has over the years grown its product offering to include full cream milk, low-fat milk, flavoured milk, soya milk and fruit drinks, all of which are distributed throughout Peninsular Malaysia.

On 4 July 2011, the Group has completed the acquisition of the remaining 30% equity interest in PT. Sentrafood Indonusa and PT. Sentraboga Intiselera upon fulfillment of the refinancing arrangement as provided in the sale and purchase agreement. The completion of this new F&B segment for the Group in a vibrant and vast market such as Indonesia (which is known to be Asia's second largest instant noodle market) has given the Group a greater flexibility to cross-sell its instant noodles in the present market of its condensed milk such as in Malaysia and over 60 countries around the world and vice versa, to provide the Group with a stronger foothold in the condensed milk market in Indonesia.

The Group celebrated the official opening of the UHT Aseptic PET bottling plant in New Zealand on 1 September 2011 by the Prime Minister of New Zealand, Mr. John Key, a significant achievement resulting from our joint venture with the local Hawkes Bay investors and Etika (NZ) Limited which was established on 18 March 2009. The state-of-the-art plant, which will enter into commercial production in the second quarter of FY2012, will enable the Group to undertake contract manufacturing for dairy, juice and water products for both the local and export markets.

With these expansion plans on track, the Group is poised for its next stage of growth. We will integrate the new businesses to derive synergistic benefits and to further grow the business by stepping up our marketing and distribution activities through widening our distributor base to tap the opportunities available in the new market and business segment. This includes among others, the setting up of a manufacturing facility for sweetened condensed milk in Surabaya, Indonesia, making inroads into the highly populated areas for its instant noodles and gaining foothold into the healthy product offerings such as the ready-to-drink fresh milk offered by Susu Lembu Group under its established "Goodday" brand. We are committed to staying relevant and competitive to match the needs of consumers who are becoming more health conscious and above all, these strategic actions will ensure new revenue stream for the Group which is essential to maintain its growth momentum.

MESSAGE FROM THE CHAIRMAN

OUTLOOK AND FUTURE PROSPECTS

The unresolved debts crisis in Europe and the health of the economy of the United States of America will continue to weigh down global economy. Regional growth may be dampened which will affect consumer sentiment while inflation, particularly in food prices, will reduce disposable incomes of consumers in key markets of the Group. On the upside, the slowing down of the world economy will hopefully result in declining prices of commodities like tin plate and palm oil in recent months to negate the impact of high milk powder (skimmed and whey) and sugar prices.

Demand for dairy products in the local and overseas markets is expected to grow albeit at a slower pace due to the contraction in the world economy. High prices of key raw materials remain a concern to the Group.

To mitigate the impact, the Group seeks to improve operating efficiency throughout the Group's operating units, launching of new products and brands and expediting the setting up of its condensed milk manufacturing facilities in the recently acquired subsidiary company, PT. Sentraboga Intiselera in Surabaya to capture the vast but competitive Indonesian market.

DIVIDENDS

The Company paid a tax exempt interim dividend of 0.5 Singapore cents per share. The Board has decided to propose a final dividend of 0.7 Singapore cents per share, bringing total dividend payment for the year to 1.2 Singapore cents as compared to 1.75 Singapore cents (adjusted for bonus issue of 1 for 1 share) paid in the preceding financial year.

APPRECIATION

On behalf of the Group, I would like to extend our appreciation to our customers, principals, suppliers, business associates and bankers for their unwavering support. We would like to acknowledge our valued shareholders and investors for their continued support and confidence throughout the years.

To the management and staff, thank you for your loyalty, dedication and commitment that has driven the Group into what it is today and to greater heights in the years ahead.

Last but not least, I would like to thank my fellow board members for their strong support and invaluable advice all through the years.

DATO' JAYA J B TAN
Chairman

FROZEN FOOD DIVISION

REVIEW OF OPERATIONS

The Group achieved revenue of **RM880 million**, a significant increase of **30%** compared to FY2010.

For the year under review, the Group's reporting core business segments remain unchanged as follows:

- **DAIRIES DIVISION**
- **FROZEN FOOD DIVISION**
- **PACKAGING DIVISION**
- **OTHERS - NUTRITION DIVISION & BEVERAGE DIVISION**

For FY2011, the Group achieved a higher turnover of RM880 million, representing a significant increase of 30% compared to FY2010 of RM678 million. The Group profit after tax at RM29 million includes a negative goodwill of RM10 million arising from the acquisition of the Indonesian subsidiaries, is 57% lower than that recorded in FY2010 of RM66 million. Profit attributable to equity holders stood at RM29 million as compared to RM66 million in FY2010.

The main drivers of the increase in turnover were the Dairies Division which contributed RM98 million and the newly acquired subsidiaries, which manufacture and distribute fresh milk, bakery products and instant noodles, contributed RM85 million. RM16 million was from the Frozen Food Division.

The lower Group profit before tax was partly due to the losses incurred by the newly acquired Indonesian subsidiaries caused by lower sales volumes that were insufficient to cover the high operating costs. Management is revamping the production facilities in order to reduce production costs and increasing distribution outlets to bolster sales to meet the challenges in the highly competitive instant noodles business.

Cost of goods sold increased by 39% for the financial year under review from RM504 million to RM699 million. Although this was in tandem with the growth in revenue, the significant increase in the prices of raw materials especially skimmed, buttermilk and whey milk powder, sugar, palm oil and flour, have greatly impacted the Dairies Division, where a 21% increase in costs outpaced a 15% increase in selling price reflecting the time lag in price increase. This has resulted in the Group's lower gross margin of 20% as compared to 26% in the previous financial year.

Other operating income recorded an improvement of 68% to RM5 million from RM3 million which was primarily due to the sale of tin scraps.

Administrative expenses rose significantly by 64% to RM53 million from RM32 million, mainly attributable to the one-off expenses of RM8 million incurred for the restructuring of existing Group's bank facilities through the syndication loan of RM368 million and RM13 million of expenses from the newly acquired subsidiaries.

In tandem with the increased turnover, selling and marketing expenses increased by 54% to RM44 million from RM29 million. Advertising and promotion and staff costs increased by RM2 million while the newly acquired subsidiaries contributed RM13 million to the increase.

Warehousing and distribution expenses also increased significantly by 39% to RM33 million from RM24 million with RM3 million incurred by the newly acquired subsidiaries. For the other companies in the Group, there were higher transportation and freight charges of RM4 million and RM2 million for depreciation.

Other operating expenses recorded an increase of RM5 million or 191%, principally due to fair value expense of the Share Options granted to management staff of RM5 million.

REVIEW OF OPERATIONS

Finance costs increased by RM13 million due to higher utilisation of trade lines across the Group to support their increased sales as well as drawdown of term loans for capital expenditures and payments for acquisitions of new subsidiaries.

Income tax expense for the year was RM6 million representing an effective tax rate of 16%, slightly lower than the previous year of 17%. The lower tax rate is principally due to tax exempt income and tax incentives enjoyed by certain subsidiaries.

Earnings per share for FY2011 was RM0.054 as compared to FY2010 of RM0.2506 (RM0.1253 adjusted for Bonus Issue).

STATEMENT OF FINANCIAL POSITION

For FY2011, shareholders' funds grew to RM218 million from RM208 million, an increase of RM10 million. Net assets per share increased marginally to RM0.42 from RM0.40 in FY2010 (adjusted for the Bonus Issue).

Significant movements in the statement of financial position from FY2010 were as follows:

The Group's non-current assets increased by 77% or RM177 million to RM407 million due mainly to the increase in property, plant and equipment and intangible assets. The newly acquired subsidiary companies contributed RM52 million to the increase while the on-going construction and upgrading works of the warehouse by Etika Dairies Sdn Bhd ("EDSB") and the additions of new machineries to automate the production facilities by Etika Foods (M) Sdn Bhd amounted to RM35 million. Intangible assets increased by RM80 million due mainly to the goodwill and brand valuation arising from the acquisitions of Susu Lembu Asli Marketing Sdn Bhd and Susu Lembu Asli (Johore) Sdn Bhd, (collectively "Susu Lembu Group") and Family Bakery Sdn Bhd, Daily Fresh Sdn Bhd and Hot Bun Industries Sdn Bhd ("Family Group") amounting to RM54 million and RM26 million respectively. Deferred tax assets increased by RM13 million of which RM12 million is from the newly acquired subsidiaries.

Current assets increased by RM71 million due mainly to higher inventory and receivables which is in line with the increased revenue. There was also a build-up of certain raw materials in anticipation of price increase and shortages of supplies due to natural disasters.

Current and non-current liabilities increased by RM88 million and RM150 million respectively. The increase was mainly due to higher bank borrowings and trade payables. Increase in bank borrowings resulted from more funds raised for financing of acquisitions of subsidiaries, capital expenditures and higher utilization of trade facilities to support increased sales. The increase in trade payables is due mainly to rising costs of raw materials.

Total bank borrowings for the Group amounted to RM390 million representing an increase of RM194 million over the preceding year. The increase was mainly due to additional term loans of RM87 million for financing of acquisitions of the new subsidiary companies, capital expenditure of RM22

The Group's non-current assets rose **RM177** million to **RM407** million mainly contributed by the increase in property, plant and equipment and intangible assets.

million and higher utilization of trade facilities of RM54 million to support the higher revenue. With the increase in borrowings, the Group's debt to equity ratio increased to 1.8 times, still well within the 3 times stipulated by the syndicated lenders.

CASH FLOW POSITION

Despite registering lower profit before tax, the Group managed to generate net cash from operating activities of RM20 million, an increase of RM2 million or 11% as compared to the preceding year.

The Group's acquisitions of subsidiary companies and significant investments in property, plant and equipment will diversify the product range and lay the foundation for future growth. These investment activities resulted in significant cash outflows of RM144 million.

Net borrowings of RM136 million were raised, after principal repayments and interest payments, to finance the investment activities. The effect of these investment and financing activities resulted in a net cash outflow of RM49 million.

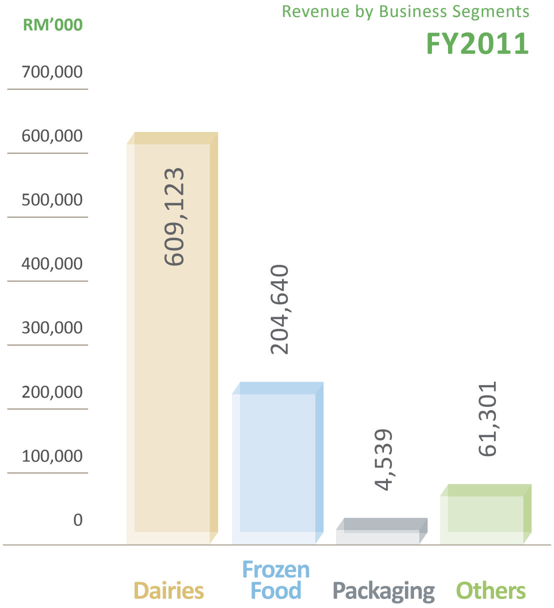
Overall, the Group's cash and cash equivalents were reduced to a negative balance of RM3 million from a positive balance of RM25 million, a reduction of RM28 million due to net cash outflow for the acquisition of subsidiaries, increase in capital expenditures and the increase in the working capital requirements.

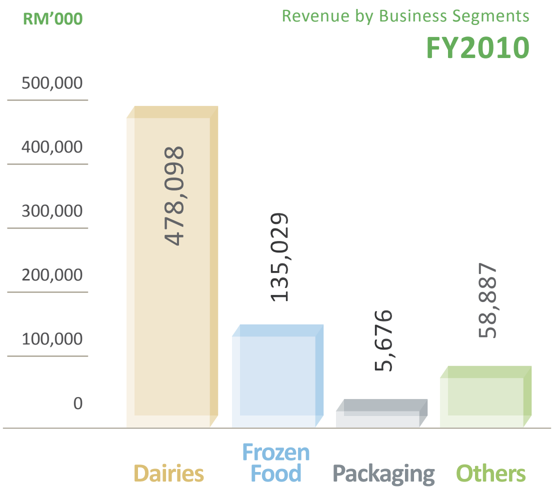
SEGMENTAL REVIEW BY BUSINESS DIVISIONS

For the year under review, all the divisions posted positive growth with an impressive overall growth rate of 27% over the preceding year.

Dairies Division remains the core business of the Group, accounting for 69% of the revenue, followed by the Frozen Food and Packaging Divisions of 23% and 1% respectively. The Others division, comprising of Nutrition and Beverage sub-divisions, accounted for the balance 7%.

REVIEW OF OPERATIONS





REVENUE BY BUSINESS SEGMENTS

	FY2011 RM'000	FY2010 RM'000
Dairies	609,123	478,098
Frozen Food	204,640	135,029
Packaging	4,539	5,676
Others	61,301	58,887
Total	879,603	677,690

DAIRIES DIVISION

The Dairies Division continues to be the major contributor to the Group in terms of revenue and profit generated. The division delivered an impressive growth of 27% in revenue of RM609 million over the preceding year of RM478 million.

The revenue growth was mainly driven by export sales which registered a growth of 30% or RM74 million with the main markets from Vietnam and Africa whilst local sales contributed a 25% increase of RM57 million.

Both local and export markets registered increases in sales volumes and net selling price per carton. Local sales volumes increased by 3% and average net selling price per carton increased by 7% whereas for the export markets, sales volumes increased by 7% and the average selling price was 15% higher.

Net profit decreased by 45% to RM30 million from RM55 million. The decrease is due mainly to higher costs of key component raw materials, especially sugar resulting from the selective withdrawal of sugar subsidy by the Malaysian authorities. This eroded margins and was compounded by time lag in price increase. Overall higher operating expenditures and finance costs also affected profits.

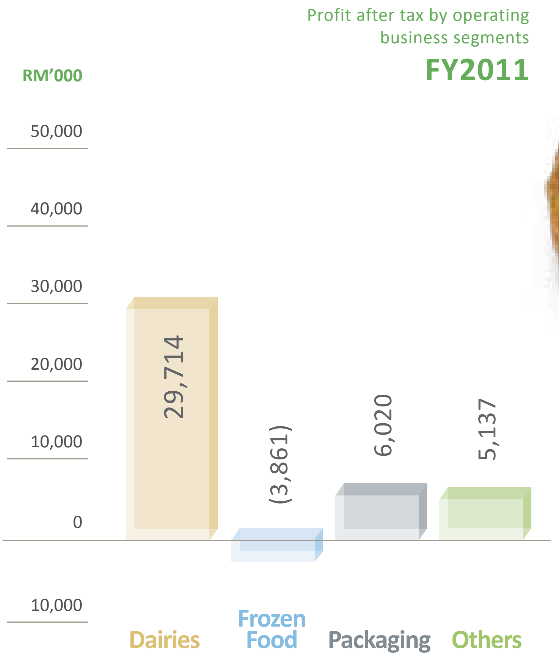
Lower income tax was recorded in the current year as the Division continues to enjoy tax incentives and recognition of deferred tax assets due to the capital expenditures.

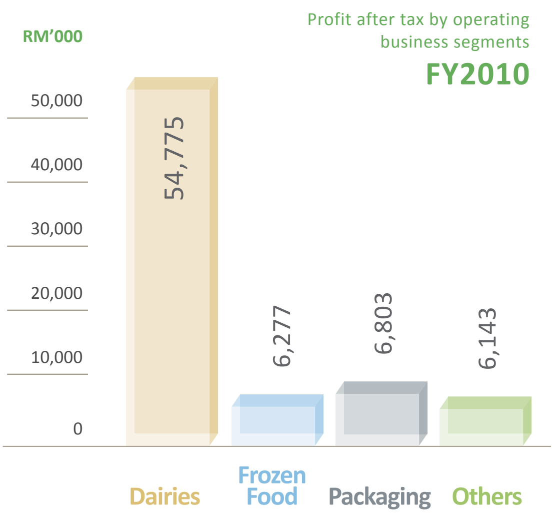
Segmental assets grew significantly by 48% to RM432 million from RM291 million principally due to the increase in capital expenditure, inventory and receivables as well as the contribution of RM96 million from the newly acquired subsidiaries. Segmental liabilities increased by 158% to RM398 million principally due to the syndicated loans raised during the year.

FROZEN FOOD DIVISION

The Frozen Food Division comprises frozen food trading, butchery and bakery sub-divisions and the FMCG manufacturing and distribution business.

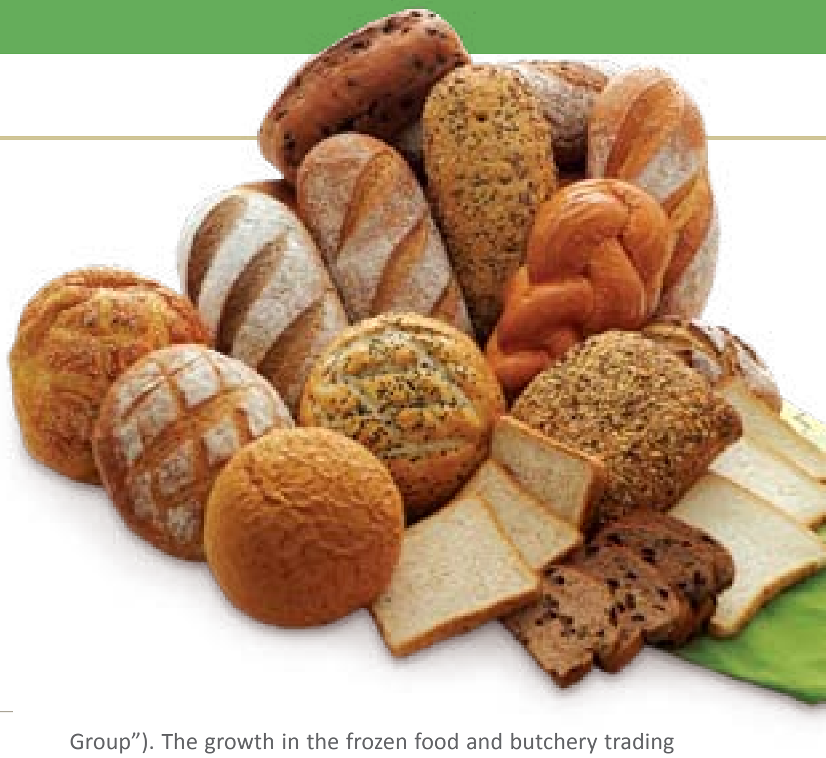
The Frozen Food Division registered substantial revenue growth of 52% due mainly to increased sales across all its existing businesses together with the additional revenue from the newly acquired subsidiaries, Family Group and PT. Sentrafood Indonusa and PT. Sentraboga Intiselera (collectively "PT. Sentra





PROFIT AFTER TAX BY OPERATING BUSINESS SEGMENTS

	FY2011 RM’000	FY2010 RM’000
Dairies	29,714	54,775
Frozen Food	(3,861)	6,277
Packaging	6,020	6,803
Others	5,137	6,143
Total	**37,010**	**73,998**



Group”). The growth in the frozen food and butchery trading is due mainly to the opening up of more shopping malls and hotels and the key consumer growth of the bakery division. Newly acquired subsidiaries contributed 26% of the growth.

The frozen food trading, butchery and bakery sub-divisions recorded a loss after tax of RM4 million for FY2011 due mainly to losses registered by the PT. Sentra Group and the FMCG distribution business.

PACKAGING DIVISION

External sales decreased by 17% to RM5 million from RM6 million in FY2010 while inter-segment sales to the Dairies Division increased by RM1 million or 1% compared to FY2010.

The bottom line of the Packaging Division registered a decrease of 14% to RM6 million from RM7 million.

OTHERS DIVISION

The Group’s other operating division comprises of the Nutrition and Beverage Divisions. Revenue was up by 3% from RM59 million in FY2010 to RM61 million in FY2011. The Nutrition Division continues to be the main contributor to the total revenue of this division, accounting for 90% as compared to 93% in the previous period.

Profit after tax decreased 17% to RM5 million from RM6 million in FY2010 reflecting the competitive Australian market where there is a significant influx of products from United States of America.

REVIEW OF OPERATIONS

PROSPECT AND GROWTH PLANS

DAIRIES DIVISION

The current state of the United States economy and the Eurozone debt crisis raise concerns about a global economic slowdown and a possibility of a recession which would dampen commodity demand. Global dairy markets have been shaken but remain resilient. Prices of locally sourced materials, except for sugar, are stable and slowly trending down.

Global dairy demand has been supported by Asian nations but there are signs of slowing down in those markets. Skimmed milk powder remains steady.

Locally sourced sugar is effectively free of subsidy with the selective removal of sugar subsidies by the authorities' subsidy rationalization programme under the New Economic Model and Economic Transformation Programme. We expect the price of sugar to maintain at the current level for at least the next two financial quarters.

Palm oil is not being spared from the current uncertain global economic outlook. Weaker demand for soya bean, coupled with increased soya bean supplies, has dampened the demand for palm oil. With expectations of growing inventories for soya oil and palm oil, it is unlikely that the growth in demand will outpace the growth in production. This may result in higher levels of inventories and decreasing palm oil prices.

The new two storey factory-cum-warehouse project with attached multi-storey office undertaken in FY2011 is expected to be ready for use by the second quarter of FY2012. The factory space will be used to produce related dairy products. Production of a new range of products will commence in the fourth quarter of FY2012.

Sales volume for both domestic and export markets are encouraging. Extra efforts have been made to raise the profile of the Group's instant noodles brand "Salam mie", to establish a stronger market presence and higher acceptance level.

While the strengthening of USD against Ringgit Malaysia is favourable, growth in our export market may be impacted by the uncertain global economic conditions.

The current flood disaster in our neighbouring country may provide us a new opportunity to penetrate new markets in the region.

We are cautiously optimistic that we can achieve a reasonable growth in sales revenue and volume in this current global economic environment.

FROZEN FOOD DIVISION

Since the first half of 2011, prices of almost all imported food items have increased substantially. However, from August 2011, the prices of Australian Lamb cuts and Norwegian Salmon have declined. This is due to an oversupply of Australian Lamb and the recent ban imposed by China for the importation of Norwegian Salmon, leading to the increased supply in other markets in the region. Furthermore, the prices of French Fries and other frozen potato products have increased over 25% due to poor potato harvest in the USA. Another round of price increase is expected soon as the world demand remains strong for all potato-related products. The dairy products supply situation has improved over the previous year and prices are more stable now than in the first half of 2011. Except for the prices of Australian Lamb that have gone down substantially, all other meat prices from Australia and New Zealand have remained stable except for the Indian Buffalo meat and China beef, whose prices have being increasing continuously every month. Other than the meat products, other proprietary products originating from the USA and supplied to the American restaurant chains are cheaper now due to the weakening of the USD. Revenue from our Agencies' products has exceeded our forecasted sales target and sales of the Lamb-Weston range of French Fries have done exceptionally well despite the price increases.

The continued increase in the prices of imported food had created turmoil in the food industry. Fortunately, the Ringgit Malaysia has strengthened against the USD and partially mitigated some of the price increases.

We will continue to closely monitor our foreign exchange exposure, as most of our imports are denominated in the USD. We expect fuel surcharges for ocean freight to increase. With the Malaysian Government gradually cutting back subsidies, we expect higher overheads for our warehouse and distribution costs with increased petrol prices and electricity tariffs.

On a positive note, with the opening of more shopping malls, our revenue, especially from the restaurant chains like TGIF, Chili's, Tony Roma's, Carl's JR, A&W, etc will continue to increase. There will be more local restaurant operators which we will be servicing as well. In the recent Budget announcement, the Government is encouraging investment in hotels by giving pioneer status tax exemption for hotel operators who invest in 4 and 5 star hotels. Thus we expect to see more 3 to 5 star hotels to open in 2012. With the launch of the Langkawi Five Year Tourism Development Master Plan, the Government will further promote Langkawi as a tourist destination. This is a positive development for the Group, as we will target the food and beverage establishments in the area.

The sub-divisions of Bakery and Butchery are expected to leverage on the Frozen Food Division's experienced sales force and its branch network, with sales expected to increase with more outlets. Upon completion of the renovation and extension of the factory space in Meru, where new equipment lines will be in place by mid-February 2012, this will support the product development and quality control of croissants, danishes and bread rolls.

PACKAGING DIVISION

After the tsunami in Japan around March 2011, the disruption of the supply of black plate and subsequently tin plate had resulted in a price increase from April to July. By the fourth quarter of 2011, the slowdown in the global economy had caused prices to drop. We expect the price of tin plate to remain stable during the first quarter of 2012 and to rise marginally from the second quarter onwards.

The spectre of the European economic crisis will continue to loom over world markets, such that any price increase in iron ores and coke, and consequently tin plate prices, is likely to be marginal during 2012.

We are expecting the import levy for tin plate to drop progressively over the years. In the meantime, in order to manage our costs, we could use lower priced tin plates from other countries. Another mitigating factor is that the tin plates used for condensed milk meant for export is exempted from import duty.

In order to maintain our competitive cost structure, we will source for suitable lower priced materials in the manufacture of tin cans.

To expand the business, we plan to diversify our product range to include evaporated milk in smaller can sizes eg. 209 diameter. We will focus on the production of food cans to meet the inter-segment demand while continually looking to expand the aerosol sector. We will continue to upgrade our production capabilities by investing in machinery like welders, curing ovens and auto sheet presses so as to meet the higher demand for condensed milk.

OTHERS DIVISION

Dairy ingredients in the form of milk powders and highly specialised dairy protein powders form a significant component of the Nutrition Division's costs.

Overall, the global dairy market has remained resilient, despite the economic uncertainty in Europe and the United States.

Demand for Whole Milk powder has softened over the past three months following a period of trading at historically high levels. It would appear that we may be approaching a period of equilibrium as evidenced by the latest GlobalDairyTrade auction where pricing eased slightly in the short term and firmed marginally in the long term.

REVIEW OF OPERATIONS

However demand for dairy proteins remains robust with the prices expected to stay around current levels for the interim. Proteins which are used in value added and specialized nutritional applications are largely delinked from the commodity cycle associated with the core dairy ingredients.

Sales for nutritional supplements have been relatively subdued during the recent period consistent with the general trading conditions worldwide. The division has continued to maintain its market share in New Zealand during the last twelve months. In contrast, some market share has been lost in Australia owing to the significant influx of US imported products which have left limited opportunity to introduce price increases.

The Nutrition sub-division continue to focus on product offerings which meet the increase in consumer demand for pre-workout nutritional products as well as ready to consume products.

The Beverage sub-division will introduce its Daily Champ Soy Milk packed in Polypropylene bottle in FY2012. The soy milk product is a popular demand in the local and overseas market, particularly in Indonesia. In view of this, we would expect this new product to be well received in our target market. The division is also stepping up its effort to gain more market share for the Air Champ Energy drink for the local and export market due to the positive growth as supported by the market report issued by Beverage World which showed that the world energy drink had a double digit growth in 2010. Promotional activities are planned to promote the division's isotonic drink under the brand of Power Champ in the local hypermarkets by way of free sampling. The division has acquired a new warehouse and this will cater more space for expansion to other product range as well as improving efficiency.

GEOGRAPHICAL SEGMENTATION

The Group registered an impressive growth in revenue of 30% or RM202 million over the preceding year, driven by strong growth from all sectors. Malaysia remains the Group's core market, contributing RM110 million or 54% to the growth, followed closely by ASEAN (RM43 million), Africa (RM24 million) and others (RM25 million).

MALAYSIA

The Malaysian market continued to be the anchor for the growth of the Group contributing 55% of the Group's revenue. Revenue grew from RM371 million in FY2010 to RM481 million for the current year, an increase of 30%, principally due to price increase and higher sales volume. The increase was mainly from Dairies and Frozen Food Divisions of 34% and 65% respectively.

Dairies Division continues to be the main driving force, contributing 69% of the total revenue, a slight reduction of 2% from the preceding year of 71%. Frozen Food Division contributed 23%, an increase of 3% from last year whilst the balance was from other divisions.

ASEAN

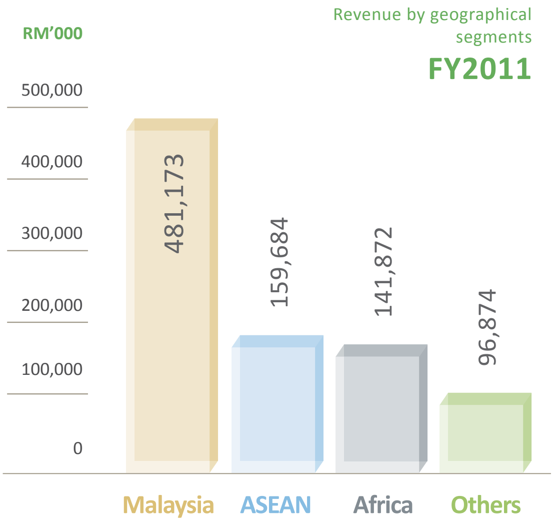
The ASEAN market has overtaken Africa as the second largest market for the Group, accounting for 18% of the Group's revenue. Revenue grew by 36% to RM160 million as compared to RM117 million in the preceding year. The bulk of the increase came from Vietnam and Indonesia, a result of our expansion strategy into these vast markets.

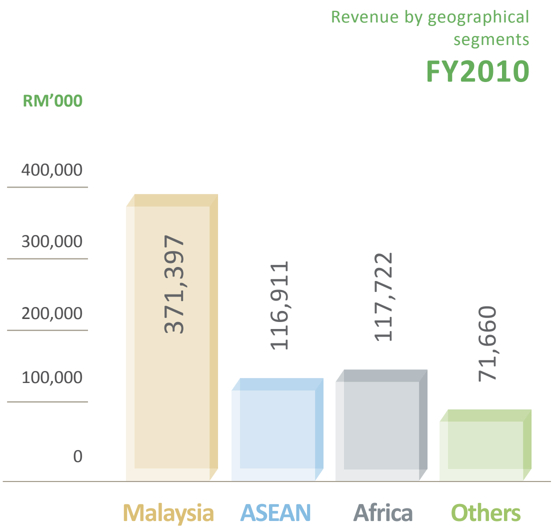
AFRICA

Revenue from Africa has increased by a commendable 20% from RM118 million in FY2010 to RM142 million in the current year, accounting for 16% to the Group's revenue. The improved performance was due principally to price increase and greater demand.

OTHERS

Other geographical markets refer principally to the Oceania region, comprising Australia, New Zealand, Russia and South America. Revenue increased significantly by 35% to RM97 million from RM72 million in the preceding year, with the Russian market being the main growth driver. Revenue from the other parts of the Oceania region remained steady at RM52 million.





REVENUE BY GEOGRAPHICAL SEGMENTS

	FY2011 RM'000	FY2010 RM'000
Malaysia	481,173	371,397
ASEAN	159,684	116,911
Africa	141,872	117,722
Others	96,874	71,660
Total	**879,603**	**677,690**

NEW BUSINESSES

During the financial year, the Group completed the acquisitions of the following businesses:-

(a) Family Bakery Sdn Bhd, Daily Fresh Bakery Sdn Bhd and Hot Bun Food Industries Sdn Bhd

A group principally involved in the manufacturing and distribution of fresh baked breads and buns as well as the trading of cakes and biscuits mainly under the trademark of Daily Fresh in Malaysia.

(b) PT. Sentrafood Indonusa and PT. Sentraboga Intiselera

A group principally involved in the manufacturing and distribution of instant noodles under the trade mark of Salam mie.

(c) Susu Lembu Asli Marketing Sdn Bhd and Susu Lembu Asli (Johore) Sdn Bhd

A group mainly engaged in the processing and distributing of pasteurized milk and other beverages in Malaysia.

We celebrated the official opening of our UHT Aseptic PET bottling plant in New Zealand on 1 September 2011 by the Prime Minister of New Zealand, Mr. John Key, a significant achievement resulting from our joint venture with the local Hawkes Bay investors and Etika (NZ) Limited which was established on 18 March 2009. The state-of-the-art plant, which will enter into commercial production in the second quarter of FY2012, will enable Etika to undertake contract manufacturing for dairy, juice and water products for both the local and export markets.

RESOURCES REQUIREMENT

FINANCING REQUIREMENT

The Group completed the legal documentation for the syndicated financing facilities of RM368 million in April 2011. As at financial year end, RM311 million comprising term loan of RM172 million and trade lines of RM139 million, were utilized to refinance the Group's bank borrowings as well as to fund planned capital expenditure for expansion of manufacturing capacity, purchase of new machinery and settlement of the purchase consideration for the newly acquired subsidiaries.

The Group's borrowings were also increased due to existing banking facilities of the new subsidiaries, mainly, PT. Sentra Group and Susu Lembu Group.

REVIEW OF OPERATIONS

Additional financing is required to support our plans to expand our sweetened condensed milk operations in Indonesia and Vietnam through setting up new production facilities. We have successfully obtained a term loan of USD10 million from DEG, a German development bank, to finance the setting up of sweetened condensed milk facilities in Indonesia. As at year end, this loan has yet to be drawn down, pending the fulfilment of certain conditions precedent. Currently, the application for our Vietnamese project is being processed and application for financing for our new production facilities in Meru to cater for new products is also in progress.

COMPUTERIZATION DRIVE

The Group has completed the Microsoft Navision ERP system implementation for Frozen Food, Beverage, Packaging divisions and the export arm of Dairies Division in FY2010. The local arm of Dairies Division was completed during the year. The Nutrition Division and the manufacturing arm of Dairies Division are anticipated to be completed in the second quarter of FY2012. Rollout implementation methodology will be used for the new subsidiaries such as Family Group and Susu Lembu Group which will greatly reduce the cost and implementation time as templates will be used from divisions which have been successfully implemented.

Bar Coding and Point of Sales are new enhancement in the Frozen Food Division and they are currently under prototype stage. These are add-on over the Microsoft Navision to further improve sales efficiency and inventory control and are also expected to be completed in second quarter of FY2012.

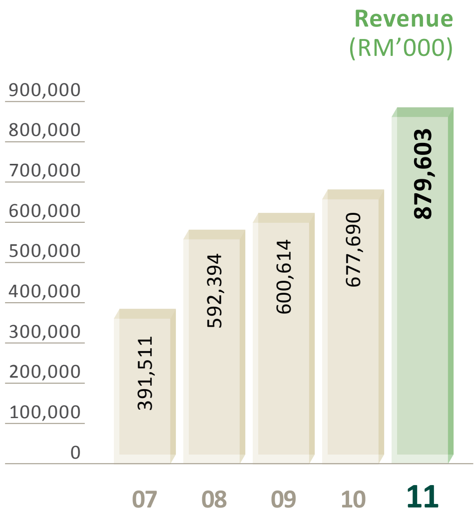
HUMAN RESOURCE

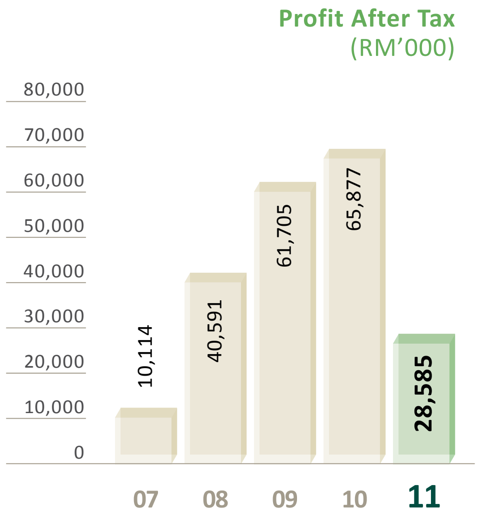
The total workforce of the Group stood at 1,670 as at 30 September 2011 (2010: 1,054) an increase of 58%. The substantial increase is due to the additional staff force required to support the growth of the Group and addition of workforce from the newly acquired subsidiaries.

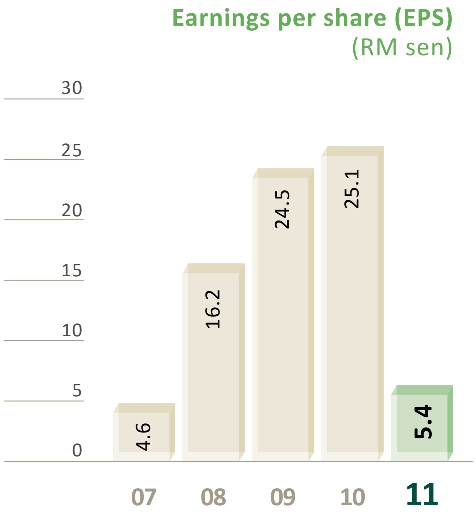
PACKAGING DIVISION

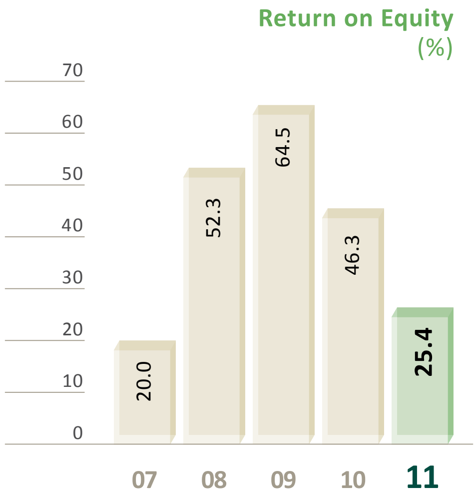
FINANCIAL HIGHLIGHTS

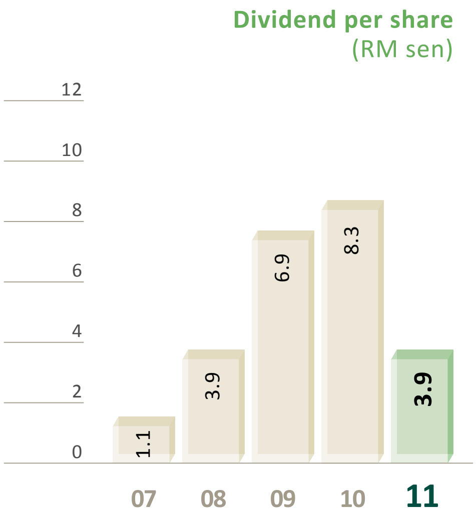
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	**FY 2011 Actual**
KEY FINANCIAL INFORMATION					
Revenue (RM'000)	391,511	592,394	600,614	677,690	**879,603**
Profit after tax (RM'000)	10,114	40,591	61,705	65,877	**28,585**
Shareholders' equity (RM'000)	71,669	112,194	162,758	208,528	**218,408**
Total equity (RM'000)	77,641	113,512	167,477	213,000	**222,718**
Weighted average number of shares	198,714,800	249,377,707	252,404,214	263,843,821	**573,069,692**
Weighted average number of days (revenue)	350	365	365	341	**339**
KEY FINANCIAL RATIO					
Earnings per share (RM sen)	4.6	16.2	24.5	25.1	**5.4**
Return on equity (%)	20.0%	52.3%	64.5%	46.3%	**25.4%**
Dividend per share (RM sen)	1.1	3.9	6.9	8.3	**3.9**
Net asset value per share (RM sen)	32.3	45.4	65.7	79.9	**41.8**
Inventory turnover (days)	34	65	55	70	**71**
Receivable turnover (days)	89	70	63	53	**54**
Payables turnover (days)	72	27	29	32	**34**
Working capital cycle (days)	51	108	89	91	**91**
Net gearing ratio (times)	1.6	1.3	0.6	0.8	**1.6**

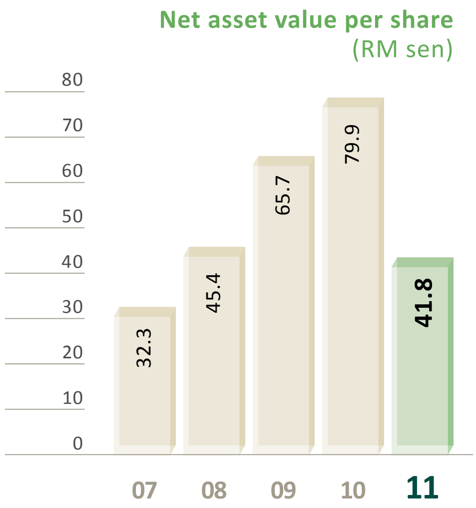


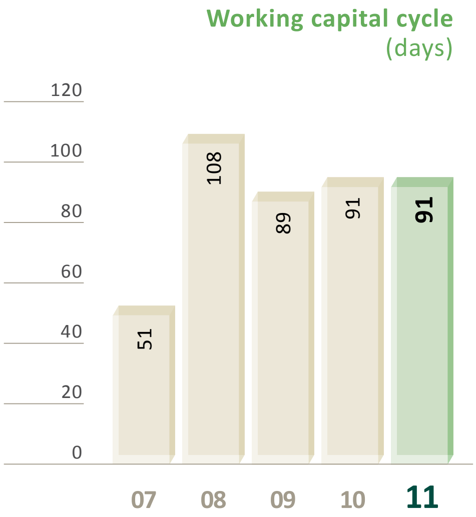


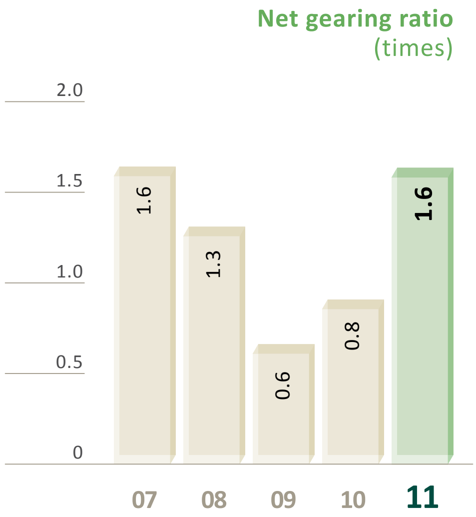

Earnings per share (EPS)
(RM sen)
30
25
20
15
10
5
0
4.6
16.2
24.5
25.1
5.4
07
08
09
10
11


Return on Equity
(%)
70
60
50
40
30
20
10
0
20.0
52.3
64.5
46.3
25.4
07
08
09
10
11


Dividend per share
(RM sen)
12
10
8
6
4
2
0
1.1
3.9
6.9
8.3
3.9
07
08
09
10
11


Net asset value per share
(RM sen)
80
70
60
50
40
30
20
10
0
32.3
45.4
65.7
79.9
41.8
07
08
09
10
11


Working capital cycle
(days)
120
100
80
60
40
20
0
51
108
89
91
91
07
08
09
10
11


Net gearing ratio
(times)
2.0
1.5
1.0
0.5
0
1.6
1.3
0.6
0.8
1.6
07
08
09
10
11

RISK FACTORS

The following is an overview of Etika's risk factors, with brief descriptions of the nature and extent of the Group's exposure to these risks. We strive to provide reasonable assurance to our stakeholders by incorporating sound management control into our daily operations, ensuring compliances with legal requirements, and safeguarding the integrity of the Group's financial reporting as well as related disclosures.

ECONOMIC RISKS

Changes in the economic conditions within and outside of Malaysia where the Group's main operations are based may have material adverse impact on the demand for the Group's products, consequently affecting the operations and financial performance of the Group. While the Group operates in a fairly defensive F&B industry, the Group is not completely shielded from the impact of world economic crises. The past 12 months have especially been challenging for all businesses globally mainly due to the slowdown in the economy of the United States of America as well as the unresolved Eurozone sovereign debt crisis. As the outlook of the global economy is still rather uncertain, and should it deteriorate, it may affect the demand of our products in the countries in which it is currently being exported to.

BUSINESS RISKS

Any significant increase in the prices of our raw materials would have an adverse impact on our profitability

The raw materials we utilize for the manufacture of our products within our subsidiaries comprise substantially of milk powder, sugar, palm oil, vitamins, and packaging material (such as tin cans, labels, and cartons). In order to ensure that we are able to efficiently deliver quality products to our customers at competitive prices, we need to obtain sufficient quantities of good quality raw materials at acceptable prices and in a timely manner. As such, we typically enter into forward supply contracts of between three to six months with our suppliers. However, there is no assurance that we will always be able to obtain sufficient quantities of raw material of an acceptable quality from our suppliers at an acceptable price upon the expiry of our supply contracts. In the event that our suppliers are unable to fulfill our raw material needs, we may not be able to seek alternative sources of supply in a timely manner or we may be subject to higher costs from alternative suppliers. This may adversely affect our ability to meet our customers' orders and our profitability in the event that we are unable to pass on such costs to our customers.

Our failure to meet adequate health and hygiene standards will lead to a loss in customer confidence

Our products are manufactured under very stringent quality control processes and the Group stresses quality and hygiene as a top priority. While we have not encountered any incidence of contamination or food poisoning thus far in any of our subsidiaries, if such incidences were to occur, the Group may face criminal prosecution under the Food Act 1983 in Malaysia or other relevant regulations in jurisdictions to which our products are exported to, a loss in customer confidence and a negative impact on our reputation. Accordingly, our prospects as well as our financial condition will be adversely affected.

It is also possible that the relevant authorities may impose directives as a result of health and hygiene issues to carry out certain remedial actions which may impact on our operations. Failure to comply with such directives may result in our licenses being suspended and/ or revoked, which will have a material adverse impact on our financial performance.

To mitigate this risk, our operations are International Organization for Standardization (ISO) and Hazard Analysis and Critical Control Point (HACCP) accredited by international certification bodies and we also subscribe to Good Manufacturing Practice (GMP).

We may be subject to product liability claims if our products are found to be unfit for consumption

If our products are found to be unfit for consumption and consumers suffer damage, injury or death as a result of consuming or coming into contact with our products, we may be required to compensate the consumer for any injury or death. The Group's profitability would be adversely affected if the amount payable under the insurance policies covering the Group is not sufficient to meet the compensation amount payable. Accordingly, our reputation, prospects, and financial condition will also be adversely affected.

Possible changes in consumer taste may lead to lower demand and sales of our products

Being in the F&B industry, the nature of our business is highly dependent on consumer preferences. We strive to achieve the highest quality in the products we offer. However, the level of market acceptance of our products ultimately relies on consumer taste and lifestyle. The younger affluent generation now has higher purchasing power and is willing to pay a premium for products which cater to their individual desires. Also, the current consumer trend towards healthier lifestyle and organic products may pose threats to our Group's business if we are not flexible enough to adapt and cater to the trend.

An outbreak of disease in livestock, such as cows and goats, and food scares may lead to loss of consumer confidence in our products

Any outbreak of disease in livestock and food scares may have an adverse impact on the business of our Group as it may lead to loss in consumer confidence and reduction in consumption of the particular food or related products concerned. It may also affect our Group's sources of supply of raw materials, such as milk powder or raw meat, from that particular area, resulting in our Group having to source for alternative supplies which may be more costly or have a negative impact on our production processes and output.

Outbreaks of H1N1, SARS, avian influenza or other contagious or virulent diseases may lead to lower revenue and production of our products

A resurgence of H1N1, SARS, avian influenza or other contagious or virulent diseases could have a significant adverse effect on the Group's operations. The spread of such contagious or virulent diseases may result in quarantine restrictions on the affected groups of people, facilities of our business as well as those of our customers. Any such resulting quarantine restrictions imposed will cause a disruption in revenue and production and will have a negative impact on our business.

We depend on key management personnel and the loss of such personnel may adversely affect our Group's operations

The Group's success to date has been due largely to the contributions of its management teams and employees. As such, the Group's continued success is dependent on its ability to retain the services of such personnel. There is no certainty that the Group will be able to retain or integrate new personnel into the Group or identify or employ qualified personnel. Accordingly, the loss of the services of these key personnel or the inability to attract additional qualified persons may negatively affect the Group's business, financial condition, results of operations and future development.

REGIONAL EXPANSION RISKS

With the new string of acquisitions completed, the Group now has its operation base in Malaysia, Vietnam, Indonesia and New Zealand. However, we are still constantly seeking new business opportunities overseas. Thus, the Group will focus equally on international expansion for future growth. However, there are considerable risks associated with this regional expansion strategy.

RISK FACTORS

Ability to extract synergies and integrate new investment

In acquisitions, the Group faces challenges arising from being able to integrate newly-acquired businesses with our own existing operations, managing businesses in new markets where we have limited experience, and being able to finance these acquisitions. There is no assurance that synergies can be created from the new acquisitions and that the returns generated from the new ventures will meet the management's expectations.

Ability to make further acquisitions

Although we are constantly looking for new opportunities that could contribute to our future growth, there is no assurance that there will be sound acquisition opportunities available as there are constraint factors such as competition from other investors, government policies, political considerations, and last but not least, sincere sellers with sound business deals.

FINANCIAL RISKS

Credit risks

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Nonetheless, a delay or default in payment and/or significant increase in the incidence of bad trade receivables would have a material and adverse impact on our financial position and performance.

Foreign currency risks

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the entity's functional currency. The currencies giving rise to this risk are primarily Singapore Dollar, British Pound, United States Dollar, Euro, New Zealand Dollar, Australian Dollar, Indonesian Rupiah and Vietnamese Dong. Exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level and hedging through currency forward exchange contracts is done where appropriate.

Interest rate risks

The Group's exposure to changes in interest rates relates primarily to fixed deposits, bank borrowings and finance lease obligations with financial institutions. The Group strives to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings. The objective 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 enjoyed if the interest rates fall. In the event of any substantial increase in interest rates, cash borrowings obligations may be extended and our financial performance may be affected.

Liquidity risks

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of our overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. Short-term funding is obtained from overdraft facilities from banks and finance leases from financial institutions. As such, we are subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payment of principals and interests. In addition, while in the past our cash flows from our operations and financing activities had been sufficient to meet our payments obligations for borrowings and interest, there is however no assurance that we are able to do so in the future. In such event, we may be required to raise additional capital, debt or other forms of financing for our working capital. If any of the aforesaid events occur and we are unable for any reason to raise additional funds to meet our working capital requirements, our business, financial performance and position will be adversely affected.

OTHERS

NUTRITION & BEVERAGE

GROUP STRUCTURE

ETIKA INTERNATIONAL HOLDINGS LIMITED

DAIRIES

Etika Dairies Sdn Bhd	100%
Etika Global Resources Sdn Bhd	100%
Etika Foods Marketing Sdn Bhd	100%
Etika Dairies NZ Limited	60.7%*
PT. Vixon Indonesia	100%*
Tan Viet Xuan Joint Stock Company	100%*
Etika Vixumilk Pte Ltd	100%
PT. Etika Marketing	100%*
Golden Difference Sdn Bhd	100%
Susu Lembu Asli (Johore) Sdn Bhd	100%*
Susu Lembu Asli Marketing Sdn Bhd	100%*

FROZEN FOOD

Etika Foods (M) Sdn Bhd	100%
Pok Brothers Sdn Bhd	100%*
Pok Brothers (Selangor) Sdn Bhd	100%*
Pok Brothers (Penang) Sdn Bhd	100%*
Pok Brothers (Pahang) Sdn Bhd	100%*
Pok Brothers (Johor) Sdn Bhd	81.5%*
De-luxe Food Services Sdn Bhd	100%*
Family Bakery Sdn Bhd	100%*
Daily Fresh Bakery Sdn Bhd	100%*
Hot Bun Food Industries Sdn Bhd	100%*
PT. Etika Indonesia	100%*
PT. Sentrafood Indonusa	100%*
PT. Sentraboga Intiselera	100%*

PACKAGING

Etika Industries Holdings Sdn Bhd	100%
General Packaging Sdn Bhd	99.04%*

OTHERS

Etika Capital (Labuan) Inc	100%
Eureka Capital Sdn Bhd	100%
Etika Foods International Inc	100%
Etika Brands Pte Ltd	100%
Platinum Appreciation Sdn Bhd	100%
Etika IT Services Sdn Bhd	100%
Etika Foods (Singapore) Pte Ltd	100%
Nutrition	
Etika (NZ) Limited	100%
Naturalac Nutrition Limited	100%*
Naturalac Nutrition (UK) Limited	100%*
Beverage	
Etika Beverages Sdn Bhd	100%

* Effective shareholding held directly and indirectly
Note: Group structure updated as at date of Financial Statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' JAYA J B TAN
(Non-Executive Chairman)

DATO' KAMAL Y P TAN
(Group Chief Executive Officer)

MAH WENG CHOONG
(Group Chief Operating Officer)

JOHN LYN HIAN WOON
(Independent Director)

TEO CHEE SENG
(Independent Director)

TAN YET MENG
(Non-Executive Director)

KHOR SIN KOK
(Deputy Group Chief Operating Officer and Alternate Director to Mah Weng Choong)

TAN SAN CHUAN
(Alternate Director to Tan Yet Meng)

COMPANY SECRETARIES

S SURENTHIRARAJ @ S SURESSH
KOK MOR KEAT, ACIS

REGISTERED OFFICE

SGX Centre II, #17-01
4 Shenton Way
Singapore 068807
Telephone : (65) 6361 9883
Facsimile : (65) 6538 0877

SHARE REGISTRAR

BOARDROOM CORPORATE & ADVISORY SERVICES PTE LTD
50 Raffles Place
Singapore Land Tower, #32-01
Singapore 048623

INDEPENDENT AUDITORS

BDO LLP
Certified Public Accountants
21 Merchant Road
#05-01 Royal Merukh S.E.A. Building
Singapore 058267
Partner-in-charge: Lai Keng Wei
(Appointed since the financial year ended 30 September 2009)

PRINCIPAL BANKERS

AmIslamic Bank Berhad
Asian Finance Bank Berhad
DEG – Deutsche Investitions – und Entwicklungsgesellschaft mbH
Hong Leong Islamic Bank Berhad
Maybank Islamic Berhad
National Australia Bank Limited
PT Bank Maybank Syariah Indonesia

SOLICITORS

Stamford Law Corporation
Soo Thien Ming & Nashrah

BOARD OF DIRECTORS

DATO' JAYA J B TAN   TEO CHEE SENG   JOHN LYN HIAN WOON   MAH WENG CHOONG


TAN YET MENG
KHOR SIN KOK
TAN SAN CHUAN
DATO' KAMAL Y P TAN

BOARD OF DIRECTORS

DATO' JAYA J B TAN

Non-Executive Chairman
Member of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

DATO' KAMAL Y P TAN

Group Chief Executive Officer

Dato' Jaya J B Tan 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 Executive Chairman of Lasseters International Holdings Limited, a company listed on the Singapore Stock Exchange ("SGX") and Chairman of Lasseters Corporation Limited, a company listed on the Australian Stock Exchange ("ASX"). He is also the Chairman of Cypress Lakes Group Limited, a public company in Australia and the Vice Chairman of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Dato' Jaya was last re-elected as Director at the Annual General Meeting ("AGM") held in January 2010. He will retire at the forthcoming AGM and will offer himself for re-election.

Dato' Jaya 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 is the Group Chief Executive Officer of the Company and was appointed to the Board on 23 December 2003. He was appointed as the Executive Director of the Company upon its listing on 23 December 2004 and has been re-designated to the current position since 20 January 2009.

Dato' Kamal 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 Executive Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited and a Non-Executive Director of a company listed on the Australian Stock Exchange, Lasseters Corporation Limited. He is also a Director Cypress Lakes Group Limited, a public company in Australia and is a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Dato' Kamal was re-elected as Director at the last AGM held in January 2011.

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.

TEO CHEE SENG

Independent Director
Chairman of Remuneration Committee
Chairman of Nominating Committee
Member of Audit Committee

Mr Teo Chee Seng was appointed Independent Director of the Company on 3 August 2004. He holds a Bachelor of Law (Hons) degree from the University of Singapore and is a lawyer in the Singapore private practice for more than 30 years. He is also a Notary Public.

Mr Teo acts as the legal consultant to Tzu Chi Foundation, Taiwan's biggest charity organisation which is also an United Nations NGO.

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 and United Overseas Australia Ltd, which is listed on both Singapore and Australia stock exchanges.

Mr Teo was re-elected as Director of the Company at the AGM held in January 2010.

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.

Mr Lyn is also the Chairman of Vietnam Asset Management, an associate company of UOB Kay Hian, which manages Public-listed Funds for Vietnam.

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

Mr Lyn was re-elected as Director of the Company at the last AGM held in January 2011.

BOARD OF DIRECTORS

MAH WENG CHOONG
Group Chief Operating Officer

TAN YET MENG
Non-Executive Director

Mr Mah Weng Choong was appointed to the Board on 3 August 2004 as a Non-Executive Director and was re-designated to the position of Group Chief Operating Officer on 13 May 2010. 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, a wholly-owned subsidiary of the Company in 1996 and has successfully set up our current factory located in Meru, Klang, in Malaysia and was actively involved in the supervision of the upgrading and expansion of the plant in the recent years. His primary responsibilities include the formulation and implementation of the business strategies and policies of the Dairies and Packaging Divisions as well as charting their business growth.

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

Mr Mah is due for re-appointment as a Director pursuant to section 153(6) of the Companies Act, Chapter 50, at the forthcoming AGM.

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 2009. She will retire at the forthcoming AGM and will offer herself for re-election.

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.

KHOR SIN KOK

Deputy Group Chief Operating Officer and Alternate Director to Mah Weng Choong

TAN SAN CHUAN

Alternate Director to Tan Yet Meng

Mr Khor Sin Kok was appointed as Alternate Director to Mr Mah Weng Choong on 3 August 2004 and was re-designated as Deputy Group Chief Operating Officer on 13 May 2010. 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 Etika Dairies Sdn Bhd in 1996 as its Executive Director.

He oversees the day-to-day management and operations of Dairies and Packaging Divisions as well as the strategic planning and business development aspects of the companies.

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

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 Lasseters Corporation Limited, a company listed on the Australian Stock Exchange. He is also a Director of Cypress Group Lakes Limited, a public company in Australia and 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.

KEY MANAGEMENT

BILLY LIM YEW THOON

Chief Financial Officer

Mr. Billy Lim joined Etika as Chief Financial Officer on 1 March 2011. He is a Fellow member of the Association of Chartered Certified Accountants, a member of the Malaysia Institute of Accountants, a member of the Malaysian Institute of Corporate Governance, an Associate member of the Chartered Tax Institute of Malaysia and an Associate member of Institute of Internal Auditors.

Mr Lim brings with him a wealth of experience of more than 18 years in the audit practice and another 8 years in the commercial industry. He has also worked as the General Manager of Internal Audit for more than 3 years in a large public corporation listed on Bursa Malaysia Securities Berhad. His commercial experience includes monitoring of manufacturing and gaming operations located in Malaysia and overseas as well as participation in the negotiation and takeover of companies.

Prior to joining Etika, Mr Lim was a Director of a consulting firm which has been providing consultancy and internal audit services to a Malaysian listed company for the last six years. He was also a sole proprietor of a firm of practicing accountants, being in the practice for the last seven years.

RONNIE KWONG YUEN SENG

Chief Operating Officer – Sales & Marketing, Dairies & Beverage Division

Mr Ronnie Kwong Yuen Seng has overall responsibility for the sales and marketing activities of the Dairies and Beverage Divisions. Prior to joining Etika Dairies Sdn Bhd (“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. He is primarily responsible for developing marketing strategies and expanding our market share in Malaysia and overseas for the Dairies and Beverage Division.

LAWRENCE POK YORK KEAW

Chief Executive Officer – Frozen Food Division

Mr. Pok York Keaw has extensive experience in the hotel and restaurant industry. He is the Managing Director of Pok Brothers Sdn Bhd and had been with the company since the mid 1960’s. He was instrumental in building up the company from a mini-market trader to an importer of quality foods and distributor of a classic range of international branded products. Due to his accumulated extensive knowledge on the food industry a subsidiary, De-luxe Food Services Sdn Bhd was established in 1969 to manufacture “Gourmessa Brand value added Halal food products” (portion control meat, delicatessen meat, smoked salmon, bread and pastry products) to further enhance our business and service our customers.

RICHARD ROWNTREE

Managing Director, Naturalac Nutrition Limited

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. Mr Rowntree also represents the group’s interests in relation to ensuring the success of Etika Dairies NZ Limited the aseptic UHT beverage manufacturing business based in New Zealand. The potential for growth of these businesses will draw on Mr Rowntree’s extensive experience in international business development. Prior to his appointment to his current role with Naturalac Nutrition Limited 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.

NEIL MC GARVA

Chief Executive Officer, Etika Dairies NZ Limited

Mr Neil Mc Garva studied food science at Massey University and went on to graduate in Public Health Inspection at Wellington Polytechnic. He has 10 years experience working in a food safety auditing role for NZ Government.

In 1992, he established Pandoro Bakeries, a bread manufacturing factory in Auckland, expanding nationally over 10 years to employ over 150 people across multiple sites. After selling Pandoro in 2002, he established a pet food factory in Auckland known as the Natural Pet Treat Company which continues today as a contract manufacturer and exporter of quality pet foods.

Since 2006 he has worked on establishing New Zealand’s first UHT Aseptic PET Bottling plant in Hawkes Bay. In March 2009 he merged this operation with Etika International Holdings Limited to form Etika Dairies NZ Limited (“EDNZ”).

He is currently managing EDNZ’s plant in Hawkes Bay since its factory opening on 1 September 2011. EDNZ is in the business of contract manufacturing shelf stable, bottled, dairy and juice products as well as artesian bottled water for domestic and export markets.

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 2005 (the "Code"). 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 FY2011.

1. BOARD MATTERS

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

The Board of Directors (the "Board") comprises two Executive Directors, two 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 achievements 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 quarterly 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.

Updates on corporate governance are circulated to all Board members by the Company Secretary on a regular basis. Relevant courses conducted by various institutions will be attended by Directors when possible.

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 FY2011	5	5	2	1
Name of Directors				
Dato' Jaya J B Tan	4	4	1	-
Dato' Kamal Y P Tan	5	n/a	n/a	n/a
Tan Yet Meng (Alternate Director : Tan San Chuan)	5	n/a	n/a	n/a
Mah Weng Choong (Alternate Director : Khor Sin Kok)	5	n/a	n/a	n/a
Teo Chee Seng	5	5	2	1
John Lyn Hian Woon	5	5	2	1

Note : n/a – not applicable as Director is not a member of the Committee.

CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2 : Strong and independent element on Board

Presently, the Board of Directors ("the Board") of Etika comprises the following directors :-

Name	Age	Date of first appointment	Date of last re-election/ re-appointment	Designation
Dato' Jaya J B Tan	64	23.12.2003	22.01.2010	Chairman
Dato' Kamal Y P Tan	59	23.12.2003	21.01.2011	Group Chief Executive Officer
Mah Weng Choong	73	03.08.2004	21.01.2011	Group Chief Operating Officer
Tan Yet Meng	55	15.09.2005	20.01.2009	Non-Executive Director
Teo Chee Seng	57	03.08.2004	22.01.2010	Independent Director
John Lyn Hian Woon	53	03.08.2004	21.01.2011	Independent Director
Khor Sin Kok	55	03.08.2004	-	Deputy Group Chief Operating Officer and Alternate to Mah Weng Choong
Tan San Chuan	30	15.09.2005	-	Alternate to Tan Yet Meng

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 Chief Executive Officer

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 Chief Executive Officer 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 Group Chief Executive Officer, 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 non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee, namely :-

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

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

The NC performs the following principal functions:-

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

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

Article 87 of Etika's Articles of Association requires the Managing Director, Chief Executive Officer or President (or person holding an equivalent position) who is a Director to be subject to retirement by rotation.

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 Ms Tan Yet Meng for re-election at the forthcoming Annual General Meeting.

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.

CORPORATE GOVERNANCE

Remuneration Matters

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 RC has adopted its terms of reference that describes the responsibilities of its members.

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	FY2010	FY2011
Below S$250,000	4	4
S$250,000 to S$499,999	1	1
S$500,000 to S$749,999	2	2
	7	7

b) A breakdown, showing the level and mix of each individual director's remuneration and fees of Etika for FY2011 is as follows:

Remuneration Bands & Name of Directors	Salary* %	Directors' Fees %	Performance-related income/ Bonus** %	Total Remuneration %
S$500,000 to S$749,999				
Dato' Kamal Y P Tan	47.1	-	52.9	100.0
Mah Weng Choong	52.5	-	47.5	100.0
S$250,000 to S$499,999				
Khor Sin Kok	52.8	-	47.2	100.0
Below S$250,000				
Dato' Jaya J B Tan	-	100.0	-	100.0
Teo Chee Seng	-	100.0	-	100.0
John Lyn Hian Woon	-	100.0	-	100.0
Tan Yet Meng	-	100.0	-	100.0
Tan San Chuan	-	-	-	-

* Inclusive of benefits–in-kind, allowances and provident fund.
** Bonus - on receipt basis during FY2011.

The breakdown, showing the level and mix of each key executive's remuneration for FY2011, is as follows:-

Remuneration Bands & Name of Executive Officers	Salary* %	Directors' Fees %	Performance-related income/ Bonus** %	Total Remuneration %
S$250,000 to S$499,999				
Kwong Yuen Seng	53.3	-	46.7	100.0
Desmond Thong Cooi Seong [1]	66.5	-	33.5	100.0
Richard Rowntree	83.6	-	16.4	100.0
Below S$250,000				
Pok York Keaw	83.4	-	16.6	100.0
Tan Cheng Leong[2]	93.7	-	6.3	100.0
Billy Lim Yew Thoon[3]	100.0	-	-	100.0

* Inclusive of benefits-in-kind, allowances, ex-gratia and provident fund.
** Bonus - on receipt basis during FY2011.
(1) Mr Desmond Thong ceased as Chief Financial Officer on 14.2.2011.
(2) Mr Tan ceased as Chief Executive Officer – Consumer Division on 31.7.2011.
(3) Mr Billy Lim was appointed as Chief Financial Officer on 1.3.2011.

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 FY2011 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.

Etika Employee Share Option Scheme (ESOS)

The ESOS was approved and adopted by its members at an Extraordinary General Meeting held on 8 November 2004. Details of the Company's ESOS and the options granted during the year can be found on the Report by Directors in this Annual Report.

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 quarterly 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 quarterly 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.

CORPORATE GOVERNANCE

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.

The Group has accrued an aggregate amount of audit fees of RM915,212, comprising non-audit services fee of RM200,326 and audit fees of RM714,886 to the Auditors for the year under review. In compliance with Rule 1207(6) of the Listing Manual issued by Singapore Exchange Securities Trading Limited, the AC confirmed that it has undertaken a review of all non-audit services provided by the Auditors and they would not, in the AC's opinion, affect the independence of the Auditors.

The Group has complied with Rules 712 and 715 of the Listing Manual in relation to its Auditors.

The AC has recommended the re-appointment of BDO LLP as Auditors for the ensuing year, subject to shareholders' approval at the forthcoming AGM.

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 LLP, 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 FY2011, the Board is of the view that based on the reports from the auditors and the concurrence of the AC, 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 having addressed the financial, operational and compliance risks.

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 quarterly 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.etika-intl.com) 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 at general meetings of the Company 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)
Perinsu (Broker Insurans) Sdn Bhd - Insurance premium	RM2,654,718 (or approximately S$1,095,226)	-
Life Medicals Sdn Bhd - Purchase of packing materials	RM1,770,431 (or approximately S$730,406)	-
Motif Etika Sdn Bhd - Rental of office premises	RM924,000 (or approximately S$381,204)	-

Based on average exchange rate for the year ended 30 September 2011 of S$1 = RM2.4239

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. Officers are discouraged to deal in the Company's securities on short-term considerations.

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 two weeks before the announcement of the Etika's results for each of the first three quarters of the financial year and during one month before the announcement of the Etika's full year results and ending on the date of the relevant announcement.

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

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 30 September 2011 and the statement of financial position of the Company as at 30 September 2011 and statement of changes in equity of the Company for the financial year ended 30 September 2011.

1. Directors

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

Dato' Jaya J B Tan	(Non-Executive Chairman)
Dato' Kamal Y P Tan	(Group Chief Executive Officer)
Mah Weng Choong	(Group Chief Operating Officer)
John Lyn Hian Woon	(Independent Director)
Teo Chee Seng	(Independent Director)
Tan Yet Meng	(Non-Executive Director)
Khor Sin Kok	(Deputy Group Chief Operating Officer and 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, Cap. 50 (the "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 detailed below:

	Shareholdings registered in the name of Directors and Nominees			**Shareholdings in which Directors are deemed to have an interest**		
	Balance as at 21.10.2011	**Balance as at 30.09.2011**	**Balance as at 01.10.2010**	**Balance as at 21.10.2011**	**Balance as at 30.09.2011**	**Balance as at 01.10.2010**
The Company			***Number of ordinary shares***			
Dato' Jaya J B Tan	90,856,364	90,856,364	44,178,182	183,199,786	183,099,786	92,749,893
Dato' Kamal Y P Tan	90,481,072	90,481,072	46,490,536	183,575,078	183,475,078	90,437,539
Mah Weng Choong	28,347,224	28,347,224	14,123,612	-	-	-
John Lyn Hian Woon	186,000	186,000	300,000	-	-	-
Teo Chee Seng	150,000	150,000	75,000	-	-	-
Tan Yet Meng	60,649,926	60,649,926	30,324,963	213,406,224	213,306,224	106,603,112
Khor Sin Kok	27,400,224	27,400,224	13,675,112	-	-	-
Tan San Chuan	14,809,394	14,809,394	7,404,697	-	-	-

REPORT OF THE DIRECTORS

3. Directors' interests in shares or debentures (Continued)

	Shareholdings registered in the name of Directors and Nominees		
	Balance as at 21.10.2011	**Balance as at 30.09.2011**	**Balance as at 01.10.2010**
The Company	***Number of options pursuant to Employee Share Options Scheme to subscribe for ordinary shares***		
Dato' Jaya J B Tan	6,000,000	6,000,000	-
Dato' Kamal Y P Tan	8,000,000	8,000,000	1,900,000
Mah Weng Choong	4,000,000	4,000,000	545,000
Tan Yet Meng	6,000,000	6,000,000	-
Khor Sin Kok	4,000,000	4,000,000	450,000

By virtue of Section 7 of the Act, Dato' Jaya J B Tan, Dato' Kamal Y P Tan and Tan Yet Meng are deemed to have interests in the shares of all the 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

At an Extraordinary General Meeting held on 8 November 2004, the shareholders approved the Etika Employee Share Options Scheme ("ESOS") granting share options to employees and Directors of the Group, including the controlling shareholder, namely Dato' Kamal Y P Tan.

On 22 January 2010, the Company's shareholders approved the amendments to the rules of the ESOS as contained in the Circular to Shareholders dated 5 January 2010 to be in line with the relevant laws and regulations of the Listing Manual following the transfer of the listing status from Catalist Board to the Main Board of the SGX-ST as well as to better clarify the terms and conditions of the ESOS.

On 24 September 2010, the Company's shareholders approved the participation of the other controlling shareholders, namely Dato' Jaya J B Tan and Tan Yet Meng, in the ESOS.

The Remuneration Committee is responsible for administering the ESOS. As at the date of the report, the members of the Remuneration Committee are Teo Chee Seng, John Lyn Hian Woon and Dato' Jaya J B Tan.

5. Share options (Continued)

Options granted pursuant to the ESOS are in respect of ordinary shares of the Company. Options exercised and cancelled during the financial year and options outstanding as at the end of the financial year under the ESOS were as follows:

Date of grant	Balance at 01.10.2010	Adjustment/ Granted	Exercised	Lapsed/ Cancelled	Balance at 30.09.2011	Exercise price	Exercise period
10.02.2010	6,851,000	6,843,000*	-	(256,000)	13,438,000	S$0.164*	10.02.2012 to 09.02.2017
13.10.2010	-	27,230,000	-	-	27,230,000	S$0.400	13.10.2012 to 12.10.2017
	6,851,000	34,073,000	-	(256,000)	40,668,000		

* Number of valid options and exercise price as at 12 October 2010 has been adjusted for a bonus issue of one for one.

All of the above options were granted at a discount of 20% of the Market Price. The Market Price is equal to the weighted average price per share, calculated based on the total value of transactions in the share (the sum of each transacted price multiplied by the respective volume) divided by the volume transacted for the last three traded market days immediately preceding the offer date of that option, as determined by reference to the daily official list or other publication published by the SGX-ST and rounded up to the nearest whole cent in the event of fractional prices.

The information on Directors participating in the option schemes are as follows :

Name	Options adjusted/ granted during financial year	Aggregate options granted since commencement of the plan to 30.09.2011	Aggregate options exercised since commencement of the plan to 30.09.2011	Aggregate options outstanding as at 30.09.2011
Directors who are also controlling shareholders				
Dato' Kamal Y P Tan	6,100,000	8,000,000	-	8,000,000
Dato' Jaya J B Tan	6,000,000	6,000,000	-	6,000,000
Tan Yet Meng	6,000,000	6,000,000	-	6,000,000
Directors				
Mah Weng Choong	3,455,000	4,000,000	-	4,000,000
Khor Sin Kok	3,550,000	4,000,000	-	4,000,000

Save and except for Dato' Kamal Y P Tan, Dato' Jaya J B Tan and Tan Yet Meng, no directors or employees of the Group received 5% or more of the total number of options available under the ESOS during the financial year under review, the details of options of which have been disclosed above.

These options do not entitle the holder to participate by virtue of the options, in any share issue of any other corporations.

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

REPORT OF THE DIRECTORS

6. 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

The Audit Committee meets periodically to perform the following functions:

a. review with the external independent auditors on the audit plan, and the results of the external independent auditors' examination and evaluation of the system of internal controls;

b. review the consolidated financial statements of the Group, statement of financial position and statement of changes in equity of the Company, and the external independent auditors' report on those financial statements, before submission to the Board of Directors for approval;

c. review the co-operation given by the management to the external independent auditors;

d. consider the appointment and re-appointment of the external independent auditors;

e. review and approve interested person transactions;

f. review potential conflict of interests, if any;

g. undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

h. generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

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

7. Independent auditors

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

On behalf of the Board of Directors

Dato' Jaya J B Tan
Non-Executive Chairman

Dato' Kamal Y P Tan
Group Chief Executive Officer

Singapore
7 December 2011

STATEMENT BY DIRECTORS

In the opinion of the Board of Directors of the Company,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 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 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

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

On behalf of the Board of Directors

Dato' Jaya J B Tan
Non-Executive Chairman

Dato' Kamal Y P Tan
Group Chief Executive Officer

Singapore
7 December 2011

INDEPENDENT AUDITORS' REPORT

to the members of Etika International Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Etika International Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 September 2011, and the consolidated statement of comprehensive income, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 61 to 133.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statements of financial position and to maintain accountability of assets.

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 about 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position 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 2011 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and the subsidiaries incorporated in Singapore of which we are independent auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
7 December 2011

STATEMENTS OF FINANCIAL POSITION

as at 30 September 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current assets					
Property, plant and equipment	4	259,737	190,351	24	26
Prepaid lease payment for land	5	21,031	6,900	-	-
Investments in subsidiaries	6	-	-	37,776	35,091
Trade receivables	11	131	453	-	-
Available-for-sale financial assets	7	265	245	-	-
Deferred tax assets	8	14,892	1,488	-	-
Intangible assets	9	110,766	30,347	105	132
		406,822	229,784	37,905	35,249
Current assets					
Inventories	10	147,008	102,932	-	-
Trade and other receivables	11	156,083	133,643	90,470	74,624
Tax recoverable		5,002	1,515	-	-
Fixed deposits	12	2,145	4,019	-	872
Cash and cash equivalents	13	29,147	26,194	1,084	2,029
		339,385	268,303	91,554	77,525
Less:					
Current liabilities					
Trade and other payables	14	101,780	68,188	25,678	11,857
Bank borrowings	15	169,414	112,913	-	-
Finance lease payables	16	2,913	2,453	-	-
Derivative financial instruments	17	317	-	-	-
Current income tax payable		1,627	3,994	-	1
		276,051	187,548	25,678	11,858
Net current assets		63,334	80,755	65,876	65,667
Less:					
Non-current liabilities					
Other payables	14	1,640	121	-	-
Bank borrowings	15	220,877	83,762	-	-
Finance lease payables	16	5,268	2,079	-	-
Financial guarantee contracts	18	-	-	7,645	6,897
Deferred tax liabilities	19	19,653	11,577	-	-
		247,438	97,539	7,645	6,897
Net assets		222,718	213,000	96,136	94,019
Capital and reserves					
Share capital	20	56,412	56,412	56,412	56,412
Treasury shares	20	(183)	(183)	(183)	(183)
Foreign currency translation reserve	21	(2,093)	(1,473)	3,184	211
Fair value reserves	22	(342)	147	-	-
Share options reserve		5,259	582	5,259	582
Accumulated profits		159,355	153,043	31,464	36,997
Equity attributable to equity holders of the Company		218,408	208,528	96,136	94,019
Non-controlling interests		4,310	4,472	-	-
Total equity		222,718	213,000	96,136	94,019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 30 September 2011

	Note	2011 RM'000	2010 RM'000
Revenue	23	879,603	677,690
Cost of goods sold		(699,109)	(503,536)
Gross profit		180,494	174,154
Other operating income	24	4,535	2,693
Administrative expenses		(52,860)	(32,272)
Selling and marketing expenses		(44,100)	(28,679)
Warehouse and distribution expenses		(33,295)	(23,921)
Research and development expenses		(1,669)	(1,046)
Other operating expenses		(8,266)	(2,839)
Gain on bargain purchase arising from acquisition of subsidiaries	6	10,459	-
Finance costs	25	(21,144)	(8,559)
Profit before income tax	26	34,154	79,531
Income tax expense	27	(5,569)	(13,654)
Profit after income tax		28,585	65,877
Other comprehensive (loss)/income for the financial year:			
Currency translation differences arising from consolidation, net of tax		(544)	(4,470)
Net fair value changes in employee benefit		(509)	-
Net fair value changes on available-for-sale financial assets, net of tax		20	(18)
Total comprehensive income for the financial year		27,552	61,389
Profit attributable to:			
Equity holders of the Company		28,823	66,119
Non-controlling interests		(238)	(242)
		28,585	65,877
Total comprehensive income attributable to:			
Equity holders of the Company		27,714	61,912
Non-controlling interests		(162)	(523)
		27,552	61,389
Earnings per share	28		
Basic		5.40 sen	25.06 sen
Diluted		5.03 sen	24.65 sen

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

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 30 September 2011

Group 2011	Note	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserves RM'000	Share options reserve RM'000	Accumulated profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to equity holders of the Company								
Balance at 1 October 2010		56,412	(183)	(1,473)	147	582	153,043	208,528	4,472	213,000
Total comprehensive income for the financial year		-	-	(620)	(489)	-	28,823	27,714	(162)	27,552
Share options expense		-	-	-	-	4,677	-	4,677	-	4,677
Dividends	29	-	-	-	-	-	(22,511)	(22,511)	-	(22,511)
Balance at 30 September 2011		56,412	(183)	(2,093)	(342)	5,259	159,355	218,408	4,310	222,718

2010	Note	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserves RM'000	Share options reserve RM'000	Accumulated profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to equity holders of the Company								
Balance at 1 October 2009		53,707	(183)	2,716	165	-	106,353	162,758	4,720	167,478
Total comprehensive income for the financial year		-	-	(4,189)	(18)	-	66,119	61,912	(523)	61,389
Acquisition of additional interest in existing subsidiary		-	-	-	-	-	(298)	(298)	298	-
Share options expense		-	-	-	-	582	-	582	-	582
Issue of ordinary shares	20	2,705	-	-	-	-	-	2,705	-	2,705
Dividends	29	-	-	-	-	-	(19,131)	(19,131)	(23)	(19,154)
Balance at 30 September 2010		56,412	(183)	(1,473)	147	582	153,043	208,528	4,472	213,000

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

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 30 September 2011

Company 2011	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Foreign currency translation reserve RM'000**	**Share options reserve RM'000**	**Accumulated profits RM'000**	**Total RM'000**
Balance at 1 October 2010		56,412	(183)	211	582	36,997	94,019
Total comprehensive income for the financial year		-	-	2,973	-	16,978	19,951
Share options expense		-	-	-	4,677	-	4,677
Dividends	29	-	-	-	-	(22,511)	(22,511)
Balance at 30 September 2011		56,412	(183)	3,184	5,259	31,464	96,136
2010							
Balance at 1 October 2009		53,707	(183)	2,725	-	20,588	76,837
Total comprehensive income for the financial year		-	-	(2,514)	-	35,540	33,026
Share options expense		-	-	-	582	-	582
Issue of ordinary shares	20	2,705	-	-	-	-	2,705
Dividends	29	-	-	-	-	(19,131)	(19,131)
Balance at 30 September 2010		56,412	(183)	211	582	36,997	94,019

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 30 September 2011

	Note	2011 RM'000	2010 RM'000
Cash flows from operating activities			
Profit before income tax		34,154	79,531
Adjustments for:			
Allowance for doubtful trade receivables		1,647	2,037
Allowance for doubtful non-trade receivables		120	-
Allowance for doubtful trade receivables no longer required, now written back		(610)	(1,546)
Allowance for doubtful other receivables no longer required, now written back		-	(128)
Amortisation of prepaid lease payment for land		235	113
Amortisation of intangible assets		242	181
Depreciation of property, plant and equipment		20,570	11,107
Foreign currency exchange (gain)/loss		(671)	1,494
Gain on bargain purchase arising from acquisition of subsidiaries		(10,459)	-
Gain on disposal of property, plant and equipment		(230)	(62)
Fair value loss arising from derivative financial instruments		317	-
Intangible assets written off		39	-
Interest income		(508)	(321)
Interest expense		21,144	8,559
Inventories written off		3,351	2,579
Loss on disposal of intangible assets		17	-
Loss on disposal of a subsidiary		13	-
Property, plant and equipment written off		375	22
Share options expense		4,677	582
Operating profit before working capital changes		74,423	104,148
Working capital changes:			
Inventories		(44,825)	(36,494)
Trade and other receivables		2,229	(28,942)
Trade and other payables		8,972	(7,317)
Cash generated from operations		40,799	31,395
Interest paid		(6,659)	(1,583)
Income tax paid, net		(14,273)	(11,967)
Net cash generated from operating activities		19,867	17,845

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 30 September 2011

	Note	2011 RM'000	2010 RM'000
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(40,562)	(22,573)
Net cash effect from disposal of a subsidiary	6	-	-
Net cash outflow from acquisition of subsidiaries	6	(103,354)	(27,520)
Net cash outflow from prior year acquisition of subsidiaries		(542)	-
Purchase of intangible assets		(968)	(557)
Proceeds from disposal of property, plant and equipment		465	476
Interest received		508	321
Net cash used in investing activities		(144,453)	(49,853)
Cash flows from financing activities			
Dividends paid to shareholders		(22,511)	(19,131)
Dividends paid to non-controlling interests		-	(23)
Proceeds from issue of shares		-	2,705
Interest paid		(14,485)	(6,976)
Decrease in fixed deposits pledged to banks		646	20
Proceeds from bank borrowings		479,965	331,084
Repayment of bank borrowings		(343,797)	(267,950)
Repayment of finance lease obligations		(4,064)	(3,049)
Net cash generated from financing activities		95,754	36,680
Net change in cash and cash equivalents		(28,832)	4,672
Cash and cash equivalents at beginning of financial year		25,333	23,434
Effect of exchange rate changes		418	(2,773)
Cash and cash equivalents at end of financial year	13	(3,081)	25,333

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 statement of financial position and statement of changes in equity of Etika International Holdings Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2011 were authorised for issue in accordance with a Directors' resolution dated 7 December 2011.

The Company is a public limited company, incorporated and domiciled in Singapore with its registered office at 4 Shenton Way, #17-01 SGX Centre II, Singapore 068807. The Company's registration number is 200313131Z. The principal place of business is located at 20 Maxwell Road, #12-05 Maxwell House, Singapore 069113.

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

2.1 Basis of preparation of financial statements

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

All financial information presented in Ringgit Malaysia ("RM") has been rounded to the nearest thousands, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the financial year, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's 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 differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and key sources of estimation uncertainty 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 all 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 and has no material effect on the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following new/revised FRS (including consequential amendments) and INT FRS which are potentially relevant to the Group and the Company that have been issued but not yet effective for the current financial year.

			Effective date (Annual periods beginning on or after)
FRS 110	:	Consolidated Financial Statements	1 January 2013
FRS 111	:	Joint Arrangements	1 January 2013
FRS 112	:	Disclosure of Interests in Other Entities	1 January 2013
FRS 113	:	Fair Value Measurements	1 January 2013
FRS 27 (2011)	:	Separate Financial Statements	1 January 2013
FRS 28 (2011)	:	Investments in Associates and Joint Ventures	1 January 2013

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in financial year 2011. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will be resulted.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding giving rise to a majority 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.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are stated at cost on the Company's statement of financial position less any accumulated impairment losses.

In preparing the consolidated financial statements, 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.

Accounting policies for subsidiaries conform to or have been adjusted to be consistent with those adopted by the Group.

Non-controlling interests 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. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

2. **Summary of significant accounting policies** (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities or the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to consolidated statement of comprehensive income or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.3 Business combination

Business combination on or before 30 September 2009

The acquisition method of accounting is used to account for business combination. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities 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 non-controlling interests.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill, accounted for in accordance with Note 2.5 (i) to the financial statements.

Any excess of the Group's interest over the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as negative goodwill, credited in the consolidated statement of comprehensive income of the Group on the date of acquisition.

Business combination on or after 1 October 2009

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in consolidated statement of comprehensive income as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in statement of comprehensive income or other comprehensive income.

2. Summary of significant accounting policies (Continued)

2.3 Business combination (Continued)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of comprehensive income as a bargain purchase gain.

2.4 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.

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 property, 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 the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. All other subsequent expenditure is recognised in the consolidated statement of comprehensive income as expenses when 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 consolidated statement of comprehensive income.

Depreciation is calculated on the straight-line method so as to write off the depreciable amount 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
Lab equipment	5 - 10
Furniture and fittings	10 - 20
Renovation	10
Motor vehicles	5 – 6.25
Office equipment	3 – 10
Computer system	5

Assets under development represents property, plant and equipment under construction, which is stated at cost less any impairment in value and is not depreciated. Assets under development is reclassified to appropriate category of property, plant and equipment when completed and ready for use and depreciation will commence at that time.

No depreciation is provided on freehold land.

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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 the end of each financial year 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 items of property, plant and equipment.

2.5 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 least annually as stated in Note 2.6 to the financial statements.

(ii) Patents and trademarks

Patents and trademarks acquired by the Group have indefinite useful lives and are initially measured at cost less any accumulated impairment in value.

(iii) Product licenses

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

(iv) Computer software

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original costs of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. These costs are amortised to statement of comprehensive income using the straight-line method over their estimated useful lives of 5 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revision are recognised in the consolidated statement of comprehensive income when the changes arise.

2. Summary of significant accounting policies (Continued)

2.6 Impairment of non-financial assets

Non-financial assets other than goodwill

The carrying amounts of the Group's and the Company's non-financial assets are reviewed at the end of each financial year to determine whether there is any indication of impairment in value and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset (intangible assets with indefinite useful life and intangible assets not yet available for use) is required, the recoverable amounts are estimated.

An impairment in value is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent of other assets and groups of assets. Impairment in value is recognised in the consolidated statement of comprehensive income unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each financial year as to whether there is any indication that an impairment in value recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment in value recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment in value was recognised. 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 consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal in excess of impairment in value recognised in the consolidated statement of comprehensive income in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating unit expected to benefit from the 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 consolidated statement of comprehensive income 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 on the basis of the carrying amount of each asset in the unit. An impairment in value recognised for goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (Continued)

2.7 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 cost.

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.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.9 Financial assets

The Group and the Company classify their financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose of which the assets were acquired. Management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the financial year where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables", "fixed deposits" and "cash and bank balances" on the statements of financial position.

(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.

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 consolidated statement of comprehensive income. Any amount in the fair value reserve relating to the asset is also recognised in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

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 other comprehensive income and accumulated separately in equity as 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 consolidated statement of comprehensive income.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments “at fair value through profit or loss”.

Impairment

The Group and the Company assess at the end of each financial year whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognise as allowance for impairment when such evidence exists.

(i) Loans and receivables

An allowance for impairment of loans and receivables is recognised 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 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 consolidated statement of comprehensive income.

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 shall be reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment in value is recognised in the consolidated statement of comprehensive income, 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 consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

2. Summary of significant accounting policies (Continued)

2.10 Financial liabilities

The accounting policies adopted for specific financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the consolidated statement of comprehensive income over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the consolidated statement of comprehensive income.

(iii) Bank borrowings

Borrowings are initially recognised at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the end of the financial year are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the financial year and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the financial year are presented as non-current borrowings in the statements of financial position.

(iv) Foreign currency forward contracts

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency. All other gains or losses relating to hedged instruments are recognised in profit or loss in the same period as the exchange differences on the underlying hedged items.

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position 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 consolidated statement of comprehensive income.

2. Summary of significant accounting policies (Continued)

2.11 Equity instruments and treasury shares

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 instruments and are recorded at the proceeds received, net of direct issue costs.

When share capital recognised as equity is repurchased ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a deduction within equity, until they are subsequently cancelled, sold or reissued.

When the treasury shares are subsequently cancelled, the cost of the treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company if the shares are purchased out of profits of the Company.

When the treasury shares are subsequently sold or reissued pursuant to the employee share options scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised as a change in equity of the Company.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the financial year, and are discounted to present value where the effect is material. The expense relating to any provision is recognised in the consolidated statement of comprehensive income.

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of business of the Group and of the Company. Revenue is presented, net of discounts and sales related taxes. The Group's revenue is in respect of external transactions only.

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.

Rendering of services

Revenue from rendering of services is recognised when services are rendered and collectability is reasonable assured.

Interest income

Interest income is recognised when earned, 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 carrying amount.

2. **Summary of significant accounting policies** (Continued)

2.13 Revenue recognition (Continued)

Rental income

Rental income under operating leases is recognised in the consolidated statement of comprehensive income 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.

2.14 Research costs

Research costs are recognised as expenses when incurred.

2.15 Employment benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income 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 end of the financial year.

2.16 Leases

When the Group or the Company is the lessee of a finance lease

Leases in which the Group and the Company assume substantially the risks and rewards of ownership are classified as finance lease.

Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payment. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in the consolidated statement of comprehensive income.

Capitalised leased asset is 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.

2. Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

When the Group is the lessee of an operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease (net of any incentives received from the lessor) are recognised in the consolidated statement of comprehensive income 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 financial year in which termination takes place.

Prepaid operating leases

The Group leases property under operating leases and the leases run for a period of 30 to 84 years. The upfront lump-sum payments made under the leases are amortised to the consolidated statement of comprehensive income on a straight-line basis over the term of the leases. The amortisation amount is included in operating lease expenses.

2.17 Borrowing costs

Borrowing costs are recognised in the consolidated statement of comprehensive income using the effective interest method except for those costs that are directly attributable to the construction or the production of the qualifying assets.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

2.18 Income tax

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

Current income tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the financial year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the liability method, providing for temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted by the end of the financial year.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each financial year and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each financial year and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (Continued)

2.18 Income tax (Continued)

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 where there is intention to settle the 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.

2.19 Foreign currencies

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 functional currency of the Company is Singapore Dollar. However as the Group significantly operates in Malaysia, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Ringgit Malaysia.

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 the end of each financial year, monetary items denominated in foreign currencies are translated at the rates prevailing on that 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 settlements of monetary items and on re-translating of monetary items are included in the consolidated statement of comprehensive income for the financial year. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the consolidated statement of comprehensive income 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.

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 at the end of the financial year. 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 consolidated statement of comprehensive income 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, recorded in the functional currency of the foreign operation and translated at the closing exchange rate at the end of each financial year.

2. Summary of significant accounting policies (Continued)

2.20 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 end of the financial year are not recognised as a liability at the end of the reporting period.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.22 Share-based payment

The fair value of the employee services received in exchange for the grant of options is recognised as an expense in consolidated statement of comprehensive income with a corresponding increase in the share options reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. In the valuation process, no account is taken of any performance conditions except of conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The expense recognised in the consolidated statement of comprehensive income at each reporting date reflects the manner in which the benefits will accrue to employees under the option plan over the vesting period. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the options are exercised and new ordinary shares issued, the proceeds received (net of any attributable transaction costs) and the corresponding amount share options reserve are credited to share capital, or to the treasury shares account, when treasury shares are reissued to employees.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's and Company's accounting policies, the management is of the opinion that there are no critical judgements 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 Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether investments in subsidiaries or financial assets are other than temporarily impaired. This determination 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 at 30 September 2011 was approximately RM37,776,000 (2010: RM35,091,000).

(ii) Acquisition accounting

The Group accounts for the acquired businesses/companies using the acquisition method accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their fair values. The application of the acquisition method requires certain estimates and assumptions especially concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed at the date of the acquisition. As part of this process, it is also necessary to identify and recognise certain assets and liabilities which are not included on the acquiree's statement of financial position, for example, the value of internally generated brands and other intangible assets. Significant judgement is required in determining whether the intangible have indefinite or finite useful life and in determining the useful life of finite intangible. The judgements made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, the Group obtains assistance from independent valuation specialists. These independent valuation specialists used highly subjective assumptions and estimates to determine the valuation of the identified net assets of the acquired companies. These assumptions and estimates involve inherent uncertainties and the application of judgements. As a result, if factors change and these independent valuation specialists use different assumptions and estimates, the fair value of the identified net assets could be materially different. The valuations are based on information available at the acquisition date.

In accordance with FRS 103 (Revised) – Business Combinations, adjustments may be made to provisional values of identifiable assets and liabilities as a result of ongoing due diligence or upon receipt of additional information. If these adjustments arise within 12 months following the date of acquisition, they are recognised as a retrospective adjustment to the goodwill on the acquisition. Once this 12-months' period elapsed, the effect of any adjustments is recognised in the consolidated statement of comprehensive income unless it involves the correction of an error which will then, be accounted for under FRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies (Continued)

(iii) Going concern basis of preparation

The financial statements of the Company and its subsidiaries have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant information about the future of the Company and its subsidiaries available at the date of this report.

(iv) Patents and trademarks

Patents and trademarks are capitalised in accordance with the accounting policy in Note 2.5 (ii). Initial capitalisation of costs is based on management's judgement that the assets are separated from the entity, the entity controls the assets and it is probable that expected future economic benefits of the assets will flow to the entity. The management has applied judgement in determining the useful lives of patents and trademarks after having considered various factors such as competitive environment, product life cycles, operating plans and the macroeconomic environment of the patents and trademarks. In addition, management believes there is no foreseeable limit to the period over which the indefinite patents and trademarks are expected to generate net cash inflows for the Group.

(v) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, 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.

(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 amounts of the Group's and the Company's property, plant and equipment as at 30 September 2011 were approximately RM259,737,000 and RM24,000 (2010: RM190,351,000 and RM26,000). 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.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Income taxes

The management has exercised significant judgement when determining the Group's and the Company's provisions for income taxes. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences, unutilised tax losses and unabsorbed tax allowances, if any, can be utilised to offset future taxable income. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of action. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. The Group and the Company establish reasonable provision for possible consequences of audits by the tax authorities of the respective countries. The amount of such provisions and/or its subsequent reversals is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Company domicile. The carrying amount of income tax payable for Group and Company as at 30 September 2011 were approximately RM1,627,000 and nil (2010: RM3,994,000 and RM1,000) and the carrying amount of deferred tax assets, tax recoverable and deferred tax liabilities for Group as at 30 September 2011 are as disclosed in the statement of financial position.

(iii) Impairment of goodwill and patents and trademarks

The management determines whether goodwill and patents and trademarks are impaired at least on an annual basis and as and when there is an indication that goodwill and patents and trademarks may be impaired. This requires an estimation of the value in use of patents and trademarks and the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and patents and trademarks as at 30 September 2011 were approximately RM59,446,000 and RM50,512,000 (2010: RM16,852,000 and RM12,718,000), respectively. More details on the impairment testing of goodwill and patents and trademarks are disclosed in Note 9 to the financial statements.

(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 abilities to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 30 September 2011 were approximately RM156,214,000 and RM90,470,000 (2010: RM134,096,000 and RM74,624,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

3. **Critical accounting judgements and key sources of estimation uncertainty** (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(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 control, 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 2011 was approximately RM147,008,000 (2010: RM102,932,000).

(vi) Equity-settled share-based payments

The charge for equity-settled share-based payments is calculated in accordance with estimates and assumptions which are described in Note 20 to the financial statements. The Binomial option-pricing model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields and risk-free interest rates. The management draws upon a variety of external sources to aid them in the determination of the appropriate data to use in such calculations. The carrying amounts of share options reserve for the Group and the Company as at 30 September 2011 were approximately RM5,259,000 and RM5,259,000 (2010: RM582,000 and RM582,000), respectively.

(vii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that the taxable profit will be available against which deferred tax assets recognised can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future tax planning strategies. The carrying amount of the Group's recognised deductible temporary differences as at 30 September 2011 was approximately RM14,892,000 (2010: RM1,488,000). Management is of the view that these deferred tax assets are considered to be fully recoverable based on anticipated future profitability of the Group.

4. Property, plant and equipment

Group	Freehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Cold room and freezer RM'000	Lab equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Computer system RM'000	Assets under development RM'000	Total RM'000
Cost												
Balance at 1 October 2010	38,083	52,065	117,459	508	715	1,540	1,120	7,191	1,339	1,600	3,704	225,324
Additions	-	1,286	11,760	96	112	774	579	4,066	647	76	28,879	48,275
Acquisition of subsidiaries	-	9,737	24,041	550	-	1,215	-	4,069	1,561	-	-	41,173
Currency realignment	-	(32)	690	-	-	32	3	(17)	(4)	54	(44)	682
Currency realignment due to acquisition of subsidiaries	-	108	201	-	-	-	-	(1)	41	-	-	349
Reclassification	-	(949)	756	-	65	(2)	55	45	455	-	(425)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	(177)	-	-	(177)
Disposals	-	-	(28)	(6)	-	(19)	(9)	(2,161)	(21)	(17)	-	(2,261)
Written off	-	-	(474)	-	-	(95)	-	-	(27)	-	(16)	(612)
Balance at 30 September 2011	38,083	62,215	154,405	1,148	892	3,445	1,748	13,192	3,814	1,713	32,098	312,753
Accumulated depreciation												
Balance at 1 October 2010	-	3,653	24,527	89	519	891	327	3,381	743	843	-	34,973
Depreciation for the financial year	-	2,207	13,048	537	160	527	116	3,253	588	134	-	20,570
Currency realignment	-	(25)	(329)	-	-	27	1	(7)	(3)	39	-	(297)
Reclassification	-	-	(43)	-	4	(1)	39	-	1	-	-	-
Disposals	-	-	(28)	(3)	-	(5)	(2)	(1,941)	(8)	(6)	-	(1,993)
Written off	-	-	(129)	-	-	(92)	-	-	(16)	-	-	(237)
Balance at 30 September 2011	-	5,835	37,046	623	683	1,347	481	4,686	1,305	1,010	-	53,016
Carrying amount												
Balance at 30 September 2011	38,083	56,380	117,359	525	209	2,098	1,267	8,506	2,509	703	32,098	259,737

4. Property, plant and equipment (Continued)

Group	Freehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Cold room and freezer RM'000	Lab equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Computer system RM'000	Assets under development RM'000	Total RM'000
Cost												
Balance at 1 October 2009	32,251	38,011	87,019	544	657	1,014	466	5,925	976	1,165	5,443	173,471
Additions	5,832	6,607	15,690	144	58	292	655	1,097	403	564	1,194	32,536
Acquisition of subsidiary	-	3,647	16,282	-	-	-	-	400	109	-	1,743	22,181
Currency realignment	-	-	(700)	-	1	224	(2)	-	-	178	-	(299)
Currency realignment due to acquisition of subsidiary	-	(67)	(775)	-	(1)	-	1	(27)	(7)	-	(79)	(955)
Reclassification	-	3,867	(29)	33	-	14	-	38	(124)	798	(4,597)	-.
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(690)	-	(690)
Disposals	-	-	(2)	(213)	-	(3)	-	(209)	(9)	(415)	-	(851)
Written off	-	-	(26)	-	-	(1)	-	(33)	(9)	-	-	(69)
Balance at 30 September 2010	38,083	52,065	117,459	508	715	1,540	1,120	7,191	1,339	1,600	3,704	225,324
Accumulated depreciation												
Balance at 1 October 2009	-	2,513	17,131	225	475	564	239	2,541	528	742	-	24,958
Depreciation for the financial year	-	1,191	8,145	69	44	88	88	1,044	297	141	-	11,107
Currency realignment	-	(51)	(690)	-	-	229	-	(14)	(7)	223	-	(310)
Reclassification	-	-	(54)	8	-	12	-	32	(64)	66	-	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(299)	-	(299)
Disposals	-	-	-*	(213)	-	(1)	-	(189)	(3)	(30)	-	(436)
Written off	-	-	(5)	-	-	(1)	-	(33)	(8)	-	-	(47)
Balance at 30 September 2010	-	3,653	24,527	89	519	891	327	3,381	743	843	-	34,973
Carrying amount												
Balance at 30 September 2010	38,083	48,412	92,932	419	196	649	793	3,810	596	757	3,704	190,351

* denotes less than RM1,000

4. Property, plant and equipment (Continued)

Company 2011	Assets under development RM'000	Computer system RM'000	Total RM'000
Cost			
Balance at 1 October 2010	-	106	106
Additions	-	13	13
Balance at 30 September 2011	-	119	119
Accumulated depreciation			
Balance at 1 October 2010	-	80	80
Currency realignment	-	(1)	(1)
Depreciation for the financial year	-	16	16
Balance at 30 September 2011	-	95	95
Carrying amount			
Balance at 30 September 2011	-	24	24
2010			
Cost			
Balance at 1 October 2009	628	74	702
Additions	-	45	45
Reclassification	(628)	628	-
Transfer to intangible assets	-	(226)	(226)
Disposals	-	(415)	(415)
Balance at 30 September 2010	-	106	106
Accumulated depreciation			
Balance at 1 October 2009	-	29	29
Currency realignment	-	30	30
Depreciation for the financial year	-	52	52
Transfer to intangible assets	-	(2)	(2)
Disposals	-	(29)	(29)
Balance at 30 September 2010	-	80	80
Carrying amount			
Balance at 30 September 2010	-	26	26

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

4. Property, plant and equipment (Continued)

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

	2011 RM'000	2010 RM'000
Additions of property, plant and equipment	48,275	32,536
Acquired under finance lease	(7,713)	(9,963)
Cash payments made to acquire property, plant and equipment	40,562	22,573

Property, plant and equipment of the Group with a carrying amount of approximately RM150,322,000 (2010: RM94,404,000) have been pledged to financial institutions for banking facilities granted to certain subsidiaries.

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

	Group	
	2011 RM'000	2010 RM'000
Carrying amount		
Plant and machinery	1,968	4,694
Motor vehicles	7,315	1,780
Office and factory equipment	322	414
	9,605	6,888

Assets under development represents development costs of the construction work-in-progress and computer system. Included in the additions are borrowing costs capitalised of RM645,000 (2010: RM143,000).

As at 30 September 2011, 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)
Dairies division				
Lot LS-1, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	348,916	197,500
Lot LS-2, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Under construction	174,458	-
Lot LS-3, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	173,143	118,650
Lot LS-5, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	131,654	-

4. **Property, plant and equipment** (Continued)

As at 30 September 2011, information relating to the Group's freehold properties are as follows (Continued):

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Dairies division (Continued)				
Lot LS-6, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	172,773	-
Lot 1, Mukim Kapar, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	100,788	-
Lot 2, Mukim Kapar, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	100,913	-
Frozen Food division				
Lot 55, Hicom Glenmarie Industrial Park, Malaysia	Warehouse	Office, Warehouse, cold room and processing factory	68,674	43,200
Lot 1-3-1, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	883
Lot 1-3-3, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	893
49, Lorong Wong Ah Jang, Kuantan, Pahang, Malaysia	Shop office	Cold room /Office	1,560	2,976
Lot 1237, Jalan Makloom, Penang, Malaysia	Industrial land	Under construction	10,613	-
3, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room /Office	2,400	3,300
1, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	4,690	3,200
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	16,878	-
Others division				
Lot 17225, Jalan Haruan 6, Oakland Industrial Park 70200 Seremban, Negeri Sembilan, Malaysia	Industrial land	Factory building	64,810	29,550

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2011

5. Prepaid lease payment for land

	Group 2011 RM'000	2010 RM'000
Cost		
Balance at 1 October	7,209	4,360
Acquisition of subsidiaries	14,232	2,849
Currency realignment	135	-
Balance at 30 September	21,576	7,209
Accumulated amortisation		
Balance at 1 October	309	193
Amortisation for the financial year	235	113
Currency realignment	1	3
Balance at 30 September	545	309
Carrying amount		
Balance at 30 September	21,031	6,900

Prepaid lease payment for land comprises upfront lump-sum payments made for long-term leasehold land.

As at 30 September 2011, information relating to the Group's leasehold properties are as follows:

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Dairies division				
Lot 204531, Mukim Hulu Kinta, Daerah Kinta, Perak, Malaysia	Industrial land	Detached factory	7,363	5,396
Hamlet 12, Tan Thanh Dong Commune, Cu Chi District, Ho Chi Minh City, Vietnam	Industrial land	Factory building	99,082	75,202
Lot 31, Jalan 213, Section 51, Petaling Jaya, Selangor Darul Ehsan, Malaysia	Industrial land	Industrial cum office building	22,596	28,602
PLO 169, Jalan Angkasa Mas 3, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor, Malaysia	Industrial land	Factory and office building	43,561	33,070
Frozen Food division				
Jalan Industri, District of Klari, City of Karawang, Province of West Java, Indonesia	Industrial land	Factory building	515,376	125,378
Jalan Raya Gunung Gangsir, KM 4.5, Sub District of Randupitu, District of Gempol, City of Pasuruan, Province of East Java, Indonesia	Industrial land	Factory building	379,858	82,290
Packaging division				
Lot 3, Jalan 203, 74, Seksyen 20, Petaling Jaya, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	51,727	38,400

6. **Investments in subsidiaries** (Continued)

6.1 Investments in subsidiaries comprise:

	Company 2011 RM'000	Company 2010 RM'000
Unquoted equity shares in corporations, at cost	27,491	27,841
Issuance of financial guarantee contracts	7,997	7,250
Issuance of share option to Group's employees	2,288	-
	37,776	35,091

6.2 Particulars of subsidiaries

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %
Held by the Company			
Etika Beverages Sdn. Bhd. [(2)] (Malaysia)	Manufacturing and distribution of beverage products	100	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 and investment holding	100	100
Etika Dairies Sdn. Bhd. [(2)] (Malaysia)	Manufacturing of dairy products	100	100
Etika Foods International (Labuan) Inc [(2)] (Malaysia)	Dormant	100	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	100
Etika IT Services Sdn. Bhd. [(2)] (Malaysia)	IT service	100	100
Etika (NZ) Limited [(4)] (New Zealand)	Investment holding	100	100
Etika Vixumilk Pte Ltd [(1)] (Singapore)	Investment holding	100	100
Eureka Capital Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

6. Investments in subsidiaries (Continued)

6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %
Held by the Company (Continued)			
PT Etika Indonesia [3] (Indonesia)	Investment holding	100	100
PT Etika Marketing [3] (Indonesia)	Investment holding	100	100
Etika Foods (Singapore) Pte Ltd [1] (Singapore)	Dormant	100	-
Golden Difference Sdn. Bhd. [2] (Malaysia)	Investment holding	100	-
Platinum Appreciation Sdn. Bhd. [2] (Malaysia)	Dormant	100	-
Quality Wines Sdn. Bhd. [7] (Malaysia)	Wholesalers of wines and wine accessories	-	70
Held by Subsidiaries			
- Etika Foods (M) Sdn. Bhd.			
Pok Brothers Sdn. Bhd. [2] (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	100
Daily Fresh Bakery Sdn. Bhd. [2] (Malaysia)	Trading of cakes, breads, biscuits and confectioneries	100	-
Family Bakery Sdn. Bhd. [2] (Malaysia)	Manufacturing and trading of cakes, breads, biscuits and confectioneries	100	-
Hot Bun Food Industries Sdn. Bhd. [2] (Malaysia)	Dormant	100	-
- Etika Industries Holdings Sdn. Bhd.			
General Packaging Sdn. Bhd. [2] (Malaysia)	Manufacturing and distribution of tin cans	99	99

6. Investments in subsidiaries (Continued)

6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %
Held by the Subsidiaries (Continued)			
- Etika (NZ) Limited			
Etika Dairies NZ Limited [(4)] (New Zealand)	Manufacture of dairies and water based products	60.7	60.7
Naturalac Nutrition Limited [(4)] (New Zealand)	Marketing of branded sport nutrition and weight management foods	100	100
Naturalac Nutrition (UK) Limited [(6)] (United Kingdom)	Dormant	100	100
- Etika Vixumilk Pte Ltd			
Tan Viet Xuan Joint Stock Company [(5)] (Vietnam)	Manufacturing and distribution of dairy products	100	100
- Pok Brothers Sdn. Bhd.			
De-luxe Food 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	81.3
Pok Brothers (Pahang) Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	100
Pok Brothers (Penang) Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	100
Pok Brothers (Selangor) Sdn. Bhd. [(2)] (Malaysia)	Dormant	100	100
- PT Etika Marketing			
PT Vixon Indonesia [(3)] (Indonesia)	Wholesale and distribution of imported foods and beverages	100	100
- Etika Capital (Labuan) Inc			
PT Sentrafood Indonusa [(8)] (Indonesia)	Manufacturing and distribution of instant noodle	100	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

6. Investments in subsidiaries (Continued)

6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2011 %	2010 %
Held by the Subsidiaries (Continued)			
- Golden Difference Sdn. Bhd.			
Susu Lembu Asli Marketing Sdn. Bhd. [2] (Malaysia)	Distribution and marketing of pasteurised milk and related products	100	-
Susu Lembu Asli (Johore) Sdn. Bhd. [2] (Malaysia)	Processing and distribution of pasteurised milk and related products	100	-
- PT Etika Indonesia			
PT Sentraboga Intiselera [9] (Indonesia)	Leasing of land	100	-

(1) Audited by BDO LLP, Singapore, a member firm of BDO International Limited.
(2) Audited by BDO Malaysia, a member firm of BDO International Limited.
(3) Audited by KAP Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited.
(4) Audited by BDO New Zealand Limited, a member firm of BDO International Limited.
(5) Audited by BDO Vietnam, a member firm of BDO International Limited.
(6) Exempted from audit under Section 480 of the Companies Act 2006 (United Kingdom) relating to dormant company.
(7) Sold to a director of Quality Wines Sdn. Bhd. during the financial year.
(8) Etika Capital (Labuan) Inc, PT Etika Indonesia and PT Etika Marketing hold 68%, 31% and 1% respectively.
(9) PT Etika Indonesia, Etika Capital (Labuan) Inc and PT Etika Marketing hold 56%, 43% and 12% respectively.

6.3 Acquisition of subsidiaries in financial year 2011

(i) Daily Fresh Bakery Sdn. Bhd., Family Bakery Sdn. Bhd. and Hot Bun Food Industries Sdn. Bhd. (collectively known as "Family Group")

On 1 October 2010, the Group acquired 100% equity interest in Family Group for a cash consideration of RM18,680,000. The acquisition was accounted for using the acquisition method.

The resulted goodwill of RM2,020,000 is attributable to the anticipated profitability of the acquired business. It is expected to provide synergistical benefits in view of the fundamental similarity with the Group's existing bakery business.

6. Investments in subsidiaries (Continued)

6.3 Acquisition of subsidiaries in financial year 2011 (Continued)

(i) Daily Fresh Bakery Sdn. Bhd., Family Bakery Sdn. Bhd. and Hot Bun Food Industries Sdn. Bhd. (collectively known as "Family Group") (Continued)

The provisional carrying amounts and fair values of the identifiable assets and liabilities of Family Group as at the date of acquisition were:

Net cash outflow from acquisition of Family Group	**Fair value recognised on acquisition RM'000**	**Carrying amount before combination RM'000**
Property, plant and equipment	6,268	5,387
Intangible assets	9,488	-
Trade and other receivables	4,537	4,537
Inventories	645	645
Cash and bank balances	4,114	4,114
Trade and other payables	(4,330)	(4,330)
Borrowings	(3,164)	(3,164)
Deferred tax liabilities	(898)	(678)
Net identifiable assets acquired	16,660	6,511
Goodwill arising on consolidation	2,020	
Total purchase consideration	18,680	
Less : Cash and bank balances acquired	(4,114)	
Net cash outflow from acquisition	14,566	

(ii) PT Sentraboga Intiselera and PT Sentrafood Indonusa (collectively known as "PT Sentra Group")

On 6 October 2010, the Group acquired 70% of the equity interest in PT Sentra Group. On 04 July 2011, the Group completed its 100% acquisition for a total purchase consideration of IDR78,000,010,000 equivalent to RM26,742,000. The acquisition was accounted for using the acquisition method.

With the acquisition of PT Sentra Group, the Group ventured into the instant noodle business which signifies a new direction for the Group's business expansion plan and diversification of the Group's existing range of product offerings. Additionally, it is expected to provide benefits to the Group in terms of setting-up of condensed milk manufacturing facilities in Indonesia, where production and distribution locally will help the Group to remain competitive in the condensed milk market.

6. Investments in subsidiaries (Continued)

6.3 Acquisition of subsidiaries in financial year 2011 (Continued)

(ii) PT Sentraboga Intiselera and PT Sentrafood Indonusa (collectively known as "PT Sentra Group") (Continued)

The provisional carrying amounts and fair values of the identifiable assets and liabilities of PT Sentra Group as at the date of acquisition were:

Net cash outflow from acquisition of PT Sentra Group	**Fair value recognised on acquisition RM'000**	**Carrying amount before combination RM'000**
Property, plant and equipment	19,107	10,162
Prepaid lease payment for land	8,269	3,475
Intangible assets	2,463	-
Deferred tax assets	10,070	17,170
Trade and other receivables	4,102	4,102
Inventories	1,953	1,953
Cash and bank balances	108	108
Trade and other payables	(5,436)	(66,171)
Borrowings	-	(18,435)
Deferred tax liabilities	(3,435)	-
Net identifiable assets acquired	37,201	(47,636)
Gain on bargain purchase	(10,459)	
Total purchase consideration	26,742	
Less : Cash and bank balances acquired	(108)	
Less : Bank financing	(18,435)	
Net cash outflow from acquisition	8,199	

(iii) Susu Lembu Asli (Johore) Sdn. Bhd. and Susu Lembu Asli Marketing Sdn. Bhd. (collectively known as "Susu Lembu Group")

On 4 January 2011, the Group acquired 100% equity interest in Susu Lembu Group for a cash consideration of RM87,111,000. The acquisition was accounted for using the acquisition method.

The resulted goodwill of RM39,948,000 is attributable to the anticipated profitability of the acquired business by gaining a foothold into the larger ready-to-drink dairy segment through a wider range of healthier products under established brands which have gained wide market acceptance in Malaysia.

6. Investments in subsidiaries (Continued)

6.3 Acquisition of subsidiaries in financial year 2011 (Continued)

(iii) Susu Lembu Asli (Johore) Sdn. Bhd. and Susu Lembu Asli Marketing Sdn. Bhd. (collectively known as "Susu Lembu Group") (Continued)

The provisional carrying amounts and fair values of the identifiable assets and liabilities of Susu Lembu Group as at the date of acquisition were:

Net cash outflow from acquisition of Susu Lembu Group	**Fair value recognised on acquisition RM'000**	**Carrying amount before combination RM'000**
Property, plant and equipment	15,798	3,121
Prepaid lease payment for land	5,963	1,965
Intangible assets	24,742	-
Trade and other receivables	17,234	17,234
Inventories	1,036	1,036
Deferred tax assets	250	250
Cash and bank balances	6,521	6,521
Tax recoverable	188	188
Trade and other payables	(16,367)	(16,367)
Borrowings	(4,034)	(4,034)
Deferred tax liability	(4,169)	-
Net identifiable assets acquired	47,162	9,914
Goodwill arising on consolidation	39,948	
Total purchase consideration	87,110	
Less : Cash and bank balances acquired	(6,521)	
Net cash outflow from acquisition	80,589	

The following are the pertinent information in respect of the acquisitions in the financial year 2011:

	Acquisition of Family Group RM'000	**Acquisition of PT Sentra Group RM'000**	**Acquistion of Susu Lembu Group RM'000**	**Total RM'000**
Contributed revenue since acquisition	37,666	15,776	32,042	85,484
Contributed net profit/(loss) since acquisition	1,237	(7,467)	9,619	3,389
Goodwill on acquisition (Note 9)	2,020	-	39,948	41,968
Gain on bargain purchase arising from acquisition	-	(10,459)	-	(10,459)
Net cash outflow on acquisition	14,566	8,199	80,589	103,354
Acquisition transaction costs recognised in "Administrative expenses"	60	269	133	462

Had these acquisitions been completed on 1 October 2010, the management is of the opinion that the revenue and net profit/(loss) would not be significantly different from the contributed revenue and net profit as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

6. Investments in subsidiaries (Continued)

6.4 Disposal of a subsidiary in financial year 2011

On 1 August 2011, the Group disposed its entire equity interest in a 70% owned subsidiary, Quality Wines Sdn. Bhd. ("QWSB"), a company incorporated in Malaysia, which is engaged in trading of wines for a total disposal consideration of RM350,000.

The decision to dispose the subsidiary is in line with the intention of the Group to focus on the core business. The disposal was completed on 1 August 2011.

The management did not expect any significant impact on the financial statements arising from the disposal.

The value of assets and liabilities of QWSB as at the date of disposal were:

Net cash flow effect of the disposal of QWSB	**RM'000**
Property, plant and equipment	33
Inventories	1,032
Trade and other receivables	227
Cash and cash equivalents	72
Trade and other payables	(843)
Deferred tax liabilities	(2)
Net identifiable assets	519
Non-controlling interest	(156)
Net identifiable assets disposed	363
Loss on disposal	(13)
Total disposal consideration	350
Less: Cash and cash equivalents	(72)
Less: Amount set-off against intangible assets purchased	(278)
Net cash effect from disposal of a subsidiary	-

As the financial effect of the disposal of this subsidiary to the Group is insignificant, the management did not separately disclose the effect of this discontinued operations in the financial statements.

6.5 Acquisition of subsidiaries in financial year 2010

(i) Tan Viet Xuan Joint Stock Company ("TVX")

On 9 April 2010, the Group acquired 100% equity interest in TVX for a cash consideration of VND164,827,042,000 equivalent to RM28,099,000. The acquisition was accounted for using the acquisition method.

The fair value of identifiable net assets of TVX as at the date of acquisition was RM24,561,000, thus, resulting in goodwill on acquisition of RM3,538,000 attributable to the anticipated profitability of the acquired business and the potential to penetrate the growing market in the Vietnam and Indo-China regions. Further, it is expected to provide benefits to the Group by growing the condensed milk business in Vietnam which is relatively an insignificant part of TVX's business. Additionally, the UHT milk manufacturing and distribution business which is the primary business of TVX will complement the business of the Group's recent joint venture, Etika Dairies NZ Limited. Goodwill recognised is not expected to be deductible for income tax purposes.

6. Investments in subsidiaries (Continued)

6.5 Acquisition of subsidiaries in financial year 2010 (Continued)

(i) Tan Viet Xuan Joint Stock Company ("TVX") (Continued)

The provisional carrying amounts and fair values of the identifiable assets and liabilities of TVX as at the date of acquisition were:

Net cash outflow from acquisition of TVX	**Fair value Recognised on acquisition RM'000**	**Carrying amount before combination RM'000**
Property, plant and equipment	22,181	2,552
Prepaid lease payment for land	2,849	-
Inventories	1,612	1,612
Trade and other receivables	412	1,827
Deferred tax assets	233	-
Intangible assets	4,592	41
Cash and bank balances	37	37
Trade and other payables	(4,081)	(4,291)
Borrowings	(3,274)	(3,274)
Net identifiable assets acquired	24,561	(1,496)
Goodwill arising on acquisition	3,538	
Total purchase consideration	28,099	
Less: Cash and bank balances acquired	(37)	
Less: Deferred consideration	(542)	
	27,520	

The following are the pertinent information in respect of the acquisition of TVX in the financial year 2010:

	RM'000
Goodwill on acquisition (Note 9)	3,538
Net cash outflow on acquisition	27,520
Acquisition transaction costs recognised in "Administrative expenses"	1,109

On 9 April 2010, the Company entered into a share pledge agreement pledging 10% of the total sale shares to the Seller as a guarantee for the payment of the deferred consideration of approximately RM542,000.

On 27 December 2010, the deferred consideration of approximately RM542,000 was paid to the Seller.

In financial year 2011, the carrying amounts and fair values of the identifiable assets and liabilities of TVX as at the date of acquisition were finalised without any change from last year disclosed provisional figures.

As at the end of financial year 2010, revenue and net profit contributed by TVX were approximately RM18,000,000 and RM580,000 respectively. Should the acquisition been completed on 1 October 2009, the management expects the revenue and net profit to be approximately RM36,000,000 and RM1,200,000.

(ii) On 31 December 2009, Etika (NZ) Limited increased its shareholding in Etika Dairies NZ Limited from 50.7% to 60.7% by subscribing to 901,900 ordinary shares for a consideration of NZD1,000,000 equivalent to RM2,283,000.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

7. Available-for-sale financial assets

	Group 2011 RM'000	Group 2010 RM'000
At fair value		
Balance at beginning of financial year	245	263
Fair value gain/(loss) recognised directly in other comprehensive income	20	(18)
Balance at end of financial year	265	245

Available-for-sale financial assets represents investments in quoted equity shares in Malaysia and are denominated in Ringgit Malaysia. It has no fixed maturity date or coupon rate. The fair value is based on quoted market prices.

8. Deferred tax assets

	Group 2011 RM'000	Group 2010 RM'000
Balance at beginning of financial year	1,488	854
Currency realignment	380	(46)
Acquisition of subsidiaries	10,320	233
Recognised in consolidated statement of comprehensive income	2,704	447
Balance at end of financial year	14,892	1,488

Deferred tax assets arise as a result of:

	Group 2011 RM'000	Group 2010 RM'000
Property, plant and equipment	1,213	45
Provision for employee benefits	522	-
Other deductible temporary differences	13,157	1,443
	14,892	1,488

Unrecognised deferred tax assets

	Group 2011 RM'000	Group 2010 RM'000
Balance at beginning of financial year	-	414
Deferred tax assets unrecognised during the financial year	-	(414)
Balance at end of financial year	-	-

As at the end of the financial year, there are no unrecognised deferred tax assets arising from other deductible temporary differences, which is 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.

9. Intangible assets

Group	Goodwill RM'000	Patents and trademarks RM'000	Product licences RM'000	Software RM'000	Total RM'000
Cost					
Balance at 1 October 2010	16,852	12,718	10	1,253	30,833
Additions		1,100	-	146	1,246
Acquisition of subsidiaries	41,968	36,694	-	-	78,662
Currency realignment	626	-	-	-	626
Disposal	-	-	-	(20)	(20)
Written off	-	-	-	(129)	(129)
Transfer from property, plant and equipment	-	-	-	177	177
Balance at 30 September 2011	59,446	50,512	10	1,427	111,395
Accumulated amortisation					
Balance at 1 October 2010	-	-	8	478	486
Amortisation for the financial year	-	-	1	241	242
Currency realignment	-	-	-	(6)	(6)
Disposal	-	-	-	(3)	(3)
Written off	-	-	-	(90)	(90)
Balance at 30 September 2011	-	-	9	620	629
Carrying amount					
Balance at 30 September 2011	59,446	50,512	1	807	110,766

Group	Goodwill RM'000	Patents and trademarks RM'000	Product licences RM'000	Software RM'000	Total RM'000
Cost					
Balance at 1 October 2009	14,024	8,133	10	-	22,167
Additions	-	-	-	557	557
Acquisition of subsidiary	3,538	4,585	-	6	8,129
Currency realignment	(710)	-	-	-	(710)
Transfer from property, plant and equipment	-	-	-	690	690
Balance at 30 September 2010	16,852	12,718	10	1,253	30,833
Accumulated amortisation					
Balance at 1 October 2009	-	-	6	-	6
Amortisation for the financial year	-	-	2	179	181
Currency realignment	-	-	-*	-*	-*
Transfer from property, plant and equipment	-	-	-	299	299
Balance at 30 September 2010	-	-	8	478	486
Carrying amount					
Balance at 30 September 2010	16,852	12,718	2	775	30,347

* denotes amount less than RM1,000

During the financial year, the Group purchased patents and trademarks of RM1,100,000 through the setting off of amount receivable of RM278,000 from the disposal of a subsidiary (see Note 6.4 to the financial statements). This set-off is non-cash transaction.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

9. Intangible assets (Continued)

Company	**Software 2011 RM'000**	**Software 2010 RM'000**
Cost		
Balance at 1 October	160	-
Currency realignment	5	
Additions	-	13
Transfer from property, plant and equipment	-	226
Disposals	-	(79)
Balance at 30 September	165	160
Accumulated amortisation		
Balance at 1 October	28	-
Amortisation for the financial year	33	32
Currency realignment	(1)	(1)
Transfer from property, plant and equipment	-	2
Disposals	-	(5)
Balance at 30 September	60	28
Carrying amount		
Balance at 30 September	105	132

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

Horleys trademark of RM8,133,000 was acquired in financial year 2007 through the acquisition of Naturalac Nutrition Limited.

Patents and trademarks also include the brand of Vixumilk amounting to RM4,585,000 acquired as a result of the acquisition of a subsidiary in financial year 2010.

During the current financial year, the brands of Daily Fresh, Salam Mie and Goodday amounting to RM36,694,000 were acquired from the acquisition of subsidiaries.

The useful lives of the trademarks are estimated to be indefinite because based on the current market share of the trademarks, management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flow for the Company. As such there is no amortisation of the costs of patents and trademarks.

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the Group's cash generating units ("CGUs") identified. An annual test is carried out at the end of each financial year to assess if there are impairment in value. Goodwill and patents and trademarks 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; and
(d) Others divisions.

9. Intangible assets (Continued)

2011 **Carrying amount**	**Dairies** **RM'000**	**Frozen Food** **RM'000**	**Packaging** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Goodwill	43,486	6,062	1,847	8,051	59,446
Patents and trademarks	29,328	13,051	-	8,133	50,512
Product licences	1	-	-	-	1
Software	287	411	-	109	807
	73,102	19,524	1,847	16,293	110,766

2010 **Carrying amount**	**Dairies** **RM'000**	**Frozen Food** **RM'000**	**Packaging** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Goodwill	3,538	4,042	1,847	7,425	16,852
Patents and trademarks	4,585	-	-	8,133	12,718
Product licences	2	-	-	-	2
Software	117	520	-	138	775
	8,242	4,562	1,847	15,696	30,347

Others include intangible assets that are related mainly to the 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 estimated 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**	
	2011 **%**	**2010** **%**	**2011** **%**	**2010** **%**	**2011** **%.**	**2010** **%**	**2011** **%**	**2010** **%**
Gross margin [(1)]	18.53	20.13	33.79	19.40	10.86	18.30	47.33	48.00
Growth rate [(2)]	34.87	5.00	21.49	10.00	25.44	12.50	6.44	6.00
Discount rate [(3)]	11.29	7.30	8.72	7.30	7.85	6.00	16.30	15.60

(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.

Sensitivity to changes in assumptions

The management believes that changes in any of the above key assumptions would not cause the carrying amount of the unit to be materially different from its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

10. Inventories

	Group	
	2011 RM'000	2010 RM'000
Finished goods	64,079	44,050
Raw materials	73,890	51,534
Packaging materials	3,717	4,039
Work in progress	4,725	2,893
Consumables	597	23
Goods in transit	-	393
	147,008	102,932

The cost of inventories recognised as an expense and included in "cost of goods sold" in the consolidated statement of comprehensive income amounted to approximately RM661,804,000 (2010: RM483,200,000).

As at the end of the financial year, the Group's inventories with a carrying amount of approximately RM5,384,000 (2010: RM5,701,000) have been pledged as security for the banking facilities granted to a subsidiary.

11. Trade and other receivables

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current receivables				
Trade receivables				
- within 30 to 90 days	121,658	80,599	-	-
- more than 90 days	26,996	30,861	-	-
	148,654	111,460	-	-
Allowance for doubtful trade receivables	(7,459)	(6,738)	-	-
	141,195	104,722	-	-
Other receivables	1,461	1,790	342	47
Prepayments	5,604	6,318	-	3
Deposits	2,215	20,813	40	9,072
Advances to suppliers	5,728	-	-	-
Due from subsidiaries - non-trade	-	-	90,088	65,502
Allowance for doubtful other receivables	(120)	-	-	-
	156,083	133,643	90,470	74,624
Other assets	3,156	3,156	3,019	3,019
Allowance for doubtful other assets	(3,156)	(3,156)	(3,019)	(3,019)
	156,083	133,643	90,470	74,624
Non-current receivables				
Trade receivables	131	453	-	-
	156,214	134,096	90,470	74,624

11. Trade and other receivables (Continued)

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 management, based on the review of the trade receivables, including balances that are outstanding for more than 90 days, allowance for doubtful receivables as at 30 September 2011 is adequate (2010: adequate).

Other receivables owing by third parties comprise mainly goods and service tax.

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The trade receivables pertaining to several customers which totalled approximately RM166,000 (2010: RM213,000) are being paid through installments over periods of 2 to 14 years. The amortised cost recognised in the statement of comprehensive income amounted to approximately RM35,000 (2010: RM25,000).

As at 30 September 2010, the Group paid a deposit of RM9,274,000 and RM8,950,000 to acquire Family Bakery Group and Susu Lembu Group respectively. The amount paid was included in "Deposits" as at 30 September 2010.

Movements in allowance for doubtful trade receivables:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of financial year	6,738	9,009
Currency realignment	(26)	(3)
Allowance made during the financial year	1,647	2,037
Write back of allowance no longer required	(610)	(1,546)
Bad receivables written off against allowance	(290)	(2,759)
Balance at end of financial year	7,459	6,738

Allowance for doubtful trade receivables arose mainly from customers who have difficulty in settling the amount due. Write back of allowance no longer required is due to amount either recovered during the financial year or has been reassessed as recoverable.

Movements in allowance for doubtful other receivables:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of financial year	-	-
Allowance made during the financial year	120	-
Balance at end of financial year	120	-

Movements in allowance for doubtful other assets:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Balance at beginning of financial year	3,156	3,284	3,019	3,147
Write back of allowance no longer required	-	(128)	-	(128)
Balance at end of financial year	3,156	3,156	3,019	3,019

Other assets mainly represents a refundable purchase consideration of approximately RM3,147,000 of an aborted acquisition in financial year 2007. The management has made full allowance on the total outstanding balance of HKD6,700,000 equivalent to RM3,147,000 as a result of default payment from the third party. The management has taken legal action to recover the outstanding balance. During the financial year 2010, the Company recovered a total amount of HKD300,000 equivalent to RM128,000.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

11. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	115,821	112,597	16,036	20,028
Singapore dollar	3,930	1,000	37,684	35,538
United States dollar	21,588	11,176	15,674	8,712
Indonesian rupiah	4,387	364	10,577	-
New Zealand dollar	2,984	2,679	6,857	10,343
Australian dollar	4,745	5,102	-	-
Euro	568	-	3,627	3
Vietnamese dong	2,191	1,178	15	-*
	156,214	134,096	90,470	74,624

* denotes amount less than RM1,000

12. Fixed deposits

Fixed deposits are placed for a period of 1 month to 12 months (2010: 7 days to 1 months) and the effective interest rates on the fixed deposits approximated between 3% to 14% (2010: 0.18% to 9.00%) per annum. As at the end of the financial year, fixed deposits of RM380,000 (2010: RM1,026,000) of the Group have been pledged as security for the banking facilities granted to its subsidiaries.

Fixed deposits are denominated in the following currencies:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	488	1,058	-	-
New Zealand dollar	-	872	-	872
United States dollar	-	2,023	-	-
Vietnamese dong	1,657	66	-	-
	2,145	4,019	-	872

13. Cash and cash equivalents

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2011 RM'000	2010 RM'000
Cash and bank balances	29,147	26,194
Fixed deposits	2,145	4,019
Bank overdrafts	(33, 993)	(3,854)
	(2,701)	26,359
Pledged fixed deposits	(380)	(1,026)
Cash and cash equivalents per consolidated statement of cash flows	(3,081)	25,333

13. Cash and cash equivalents (Continued)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Ringgit Malaysia	20,421	13,428	684	1,041
Singapore dollar	593	818	248	659
United States dollar	99	3,177	-	-
New Zealand dollar	2,028	2,649	152	329
Australian dollar	2,222	1,649	-	-
Indonesian rupiah	2,312	350	-	-
Vietnamese dong	1,472	4,123	-	-
	29,147	26,194	1,084	2,029

14. Trade and other payables

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Current liabilities				
Trade payables	69,841	46,618	-	-
Other payables	14,848	8,786	361	248
Customers' deposits	1,399	1,247	-	-
Accruals	15,692	11,537	2,325	2,045
Amount owing to subsidiaries	-	-	22,992	9,564
	101,780	68,188	25,678	11,857
Non-current liabilities				
Other payables	1,640	121	-	-
	103,420	68,309	25,678	11,857

The trade amounts owing to third parties are repayable within the normal trade credit terms of 7 days to 90 days.

Current portion of other payables comprise mainly retention sum and progress billings for construction of factory buildings, staff related expenses payable and other operating expenses payable. Non-current other payables comprise long term employment benefits. In view of the insignificant effect of the long-term employee benefits on the Group's financial position and results, the management did not separately disclose information as required by FRS 19 Employee Benefits.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Ringgit Malaysia	81,145	56,803	11,022	1,699
Singapore dollar	2,462	2,298	4,427	3,645
United States dollar	3,342	2,325	7,550	5,983
British pound	523	151	-	-
Australian dollar	648	1,226	-	-
Euro	75	-	-	-
Swiss franc	141	116	-	-
New Zealand dollar	4,170	3,151	1,761	530
Indonesian rupiah	8,156	382	918	-
Vietnamese dong	2,758	1,857	-	-*
	103,420	68,309	25,678	11,857

* denotes amount less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

15. Bank borrowings

	Group	
	2011 RM'000	2010 RM'000
Current liabilities		
Secured:		
Bank overdrafts	33,993	-
Banker's acceptance	103,016	26,042
Offshore foreign currency loans	20,720	14,367
Term loans	5,732	18,326
	163,461	58,735
Unsecured:		
Bank overdrafts	-	3,854
Banker's acceptance	5,953	40,324
Short term revolving credit	-	10,000
	5,953	54,178
	169,414	112,913
Non-current liabilities		
Secured:		
Offshore foreign currency loans	32,276	32,900
Term loans	188,601	50,862
	220,877	83,762
	390,291	196,675

Bank borrowings are denominated in the following currencies:

	Group	
	2011 RM'000	2010 RM'000
Ringgit Malaysia	315,964	149,408
United States dollar	32,478	30,902
New Zealand dollar	23,389	16,365
Indonesian rupiah	18,460	-
	390,291	196,675

The Group entered into a syndicated facility of RM368,000,000 with a consortium of three leading Malaysian financial institutions, each on equal proportion. During the financial year, the facility was finalised and made available for utilisation by certain subsidiaries in Dairies, Frozen Food, Packaging and Others divisions.

The facility comprises of RM363,000,000 Islamic financing and tradelines and RM5,000,000 conventional foreign exchange contract facility. Out of RM368,000,000, RM152,000,000 was used to redeem the existing bank borrowings in Malaysia, RM159,000,000 was used for trade working capital whilst the remaining balance is to fund the merger and acquisition plans, as well as capital expansion of the Group.

15. **Bank borrowings** (Continued)

The Islamic financing facility comprises:

	Facility amount RM'000	Utilisation amount RM'000
Syndicated term loan	209,000	172,543
Trade line	132,000	103,016
Overdraft	22,000	33,993*
	363,000	309,552

* This includes a temporary overdraft facility utilised from the trade line.

	Group	
	2011 RM'000	2010 RM'000
Term loans analysed by division:		
Dairies division		
Term loan repayable by 2 quarterly installments of RM3,892,857 each commencing July 2012 and followed by 26 quarterly installments of RM7,739,011 each commencing January 2013	172,543	-
Term loan acquired through business combination with remaining 31 monthly installments of RM40,314 each commenced in January 2011 via acquisition of a subsidiary	824	-
Term loan acquired through business combination with remaining 37 monthly installments of RM88,167 each commenced in January 2011 via acquisition of a subsidiary	2,258	-
Term loan repayable by 96 monthly installments of RM56,717 each commenced in June 2006	-	2,253
Term loan repayable by 60 monthly installments of RM163,339 each commenced in November 2006	-	4,237
Term loan repayable by 72 monthly installments of RM43,800 each commenced in April 2007	-	2,127
Term loan repayable by 60 monthly installments of RM40,989 each commenced in May 2007	-	756
Term loan repayable by 72 monthly installments of RM74,000 each commenced in February 2011	-	4,516
Term loan repayable by 72 monthly installments of RM74,000 each commenced in July 2011	-	4,518
Term loan repayable by 72 monthly installments of RM49,600 each commenced in July 2011	-	2,442
Term loan repayable by 83 monthly installments of RM104,405 each commenced in April 2010	-	7,729

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

15. Bank borrowings (Continued)

	Group 2011 RM'000	Group 2010 RM'000
Term loans analysed by divisions:		
Dairies division (Continued)		
Term loan repayable by 120 monthly installments of RM5,810 each commenced in June 2010 and RM5,844 each commencing in June 2015	-	482
Term loan repayable by 84 monthly installments of RM82,751 each commenced in December 2010	-	5,498
Term loan repayable by 83 monthly installment of RM69,048 and balance of RM69,016 commenced in January 2010	-	5,834
Term loan repayable by 14 half yearly installments of USD714,285 equivalent to RM2,277,498 each commenced in June 2011	29,607	30,902
Frozen Food division		
Term loan acquired through business combination with remaining 107 monthly installments of RM3,140 each commenced in September 2009 via acquisition of a subsidiary	247	-
Term loan repayable by 90 monthly installments of IDR417,755,379 equivalent to RM148,776 each commencing January 2012	15,098	-
Term loan repayable by 90 monthly installments of IDR105,397,070 equivalent to RM37,535 each commencing January 2012	3,362	-
Term loan repayable by 120 monthly installments of RM2,415 each commenced in July 2002	-	46
Term loan repayable by 84 monthly installments of RM310,600 each commenced in March 2007	-	11,325
Term loan repayable by 84 monthly installments of RM16,310 each commenced in July 2009	-	1,125
Term loan repayable by 84 monthly installments of RM25,715 each commenced one month from the date of full drawdown	-	208
Term loan repayable by 96 monthly installments of RM93,000 each commenced one month from the date of full drawdown	-	4,354

15. Bank borrowings (Continued)

	Group 2011 RM'000	Group 2010 RM'000
Term loans analysed by divisions:		
Packaging division		
Term loan repayable by 24 quarterly installments of RM257,375 commenced in July 2008	-	3,861
Term loan repayable by 48 monthly installments of RM100,000 in 2008, RM200,000 in 2009, RM400,000 in 2011 with bullet repayment on the balance on March 2011	-	5,206
Term loan repayable by 61 monthly installments of RM19,466 each commenced in July 2008	-	569
Term loan repayable by 60 monthly instalments of RM47,297 each commenced in 6 May 2010	-	2,103
Other divisions		
Term loan repayable until the expiry date commenced in February 2007	1,485	1,370
Term loan repayable by 40 quarterly installments of NZD73,693 equivalent to RM182,427 each commenced in February 2007	4,014	4,374
Term loan repayable until the expiry date commenced in April 2010	9,407	5,651
Term loan repayable until the expiry date commenced in December 2010	3,713	-
Term loan repayable by 37 monthly installments of NZD83,784 equivalent to RM207,407 commenced in February 2008	4,771	4,969
	247,329	116,455

	Group 2011 RM'000	Group 2010 RM'000
Term loans analysed into:		
Current	26,452	32,693
Non-current	220,877	83,762
	247,329	116,455

15. Bank borrowings (Continued)

	Group	
	2011	**2010**
	%	**%**
Effective interest rates		
Bank overdrafts	7.10 – 17.00	7.10 – 7.55
Bankers' acceptance	3.10 – 17.00	2.48 – 10.30
Offshore foreign currency loans	3.79 – 6.35	3.85 – 6.55
Short term revolving credit	4.27	2.87
Term loans	7.10 – 12.75	7.10 – 7.80

Non-current bank borrowings are repayable as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
After one year	37,210	43,674
Two to five years	118,106	32,850
After five years	65,561	7,238
	220,877	83,762

The secured bank borrowings are secured by:

Dairies division

(a) First party first legal charge and first party second legal charge over one piece of land known as LS-1, together with office cum factory, held under Title No. H.S.(D)117114, No. PT 55223, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

(b) First party first legal charge and first party second legal charge over one piece of land known as LS-2, together with warehouse and currently additional office and factory buildings are under construction, held under Title No. H.S.(D)117113, No. PT 55222, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

(c) First party first legal charge and first party second legal charge over one piece of land known as LS-3, together with office cum factory held under Title No. H.S.(D)117112, No. PT 55221, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

(d) First party first legal charge and first party second legal charge over one piece of land known as LS-5 held under Title No. H.S.(D)117109, No. PT 55218, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

(e) First party first legal charge and first party second legal charge over one piece of land known as LS-6 held under Title No. H.S.(D)117110, No. PT 55219, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

(f) Third party first legal charge and third party second legal charge over 1 ½ storey factory known as P.N. 202764 Lot 204531, Mukim Hulu Kinta, Ipoh, Perak;

(g) Third party first legal charge and third party second legal charge over property known as Geran 3871, Lot No. 1237, Seksyen 9W, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang;

(h) Third party first legal charge and third party second legal charge over property known as H.S.(D) 225987, P.T. No. 140, Bandar Glenmarie, Daerah Petaling, Selangor Darul Ehsan;

15. Bank borrowings (Continued)

Dairies division (Continued)

(i) Third party first legal charge and third party second legal charge over property known as Geran No. GM 3024, No. Lot 6537, Mukim Kuala Kuantan, Pahang;

(j) Third party first legal charge and third party second legal charge over properties known as Parcel No. 1-3-1 and No. 1-3-3, Sri Kerjaya Apartment, Shah Alam, Selangor Darul Ehsan;

(k) Third party first legal charge and third party second legal charge over property known as H.S.(D) 123790, PTD 25393, Mukim Tebrau, Daerah Johor Bahru, Johor;

(l) Third party first legal charge and third party second legal charge over property known as H.S.(D) 123885, PTD 25488, Mukim Tebrau, Daerah Johor Bahru, Johor;

(m) Third party first legal charge and third party second legal charge over property known as H.S.(D) 123886, PTD 25489, Mukim Tebrau, Daerah Johor Bahru, Johor;

(n) Third party first legal charge and third party second legal charge over property known as H.S.(D) 393723, PTD 25491, Mukim Tebrau, Daerah Johor Bahru, Johor;

(o) Third party first legal charge and third party second legal charge over property known as P.N. 10311, Lot 74, Seksyen 20, Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan;

(p) Third party first legal charge and third party second legal charge over property known as H.S.(D) 72221, P.T. No. 4968, Mukim Rasah, Daerah Seremban, Negeri Sembilan;

(q) First party first debenture and third party first debenture incorporating a fixed charge over specific assets;

(r) First party second debenture and third party second debenture incorporating a fixed charge over specific assets;

(s) First party security and third party security in respect of immovable properties or specific assets acquired and being financed under the facility;

(t) First party memorandum of deposit and third party memorandum of deposit incorporating a first legal charge and second legal charge over shares of any companies acquired;

(u) Joint and several guarantees by certain subsidiaries within the group;

(v) Pledged ninety six percent of unquoted shares of Tan Viet Xuan Joint Stock Company;

(w) Registered General Security Agreement over all present and after acquired personal property of certain subsidiaries including goodwill and uncalled capital and called but unpaid capital together with relative insurance policy assigned to bank;

(x) Guarantee and indemnity NZD3,800,000 given by the Company, Etika (NZ) Limited (New Zealand), Naturalac Nutrition Limited (New Zealand) and Etika Brands Pte Ltd (Singapore); and

(y) All monies legal charge over a 3½ storey detached factory held under Title No. PN 3939, Lot 31, Section 20, Bandar Petaling Jaya, District of Petaling, Selangor.

15. Bank borrowings (Continued)

Frozen Food division

(a) Charge over property known as Jalan Anggadita, Anggadita, Klari, Karawang, Jawa Barat;

(b) Charge over property known as Jalan Gunung Gangsir Km 45, Randupitu, Gempol, Pasuruan, East Java; and

(c) Charge over plant and machineries located at certain subsidiaries' premises at Indonesia.

Other divisions

(a) Registered General Security Agreement over all present and after acquired personal property of certain subsidiaries including goodwill and uncalled capital and called but unpaid capital together with relative insurance policy assigned to bank;

(b) Guarantee and indemnity NZD2,963,395 given by Etika Brands Pte Ltd (Singapore) and Naturalac Nutrition Limited (New Zealand);

(c) Guarantee and indemnity NZD2,345,945 given by Etika (NZ) Limited (New Zealand) and Naturalac Nutrition Limited (New Zealand);

(d) Guarantee and indemnity NZD1,500,000 given by Naturalac Nutrition Limited (New Zealand), Etika Dairies NZ Limited (New Zealand) and Etika Brands Pte Ltd (Singapore);

(e) Subordination agreement regarding any loans within the Group to Etika (NZ) Limited; and

(f) Limited charge over Etika Brands Pte Ltd with respect to the ownership of the Horleys Brand name.

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

16. Finance lease payables

Group	Minimum lease payments RM'000	Future finance charges RM'000	Present value of lease payments RM'000
2011			
Current			
- within one year	3,328	(415)	2,913
Non-current			
- two to five years	5,741	(473)	5,268
2010			
Current			
- within one year	2,652	(199)	2,453
Non-current			
- two to five years	2,229	(150)	2,079

16. Finance lease payables (Continued)

The effective interest rates range from 2.25% to 7.21% (2010: 2.25% to 7.21%) per annum.

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

All the finance leases are denominated in Ringgit Malaysia.

17. Derivative financial instruments

	2011		2010	
Group	**Contract/ Notional amount RM'000**	**Liabilities RM'000**	**Contract/ Notional amount RM'000**	**Liabilities RM'000**
At fair value				
Forward currency contracts	6,304	317	-	-

Forward currency contracts have been entered into to operationally hedge forecast sales and purchases denominated in foreign currencies that are expected to occur at various dates within three (3) months from the end of the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these components has been determined based on the difference between the quarterly future rates and the strike rate discounted at the convenience yield of the instruments involved.

During the financial year, the Group recognised total losses of RM317,000 (2010: Nil) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward foreign exchange and interest rates.

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of the reporting period to a contract of similar amount and maturity profile.

The transaction involving derivative financial instruments are conducted with creditworthy banks with no recent history of default.

18. Financial guarantee contracts

	Company	
	2011 RM'000	**2010 RM'000**
Balance at beginning of financial year	6,897	527
Issuance of financial guarantee contracts, at initial recognition	748	6,370
Balance at end of financial year	7,645	6,897

The balance as at 30 September 2011 of RM7,645,000 (2010: RM6,897,000) represents the fair value of financial guarantee contracts which was discounted at interest rates ranging from 4.42% to 11.75% (2010: 5.30% to 10.20%) for over 5 to 9 years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2011

19. Deferred tax liabilities

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of financial year	11,577	10,185
Currency realignment	(494)	(1)
Acquisition of subsidiaries	8,502	-
Disposal of a subsidiary	(2)	-
Recognised in consolidated statement of comprehensive income	70	1,393
Balance at end of financial year	19,653	11,577

Deferred tax liabilities arise as a result of:

	Group	
	2011 RM'000	2010 RM'000
Fair value adjustments on property, plant and equipment	10,512	3,200
Property, plant and equipment	7,423	8,790
Other temporary differences	1,718	(413)
	19,653	11,577

20. Share capital

	Group and Company			
	2011		2010	
	S$'000	RM'000	S$'000	RM'000
Issued and fully paid:				
Balance at beginning of financial year	24,666	56,412	23,559	53,707
Exercise of warrants	-	-	1,107	2,705
Balance at end of financial year	24,666	56,412	24,666	56,412

The Company has one class of ordinary shares which carry no right to fixed income.

The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction.

Share capital does not have a par value.

All of these newly issued ordinary shares rank pari-passu with the existing ordinary shares.

20. Share capital (Continued)

Movements in number of shares issued and outstanding warrants:

	Group and Company			
	Number of ordinary shares		Outstanding warrants	
	2011	2010	2011	2010
	'000	'000	'000	'000
Balance at beginning of financial year	267,291	255,633	-	11,723
Issuance of bonus share	267,291	-	-	-
Exercise of warrants by issuance of ordinary shares	-	11,658	-	(11,658)
Outstanding warrants expired	-	-	-	(65)
Balance at end of financial year	534,582	267,291	-	-.

On 12 October 2010, the Company has allotted and issued bonus share 1 for every 1 ordinary share held by shareholders in the Company.

Warrants

On 10 May 2007, the Company issued 17,163,000 free detachable warrants in connection with the rights issue to the shareholders. Each warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of S$0.095, exercisable from 14 May 2007 to 8 April 2010.

Treasury shares

Movement in treasury shares:

	Group and Company			
	Number of treasury shares		Amount	
	2011	2010	2011	2010
	'000	'000	'000	'000
Balance at beginning of financial year	605	605	183	183
Issuance of bonus share	605	-	-	-
Balance at end of financial year	1,210	605	183	183

The total amount paid to repurchase the shares has been deducted from shareholders' equity. The repurchased shares are held as "treasury shares". The company intends to reissue these repurchased shares to employees when the employees exercise their share options under the Etika Employee Share Options Scheme in the future.

Etika Employee Share Options Scheme ("ESOS")

Statutory and other information regarding the ESOS Scheme is set out below:

(i) The Remuneration Committee ("the Committee") may at its discretion, fix the subscription price at a discount up to 20% off market price, or a price equal to the average of the last dealt market prices for the 5 consecutive market days immediately preceding the grant of the options.

(ii) Consideration for the grant of an option is S$1.00.

(iii) Options can be exercised 1 year after grant for market price options and 2 years for discounted options.

(iv) Options granted expire after 10 years for employees of the Group or such earlier date as may be determined by the Committee.

20. Share capital (Continued)

Etika Employee Share Options Scheme ("ESOS") (Continued)

(v) Options granted will lapse when participant ceases to be a full-time employee with the Group, subject to certain exceptions at the discretion of the Company.

(vi) The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the ESOS, shall not exceed 15% of the issued share capital of the Company on the day preceding that date of grant.

Information in respect of the share options granted under the ESOS is as follows:

	2011		2010	
	Number of share options '000	Weighted average exercise price S$	Number of share options '000	Weighted average exercise price S$
Outstanding at beginning of financial year	6,851	0.328	-	-
Granted	27,230	0.400	7,000	0.328
Adjustment for 1-1 bonus issue	6,843	0.164	-	-
Lapsed/cancelled	(256)	0.169	(149)	0.328
Outstanding at end of financial year	40,668	0.321	6,851	0.328
Exercisable as at end of financial year	-		-	

During the financial year, 27,230,000 share options were granted. The estimated fair value of the share options are S$3,033,000 for vesting period from October 2010 to October 2012.

Pursuant to the bonus issue on 12 October 2010, the share options granted in financial year 2010 has been increased to 13,694,000 share options.

In financial year 2010, 7,000,000 share options were granted. The estimated fair values of the share options granted were S$744,000 for vesting period from February 2010 to February 2012.

The fair value of share options as at the date of grant is estimated by an external independent valuer using the Binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The significant inputs into the model were share prices at date of grant, exercise price, yield, expected volatility, risk-free interest rate, option life expected. Volatility, measured as the standard deviation of expected share price returns, was based on the average 10-day volatility over one year observation period in accordance with convention laid down by Bank for International Settlements. The inputs to the model used are shown below.

Date of grant	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise Price S$	Share price at date of grant S$
10.02.2010	6.82	30	1.54	7	0.164*	0.415
13.10.2010	3.50	20	1.24	7	0.400	0.495

* Exercise price has been adjusted for a bonus issue of one for one.

21. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency. This is non-distributable and the movements in this account are set out in the consolidated statement of changes in equity.

22. Fair value reserves

Fair value reserves represent the cumulative change in the fair value of available-for-sale financial assets until they are derecognised and cumulative change in the fair value of employee benefits. Movements in these reserves are set out in the statements of changes in equity.

23. Revenue

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

24. Other operating income

	Group	
	2011	2010
	RM'000	RM'000
Allowance for doubtful receivables no longer required		
- trade	610	1,546
- other assets	-	128
Gain on disposal of property, plant and equipment	230	62
Interest income from fixed deposits	508	321
Rental income	110	93
Bad debts recovered	5	41
Sale of tin scraps	1,296	-
Sundry income	1,781	502
	4,535	2,693

25. Finance costs

	Group	
	2011	2010
	RM'000	RM'000
Interest expense		
- finance leases	506	341
- bank overdrafts	1,328	83
- bankers' acceptance	3,839	2,159
- term loans	11,381	4,779
- offshore foreign currency loans	2,598	965
- revolving credits	178	228
- others	1,314	4
	21,144	8,559

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

26. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the financial statements, profit before income tax is arrived at after charging the following:

	Group	
	2011 RM'000	2010 RM'000
Allowance for doubtful receivables		
- trade	1,647	2,037
- other	120	-
Non-audit fees	200	93
Amortisation of intangible assets	242	181
Amortisation of prepaid lease payment for land	235	113
Depreciation of property, plant and equipment	20,570	11,107
Directors' remuneration		
- Directors of the Company	4,316	1,799
- Directors of the subsidiaries	4,878	4,126
Directors' fee		
- Directors of the Company	654	580
Inventories written off	3,351	2,579
Intangible assets written off	39	-
Fair value loss arising from derivative financial instruments	317	-
Foreign currency exchange loss	3,990	2,199
Loss on disposal of a subsidiary	13	-
Operating leases	3,333	4,118
Property, plant and equipment written off	375	22
Share options expense	4,677	582
Staff costs:		
- Salaries, bonuses and allowances	48,884	34,789
- Employer contributions to defined contribution plans	3,728	3,643

27. Income tax expense

	Group	
	2011 RM'000	2010 RM'000
Current tax:		
- current year	9,012	12,584
- (over)/under provision in previous years	(809)	124
	8,203	12,708
Deferred tax expense		
- current year	(3,330)	512
- under provision in previous years	696	434
	(2,634)	946
	5,569	13,654

27. **Income tax expense** (Continued)

Reconciliation of effective income tax rate

	Group	
	2011 **RM'000**	**2010** **RM'000**
Profit before income tax	34,154	79,531
Income tax calculated at Singapore statutory tax rate of 17% (2010: 17%)	5,806	13,520
Effect of different tax rates in other countries	2,432	6,334
Expenses not deductible for tax purposes	6,116	2,841
Income not subject to tax	(3,983)	(7,993)
Tax incentives	(4,312)	(6,921)
Tax credit on tax dividends	-	6,600
Utilisation of reinvestment allowance	(351)	(624)
Income tax (over)/under provided in prior years	(809)	124
Deferred tax under provided in prior years	696	434
Utilisation of group relief	-	(40)
Utilisation of previously unrecognised deferred tax assets	(107)	(414)
Double tax deduction on certain expenses	(54)	(12)
Withholding tax	113	996
Write down of allowances on Intellectual Property Rights	-	(1,113)
Others	22	(78)
	5,569	13,654

28. **Earnings per share**

(a) Basic

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 number of ordinary shares in issue, after adjusted for bonus issue on 12 October 2010, during the financial year.

	Group	
	2011	**2010**
Profit after income tax attributable to equity holders of the Company (RM'000)	28,823	66,119
Weighted average number of ordinary shares in issue during the financial year ('000)	533,372	263,844
Basic earnings per share	5.40 sen	25.06 sen

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

28. Earnings per share (Continued)

(b) Diluted

For the purpose of calculating diluted earnings per share, the Group's profit after income tax attributable to the equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the potential dilutive effect arising from the exercise of and employee share options into ordinary shares as at 30 September of the respective financial year.

	Group	
	2011	**2010**
Profit after income tax attributable to equity holders of the Company (RM'000)	28,823	66,119
Weighted average number of shares in issue ('000)	533,372	263,844
Adjustment for:		
- Employee share options ('000)	39,698	4,354
	573,070	268,198
Diluted earnings per share	5.03 sen	24.65 sen

29. Dividends

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Dividends paid:		
Final tax exempt 1-tier dividend of S$0.0125 (2010: S$0.02) per share paid in respect of financial years ended 30 September 2010 and 2009, respectively	15,975	12,871
Interim tax exempt 1-tier dividend of S$0.005 (2009: S$0.01) paid in respect of financial year ended 30 September 2011 and 2010 respectively	6,536	6,260
	22,511	19,131

The Directors of the Company propose that a final tax exempt 1-tier dividend of S$0.007 per share amounting to S$3,734,000 (equivalent to RM9,191,000) to be paid for the financial year ended 30 September 2011 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The proposed dividend is not accrued as a liability in the statement of financial position in the current financial year and will be based on the issued share capital of the Company as at books closure date.

30. 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.

30. Significant related party transactions (Continued)

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		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
With related parties:				
- Insurance premium paid to Perinsu (Broker Insurans) Sdn. Bhd.	2,655	2,518	33	35
- Rental of premises paid to Motif Etika Sdn. Bhd.	924	957	-	-
- Purchase of packing materials from Life Medicals Sdn. Bhd.	1,770	1,686	-	-
- Rental of premises paid to a director of a subsidiary	18	18	-	-
- Rental of shop office paid to a director of a subsidiary	45	45	-	-
- Loss from sale of a subsidiary to a director of the disposed subsidiary	13	-	-	-
- Purchase of intangible assets from a director of the disposed subsidiary	1,100	-	-	-
- Management fees	-	-	(5,084)	(3,318)
- Dividend income	-	-	(22,812)	(38,822)
- IT service fees charged by a subsidiary	-	-	23	11

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term benefits	7,433	7,428	3,646	2,101
Post-employment benefits	435	483	51	-
Share options expense	3,332	357	2,625	278
	11,200	8,268	6,322	2,379
Analysed into:				
- Directors of the Company	4,970	2,684	4,970	1,530
- Directors of the subsidiaries	4,878	4,126	-	-
- Other key management personnel	1,352	1,458	1,352	849
	11,200	8,268	6,322	2,379

During the financial year 2011 and 2010, certain directors and key management personnel were granted share options, in respect of their services to the Group and the Company, under the share option scheme of the Company, further details of which are set out in Note 20 to the financial statements. The fair value of such options which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current financial year is included in the above directors' and key management personnel remuneration disclosures.

31. Contingent liabilities and commitments

31.1 Capital commitments

As at the end of the financial year, the Group had the following capital commitments:

	Group	
	2011 RM'000	2010 RM'000
Purchase of property, plant and equipment	18,500	4,509
Balance of purchase consideration for Family Group	-	9,406
Balance of purchase consideration for Salamie Group	-	6,850
Balance between deposits paid and proposed purchase price for the proposed acquisitions of Susu Lembu Group	-	80,550
	18,500	101,315

31. Contingent liabilities and commitments (Continued)

31.2 Operating lease commitments

As at the end of the financial year, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Within one financial year	2,127	1,655
After one financial year but within five financial years	3,172	3,450
More than five financial years	5,565	5,960
	10,864	11,065

31.3 Contingent liabilities - unsecured

Company

The Company has undertaken to provide financial support to certain subsidiaries, 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 2011. In the opinion of the Directors, no losses are expected to arise.

As at the end of the financial year, 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 approximately RM511,377,000 (2010: RM324,375,000) comprising RM393,892,000 (2010: RM266,634,000), USD20,000,000 equivalent to RM63,770,000 (2010: USD10,852,000 equivalent to RM33,519,000), NZD10,609,000 equivalent to RM26,263,000 (2010: NZD10,609,000 equivalent to RM24,222,000) and IDR77,083,720,000 equivalent to RM27,452,000 (2010: nil). The amount of banking facilities utilised by the subsidiaries as at 30 September 2011 amounted to RM390,291,000 (2010: RM124,991,000).

32. Segment information

Business segments

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

Management has determined the operating segments based on the reports reviewed that are used to make strategic decisions.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

32. Segment information (Continued)

Business segments (Continued)

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments.

Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

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

2011	Dairies RM'000	Frozen Food RM'000	Packaging RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Revenue						
External revenue	609,123	204,640	4,539	61,301	-	879,603
Results						
Segments results	43,551	1,894	8,497	7,133	(6,285)	54,790
Interest income	362	94	3	30	19	508
Finance costs	(11,687)	(6,293)	(1,690)	(498)	(976)	(21,144)
Profit/(loss) before income tax	32,226	(4,305)	6,810	6,665	(7,242)	34,154
Income tax	(2,512)	444	(790)	(1,528)	(1,183)	(5,569)
Profit/(loss) after income tax	29,714	(3,861)	6,020	5,137	(8,425)	28,585

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2011

32. Segment information (Continued)

Business segments (Continued)

2011	Dairies RM'000	Frozen Food RM'000	Packaging RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Segment assets	432,260	170,393	55,738	54,981	12,942	726,314
Unallocated assets	2,994	14,174	1,529	1,191	5	19,893
Total assets	435,254	184,567	57,267	56,172	12,947	746,207
Segment liabilities	397,746	41,810	23,337	29,707	9,610	502,210
Unallocated liabilities	12,173	4,410	4,075	558	63	21,279
Total liabilities	409,919	46,220	27,412	30,265	9,673	523,489
Other information						
Capital expenditure	17,729	20,267	3,986	5,874	419	48,275
Depreciation and amortisation	11,475	6,929	1,946	515	182	21,047
Allowance for doubtful receivables	687	1,072	-	8	-	1,767
Inventories written off	3,351	-	-	-	-	3,351
Property, plant and equipment written off	361	13	-	1	-	375

2010	Dairies RM'000	Frozen Food RM'000	Packaging RM'000	Others RM'000	Unallocated RM'000	Total RM'000
Revenue						
External revenue	478,098	135,029	5,676	58,887	-	677,690
Results						
Segments results	64,938	10,644	9,960	9,714	(7,487)	87,769
Interest income	194	43	8	27	49	321
Finance costs	(3,464)	(2,152)	(1,381)	(879)	(683)	(8,559)
Profit/(loss) before income tax	61,668	8,535	8,587	8,862	(8,121)	79,531
Income tax	(6,893)	(2,258)	(1,784)	(2,719)	-	(13,654)
Profit/(loss) after income tax	54,775	6,277	6,803	6,143	(8,121)	65,877
Segment assets	290,781	96,727	45,130	47,719	14,728	495,085
Unallocated assets	520	979	694	809	-	3,002
Total assets	291,301	97,706	45,824	48,528	14,728	498,087
Segment liabilities	154,064	55,200	31,453	21,106	7,694	269,517
Unallocated liabilities	9,509	1,202	3,912	935	12	15,570
Total liabilities	163,573	56,402	35,365	22,041	7,706	285,087

32. Segment information (Continued)

Business segments (Continued)

2010	**Dairies RM'000**	**Frozen Food RM'000**	**Packaging RM'000**	**Others RM'000**	**Unallocated RM'000**	**Total RM'000**
Other information						
Capital expenditure	15,789	7,438	2,308	6,496	505	32,536
Depreciation and amortisation	7,684	1,247	1,883	457	130	11,401
Allowance for doubtful trade receivables	1,411	605	4	17	-	2,037
Inventories written off	2,579	-	-	-	-	2,579
Property, plant and equipment written off	22	-*	-	-*	-	22

* denotes amount less than RM1,000

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.

2011	**Malaysia RM'000**	**Africa RM'000**	**Asean RM'000**	**Others RM'000**	**Total RM'000**
Total revenue from external customers	481,173	141,872	159,684	96,874	879,603
Segment assets	652,780	14,189	47,842	11,503	726,314
Capital expenditure	42,410	-	1,646	4,219	48,275
Depreciation and amortisation	16,071	-	4,926	50	21,047
Allowance for doubtful receivables	1,586	-	173	8	1,767
Inventories written off	2,715	-	636	-	3,351
Property, plant and equipment written off	375	-	-	-	375

2010	**Malaysia RM'000**	**Africa RM'000**	**Asean RM'000**	**Others RM'000**	**Group RM'000**
Total revenue from external customers	371,397	117,722	116,911	71,660	677,690
Segment assets	400,565	7,271	49,003	38,246	495,085
Capital expenditure	26,811	-	389	5,336	32,536
Depreciation and amortisation	10,138	-	1,205	58	11,401
Allowance for doubtful trade receivables	1,992	-	28	17	2,037
Inventories written off	2,462	-	117	-	2,579
Property, plant and equipment written off	22	-	-	-	22

33. Financial risk and capital risk management

The Group's activities expose the Group to financial risks (including credit risks, foreign currency risks, interest rate risks and liquidity risks) arising in the normal course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance. The Group also enters into derivative transactions including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The management is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management continually monitors the Group's financial risk management process to ensure that an appropriate balance between risk and control is achieved.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

33.1 Credit risks

The Group and the Company have no significant concentration of credit risks except for amounts due from subsidiaries in the Company's statement of financial position and the trade amounts owing by third parties. The maximum exposures to credit risks are represented by the carrying amount of the financial assets on the statement of financial position.

Trade receivables that are neither past due nor impaired are substantially from companies with good collection track record with the Group.

The Group's trade receivables amounting to approximately RM59,270,000 (2010: RM38,793,000) would have been either past due or impaired if the terms were not renegotiated during the financial year. The age analysis of trade receivables of the Group which are past due but not impaired is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Past due 1 day to 3 months	52,034	33,801
Past due 3 to 6 months	4,219	2,635
Past due 6 to 12 months	1,753	1,347
Past due over 12 months	1,264	1,010
	59,270	38,793

Although the above balances exceeded the normal credit terms, management is of the view that they are still collectible through, but are not limited to, the following:

i) Several customers have made arrangements to pay their overdue accounts by installments; and

ii) Some of the trade receivables can be offset against the outstanding trade payables.

33.2 Foreign currency risks

The Group and the Company incur foreign currency risks on transactions and balances that are denominated in currencies other than the entity's functional currency. The currencies giving rise to these risks are primarily Singapore Dollar, British Pound, United States Dollar, Euro, New Zealand Dollar, Indonesian Rupiah, Vietnam Dong and Australian Dollar. Exposure to foreign currency risks is monitored on an on-going basis to ensure that the net exposure is at an acceptable level and hedging through currency forward exchange contracts is done where appropriate.

33. Financial risk and capital risk management (Continued)

33.2 Foreign currency risks (Continued)

During the year, the Group entered into foreign currency forward contracts to manage exposures to currency risk for receivables which are denominated in a currency other than the functional currency of the company.

The notional amount and maturity date of the forward foreign exchange contracts outstanding as at 30 September 2011 were as follows:

Contract	Expiry dates	Contract amount USD'000	RM'000 equivalent
Sales contracts used to hedge trade receivables	10/11/2011-30/03/2012	2,066	6,304

At the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective entity's functional currency are disclosed in the respective notes to the financial statements.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in the respective foreign currencies against the functional currency of the Group and the Company. 10% is the sensitivity rate used when reporting foreign currency risks internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's net income.

If the respective foreign currency weakens by 10% (2010: 10%) against the functional currency, profit before income tax of the Group will increase/(decrease) by:

	Consolidated statement of comprehensive income	
Group	**2011 RM'000**	**2010 RM'000**
Singapore dollar	(81)	(72)
United States dollar	1,026	2,178
British pound	52	15
Australian dollar	(410)	(388)
New Zealand dollar	2,449	497
Indonesia rupiah	2,235	-
Vietnam dong	57	-
Euro	(3)	12
	5,325	2,242

As at the end of the financial year, the Group's equity is not affected by changes in the foreign currency.

33. Financial risk and capital risk management (Continued)

33.2 Foreign currency risks (Continued)

If the respective foreign currency weakens by 10% (2010: 10%) against the functional currency, profit before income tax of the Company will decrease by:

	Consolidated statement of comprehensive income	
	2011	**2010**
Company	**RM'000**	**RM'000**
Singapore dollar	230	193

As at the end of the financial year, the Company's equity is not affected by changes in the foreign currency.

A 10% strengthening of the respective foreign currency against the functional currency would have an equal but opposite effect to the Group and the Company.

33.3 Interest rate risks

The Group's and the Company's exposure to market risks for changes in interest rates relates primarily to fixed deposits and bank borrowings with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 3% (2009: 3%) change in the interest rates from the end of the financial year, with all variables held constant.

If the interest rate increases/decreases by 3% (2010: 3%), profit before tax of the Group will increase/decrease by:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Bank borrowings	10,689	5,785
Bank overdrafts	1,020	116
	11,709	5,901

The Company has no bank borrowings for financial years 2011 and 2010.

33.4 Liquidity risks

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements. Short-term funding is obtained from overdraft facilities from banks and finance leases from financial institutions.

33. Financial risk and capital risk management (Continued)

33.4 Liquidity risks (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to pay. The table includes both interest and principal cash flows.

	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group					
2011					
Bank borrowings	139,726	40,850	125,952	70,265	376,793
Bank overdrafts	36,665	-	-	-	36,665
Finance lease payables	3,328	2,727	3,014	-	9,069
Trade and other payables	101,780	-	-	1,640	103,420
	281,499	43,577	128,966	71,905	525,947
2010					
Bank borrowings	98,020	46,203	35,085	7,688	186,996
Bank overdrafts	3,910	-	-	-	3,910
Finance lease payables	2,652	557	1,672	-	4,881
Trade and other payables	68,188	-	-	121	68,309
	172,770	46,760	36,757	7,809	264,096

The repayment terms of the bank loans, overdrafts and finance leases are disclosed in Notes 15 and 16 to the financial statements.

	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Company					
2011					
Trade and other payables	25,678	-	-	-	25,678
2010					
Trade and other payables	11,857	-	-	-	11,857

33.5 Capital risk management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' values.

The Company may purchase its own shares from the market and the timing of these purchases depends on market prices. Primarily, such actions are intended to enhance the return to the Company's shareholders and to be used for issuing shares under the Group's share options scheme in the future. Buy and sell decisions are made on a specific transaction basis by the management. The Company does not have a defined buy-back plan.

33. Financial risk and capital risk management (Continued)

33.5 Capital risk management policies and objectives (Continued)

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as equity plus net debt. The Group overall strategy remains unchanged since financial year 2010 which is to maintain a gearing ratio of less than 75%.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service all debt obligations (include principal repayment and interests) based on its operating cash flows.

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Net debt /(cash)	401,554	170,995	(1,084)	(2,901)
Total equity	222,718	213,000	96,136	94,019
Total capital	624,272	383,995	95,052	91,118
Gearing ratio	64.3%	44.5%	(1.1%)	(3.2%)

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 September 2011 and 2010.

33.6 Fair values

The carrying amount of the financial assets and financial liabilities in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the consolidated financial statements.

The Group analyses its financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow (Level 2 of fair value hierarchy); and

(iii) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

The Group has carried its quoted investments that are classified as available-for-sale financial assets at their fair values. These financial assets belong to level 1 of the fair value hierarchy.

33. Financial risk and capital risk management (Continued)

33.6 Fair values (Continued)

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Loans and receivables (including fixed deposits and cash and cash equivalents)	187,506	164,309	91,554	77,525
Available-for-sale financial assets	265	245	-	-
Financial liabilities				
Amortised cost (including loans and payables)	501,892	269,516	25,678	11,857
Derivative financial instruments	317	-	-	-

34. Comparative figures

Certain comparative figures have been reclassified to better reflect the nature of transactions.

	Group	
	As restated	**As previously reported**
	2010	**2010**
	RM'000	**RM'000**
Consolidated statement of comprehensive income		
Other operating income	2,693	10,924
Other operating expenses	(2,839)	(11,070)

These reclassifications have no effect on the reported profit or loss, total income, expense or net assets and the earning per share for any period reported. Accordingly, the management did not present a statement of financial position for the Group and the Company at the beginning of the earliest comparative period.

STATISTICS OF SHAREHOLDINGS
as at 5 December 2011

Issued and fully paid-up capital	:	S$24,851,084.955
Number of ordinary shares in issue	:	534,581,528
Class of shares	:	Ordinary share
Voting rights	:	One vote per share
Number of Treasury Shares held	:	1,210,000
Number of ordinary shares excluding Treasury Shares	:	533,371,528
Percentage of Treasury Shares	:	0.227%[1]

Note :

[1] Calculated based on 533,371,528 voting shares as at 5 December 2011.

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 times held by the public.

Based on the information provided and to the best knowledge of the Directors, approximately 30.7% of the issued ordinary shares of the Company are held in the hands of the public as at 5 December 2011 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	19	1.71	8,618	0.00
1,000 – 10,000	424	38.06	2,789,808	0.52
10,001 – 1,000,000	626	56.19	53,095,402	9.96
1,000,001 and above	45	4.04	477,477,700	89.52
TOTAL	**1,114**	**100.00**	**533,371,528**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	TAN YET MENG	60,649,926	11.37
2.	MAYBAN NOMINEES (S) PTE LTD	53,420,000	10.02
3.	CIMB NOMINEES (S) PTE LTD	50,400,000	9.45
4.	SBS NOMINEES PTE LTD	29,000,000	5.44
5.	KWONG YUEN SENG	24,457,220	4.59
6.	UOB KAY HIAN PTE LTD	24,150,000	4.53
7.	PHILLIP SECURITIES PTE LTD	23,199,494	4.35
8.	HONG LEONG FINANCE NOMINEES PTE LTD	23,160,000	4.34
9.	JAYA J B TAN	20,656,364	3.87
10.	MAH WENG CHOONG	20,347,224	3.81
11.	KHOR SIN KOK	19,100,224	3.58
12.	TAN SAN CHUAN	14,809,394	2.78
13.	TAN SAN LIN	14,331,394	2.69
14.	HSBC (SINGAPORE) NOMINEES PTE LTD	10,820,000	2.03
15.	POK YORK KEAW	9,200,000	1.72
16.	DBS NOMINEES PTE LTD	8,773,000	1.64
17.	POK YOKE KUNG	7,149,000	1.34
18.	HEW MARGARET WYE YOONG OR HEW LEONARD YOKE LEONG	5,200,000	0.97
19.	CHUNG CHEE FOOK	4,936,462	0.93
20.	PHANG MAH THIANG	4,778,000	0.90
	TOTAL	**428,537,702**	**80.35**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

		Direct Interest	%	Deemed Interest	%	Total Interest	%
[1][2]	Dato' Jaya J B Tan	90,856,364	17.03	183,199,786	34.35	274,056,150	51.38
[1][2]	Dato' Kamal Y P Tan	90,481,072	16.96	183,575,078	34.42	274,056,150	51.38
[1]	Tan Yet Meng	60,649,926	11.37	213,406,224	40.01	274,056,150	51.38
[2]	Mah Weng Choong	28,347,224	5.31	-	-	28,347,224	5.31
[2]	Khor Sin Kok	27,400,224	5.14	-	-	27,400,224	5.14

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.

NOTICE OF ANNUAL GENERAL MEETING

Etika International Holdings Limited (Company Registration No : 200313131Z)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Etika International Holdings Limited will be held at Camellia Room, Level 3, Grand Hyatt Singapore, 10 Scotts Road, Singapore 228211 on Wednesday, 18 January 2012 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 2011 and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the Company's Articles of Association :-
   (i) Dato' Jaya J B Tan (Article 91) **(Resolution 2)**
   (ii) Ms Tan Yet Meng (Article 91) **(Resolution 3)**

3. To re-appoint Mr Mah Weng Choong as a Director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50. **(Resolution 4)**

4. To approve the payment of Directors' fees of S$208,000 for the financial year ended 30 September 2011 (FY2010: S$247,000). **(Resolution 5)**

5. To declare the payment of a final tax exempt 1-tier dividend of 0.7 Singapore cents per share for the financial year ended 30 September 2011. **(Resolution 6)**

6. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. 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:-

8. **AUTHORITY TO ISSUE SHARES** **(Resolution 8)**

   "THAT pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to :-

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make 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 (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares.

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instruments made or granted by the Directors of the Company while this Resolution was in force, provided that :

   (i) the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below).

   (ii) (subject to such calculation as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of shares that may be issued in under sub-paragraph (i) above, the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of passing this Resolution, after adjusting for:-

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from the exercising share options or vesting of shares awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares.

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, such authority shall 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)]

9. **AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES** **(Resolution 9)**

"THAT pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorized and empowered to offer and grant options under the Etika Employee Share Option Scheme ("the Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether during the subsistence of this authority or otherwise, the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a 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 earlier." [See Explanatory Note (b)]

10. **RENEWAL OF SHARE BUY-BACK MANDATE** **(Resolution 10)**

"THAT:

(a) for the purposes of the Companies Act, Chapter 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (the "shares") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); or off-market purchases ("Off-Market Purchase") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) (the "Share Buy-back Mandate"), be and is hereby authorized and approved generally and unconditionally;

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which the share purchases are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy-back Mandate is varied or revoked;

(c) in this Resolution:

"Prescribed Limit" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"Relevant Period" means the period commencing from the date on which the last Annual General Meeting of the Company was held and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price" in relation to a fully-paid ordinary share in the capital of the Company (a "Share") to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding 105% of the Average Closing Price in the case of a Market Purchase and not exceeding 120% of the Average Closing Price in the case of an Off-Market Purchase.

NOTICE OF ANNUAL GENERAL MEETING

Etika International Holdings Limited (Company Registration No : 200313131Z)

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five market days, on which the Shares are transacted on the SGX-ST, immediately preceding the date of the Market Purchase by the Company, and deemed to be adjusted in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"Day of the Making of the Offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share; and

(d) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution." [See Explanatory Note (c)]

BY ORDER OF THE BOARD

S Surenthiraraj @ S Suressh
Kok Mor Keat
Company Secretaries

Singapore
30 December 2011

Explanatory Notes on Special Business to be transacted

(a) Ordinary Resolution 8, if passed, will enable the Directors to issue shares in the Company up to 50% of the total number of issued shares excluding treasury shares in the capital of the Company (in the case of issuance other than on a pro-rata basis to existing shareholders, such aggregate number of shares not to exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company) for such purposes as they consider to be in the interests of the Company.

(b) Ordinary Resolution 9, 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.

(c) Ordinary Resolution 10, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary issued shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution is set out in the Circular attached.

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 office of the Company's Share Registrar at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of Etika International Holdings Limited (the "Company") will be closed on 1 February 2012 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 p.m. on 31 January 2012 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 31 January 2012 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 18 January 2012, will be made on 20 February 2012.

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

Proxy Form

ANNUAL GENERAL MEETING

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Etika International Holdings Limited, the Annual Report 2011 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 No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	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 18 January 2012 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 year ended 30 September 2011				
2	Re-election of Dato' Jaya J B Tan as Director				
3	Re-election of Ms Tan Yet Meng as Director				
4	Re-appointment of Mr Mah Weng Choong as Director				
5	Approval of payment of Directors' fees				
6	Approval of payment of final tax exempt 1-tier dividend				
7	Re-appointment of Messrs BDO LLP as auditors and authorize Directors to fix their Remuneration				
8	Authority to allot and issue new shares				
9	Authority to allot and issue shares under Etika Employee Share Option Scheme				
10	Renewal of Share Buy-back Mandate				

* 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 ____________________ 2012.

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 office of the Company's Share Registrar at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

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

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

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

General:

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

www.etika-intl.com

ETIKA INTERNATIONAL HOLDINGS LIMITED
SGX Centre II, #17-01, 4 Shenton Way, Singapore 068807
Tel : (65) 6361 9883   Fax : (65) 6538 0877