ETIKA INTERNATIONAL HOLDINGS LIMITED

Annual Report 2008

SURGING AHEAD


Dairy
Champ

CONTENTS

ETIKA
A MALAY TRANSLATION OF THE WORD
ETHICS

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

ETIKA GROUP

GAINING A STRONGER FOOTHOLD IN THE FOOD & BEVERAGE INDUSTRY

CORPORATE PROFILE

Listed on SGX Catalist (previously known as the SGX-SESDAQ) on 23 December 2004, 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 sweethened condensed milk and evaporated milk and in the years following its listing, has evolved into a diversified regional F&B player via several acquisitions. Today, the Group has the following operating divisions:

1) Dairies Division
2) Frozen Food Division
3) Packaging Division
4) Nutrition Division
5) Beverage Division

Most of its operating facilities are located in Malaysia with branches through the Peninsular, while the Nutrition Division is based in Auckland, New Zealand.

The Group's products can be found in over 40 countries around the world, including ASEAN, North Asia, East and West Africa, Central and South America, Middle East, and other Asia-Pacific countries. The Group's products are traded under various brandnames like Dairy Champ (Dairies Division), Gourmessa (Frozen Food Division), Horleys (Nutrition Division) and Polygold (Beverage Division).

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

THE 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 distribute 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 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 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 40 countries in the regions of Asean, North Asia, East and West Africa, Central and South America, Middle East, and other Asia-Pacific countries.

The Dairies Division also successfully obtained the ISO9001:2000 certification in May 2007, and is in the process to obtain 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.

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 beginnings, its 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, hyper/supermarkets, bakeries, butcheries, fast-food chains, grocery stores, food processors and other wholesalers. Pok Brothers is

CORPORATE PROFILE

also an appointed importer and distributor of goods for several internationally known restaurant chains in Malaysia such A&W, Chillies, TGIF and Italiannies.

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, Selangor and has branches in major cities within Peninsular Malaysia, all with coldroom facilities.

In 2007, Pok Brothers Consumer (PBC) was created following the successful acquisition of the FMCG consumer business. PB 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.

PACKAGING DIVISION

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

General Packaging supplies its products to food-related business customers, particularly condensed and evaporated milk manufacturers as well as non-food business customers (e.g. aerosol cans). Apart from catering to the Malaysian market, General Packaging also exports its products to countries such as Singapore, the Philippines and Australia.

This Packaging Division is part of the Group's vertical integration strategy, as approximately 2/3 of its production capacity is used for the Dairies Division.

OTHERS

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 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 competence 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 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.

CORPORATE PROFILE

The formation of the Group's Nutrition Division has allowed the Group to develop its presence in new geographical regions, specifically in Australia and New Zealand. Horleys™ is the leading brandname in New Zealand and has an established market presence in Australia.

BEVERAGE DIVISION

The Group acquired a canned beverages manufacturing plant in June 2007 based in Seremban, Negri Sembilan. This facilities produces both carbonated and non-carbonated drinks under the brand name of "Polygold", and energy drinks under the brand name of "Air Bull".

Although still a relatively small business for the Group, the Beverage Division synergises with the Group's existing range of milk products. It will hence be able to ride on the Group's existing urban and rural distribution networks under the Dairies Division in order to gain greater market penetration.

FROZEN FOOD DIVISION (BAKERY)

DEAR VALUED SHAREHOLDERS,

THE GROUP PERFORMED EXCEPTIONALLY WELL FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008 ("FY2008"). WE MADE CORPORATE HISTORY WITH A MILESTONE SET OF RESULTS THAT SAW BOTH OUR TOP AND BOTTOM-LINES HITTING RECORD LEVELS. WE ARE INDEED VERY ENCOURAGED TO HAVE ACHIEVED SUCH GOOD GROWTH DESPITE CURRENT MARKET CONDITIONS AND ATTRIBUTE THIS SUCCESS TO THE GROUP'S EXPANSION STRATEGY WHICH ENCOMPASSES BOTH ACQUISITION-DRIVEN AND ORGANIC GROWTH.

MESSAGE FROM THE CHAIRMAN

FINANCIAL REVIEW

For FY2008, the Group's net profit soared 301.3% to an unprecedented RM40.6 million, on the back of a 51.3% jump in revenue, which amounted to a historical high of RM592.4 million. This high turnover was attributed to robust growth across all business segments, including the Packaging and Nutrition Divisions that were acquired in FY2007.

Our Dairies Division made up 66.1% of Group's revenue, while our Frozen Foods Division contributed 21.0% to total revenue. In addition, our Packaging Division constituted 4.6% of total revenue, while the balance was contributed by the Nutrition and Beverage Divisions, which made up the remaining 8.3% of total revenue.

OUTLOOK AND FUTURE PROSPECTS

Going forward, it will be inevitable to expect some impact on the Group's profitability should the ongoing global financial crisis deepen. We are, however, of the belief that food businesses in general are more resilient than other businesses and hence would be able to withstand the economic downturn better.

We expect our core business division, the Dairies Division, to be more defensive as compared to the other divisions due to its affordability and regular demand in the consumer food segment. As such, we anticipate this to create a strong buffer for the Group to weather the current global economic uncertainty.

On a separate note, I would also like to add that the Group is safe from the ongoing melamine crisis that originated from China's milk powder as the milk powder used for our production is sourced from New Zealand, Australia, United States of America and Europe. Notwithstanding the more stringent quality assurance measures currently imposed by importing countries and customers in order to contain the spread of contamination as a result of this crisis, the Group continued to witness strong demands for our dairy products. We will continue to distinguish ourselves as a reliable brand name, as well as continue to emphasise the importance of quality products.

The capacity expansion plans implemented across all of the Group's business divisions in FY2008 have allowed us to synergise our existing resources for greater cost-cutting benefits. This has resulted in organic growth for the Group through the expansion of our product range and market reach. Growing consumer acceptance, coupled with explorations of new geographical markets, is also anticipated to increase the demand for our existing and new products, which are in turn expected to drive sales volume.

While the general trend in the market currently leads to higher costs for major raw materials, we have been able to substantially mitigate this effect through the increase in selling prices and cost reduction through process improvements. The strong growth in our Dairies Division, for instance, was fuelled by higher average net selling prices in both the domestic and export markets due to an upward revision brought about by the escalating costs of raw materials in the earlier part of FY2008. We anticipate seeing continued positive impacts of these measures in our future bottomline.

FY2008 has been a year of historical highs for the Group. Notwithstanding looming threats of a global recession, we remain cautiously optimistic of our consolidation and expansion efforts. Moving ahead, we will endeavour to continue looking for cost-saving benefits that will assist in improving our margins. We will also continue to build on the strengths of our various business divisions, forging on prudently to drive maximum growth and enhance shareholders' value.

DIVIDENDS

The Board of Directors is pleased to recommend for shareholders' approval a final dividend payment of 1.3 Singapore cents for the financial year ended 30 September 2008. Together with the interim dividend of 0.3 Singapore cents per share paid on 30 May 2008, total dividend for the full year works out to be 1.6 Singapore cents per share.

MESSAGE FROM THE CHAIRMAN

Packaging/Bakery:
New factory under construction at Meru, Klang

Dairies Division:
Warehouse

Dairies Division:
Inspection of can for condensed milk

APPRECIATION

As the Group continues its journey into the new financial year, albeit a challenging one, we will strive to deliver stronger earnings growth and returns to shareholders. On behalf of the Board, I would like to take this opportunity to thank our investors, bankers and business associates for their continued support and confidence in Etika.

As always, I would also like to thank my fellow Board members, Management and staff for their hard work, dedication and commitment to the Group. I acknowledge that with these credentials, we saw Etika surging ahead with such impressive results for FY2008.

Dato' Jaya J B Tan
Non-Executive Chairman

FROZEN FOOD DIVISION (BUTCHERY)

REVIEW OF OPERATIONS

Financial year ended 30 September 2008 ("FY2008") was a year of consolidation for Etika Group after embarking on an acquisition trail in the preceding two financial years in our diversification efforts to evolve into a Food & Beverage player.

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

- Dairies Division
- Frozen Food Division
- Packaging Division
- Others – comprising Nutrition Division and Beverages Division

We had focused our attention on strategizing and growing all the businesses within the Group and undertaken rationalization initiatives aimed at improving operating facilities and efficiencies so as to create a platform that will cater to the Group's future growth. We expect to see continuing benefits of these initiatives in the coming years.

GROUP FINANCIAL RESULTS

Our restructuring and consolidation efforts was well rewarded with the Group delivering a sterling set of figures for the year under review where growth had been phenomenal. Both topline and bottomline recorded historic highs, achieved under increasingly difficult economic conditions.

Group turnover for FY2008 rose 51.3% to a record RM592.4 million, as compared to RM391.5 million achieved in the previous financial year. This was contributed by growth across all business segments led by our Dairies Division. This division accounted for 64.9% of turnover growth, driven by increased sales volume and higher average net selling prices in both the domestic and export markets. Dairies Division continued to be the backbone of the Group's business.

Fuelled by strong revenue growth, the Group achieved a historical net profit of RM40.6 million in FY2008, a highly commendable 301.3% jump from RM10.1 million in FY2007.

Cost of goods sold rose 42.5% for the financial year under review, but at a lower rate as compared to that of Group's revenue growth of 51.3%. This has resulted in a surge of 94.3% in gross profit to RM129.8 million in FY2008 (FY2007: RM66.8 million) and gross profit margin improved by 4.8 percentage points to 21.9%, compared to 17.1% in prior year. The improvements in gross profit margin was mainly due to the increase in the average net selling prices in our Dairies Division for both domestic and export markets. Other key factors contributing to the better margin were the continued efforts at process improvements that resulted in a better managed product costs in light of escalating input costs, as well as full year contributions from higher margin businesses from the Group's Packaging and Nutrition Divisions.

Other operating income jumped RM0.6 million or 27.5% to RM3.0 million in FY2008 from RM2.3 million in FY2007, with RM1.5 million contributed by our Dairies Division and RM0.6 million by Etika Brands mainly due to gains from foreign exchange. This was partially offset by a decrease of RM0.8 million from the Group's Packaging Division due to a write-off of bad debts, RM0.6 million from the Frozen Food Division due to gain from disposal of quoted shares the previous year, and RM0.1 million from Nutrition Division due to lower interest income earned and lower allowance for doubtful debts no longer required in the financial year under review.

Administrative expenses increased by RM11.5 million or 50.3% to RM34.2 million in FY2008 from RM22.8 million in FY2007, with Dairies Division accounted for RM3.9 million due to provisions made for doubtful debts, staff costs, directors' emoluments and fees, and insurance on additional fixed assets. Higher administration expenses were also recorded due to 12-month impact of other divisions. The Group's Frozen Food Division, Packaging Division, Nutrition Division and Beverage Division accounted for RM2.0 million, RM2.3 million, RM1.6 million and RM0.5 million in the expenses respectively of the increase. The Group's other non-core subsidiaries accounted for the remaining RM1.2 million of the increase in administrative expenses.

REVIEW OF OPERATIONS

Dairies Division: Packing Lines

Sales, marketing and distributing expenses was RM16.0 million or 71.5% higher to RM38.3 million in FY2008 from RM22.3 million in FY2007. This was mainly attributable to a RM6.4 million increase from the Nutrition Division due to a 12-month impact, a RM6.3 million jump in the Dairies Division due to higher freight and transportation costs, a RM1.9 million higher from the Frozen Food Division due to the full-year operation of the FMCG distribution business, and finally, a RM1.2 million increase from the Packaging Division also due to full-year impact.

Other operating expenses increased by RM1.6 million or 34.8% to RM6.3 million in FY2008 (FY2007: RM4.7 million). This comprised mainly of an increase of RM1.9 million in the Dairies Division due to increase in staff costs, year-end translation losses and a fair value amortisation of receivable.

The Group's finance costs rose by RM2.6 million or 36.7% to RM9.5 million in FY2008 (FY2007: RM7.0 million). This was mainly due to the full year financial impact, additional term loans and trade financing facilities for the Packaging Division in order to cater to expansion plans, as well additional trade financing facilities in view of higher sales volume within the Dairies Division.

Effective tax rate reduced significantly by 19.5 percentage points to 8.6% as compared to 28.1% in the previous financial year. This was attributed mainly to the tax exemption status enjoyed by one of the Group's subsidiaries (an approved International Procurement Center) in the Dairies Division, which had posted strong profit during the financial year under review.

For FY2008, basic earnings per share ("EPS") soared 251.7% to 16.2 RM sen per share (FY2007: 4.6 RM sen).

BALANCE SHEET POSITION

The Group ended in a much stronger balance sheet position as at the end of FY2008, where net assets increased by RM35.9 million or 46.2% to RM113.5 million (FY2007: RM77.6 million) as a direct result of the historic revenue and profit performance.

Net asset value per share stood at 45.4 RM sen (FY2007: 32.3 RM sen), an increase of 40.6%.

Total bank borrowings increased by RM22.0 million or 15.8% to RM161.9 million (FY2007: RM139.9 million). The higher bank borrowings were mainly due to additional trade financing facilities obtained to finance the Group's growing business volume.

Notwithstanding the higher bank borrowings, the Group's net gearing position decreased to 1.3 times in FY2008 from 1.6 times in FY2007.

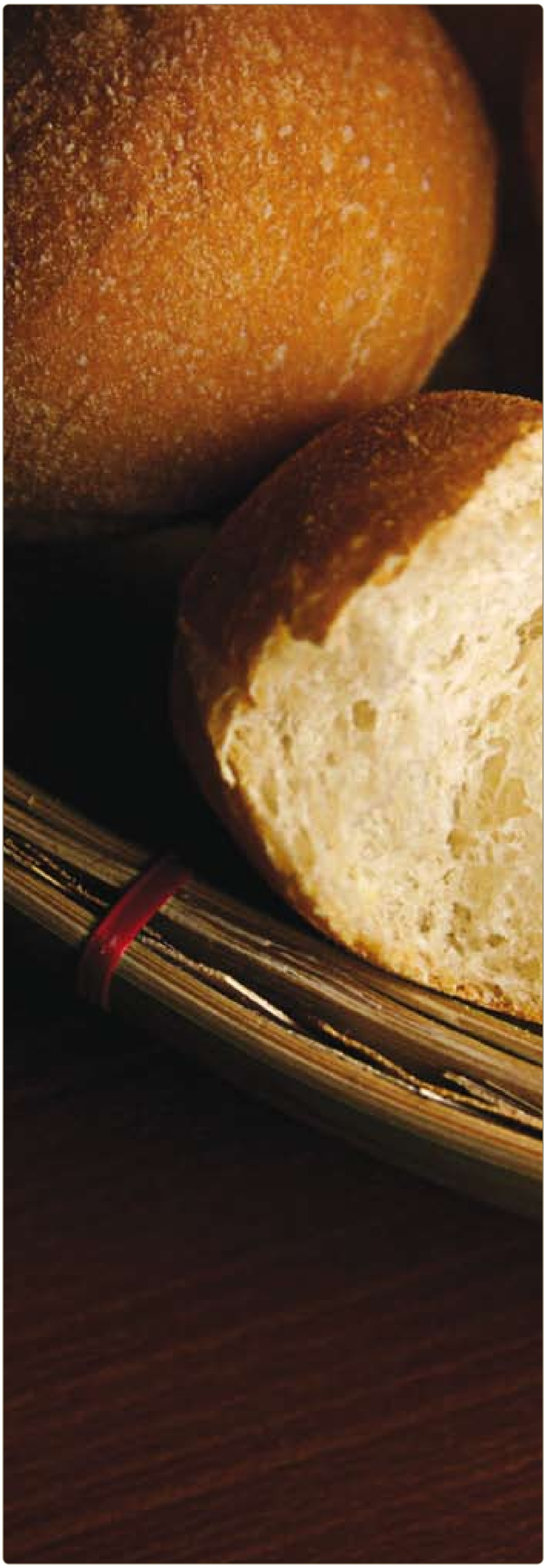
CASHFLOW POSITION

Group operating cashflow also showed a significant improvement compared to the previous financial year.

Net cash generated from operation was RM15.1 million in FY2008 compared with a negative operating cashflow of RM14.4 million in FY2007.

SEGMENTAL REVIEW BY BUSINESS DIVISIONS

All of our core business segments posted higher revenues in FY2008 as compared to FY2007. With the exception of the Frozen Food Division, strong growth in net profit was also registered across all business segments.

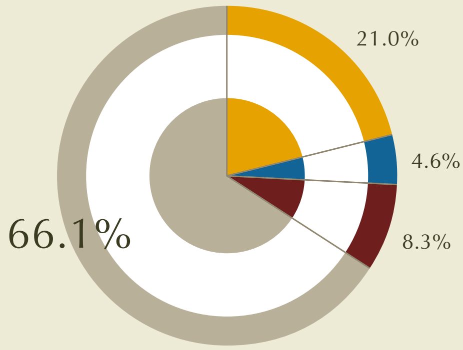


REVIEW OF OPERATIONS

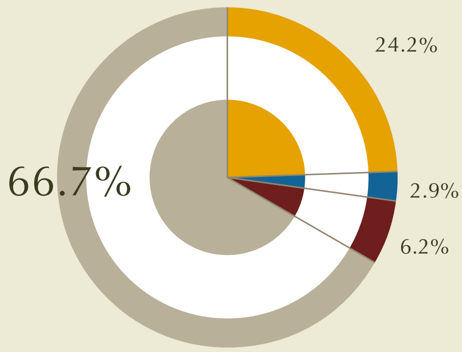
The Group's Dairies Division continued to be a major contributor of our revenue, making up 66.1% of the Group's total revenue. The Frozen Food Division made up 21.0% of total revenue, whilst the Packaging Division constituted 4.6% of total revenue. The Nutrition and Beverage Divisions made up the remaining 8.3% of total revenue.

Revenue By Business Segments

	FY2008 RM	FY2007 RM
Dairies	391,547,368	261,247,724
Frozen Food	124,156,016	94,873,447
Packaging	27,167,733	11,401,320
Others	49,522,858	23,988,758
Total	592,393,975	391,511,249



FY 2008



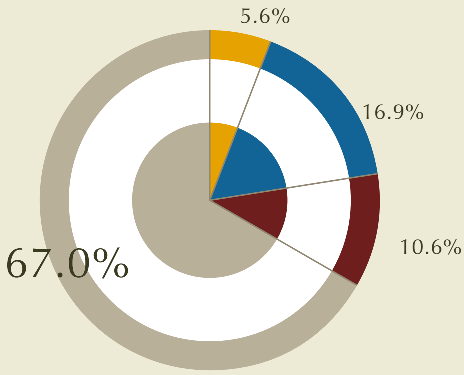
FY 2007

REVIEW OF OPERATIONS

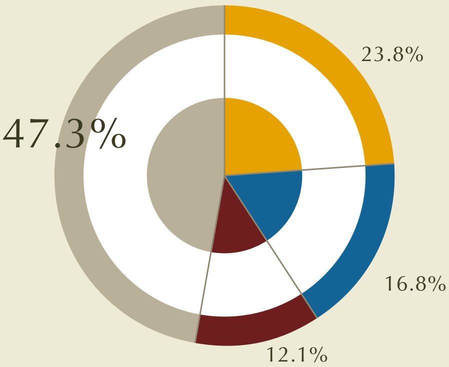
Dairies Divison also contributed the largest share of net profit to the Group at 67.0%, followed by Packaging Division of 16.9% while Frozen Food Divison contributed 5.6%. The balance included under "Others" segment comprising our Nutrition and Beverage Divisions, made up the remaining 10.6%.

Profit After Tax (PAT) By Operating Business Segments

	FY2008 RM	FY2007 RM
Dairies	31,157,110	7,367,836
Frozen Food	2,585,506	3,698,474
Packaging	7,862,718	2,613,384
Others	4,919,154	1,890,801
Total	46,524,488	15,570,495



FY 2008



FY 2007

Dairies Division

For FY2008, revenue from the Group's Dairies Division surged 49.9% to RM391.5 million while net profit jumped 322.9% to RM31.2 million. In tandem with strong revenue growth, the Division also posted an improvement of 4.7 percentage points in gross profit margin at 17.1% as compared to the previous corresponding year.

Improved margins were attributed to the following reasons:

- higher average net selling prices in both domestic and export markets due to upward revision of selling prices during the year, brought about by the escalating material costs in the early part of the year;
- reduction in the cost of trade offers (free tins offered to customers as commonly practised in the industry) by approximately 1.5 tins per carton (based on 48 tins per carton) in the Malaysian market;
- continued efforts to improve processes aimed at lowering product costs and mitigating the increase in prices of key materials such as milk powder;
- cheaper material costs (eg. sugar) resulting from alternative sources of supplies; and
- overall reduction in overhead per carton as a result of increasing business volume.

During FY2008, the Division expanded the presence of our "Dairy Champ" brand in all major hypermarkets and supermarkets in Malaysia including Tesco, Giant and Cold Storage.

Additionally, the Group made further inroads in the export markets with the introduction of our "Dairy Champ" sweetened condensed and evaporated milk to new overseas markets such as Uzbekistan, Sri Lanka, various countries in the Oceania such as the Federated States of Micronesia, the Republic of Marshall Islands and the Republic of Palau.

REVIEW OF OPERATIONS




Despite the marked improvements in both the Division's revenue and gross profit margin, income tax for FY2008 was lower as compared to the previous financial year's due to savings derived from tax holidays from one of the Group's subsidiaries, which has the International Procurement Center ("IPC") status.

Capital expenditure incurred for the Dairies Division in FY2008 was primarily for the Division's capacity expansion purposes. RM9.0 million was incurred for the construction of a new building on Lot LS-3 in Meru Industrial Park, while RM2.3 million was incurred due to upgrading of equipments for Sweetened Condensed Milk ("SCM") and RM2.2 million was made for the down payment of new machinery for additional SCM production lines. The Group expects these projects to complete by the second quarter of FY2009 and anticipates the output capacity of sweetened condensed and evaporated milk to increase by 30%.

Notwithstanding the current global economy slowdown, the Group foresees businesses involved in the lower end of the consumer food segment to be more defensive than those involved in higher end of consumer food market segments. As such, the Dairies Division, being our core business segment, is expected to better weather the economic downturn.

Frozen Food Division

The Frozen Food Division registered an increase of 30.9% in revenue to RM124.2 million and revenue growth was recorded across all sub-divisions, comprising the frozen food trading, butchery and bakery, and FMCG distribution businesses.

The Division's main revenue contribution came from its meat sales, notably beef. High grain prices had impacted beef prices because of its feed meal for livestock. Although beef prices had risen throughout FY2008, the Group expects prices to stabilise gradually in 2009.

Notwithstanding revenue growth, net profit declined 30.1% to RM2.6 million. The weaker performance was due partly due to a negative goodwill of RM1.3 million in FY2007 results. Excluding this negative goodwill, net profit actually increased by 4.1%. Nevertheless, profit margin had narrowed due to a higher revenue contribution from the FMCG business, which is traditionally a high-volume business with low margins. Additionally, higher operating overheads for the FMCG distribution, as well as escalating raw material costs in the butchery and bakery businesses, also contributed to the decline in margins.

However, this was partially offset by higher gross profit margins posted by frozen food trading, in which higher material costs were passed on easily to high-end customers.

FY2008 saw record high prices in most of the Group's Frozen Food products due to adverse weather conditions in the producing countries and a rise in consumerism in the major emerging countries, including Malaysia. Prices of dairy products such as milk, cheese and cream peaked but the present global economic uncertainty has resulted in a downward revision of prices.

A reduction in fuel prices in FY2009 will continue to ease the Group's distribution costs but this will be off-set by rising logistics, warehousing and other maintenance costs. Costs of utilities will remain high after the recent increase in tariffs in Malaysia, coupled with recent public announcements indicating that there will be no downward adjustment by the relevant authorities despite the lower fuel prices.

Going forward, the Group foresees FY2009 to be a challenging year for the Frozen Food Division.

Packaging Division

Riding on the strong growth of the Dairies Division, revenue for the Packaging Division (including inter-segment sales to the Dairies Division) increased 200.3% to RM82.8 million. Excluding inter-segment sales, revenue from the Packaging Division grew 138.3% to RM27.2 million. Net profit registered a 200.9% increase to RM7.9 million in FY2008.

The improvement in performance was due mainly to strong demands from the Dairies Division, which resulted in higher production volume and reduced overheads per unit. In addition, a full year impact of the Packaging Division as opposed to the previous financial year's five-month impact also boosted the

Dairies Division: Spiral elevator for condensed milk cans

REVIEW OF OPERATIONS

Dairies Division: Lab operation

Division's performance. Other attributable factors include: higher economies of scale brought about by the Group's streamlining of Packaging facilities, as well as greater production capacity via upgrades of production equipments which are intended to capitalise on strong demand.

In view of ongoing robust demand in this Division, the Group embarked on a capacity expansion programme by upgrading certain production equipment. When this upgrading exercise is completed, the Group anticipates continued growth in this Division. To mitigate the impact of the global economic slowdown, the Group has put in place plans to introduce new products (such as evaporated milk cans) as well as to search for new potential markets.

Other Divisions

The Group's other operating divisions include the Nutrition Division and the Beverage Division. Combined revenue for the Group's Nutrition and Beverage Divisions grew 106.4% to RM49.5 million, while net profit rose 160.2% to RM4.9 million.

Nutrition Division

The Nutrition Division made up the bulk of the increase in combined revenue, accounting for 88.2% or RM22.5 million of the increase, and 91.9% or RM2.8 million of the increase in net profit.

Growth in the Nutrition Division was brought about by the factors such as full year impact, upward revisions in selling prices during the year due to escalating costs of raw materials, favourable A$ exchange rates for sales in Australia which accounted for 57.5% of total revenue in this Division and a costs review exercise with co-packers resulting in costs savings.

Rapidly growing our market share in Australia, the Group's sales in Australia via its route channel recorded a doubling of sales as well as marked improvements in profit margins. The increase in sales volume was due to the successful STO model in which the sales territory owners are rewarded based on the volume of sales generated. Sales was also boosted by the emerging ladies-only gym chain Contours, and other large gym chains, Fitness First and Good life. Another significant source of this increase in sales was the rapid adoption of the Group's Horleys range of Carb-Less bars by the Australian market.

REVIEW OF OPERATIONS

In New Zealand, the Nutrition Division continues to enjoy a market share of approximately 40% of the supermarket business. In the short to mid-term, the Group expects our Nutrition Division to continue its current growth rate, driven by the Australian and New Zealand markets.

The Group re-launched "Horleys" Elite range of body building products, in Australia and New Zealand towards the end of FY008. This was met with excellent reviews, and Etika anticipates this to pave the way for sustained robust sales in the new financial year ahead.

Beverage Division

For the Group's Beverage Division, sales reached its peak in the month of August 2008 with an increase of about 60% as compared to the previous financial year. With stringent control on costs of operation, the Group managed to minimise the impact of the fuel hike during the course of FY2008.

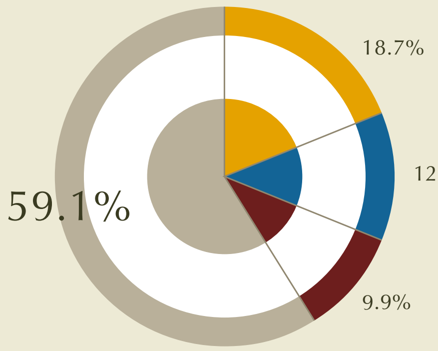
In the export markets, the Group also successfully introduced the Division's carbonated and non-carbonated beverages to various countries, as evidenced by regular shipments of our "Airbull" energy drinks to the Western region of China, and "Polygold" beverages to Marshall Island. In order to cope with an expanding business, the Group has also committed capital expenditure on the factory extension to increase work space to cater for potential growth in FY2009. Output capacity is expected to increase by 100% as a result of this expansion.

GEOGRAPHICAL SEGMENTATION

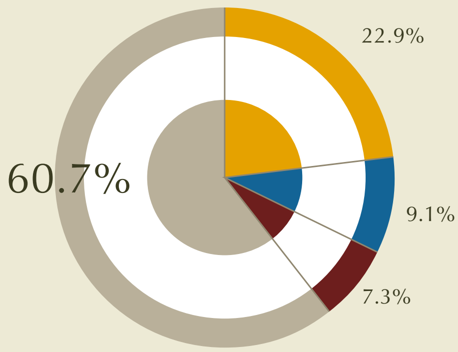
Robust revenue growth was recorded throughout all geographical segments for FY2008 as compared to FY2007. Malaysia and ASEAN were the Group's key markets in terms of revenue, accounting for approximately 74.6% of total Group revenue increase.

Revenue by Geographical Segments

	FY2008 RM	FY2007 RM
Malaysia	350,139,120	237,683,485
Africa	110,906,724	89,672,041
Asean*	72,992,067	35,514,690
Others**	58,356,064	28,641,033
Total	592,393,975	391,511,249



FY 2008



FY 2007

* *All ASEAN countries excluding Malaysia*

** *Includes Central and South America, the Middle East and the Asia Pacific countries, particularly Australia and New Zealand*

REVIEW OF OPERATIONS

Dairies Division: Steriliser for evaporated milk

Malaysia

Malaysia remained the dominant market for the Group in FY2008, accounting for 59.1% or RM350.1 million of the Group's total revenue. The Dairies Division was the main driver in the Malaysian market, comprising 59.9% of the Malaysian total revenue, followed by the Frozen Food Division at 35.1%, the Packaging Division at 4.2% and the balance from the Nutrition and Beverage Divisions.

Africa

Africa continued to be the second largest geographical market for the Group, contributing 18.7% or RM110.9 million to the Group's total revenue. Revenue attributable to the region increased by 23.6% mainly from the Dairies Division for sweetened condensed milk under the Dairy Champ brand, as well as third party labels under OEM arrangement.

ASEAN*

The ASEAN countries (excluding Malaysia) accounted for 12.3% or RM73.0 million of the Group's total revenue, and sales were driven mainly by the Group's Dairies Division. The region is gaining greater significance as the Group continues to grow our presence in Singapore, Indonesia and the Philippines.

* *All ASEAN countries excluding Malaysia*

Others

Other markets including Central and South America, the Middle East and the Asia Pacific countries, particularly Australia and New Zealand, made up 9.9% or RM58.4 million of the Group's total revenue in FY2008. The bulk of the sales were derived from the Nutrition Division at 76.7%, comprised mainly of sales generated in New Zealand and Australia.

REVIEW OF OPERATIONS

Packaging Division: Can forming line

Frozen Food Division (Bakery): Bread making process

PROSPECTS AND GROWTH PLANS

In view of the ongoing global financial crisis, the Group expects some impact should the crisis deepen. The Group, however, expects some divisions to be more resilient than others.

The Group foresees businesses involved in the lower end of consumer food segment to be more defensive than those involved in higher end of consumer food market segments. As such, the Dairies Division, which is the key driver for the Group, is expected to weather the economic downturn better while both the Frozen Food and Nutrition Divisions will likely see greater challenges ahead.

In anticipation of higher demands for the Group's dairy products in both the domestic and export markets, the Group has implemented a capacity expansion programme to increase both production output of sweetened condensed and evaporated milk. The new capacity is expected to come on stream by the second quarter of FY2009.

Facing an increasingly competitive business environment, our Frozen Food Division is also slated to undergo expansion in the next financial year in order to offer a fuller range of products, logistics facilities as well as enhanced customer service. The operating facilities of our Bakery sub-division will be moved to a new plant in Meru, Klang, and is expected to commence production by the second quarter of FY2009. Our Butchery sub-division will take over the space vacated by the Bakery sub-division in Glenmarie, Shah Alam, and plans are in the pipeline to install additional meat processing equipments as well as expand the Trading sub-division's coldroom and dry storage facilities.

Additionally, in order to increase the Frozen Food Division's product offerings, the Group will also be building a new coldroom and warehouse facility in Penang, targeted for completion by late 2009.

For the Packaging Division, we plan to relocate our existing manufacturing plant in Petaling Jaya, Selangor to a new plant-cum-warehouse facility in Meru, Klang which is in closer proximity to the Group's Dairies Division. This new plant is scheduled to be operational by the second quarter of FY2009, and is expected to hold additional production lines that will increase production capacity by approximately 15%, catering largely to condensed milk and aerosol cans. On completion, the Group anticipates greater production efficiencies, lower product costs, and substantial savings from transportation costs. Going forward, this is expected to lead to better margins and profit for the Division.

Finally, for our Nutrition Division, we plan to achieve greater market shares in the New Zealand and Australia markets, where we have an established presence as a marketer of branded sports nutrition and dietary supplement food products. Leveraging on the established "Horleys" brand, the Group will focus on delivering superior customer service, and constant product improvement and innovation to drive the growth of business in New Zealand and Australia.

Computerization Drive

FY2008 has provided the Group with a strong foundation to build on for our future growth. As the Group grows, both in terms of size and geographical spread, our need for speedy and accurate information will be even more critical for management decision making. In this respect, the management has plans to embark on an ERP project to computerize the entire group's operation using a common IT platform.

REVIEW OF OPERATIONS

Dairies Division: Inspection of OEM products

RIGHTS ISSUE PROCEEDS AND ITS UTILISATION

The Company has raised S$6.34 million (RM14.25 million) being the net proceeds from the successful rights issue exercise completed on 10 May 2007. As at 30 September 2008, these proceeds have been fully utilised in the following manner:-

- Approximately RM2.61 million were used to repay bank borrowings.
- Approximately RM4.09 million were used for the Group's business expansion; and
- Approximately RM7.55 million were used for working capital purpose.

A Well-Anchored Leading F&B Group

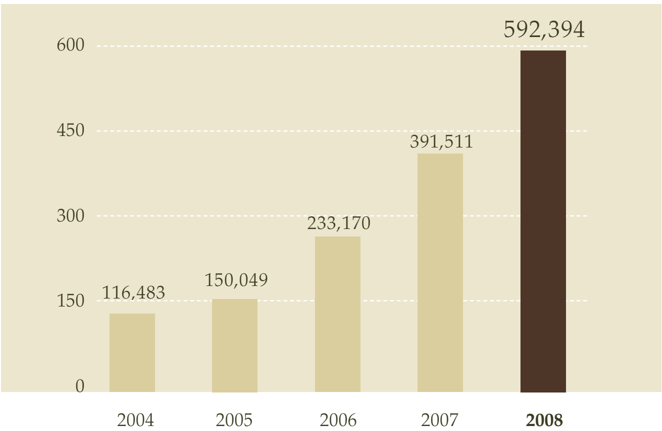
Our Group's diverse products offerings, extensive distribution network, increased market presence and geographical reach, driven by greater economies of scales and supported by our dedicated employees, we will strive to build a strong Etika corporate branding. As the strategies implemented over the last 2 years have begun to bear fruit, we are truly anchoring our name as a leading regional F&B Group.

FINANCIAL HIGHLIGHTS

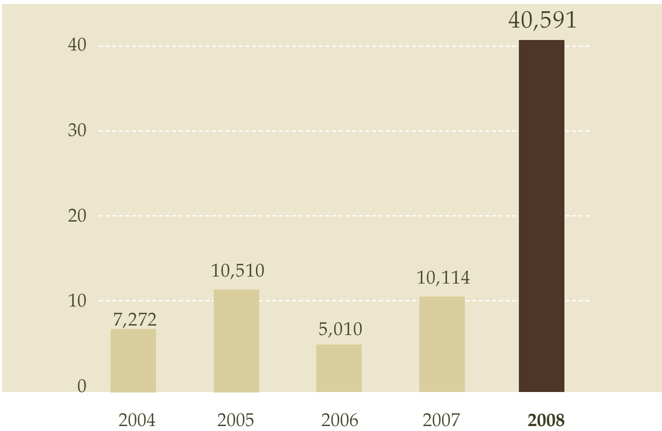
	FY 2004 Proforma	FY 2005 Proforma	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
KEY FINANCIAL INFORMATION					
1. Revenue (RM'000)	116,483	150,049	233,170	391,511	592,394
2. Profit after tax (RM'000)	7,272	10,510	5,010	10,114	40,591
3. Shareholders' equity-opening balance (RM'000)	12,614	33 ,731[1]	45,564	56,275[1]	74,181
4. Total equity (RM'000)	19,877	45,564	50,654	77,641	113,892
5. Weighted average number of shares	128,630,152	148,460,443	171,630,152	198,714,800	266,488,715
6. Weighted average number of days (revenue)	365	334	336	350	365
KEY FINANCIAL RATIO					
1. Earning per share (EPS) (RM sen)	5.7	7.1	2.9	4.6	16.2
2. Return on equity (%)	57.7	31.2	11.0	18.0	54.4
3. Dividend per share (RM sen)	N/A	0.9	1.0	1.1	3.9
4. Net asset value per share (RM sen)	15.5	26.6	29.5	32.3	45.4
5. Inventory turnover (days)	44	54	50	34	65
6. Receivables turnover (days)	81	73	86	89	70
7. Payables turnover (days)	95	82	63	72	27
8. Working capital cycle (days)	30	45	73	51	108
9. Net gearing ratio (times)	1.0	0.4	1.4	1.6	1.3

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

Revenue (RM'000)

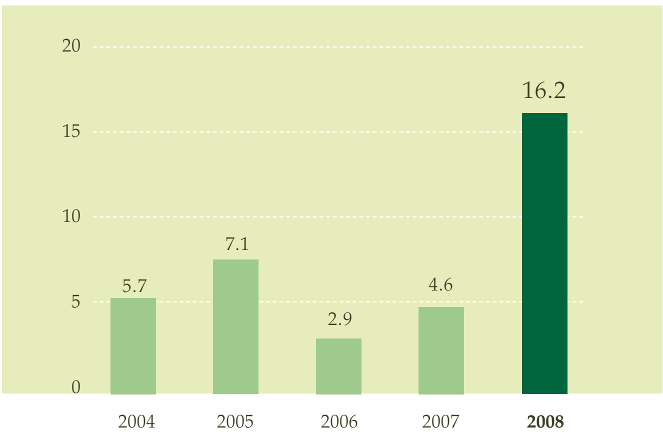


Profit After Tax (RM'000)

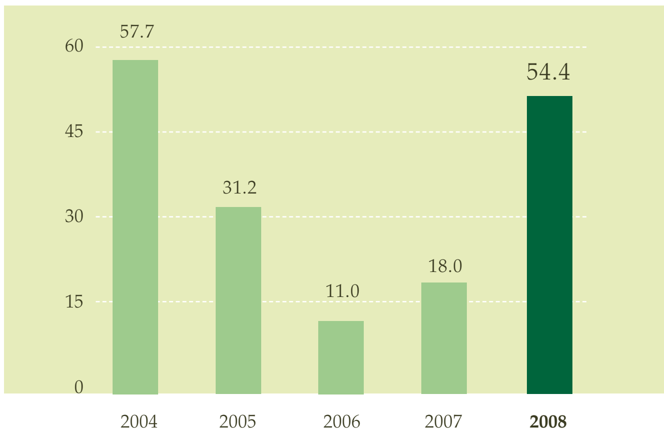


FINANCIAL HIGHLIGHTS

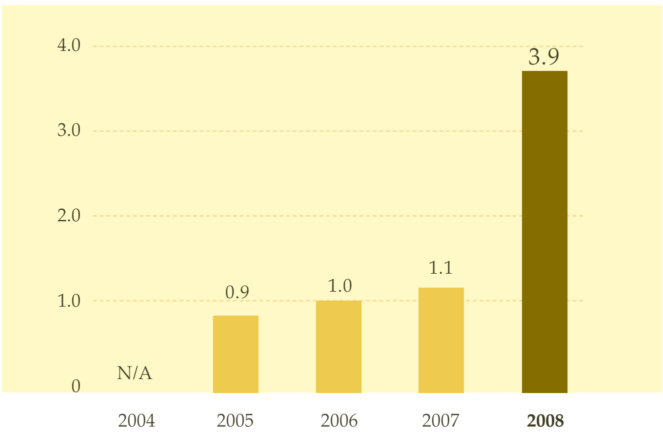
Earning Per Share (EPS) (RM Sen)



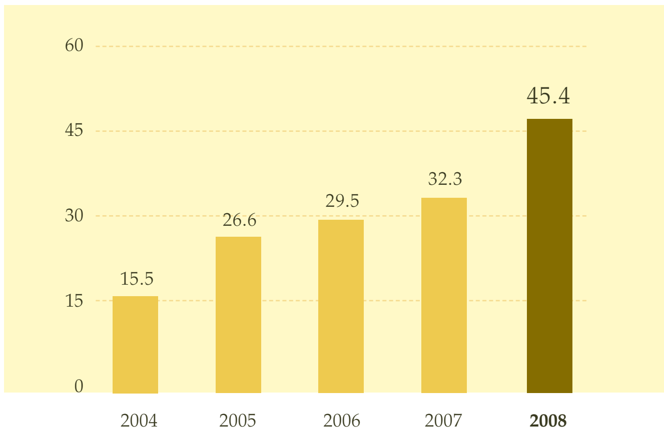
Return On Equity (%)



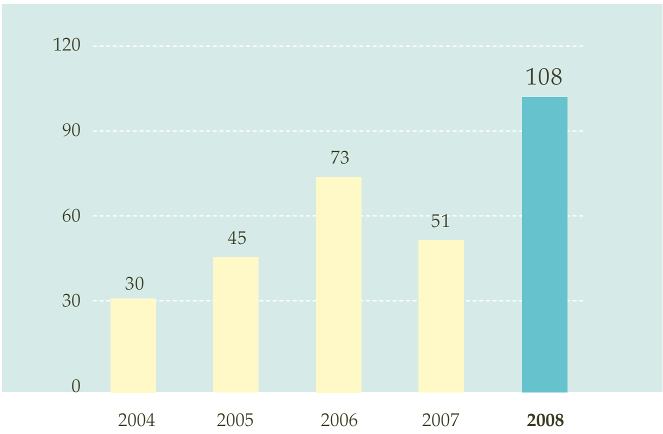
Dividend Per Share (RM Sen)



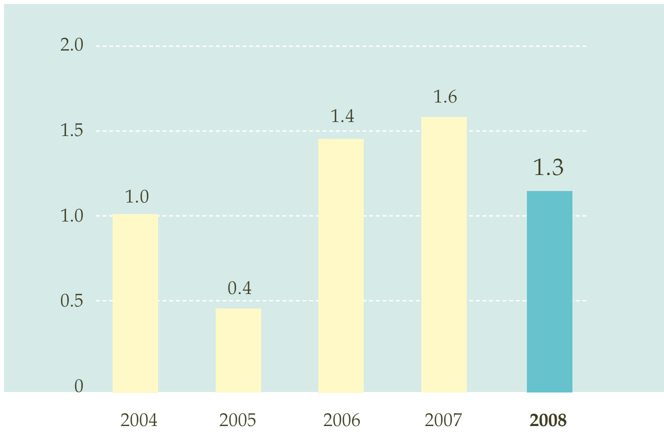
Net Asset Value Per Share (RM Sen)



Working Capital Cycle (Days)



Net Gearing Ratio (Times)



GROUP STRUCTURE

ETIKA INTERNATIONAL
HOLDINGS LIMITED

Dairies

- Etika Dairies Sdn Bhd
- Etika Global Resources Sdn Bhd
- Etika Foods Marketing Sdn Bhd

Frozen Food

- Etika Foods (M) Sdn Bhd
- Pok Brothers Sdn Bhd
- Pok Brothers (Selangor) Sdn Bhd
- Pok Brothers (Penang) Sdn Bhd
- Pok Brothers (Pahang) Sdn Bhd
- Pok Brothers (Johor) Sdn Bhd
- De-Luxe Food Services Sdn Bhd

Packaging

- Etika Industries Holdings Sdn Bhd
- General Packaging Sdn Bhd

Nutrition

- Etika (NZ) Limited
- Naturalac Nutrition Limited

Beverage

- Etika Beverages Sdn Bhd

Non-Core

- Quality Wines Sdn Bhd
- Etika Capital (Labuan) Inc
- Eureka Capital Sdn Bhd
- Etika Foods International (Labuan) Inc
- Etika Brands Pte Ltd
- PT Etika Marketing

Immediate holding companies

Intermediate holding companies

Note :
The above companies are 100% wholly-owned except for Quality Wines Sdn Bhd(70%), General Packaging Sdn Bhd (99.04%) and Pok Brothers (Johor) Sdn Bhd (81.3%).

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HORLEYS
Crossfire
PROTEIN
HORLEYS
ICE
WHEY
100% WHEY PROTEIN ISOLATE
HORLEYS
AWESOME
Mass
HORLEYS
Ripped
FACTORS
100% WHEY PROTEIN ISOLATE
CHOCOLATE
NUTRITION DIVISION

BOARD OF DIRECTORS

Dato' Jaya J B Tan
Non-Executive Chairman
Member of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

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

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

Dato' Jaya was re-elected at the last Annual General Meeting ("AGM"). He is the brother of Dato' Kamal Y P Tan, brother-in-law of Ms Tan Yet Meng and uncle of Mr Tan San Chuan.

Dato' Kamal Y P Tan
Executive Director

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

Currently, Dato' Kamal is also the Executive Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited and a Non-Executive Director of companies listed on the Australian Stock Exchange, Lasseters Corporation Limited and Cypress Group Lakes Limited. He is involved in gaming, hospitality and leisure businesses in Papua New Guinea and Ghana and acts as a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Dato' Kamal is due for re-election as a Director of the Company at the forthcoming AGM. He is the brother of Dato' Jaya J B Tan, brother-in-law of Ms Tan Yet Meng and uncle of Mr Tan San Chuan.

BOARD OF DIRECTORS

Teo Chee Seng
Independent Director
Chairman of Remuneration 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 27 years. He is also a Notary Public.

Mr Teo acts as the legal consultant to Tzu Chi Foundation, Taiwan's biggest charity organisation with 5 million members worldwide. Presently, he sits on the Advisory Board of Raffles Town Club.

Apart from the present directorship of the Company, Mr Teo is also an Independent Director of another company listed on the Singapore Stock Exchange, namely Lasseters International Holdings Limited and United Overseas Australia Ltd, which is listed on both Singapore and Australia stock exchanges.

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

John Lyn Hian Woon
Independent Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

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

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

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

Mr Lyn was re-elected as a Director of the Company at the last AGM held in January 2008.

BOARD OF DIRECTORS

Mah Weng Choong
Non-Executive Director

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

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

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

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

Tan Yet Meng
Non-Executive Director

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

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 is due for re-election as a Director of the Company at the forthcoming AGM. She is the mother of Mr Tan San Chuan and sister-in-law of Dato' Jaya J B Tan and Dato' Kamal Y P Tan.

BOARD OF DIRECTORS

Khor Sin Kok
Alternate Director to Mah Weng Choong

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

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

Tan San Chuan
Alternate Director to Tan Yet Meng

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

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

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

SENIOR MANAGEMENT

Desmond Thong Cooi Seong
Chief Financial Officer

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

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

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

Lawrence Pok York Keaw
Managing Director, Pok Brothers Sdn Bhd

Mr. Lawrence Pok York Keaw has extensive experience in the hotel and restaurant industry. He is the Managing Director of Pok Brothers Sdn Bhd ("PBSB") 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 in the food industry. PBSB has established a subsidiary known as De-Luxe Food Services Sdn Bhd in 1969 to manufacture the "Gourmessa" value added Halal food products such as portion control meat, delicatessen meat, smoked salmon, bread and pastry products to enhance its business and service to the customers.

SENIOR MANAGEMENT

Richard Rowntree
Managing Director, Naturalac Nutrition Ltd

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

Yong Weng Chye
Chief Executive Officer, General Packaging Sdn Bhd

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

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

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

Mr Tan was the Managing Director of QLD from 2004 to April 2007. He joined our Group in May 2007 following the conclusion of the acquisition of the consumer business of QLD for both the modern retail sector by Pok Brothers and heads the Consumer Division which carries a wide range of branded F&B products (viz. supermarkets and convenient stores) and the traditional Route trade of mini-markets and sundry shops.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Jaya J B Tan
Non-Executive Chairman

Dato' Kamal Y P Tan
Executive Director

Mah Weng Choong
Non-Executive Director

Tan Yet Meng
Non-Executive Director

Teo Chee Seng
Independent Director

John Lyn Hian Woon
Independent Director

Khor Sin Kok
(Alternate Director to Mah Weng Choong)

Tan San Chuan
(Alternate Director to Tan Yet Meng)

COMPANY SECRETARIES

Julie Koh Ngin Joo, ACIS
Kok Mor Keat, ACIS

REGISTERED OFFICE

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

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

AUDITORS

BDO Raffles
Certified Public Accountants
19 Keppel Road
#02-01 Jit Poh Building
Singapore 089058
Partner-in-charge: Lee Joo Hai
(Appointed since the financial year ended 30 September 2005)

PRINCIPAL BANKERS

AmBank (M) Berhad
Citibank Berhad
EON Bank Berhad
Malayan Banking Berhad
National Australia Bank Limited
United Overseas Bank (Malaysia) Berhad

SOLICITORS

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


PACKAGING DIVISION

CORPORATE GOVERNANCE

Etika International Holdings Limited ("Etika") is committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance (the "Code") as issued by the Ministry of Finance on 14 July 2005. Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interest of all shareholders.

Etika believes it has put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. This report outlines Etika's corporate governance framework in place throughout the financial year ended 30 September 2008 ("FY2008").

1. BOARD MATTERS

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

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

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

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

The Board meets regularly to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. Ad-hoc meetings will be held when circumstances require. Etika's Articles of Association also provide for telephone conference and video conferencing meetings.

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

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2008	3	4	3	1
Name of Directors				
Dato' Jaya J B Tan	2	2	2	1
Dato' Kamal Y P Tan	3	-	-	-
Tan Yet Meng (Alternate Director : Tan San Chuan)	3	-	-	-
Mah Weng Choong (Alternate Director : Khor Sin Kok)	3	-	-	-
Teo Chee Seng	3	4	3	1
John Lyn Hian Woon	2	3	2	-

CORPORATE GOVERNANCE

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

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

Executive Director
Dato' Kamal Y P Tan

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

2. BOARD MEMBERSHIP AND PERFORMANCE

Board Committees

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

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

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

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

The Nominating Committee ("NC") comprises one 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.

CORPORATE GOVERNANCE

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' Kamal Y P Tan and Ms Tan Yet Meng for re-election at the forthcoming Annual General Meeting. Dato' Kamal is retiring under Articles 87 and 91 whilst Ms Tan is retiring under Article 91 of the Company's Articles of Association.

Dato' Kamal, the Executive Director of the Company, was appointed to the Board on 23 December 2003 while Ms Tan, a Non-Executive Director, was appointed as a Director on 15 September 2005.

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 Committee
Principle 7 : Formal and transparent procedure for fixing remuneration packages of directors
Principle 8 : Remuneration of directors should be adequate but not excessive
Principle 9 : Remuneration policy, level and mix of remuneration and procedure for setting remuneration

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

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

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

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

Primary functions to be performed by RC:-

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

Directors' Remuneration

a) Number of directors in remuneration bands:-

Remuneration Bands	FY2007	FY2008
Below S$250,000	7	5
S$250,000 to S$499,999	-	2
S$500,000 and above	-	-
	7	7

b) A breakdown, showing the level and mix of each individual director's remuneration and fees of Etika for FY2008 is as follows:

Remuneration Bands & Names of Directors	Salary* %	Directors' Fees %	Performance-related income/Bonus** %	Total Remuneration %
S$250,000 to S$499,999				
Dato' Kamal Y P Tan	71.2	-	28.8	100.0
Mah Weng Choong	61.0	11.5	27.5	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
Khor Sin Kok	69.9	-	30.1	100.0
Tan San Chuan	-	-	-	-

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

** On receipt basis during FY2008.

The breakdown, showing the level and mix of each key executive's remuneration for FY2008, is as follows:-

Remuneration Bands & Names of Executive Officers	Salary* %	Directors' Fees %	Performance-related income/Bonus** %	Total Remuneration %
Below S$250,000				
Richard Rowntree	77.9	-	22.1	100.0
Yong Weng Chye	85.9	-	14.1	100.0
Pok York Keaw	82.8	-	17.2	100.0
Kwong Yuen Seng	69.1	-	30.9	100.0
Thong Cooi Seong	68.4	-	31.6	100.0

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

** On receipt basis during FY2008.

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 FY2008 save and except for Dato' Kamal Y P Tan who is related to Dato' Jaya J B Tan, Ms Tan Yet Meng and Mr Tan San Chuan.

Accountability
Principle 10 : Accountability of the Board and management

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

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

Audit Committee
Principle 11 : Establishment of audit committee with written terms of reference

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

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

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

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

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

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

In performing those functions, the AC reviews :-

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

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

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

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

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

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. Etika's auditors, BDO Raffles, carry out, in the course of their statutory audit, a review of the effectiveness of Etika's material internal controls, annually to the extent of their scope laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations, are reported to the AC members. For FY2008, the Board is of the view that based on the reports from the auditors, the system of internal controls that has been maintained by Etika's management throughout the financial year is adequate to meet the needs of Etika. The Board shall consider expanding its internal audit resources as and when the need arises.

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

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

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

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

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

Material Contracts

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

Interested Person Transactions

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

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000)
	RM	RM
Perinsu (Broker Insurans) Sdn Bhd - Insurance premium	1,618,827 (or approximately S$699,580)	-
Life Medicals Sdn Bhd - Purchase of packing materials	341,963 (or approximately S$147,780)	-
Motif Etika Sdn Bhd - Rental of office premises	396,000 (or approximately S$171,132)	-

Based on average exchange rate as at 30 September 2008 of S$1 = RM2.314

Risk Management

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

Dealings in Securities

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

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

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

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

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 2008 and the balance sheet of the Company as at 30 September 2008 and statement of changes in equity of the Company for the financial year ended 30 September 2008.

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	(Executive Director)
Mah Weng Choong	(Non-Executive Director)
John Lyn Hian Woon	(Independent Director)
Teo Chee Seng	(Independent Director)
Tan Yet Meng	(Non-Executive Director)
Khor Sin Kok	(Alternate Director to Mah Weng Choong)
Tan San Chuan	(Alternate Director to Tan Yet Meng)

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 30.09.2008	**Balance as at 1.10.2007**	**Balance as at 30.9.2008**	**Balance as at 1.10.2007**
The Company		*Number of ordinary shares*		
Dato' Jaya J B Tan	40,216,304	41,466,304	86,599,236	82,932,607
Dato' Kamal Y P Tan	43,492,723	41,466,304	83,322,817	82,932,607
Mah Weng Choong	13,234,705	13,064,705	-	-
John Lyn Hian Woon	280,000	280,000	-	-
Teo Chee Seng	70,000	70,000	-	-
Tan Yet Meng	28,318,411	27,644,201	98,497,129	96,754,710
Khor Sin Kok	12,462,105	12,362,105	-	-
Tan San Chuan	6,911,051	6,911,051	-	-

REPORT OF THE DIRECTORS

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

	Shareholdings registered in the name of Directors and Nominees		Shareholdings in which Directors are deemed to have an interest	
	Balance as at 30.09.2008	Balance as at 1.10.2007	Balance as at 30.9.2008	Balance as at 1.10.2007
The Company				
	Number of warrants to subscribe for ordinary shares			
Dato' Jaya J B Tan	2,961,879	2,961,879	-	-
Dato' Kamal Y P Tan	2,997,814	2,961,879	-	-
Mah Weng Choong	888,908	888,908	-	-
John Lyn Hian Woon	20,000	20,000	-	-
Teo Chee Seng	5,000	5,000	-	-
Tan Yet Meng	2,006,552	1,974,585	-	-
Khor Sin Kok	883,007	883,007	-	-
Tan San Chuan	493,646	493,646	-	-

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interest as at 21 October 2008 in the shares of the Company have not changed from those disclosed as at 30 September 2008.

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

4. Directors' contractual benefits

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

5. Share options

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

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

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year except for those disclosed in Section 6 "Warrants" of this report.

6. Warrants

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

During the financial year, the Company issued 51,923 ordinary shares as a result of the exercise of 51,923 (2007 : Nil) warrants. As at the end of the financial year, the number of outstanding warrants was 17,111,008 (2007 : 17,162,931).

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

7. Audit Committee

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

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

The Audit Committee meets periodically to perform the following functions:

a. review with the external independent auditors 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, balance sheet 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 Raffles, for re-appointment as independent auditors of the Company at the forthcoming Annual General Meeting.

8. Auditors

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

On behalf of the Board of Directors

Dato' Jaya J B Tan
Non-Executive Chairman

Dato' Kamal Y P Tan
Executive Director

Singapore
10 December 2008

STATEMENT BY DIRECTORS

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

(a) the accompanying financial statements comprising the balance sheets, consolidated income statement, statements of changes in equity and consolidated cash flow statement together with the notes thereon are 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 2008 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
Executive Director

Singapore
10 December 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ETIKA INTERNATIONAL HOLDINGS LIMITED

We have audited the accompanying financial statements of Etika International Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and of the Company as at 30 September 2008, the income statement, statement of changes in equity and cash flow statement of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 57 to 108.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) 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 consolidated income statement and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2008 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

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

BDO Raffles
Public Accountants and
Certified Public Accountants

Singapore
10 December 2008

BALANCE SHEETS
AS AT 30 SEPTEMBER 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Non-current assets					
Property, plant and equipment	4	110,557,613	98,369,964	42,311	-
Prepaid lease payment for land	5	3,987,252	4,066,839	-	-
Investments in subsidiaries	6	-	-	20,942,643	19,833,688
Trade receivables	12	1,958,100	-	-	-
Available-for-sale financial assets	7	145,000	460,000	-	-
Deferred tax assets	8	972,481	148,762	-	-
Intangible assets	9	20,686,375	18,616,633	-	-
		138,306,821	121,662,198	20,984,954	19,833,688
Current assets					
Asset held for sale	10	-	4,500,000	-	-
Inventories	11	81,321,455	57,219,065	-	-
Trade and other receivables	12	112,299,037	96,077,179	41,616,700	31,256,746
Fixed deposits	13	2,582,480	2,470,624	1,505,149	2,069,707
Cash and bank balances	14	12,998,223	9,913,986	252,020	599,204
		209,201,195	170,180,854	43,373,869	33,925,657
Less:					
Current liabilities					
Trade and other payables	15	60,304,735	61,490,942	1,486,259	600,654
Bank borrowings	16	105,611,324	75,879,110	-	-
Finance leases payables	17	1,206,670	1,217,334	-	-
Current income tax payable		3,149,787	530,998	-	12,288
Derivative financial instruments	18	77,775	-	-	-
		170,350,291	139,118,384	1,486,259	612,942
Net current assets		38,850,904	31,062,470	41,887,610	33,312,715
Less:					
Non-current liabilities					
Financial guarantee contracts	19	-	-	444,015	-
Deferred tax liabilities	20	8,510,469	9,883,075	-	-
Other payable	15	-	2,389,000	-	-
Bank borrowings	16	53,384,508	60,817,895	-	-
Finance leases payables	17	1,750,511	1,994,012	-	-
		63,645,488	75,083,982	444,015	-
Net assets		113,512,237	77,640,686	62,428,549	53,146,403
Capital and reserves					
Share capital	21	52,462,297	49,711,245	52,462,297	49,711,245
Foreign currency translation account	22	2,274,076	315,049	1,988,624	378,442
Fair value reserve	23	47,172	47,172	-	-
Accumulated profits		57,410,729	21,595,136	7,977,628	3,056,716
Equity attributable to equity holders of the Company		112,194,274	71,668,602	62,428,549	53,146,403
Minority interests		1,317,963	5,972,084	-	-
Total equity		113,512,237	77,640,686	62,428,549	53,146,403

The accompanying notes from an integral part of the financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 RM	2007 RM
Revenue	24	592,393,975	391,511,249
Cost of sales		(462,567,673)	(324,710,380)
Gross profit		129,826,302	66,800,869
Other income	25	2,981,167	2,337,972
Administrative expenses		(34,241,443)	(22,778,038)
Marketing and distribution expenses		(38,301,902)	(22,338,899)
Other operating expenses	26	(6,321,623)	(4,690,662)
Accreditation of negative goodwill	27	-	1,710,620
Finance costs	28	(9,525,537)	(6,967,927)
Profit before income tax	29	44,416,964	14,073,935
Income tax expense	30	(3,826,124)	(3,960,293)
Profit after income tax		40,590,840	10,113,642
Attributable to:			
Equity holders of the Company		40,338,001	9,132,063
Minority interests		252,839	981,579
		40,590,840	10,113,642
Earnings per share	31		
Basic		16.18 sen	4.60 sen
Diluted		15.14 sen	4.44 sen

The accompanying notes from an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

The Group	Note	← Attributable to equity holders of the Company → Share capital RM	Foreign currency translation account RM	Fair value reserve RM	Accumulated profits RM	Total RM	Minority interests RM	Total equity RM
2008								
Balance at 1 October 2007		49,711,245	315,049	47,172	21,595,136	71,668,602	5,972,084	77,640,686
Foreign currency translation adjustment	22	-	1,959,027	-	-	1,959,027	-	1,959,027
Net gain recognised directly in equity		-	1,959,027	-	-	1,959,027	-	1,959,027
Net profit for the financial year		-	-	-	40,338,001	40,338,001	252,839	40,590,840
Total income and expense recognised for the financial year		-	1,959,027	-	40,338,001	42,297,028	252,839	42,549,867
Acquisition of additional interest in a subsidiary		-	-	-	-	-	(4,906,960)	(4,906,960)
Issue of ordinary shares	21	2,751,052	-	-	-	2,751,052	-	2,751,052
Dividends	32	-	-	-	(4,522,408)	(4,522,408)	-	(4,522,408)
Balance at 30 September 2008		52,462,297	2,274,076	47,172	57,410,729	112,194,274	1,317,963	113,512,237

The accompanying notes from an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

The Group	Note	← Attributable to equity holders of the Company → Share capital RM	Foreign currency translation account RM	Fair value reserve RM	Accumulated profits RM	Total RM	Minority interests RM	Total equity RM
2007								
Balance at 1 October 2006		35,461,830	204,066	47,172	13,247,765	48,960,833	1,692,870	50,653,703
Foreign currency translation adjustment	22	-	110,983	-	-	110,983	-	110,983
Net income recognised directly in equity		-	110,983	-	-	110,983	-	110,983
Net profit for the financial year		-	-	-	9,132,063	9,132,063	981,579	10,113,642
Total income and expense recognized for the financial year		-	110,983	-	9,132,063	9,243,046	981,579	10,224,625
Acquisition of a subsidiary		-	-	-	-	-	4,111,960	4,111,960
Acquisition of additional interest in a subsidiary		-	-	-	-	-	(814,325)	(814,325)
Issue of shares	21							
- Rights issue		14,664,596	-	-	-	14,664,596	-	14,664,596
- Expenses		(415,181)	-	-	-	(415,181)	-	(415,181)
Dividends	32	-	-	-	(784,692)	(784,692)	-	(784,692)
Balance at 30 September 2007		49,711,245	315,049	47,172	21,595,136	71,668,602	5,972,084	77,640,686

The accompanying notes from an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

The Company		**Attributable to equity holders of the Company**			
		Share capital	**Foreign currency translation account**	**Accumulated profits**	**Total**
	Note	**RM**	**RM**	**RM**	**RM**
2008					
Balance at 1 October 2007		49,711,245	378,442	3,056,716	53,146,403
Foreign currency translation adjustment	22	-	1,610,182	-	1,610,182
Net gain recognised directly in equity		-	1,610,182	-	1,610,182
Net profit for the financial year		-	-	9,443,320	9,443,320
Total recognised gains		-	1,610,182	9,443,320	11,053,502
Issue of shares		2,751,052	-	-	2,751,052
Dividends	32	-	-	(4,522,408)	(4,522,408)
Balance at 30 September 2008		52,462,297	1,988,624	7,977,628	62,428,549
2007					
Balance at 1 October 2006		35,461,830	317,339	2,714,225	38,493,394
Foreign currency translation adjustment	22	-	61,103	-	61,103
Net gain recognised directly in equity		-	61,103	-	61,103
Net profit for the financial year		-	-	1,127,183	1,127,183
Total recognised gains		-	61,103	1,127,183	1,188,286
Issue of shares					
- Rights Issue		14,664,596	-	-	14,664,596
- Expenses		(415,181)	-	-	(415,181)
Dividends	32	-	-	(784,692)	(784,692)
Balance at 30 September 2007		49,711,245	378,442	3,056,716	53,146,403

The accompanying notes from an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 RM	2007 RM
Cash flows from operating activities			
Profit before income tax		44,416,964	14,073,935
Adjustments for:		-	
Accreditation of negative goodwill		-	(1,710,620)
Allowance for doubtful trade receivables - trade	12	3,614,056	1,641,443
Allowance for doubtful trade receivable - non trade	12	1,095,337	2,051,898
Allowance for doubtful trade receivables no longer required, now written back	12	(372,526)	(91,055)
Amortisation of intangible assets	9	1,264	2,868
Amortisation of prepaid lease payment for land	5	79,587	33,161
Bad trade receivables written off		288,856	17,740
Depreciation of property, plant and equipment	4	8,275,794	6,637,105
Gain on disposal of investment		-	(551,849)
Gain on disposal of property, plant and equipment		(207,142)	(133,711)
Impairment loss of investment in quoted shares		315,000	-
Impairment loss of value of property, plant and equipment		7,530	-
Intangible assets over capitalised last year		3,118	-
Interest income		(122,351)	(276,827)
Interest expense		9,525,537	6,967,927
Inventories written off		721,379	-
Property, plant and equipment written off		115,622	21,653
Reversal of impairment loss of investment in quoted shares		-	(269,808)
Loss on foreign exchange		1,215,356	448,180
Operating profit before working capital changes		68,973,381	28,862,040
Working capital changes:			
Inventories		(24,823,769)	(18,812,688)
Trade and other receivables		(23,786,871)	(14,928,994)
Trade and other payables		(331,388)	(6,600,566)
Currency realignment		(349,187)	-
Cash generated from/(absorbed by) operations		19,682,166	(11,480,208)
Interest paid		(175,753)	(376,094)
Income tax paid, net		(4,363,153)	(2,529,157)
Net cash generated from/(used in) operating activities		15,143,260	(14,385,459)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(19,601,623)	(12,529,135)
Net cash outflow from acquisition of subsidiaries		-	(21,823,531)
Acquisition of shares in a subsidiary	6(c)	(4,001,159)	-
Purchase of intangible assets		(9,965)	(6,202)
Proceeds from disposal of investments		-	805,981
Proceeds from disposal of property, plant and equipment		4,838,756	362,152
Proceeds from allotment of shares of minority shares		150,000	-
Interest income received		122,351	276,827
Net cash used in investing activities		(18,501,640)	(32,913,908)

The accompanying notes from an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 RM	2007 RM
Cash flows from financing activities			
Dividends paid to shareholders		(4,522,408)	(784,692)
Dividends paid to minority shares		(10,719)	-
Dividends paid to ex-shareholders		(3,228,819)	-
Proceeds from issue of shares		11,637	14,249,415
Interest paid		(9,349,784)	(6,591,833)
Decrease in fixed deposits		(607,355)	(12,991)
Proceeds from bank borrowings		21,682,199	53,416,458
Repayment of finance lease obligations		(1,393,195)	(1,418,964)
Net cash generated from financing activities		2,581,556	58,857,393
Net change in cash and cash equivalents		(776,824)	11,558,026
Cash and cash equivalents at beginning of financial year		6,611,338	(5,057,671)
Effect of exchange rate changes		1,959,027	110,983
Cash and cash equivalents at end of financial year	14	7,793,541	6,611,338

The accompanying notes from an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

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

1. General corporate information

The balance sheet and statement of changes in equity of Etika International Holdings Limited (the"Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2008 were authorised for issue in accordance with a Directors' resolution dated 10 December 2008.

The Company is a public limited company, incorporated and domiciled in Singapore with its registered office at 9 Raffles Place, Republic Plaza #12-01, Singapore 048619. The Company's registration number is 200313131Z. Principal place of business 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

(a) 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 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 balance sheet date, 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.

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

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

FRS and INT FRS issued but not yet effective

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

			Effective date (Annual periods beginning on or after)
FRS 1	:	Presentation of Financial Statements - Revised Presentation	1 January 2009
		Presentation of Financial Statements - Amendments Relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	:	Borrowing Costs (Revised)	1 January 2009
FRS 27	:	Amendments to FRS 27 - Cost of an investment in Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	:	Financial Instruments : Presentation - Amendments Relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 101	:	Amendments to FRS 101 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 108	:	Operating Segments	1 January 2009
INT FRS 112	:	Service Concession Arrangements	1 January 2008
INT FRS 113	:	Customer Loyalty Programmes	1 July 2008
INT FRS 114	:	FRS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
INT FRS 116	:	Hedges of a Net Investment in a Foreign Operation	1 October 2008

The Group and the Company expect that the adoption of the above pronouncements, if applicable, will have no material impact on the financial statements in the period of initial application, except for FRS 23 (Revised) and FRS 108 as indicated below.

FRS 23, Borrowing Costs (Revised)

The revised standard removes the option to recognise immediately as an expense, borrowing costs that are attributable to qualifying assets, and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the property, plant and equipment.

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

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

FRS 108, Operating Segments

FRS 108 requires an entity to adopt a "management perspective approach" in reporting financial and descriptive information about its reportable segment. Financial information is required to be reported on the basis that it is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. FRS 108 introduces additional segment disclosures to be made to improve the information about operating segments.

The Group and the Company will apply FRS 23 (Revised) and FRS 108 from financial period beginning 1 October 2009.

FRS 1, Presentation of Financial Statements – Revised Presentation

FRS 1 (Revised 2008) requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

(b) Basis of consolidation

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

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

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

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

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

(b) Basis of consolidation (cont'd)

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

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

(c) Property, plant and equipment

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

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. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

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

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

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

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

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

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

(d) Subsidiaries

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

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

(e) Intangible assets

(i) *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment in value. Goodwill is tested for impairment at least annually as stated in Note 2 (f) to the financial statements.

(ii) *Product licences*

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

(f) Impairment of non-financial assets

Non-financial assets other than goodwill

The carrying amounts of the Group's and Company's non-financial assets are reviewed at each balance sheet date 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 is 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 largely are independent from other assets and groups. Impairment in value is recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

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

(f) Impairment of non-financial assets (cont'd)

Non-financial assets other than goodwill (cont'd)

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 each balance sheet date 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 income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment in value recognised in the income statement 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 income statement 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.

(g) Inventories

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

Cost of raw materials and packing materials are determined on the "first-in, first-out" basis and comprise original cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity) but excludes borrowing 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. Summary of significant accounting policies (cont'd)

(h) 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 balance sheet date, 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 balance sheets.

(ii) Available-for-sale financial assets

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

Quoted investments

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

Recognition and derecognition

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

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

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

Initial and subsequent measurement

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

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

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

(h) Financial assets (cont'd)

Initial and subsequent measurement (cont'd)

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

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 is 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 each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognise an 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 income statement.

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 income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale financial assets

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

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

(i) 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 income statement 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 income statement 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 income statement.

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

Borrowings which are due to be settled within 12 months after the balance sheet date 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 balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheets.

Recognition and derecognition

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

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

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

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

(j) Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(k) Equity instruments

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

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

(l) 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 balance sheet date, and are discounted to present value where the effect is material. The expense relating to any provision is recognised in the income statement.

(m) 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.

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.

Rental income

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

Dividend income

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

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

(n) Research costs

Research costs are recognised as expenses when incurred.

(o) Employment benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the income statement in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

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

(p) 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, 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 income statement.

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

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 lease. Payments made under the lease (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the period of the lease.

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

(q) Borrowing costs

Borrowing costs are recognised as an expense in the income statement in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

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

(r) Income tax

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

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

Deferred tax is provided using the liability method, providing for temporary differences at the balance sheet date between the 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 substantially enacted by the balance sheet date.

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 each balance sheet date 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 each balance sheet date 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.

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

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

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

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

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

(s) Foreign currencies (cont'd)

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

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

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

(t) Dividends

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

(u) Segment reporting

A business segment is a distinguishable component of the Group's business that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment.

3. Critical accounting judgements and key sources of estimation uncertainty

(a) Critical judgements made in applying the accounting policies

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

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

(a) Critical judgements made in applying the accounting policies (cont'd)

(i) Impairment of investment in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 on determining when an investment in subsidiaries or financial assets are other than temporary 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 2008 was RM20,942,643 (2007: RM19,833,688).

(b) Key sources of estimation uncertainty

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

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amount of the Group's property, plant and equipment as at 30 September 2008 was RM110,557,613 (2007: RM98,369,964). Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised.

(ii) Income taxes

The Group has exposure to income taxes in Malaysia, Singapore and New Zealand. Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amount of the Group's current income tax payable and deferred tax liabilities as at 30 September 2008 was RM3,149,787 (2007: RM530,998) and RM8,510,469 (2007: RM9,883,075), respectively.

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

(b) Key sources of estimation uncertainty (cont'd)

(iii) Impairment of goodwill

The management determines whether goodwill is impaired at least on an annual basis and as and when there is an indication that goodwill may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. 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 amount of goodwill at 30 September 2008 was RM12,560,407 (2007: RM10,866,078).

(iv) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amount of the Group's trade and other receivables as at 30 September 2008 was RM114,257,137 (2007: RM96,077,179).

(v) Inventories and related allowance

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the "first-in, first-out" method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its contract, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 30 September 2008 was RM81,321,455 (2007: RM57,219,065).

4. Property, plant and equipment

Group	Freehold land	Factory buildings	Plant and machinery	Cold room and freezer	Furniture and fittings	Renovation	Motor vehicles	Office and factory equipment	Computer system	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
Balance at 1 October 2007	22,554,237	21,417,759	11,457,656	536,082	579,701	257,058	3,837,824	48,972,524	703,947	110,316,788
Reclassification	(582,742)	-	-	(2,291)	(565)	7,325	8,836	599,357	(124,289)	(94,369)
Additions	1,689,042	366,544	3,693,947	5,770	44,757	3,000	1,022,645	13,807,701	107,247	20,740,653
Disposals	-	-	(179,500)	-	-	-	(625,886)	(217,490)	-	(1,022,876)
Written off	-	-	-	-	-	-	-	(169,409)	-	(169,409)
Balance at 30 September 2008	23,660,537	21,784,303	14,972,103	539,561	623,893	267,383	4,243,419	62,992,683	686,905	129,770,787
Accumulated depreciation										
Balance at 1 October 2007	-	1,157,296	750,978	94,246	162,024	130,729	1,691,903	7,705,756	253,892	11,946,824
Currency realignment	-	-	-	-	2,396	-	-	8	5,040	7,444
Depreciation for the financial year	-	566,337	2,124,485	65,221	87,828	46,092	910,636	4,301,935	173,260	8,275,794
Reclassification	-	-	-	-	1,351	-	-	(1,351)	(94,369)	(94,369)
Disposals	-	-	(179,500)	-	-	-	(625,884)	(85,878)	-	(891,262)
Written down	-	-	-	-	-	-	-	4,678	2,852	7,530
Written off	-	-	-	-	-	-	-	(38,787)	-	(38,787)
Balance at 30 September 2008	-	1,723,633	2,695,963	159,467	253,599	176,821	1,976,655	11,886,361	340,675	19,213,174
Net book value										
Balance at 30 September 2008	23,660,537	20,060,670	12,276,140	380,094	370,294	90,562	2,266,764	51,106,322	346,230	110,557,613

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

Group	Freehold land	Factory buildings	Plant and machinery	Cold room and freezer	Furniture and fittings	Renovation	Motor vehicles	Construction -in-progress	Office and factory equipment	Computer system	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost											
Balance at 1 October 2006	20,984,759	17,917,759	-	382,382	383,752	255,358	3,691,907	7,106,454	37,209,100	216,695	88,148,166
Acquisition of subsidiaries	(34,760)	2,424,546	10,097,557	-	138,618	-	150,483	-	149,480	-	12,925,924
Reclassification	24,955	-	-	-	-	-	-	(7,106,454)	7,081,499	-	-
Transfer to asset classified as held for sales	(4,500,000)	-	-	-	-	-	-	-	-	-	(4,500,000)
Additions	6,079,283	1,075,454	1,360,099	153,700	57,331	1,700	518,506	-	4,615,810	487,252	14,349,135
Disposals	-	-	-	-	-	-	(523,072)	-	(42,249)	-	(565,321)
Written off	-	-	-	-	-	-	-	-	(41,116)	-	(41,116)
Balance at 30 September 2007	22,554,237	21,417,759	11,457,656	536,082	579,701	257,058	3,837,824	-	48,972,524	703,947	110,316,788
Accumulated depreciation											
Balance at 1 October 2006	-	663,056	-	34,049	86,046	84,876	1,087,198	-	3,669,503	41,332	5,666,060
Depreciation for the financial year	-	494,240	750,978	60,197	75,978	45,853	899,576	-	4,097,723	212,560	6,637,105
Disposals	-	-	-	-	-	-	(294,871)	-	(41,375)	-	(336,246)
Written off	-	-	-	-	-	-	-	-	(20,095)	-	(20,095)
Balance at 30 September 2007	-	1,157,296	750,978	94,246	162,024	130,729	1,691,903	-	7,705,756	253,892	11,946,824
Net book value											
Balance at 30 September 2007	22,554,237	20,260,463	10,706,678	441,836	417,677	126,329	2,145,921	-	41,266,768	450,055	98,369,964

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

Company **2008**	**Computer system** **RM**
Cost	
At 1 October 2007	-
Additions	52,655
At 30 September 2008	52,655
Accumulated depreciation	
At 1 October 2007	-
Currency alignment	(1,816)
Additions	12,160
At 30 September 2008	10,344
Net book value	
At 30 September 2008	42,311
At 30 September 2007	-

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

	2008 **RM**	**2007** **RM**
Additions of property, plant and equipment	20,740,653	14,349,135
Acquired under finance lease	(1,139,030)	(1,820,000)
Cash payments made to acquire property, plant and equipment	19,601,623	12,529,135

The land title deed for the freehold land and buildings of the Group with a net book value at the balance sheet date amounting to RM1,689,042 (2007: RM15,052,736) have yet to be issued by the relevant authorities.

As at the balance sheet date, the Group had property, plant and equipment with a net book value of RM90,061,324 (2007: RM82,469,752) charged for banking facilities granted to certain subsidiaries. In addition, the Group had motor vehicles with a net book value of RM183,528 (2007: RM292,797) held in trust by certain directors and employee of the Group.

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

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

	Group 2008 RM	Group 2007 RM
Plant and machinery	210,275	235,964
Cold room and freezer	-	77,625
Motor vehicles	2,034,378	1,961,382
Office and factory equipment	1,538,051	2,587,708
Computer system	31,623	17,673
	3,814,327	4,880,352

As at 30 September 2008, 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	153,972
Lot LS-2, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	174,458	-
Lot LS-3, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Under construction	173,143	-
Lot 3, Jalan 203, 74, Seksyen 20, Petaling Jaya, Malaysia	Industrial land	Factory building	51,731	34,003
Frozen Food Division				
Lot 55, Hicom Glenmarie Industrial Park, Malaysia	Warehouse	Office, Warehouse, cold room and processing factory	68,800	44,986
Lot 1-3-1, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	862
Lot 1-3-3, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	855

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

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Frozen Food Division (cont'd)				
3, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room / Office	2,400	2,400
1, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	4,690	4,690
7, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	2,400	2,400
Intersection of Jalan Bertam 2 & Jalan Bertam 5, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial Land	Vacant	16,882	-
49, Lorong Wong Ah Jang, Kuantan, Pahang, Malaysia	Shop office	Office	1,660	2,832
Lot 1237 & Lot 1238 Jalan Makloom, Pulau Pinang	Industrial land	Vacant	131,341	-
Other Division				
Lot 17225, Jalan Haruan 6, Oakland Industrial Park 70200 Seremban,Negeri Sembilan, Malaysia	Industrial land	Factory building	64,809	25,000

5. Prepaid lease payment for land

Group 2008	Long-term leasehold land RM
Cost	
Balance at 1 October 2007 and 30 September 2008	4,100,000
Accumulated amortisation	
Balance at 1 October 2007	33,161
Charged for the financial year	79,587
Balance at 30 September 2008	112,748
Carrying amount	
Balance at 30 September 2008	3,987,252

5. Prepaid lease payment for land (cont'd)

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

6. Investments in subsidiaries

(a) Investments in subsidiaries comprise:

	Company 2008 RM	Company 2007 RM
Unquoted equity shares in corporations, at cost	20,183,688	19,833,688
Issuance of financial guarantee contracts	758,955	-
	20,942,643	19,833,688

(b) Particulars of subsidiaries

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2008 %	Effective equity held by the Group 2007 %
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	100	100

6. Investments in subsidiaries (cont'd)

(b) Particulars of subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2008 %	2007 %
Held by the Company (cont'd)			
Etika Dairies Sdn. Bhd. (2) (Malaysia)	Manufacturing and distribution 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 (NZ) Limited (4) (New Zealand)	Investment holding	100	100
Eureka Capital Sdn. Bhd. (2) (Malaysia)	Dormant	100	100
Quality Wines Sdn.Bhd. (2) (Malaysia)	Wholesalers of wines and wine accessories	70	-
PT Etika Marketing (3) (Indonesia)	Dormant	100	100
Held by subsidiaries			
- Etika Foods (M) Sdn. Bhd.			
Pok Brothers Sdn. Bhd. (2) (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	100

6. Investments in subsidiaries (cont'd)

(b) Particulars of subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2008 %	2007 %
Held by the subsidiaries (cont'd)			
- Pok Brothers Sdn. Bhd.			
De-luxe Foods Services Sdn. Bhd. [2] (Malaysia)	Manufacturing of convenient value added frozen food	100	100
Pok Brothers (Johor) Sdn. Bhd. [2] (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	81.3	81.3
Pok Brothers (Pahang) Sdn. Bhd. [2] (Malaysia)	Ceased operation w.e.f. 1.10.2006	100	100
Pok Brothers (Penang) Sdn. Bhd. [2] (Malaysia)	Ceased operation w.e.f. 1.10.2006	100	100
Pok Brothers (Selangor) Sdn. Bhd. [2] (Malaysia)	Ceased operation w.e.f. 1.10.2006	100	100
- Etika Industries Holdings Sdn. Bhd.			
General Packaging Sdn. Bhd. [2] (Malaysia)	Manufacturing and distribution of tin cans	99	65
- Etika (NZ) Limited			
Naturalac Nutrition Limited [4] (New Zealand)	Marketing of branded sport nutrition and weight management foods	100	100

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

(c) Additional interest in subsidiary in financial year 2008 - General Packaging (M) Sdn. Bhd. ("GP")

On 31 October 2007, the Group acquired additional 34% of the equity interest in GP for a total purchase consideration of RM6,740,574. The purchase consideration was made partly by cash consideration of RM4,001,159 and the remaining balance was financed through allotment of paid-up issued shares capital of the Company amounting to RM2,739,415.

The net fair value of identifiable assets and liabilities of GP at the date of acquisition was RM14,841,897, thus, resulting in additional goodwill on acquisition of RM1,694,329.

6. Investments in subsidiaries (cont'd)

(c) Additional interest in subsidiary in financial year 2008 - General Packaging (M) Sdn. Bhd. ("GP") (cont'd)

The fair values of the identifiable assets and liabilities of GP as at the date of acquisition were:

	2008	
	Fair value recognised on acquisition RM	**Carrying amount before combination RM**
Property, plant and equipment	3,503,286	2,194,542
Prepaid lease payment for land	1,251,932	886,090
Inventories	1,356,897	1,356,898
Trade and other receivables	1,326,068	1,326,068
Amount due from inter company	3,245,875	3,245,875
Cash and bank balances	933,710	933,710
Trade and other payables	(1,140,747)	(1,140,747)
Amount due to inter company	(26,973)	(26,973)
Finance leases	(34,635)	(34,635)
Bank borrowings	(4,392,885)	(4,392,885)
Current income tax payable	(139,888)	(139,888)
Deferred tax liabilities	(836,395)	(836,395)
Net identifiable assets acquired	5,046,245	3,371,660
Total purchase consideration	6,740,574	
Goodwill arising on acquisition	1,694,329	
Total purchase consideration	6,740,574	
Less:-		
Consideration paid through issue of shares	(2,739,415)	
Net cash outflow on acquisition	4,001,159	

(d) Acquisition of subsidiary in financial year 2008 - Quality Wines Sdn. Bhd.

On 30 October 2007, the Company acquired 50% equity interest in Quality Wines Sdn. Bhd. which, at the time of acquisition, was a dormant company. Its principal activity is that of being wholesaler of wines and wines accessories.

Through an ordinary resolution passed at General Meeting on 28 February 2008, the Company increased its interest in Quality Wines Sdn. Bhd. from 50% to 70% through an allotment of issued and paid-up capital from RM2 to RM500,000.

The goodwill of RM3,577 was not recognised when acquired by the Company as no anticipated future economic benefit is expected from the said acquisition.

7. Available-for-sale financial assets

	Group 2008 RM	Group 2007 RM
Balance at beginning of financial year	460,000	444,324
Net gain on disposals recognised in the income statement	-	15,676
Permanent impairment in value recognised in the income statement during the financial year	(315,000)	-
Balance at end of financial year	145,000	460,000

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

	Group 2008 At fair value RM	Group 2007 At fair value RM
Listed securities:		
- equity securities - Malaysia	145,000	460,000

8. Deferred tax assets

	Group 2008 RM	Group 2007 RM
Balance at beginning of financial year	148,762	73,737
Currency realignment	(13,635)	-
Acquisition of subsidiaries	-	180,820
Recognised in consolidated income statement	837,354	(105,795)
Balance at end of financial year	972,481	148,762
Deferred tax assets arise as a result of:		
Plant and equipment	28,439	17,939
Other temporary differences	944,042	130,823
	972,481	148,762

Unrecognised deferred tax assets

	Group 2008 RM	Group 2007 RM
Balance at beginning of financial year	370,731	149,737
(Recognised)/unrecognised deferred tax assets during the financial year	(337,981)	220,994
Balance at end of financial year	32,750	370,731
Unrecognised deferred tax assets arise as a result of:		
Unutilised tax losses	32,750	315,686
Unabsorbed capital allowances	-	55,045
	32,750	370,731

8. Deferred tax assets (cont'd)

As at the balance sheet date, the Group had unutilised tax losses and unabsorbed capital allowances of RM131,000 and RM Nil (2007: RM1,170,000 and RM204,000), respectively which are available for set-off against future taxable profits subject to agreement by the relevant authorities and with provisions of the tax legislation of the respective countries in which the Group operates. The related deferred tax assets have not been recognised because it is uncertain that future taxable profits will be available against which the Group can utilise the benefits.

9. Intangible assets

Group	Goodwill RM	Patent and trademarks RM	Product licences RM	Total RM
Cost				
Balance at 1 October 2007	10,866,078	7,740,700	9,855	18,616,633
Additions	-	9,965	-	9,965
Currency realignment	-	372,698	-	372,698
Acquisition of subsidiaries	1,694,329	-	-	1,694,329
Overcapitalised in last year	-	-	(3,118)	(3,118)
Balance at 30 September 2008	12,560,407	8,123,363	6,737	20,690,507
Accumulated amortisation				
Balance at 1 October 2007	-	-	2,868	2,868
Amortisation for the financial year	-	-	1,264	1,264
Balance at 30 September 2008	-	-	4,132	4,132
Carrying amount				
Balance at 30 September 2008	12,560,407	8,123,363	2,605	20,686,375
Cost and carrying amount				
Balance at 1 October 2006	4,421,848	-	6,521	4,428,369
Additions	-	-	6,202	6,202
Accumulated amortisation	-	-	(2,868)	(2,868)
Acquisition of subsidiaries	6,823,779	7,740,700	-	14,564,479
Abolition of real property gain tax	(379,549)	-	-	(379,549)
Balance at 30 September 2007	10,866,078	7,740,700	9,855	18,616,633

Product licences

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

Impairment testing of goodwill

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

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

9. Intangible assets (cont'd)

	Dairies 2008 RM	Frozen Food 2008 RM	Packaging 2008 RM	Others 2008 RM	Total 2008 RM
Goodwill	-	4,042,299	1,846,883	6,671,225	12,560,407
Patents and trademarks	-	-	-	8,123,363	8,123,363
Product licences	2,605	-	-	-	2,605
	2,605	4,042,299	1,846,883	14,794,588	20,686,375

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

Included under Other Divisions is mainly related to Nutrition Division.

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

	Dairies		Frozen Food		Packaging		Others	
	2008	2007	2008	2007	2008	2007	2008	2007
Gross margin [1]	9.43%	12.38%	20.95%	16.70%	16.80%	21.00%	10.28%	12.38%
Growth rate [2]	11.32%	9.60%	7.63%	10.00%	23.08%	22.06%	12.23%	9.60%
Discount rate [3]	8.25%	7.75%	8.00%	6.75%	8.25%	8.00%	10.20%	7.75%

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

10. Asset held for sale

	Group 2008 RM	Group 2007 RM
Cost of leasehold land	-	4,500,000

A piece of freehold land of a subsidiary has presented as an asset held for sale in 2007 as the Company has entered into Sale and Purchase Agreement on 10 April 2007 to disposed off the said land at cash consideration of RM4,641,480. The disposal was completed in the current financial year.

11. Inventories

	Group 2008 RM	Group 2007 RM
Finished goods	50,224,310	37,755,161
Raw materials	26,467,643	16,246,321
Packaging materials	2,626,106	1,673,841
Work in progress	1,974,276	1,527,695
Consumables	29,120	16,047
	81,321,455	57,219,065

The cost of inventories recognised as an expense and included in "costs of sales" in the consolidated income statement amounted to RM404,791,188 (2007: RM307,655,280).

As at the balance sheet date, the Group's inventories with a carrying amount of RM30,970,559 (2007: RM23,711,974) have been pledged as security for the banking facilities granted to its subsidiaries.

12. Trade and other receivables

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Current receivable				
Trade receivables				
- within 60 to 90 days	99,060,564	73,611,590	-	-
- more than 90 days	13,754,451	22,485,339	-	-
	112,815,015	96,096,929	-	-
Allowance for doubtful trade receivables	(7,256,181)	(4,824,689)	-	-
	105,558,834	91,272,240	-	-
Other receivables	2,662,659	1,381,143	10,430	9,928
Tax recoverable	1,262,969	297,326	19,344	-
Prepayments	1,928,625	1,583,604	79,876	21,027
Deposits	885,950	472,311	18,509	9,973
Due from subsidiaries - non-trade	-	-	41,488,541	30,145,263
	112,299,037	95,006,624	41,616,700	30,186,191
Other asset	3,147,235	3,122,453	3,147,235	3,122,453
Allowance for doubtful other asset	(3,147,235)	(2,051,898)	(3,147,235)	(2,051,898)
	112,299,037	96,077,179	41,616,700	31,256,746
Non-current receivable				
Trade receivables	1,958,100	-	-	-
	114,257,137	96,077,179	41,616,700	31,256,746

12. Trade and other receivables (cont'd)

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 at the balance sheet date is adequate.

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

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

The trade receivables pertaining to several customers which totalled RM2,225,268 are being paid through installments for over a period of 14 years. The amortised cost recognised in the income statement amounted to RM267,168.

Movements in allowance for doubtful trade receivables:

	Group	
	2008	**2007**
	RM	**RM**
Balance at beginning of financial year	4,824,689	1,495,344
Acquisition of subsidiaries	-	2,016,059
Allowance made during the financial year	3,614,056	1,641,443
Write back of allowance no longer required	(372,526)	(91,055)
Bad receivables written off against allowance	(810,038)	(237,102)
Balance at end of financial year	7,256,181	4,824,689

Movements in allowance for doubtful other asset:

	Group and Company	
	2008	**2007**
	RM	**RM**
Balance at beginning of financial year	2,051,898	-
Allowance made during the financial year	1,095,337	2,051,898
Balance at end of financial year	3,147,235	2,051,898

In financial year 2006, an amount of approximately RM3.37 million (HKD7,000,000) comprising advances made to Union Century Investment Limited ("UCIL"), a company incorporated in Hong Kong in respect of the proposed acquisition by UCIL in the equity interest of a canned food and drinks manufacturer and its related companies in the People's Republic of China. Should the transaction be aborted, UCIL will have to repay in full the advance at 8% interest per annum.

In last financial year, this transaction has been aborted and monthly repayment of HKD200,000 (RM448,365), is expected as per agreed repayment schedule commencing 30 November 2007. In 2007, the management has provided allowance for doubtful receivables on the balance of HKD4,600,000 (RM2,051,898). During the current financial year, full allowance on the remaining amount of HKD2,100,000 (RM1,095,337) has been provided.

12. Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Ringgit Malaysia	89,356,539	72,802,971	8,662,827	21,404,099
Singapore Dollar	4,566,927	2,264,711	32,953,873	8,714,156
United States Dollar	12,526,194	12,887,856	-	-
Hong Kong Dollar	-	1,070,555	-	1,070,555
New Zealand Dollar	3,036,171	2,560,150	-	67,936
Australian Dollar	4,708,454	4,490,936	-	-
Thai Baht	62,852	-	-	-
	114,257,137	96,077,179	41,616,700	31,256,746

13. Fixed deposits

Group and Company

Fixed deposits are placed for a period of 7 days to 3 months (2007: 7 days to 3 months) and the effective interest rates on the fixed deposits approximated between 2.00% to 4.00% (2007: 1.60% to 2.50%) per annum. As at the balance sheet date, fixed deposits of RM1,008,271 (2007: RM400,917) of the Group have been pledged as security for the bank facilities granted to its subsidiaries.

Fixed deposits are denominated in the following currencies:

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Ringgit Malaysia	2,513,420	400,917	1,505,149	-
Singapore Dollar	-	2,069,707	-	2,069,707
United States Dollar	69,060	-	-	-
	2,582,480	2,470,624	1,505,049	2,069,707

14. Cash and cash equivalents

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Cash and bank balances	12,998,223	9,913,986	252,020	599,204
Fixed deposits	2,582,480	2,470,624	1,505,149	2,069,707
	15,580,703	12,384,610	1,757,169	2,668,911
Less:				
Pledged fixed deposits	(1,008,271)	(400,917)	-	-
Bank overdrafts	(6,778,891)	(5,372,355)	-	-
	7,793,541	6,611,338	1,757,169	2,668,911

14. Cash and cash equivalents (cont'd)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	10,750,404	8,016,130	190,145	448,030
Singapore Dollar	464,716	175,073	61,875	151,174
United States Dollar	715,911	86,559	-	-
New Zealand Dollar	1,067,192	1,081,281	-	-
Australian Dollar	-	554,943	-	-
	12,998,223	9,913,986	252,020	599,204

15. Trade and other payables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Current liabilities				
Trade payables	34,790,513	45,254,452	-	-
Other payables	9,725,265	9,312,824	-	98,541
Customers' deposits	650,928	468,216	-	-
Accruals	15,138,029	6,455,450	1,486,259	502,113
	60,304,735	61,490,942	1,486,259	600,654
Non-current liabilities				
Other payable	-	2,389,000	-	-
	60,304,735	63,879,942	1,486,259	600,654

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

Current portion of other payables comprise mainly of retention sum and progress billing for construction of factory buildings, staff related expenses payable, other operating expenses payable and dividends payable to the vendors arising from the acquisition of Pok Brothers Group ("PB Group"). Non-current portion of other payables comprise dividends payable to the vendors arising from acquisition of PB Group in financial year 2006.

15. Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	51,383,401	51,840,628	-	45,806
Singapore Dollar	1,740,338	633,456	1,486,259	554,848
United States Dollar	985,163	7,294,430	-	-
British Pounds	181,092	291,595	-	-
Australian Dollar	1,033,370	646,400	-	-
Euro	107,385	55,599	-	-
New Zealand Dollar	4,873,986	3,117,834	-	-
	60,304,735	63,879,942	1,486,259	600,654

16. Bank borrowings

	Group	
	2008	**2007**
	RM	**RM**
Current liabilities		
Secured:		
Bank overdrafts	6,778,891	5,372,355
Bankers' acceptance	21,809,000	15,012,000
Bank guarantee	70,000	-
Short term revolving credit	-	5,900,000
Term loans	12,817,410	10,952,755
	41,475,301	37,237,110
Unsecured:		
Bankers' acceptance	59,016,000	38,642,000
Offshore foreign currency loan	1,120,023	-
Short term revolving credit	4,000,000	-
	64,136,023	38,642,000
	105,611,324	75,879,110
Non-current liabilities		
Secured:		
Term loans	53,384,508	60,817,895
	53,384,508	60,817,895

16. Bank borrowings (cont'd)

	Group	
	2008	**2007**
	RM	**RM**
Term loans		
Dairies Division		
Term loan III repayable by 60 monthly instalments of RM65,114 each commencing February 2005	943,649	1,625,567
Term loan IV repayable by 96 monthly instalments of RM56,717 each commencing 1 June 2006	3,241,307	3,659,740
Term loan VI repayable by 60 monthly instalments of RM163,339 each commencing 1 Nov 2006	7,365,126	8,051,683
Term loan repayable by 72 monthly instalments of RM43,800 each commencing 5 April 2007	2,672,080	2,676,844
Term loan repayable by 60 monthly instalments of RM40,989 each commencing 1 May 2007 of credit limit RM2,070,000	1,579,706	1,938,925
Frozen Food Division		
Term loan repayable by 120 monthly instalments of RM2,415 each commencing July 2002	92,040	112,849
Term loan repayable by 60 monthly instalments of RM9,418 each commencing September 2005	184,555	277,933
Term loan repayable by 84 monthly instalments of RM310,600 each commencing 1 March 2007	16,676,883	19,003,394
Term loan repayable by 84 monthly instalments of RM16,310 each commencing July 2009	1,370,000	-
Packaging Division		
Term loan repayable by 24 quarterly instalments of RM257,375 commencing 25 July 2008	5,919,625	6,177,000
Term loan repayable by 48 monthly instalments of RM100,000 in 2008, RM200,000 in 2009, RM400,000 in 2011 with bullet repayment on the balance on March 2011	11,103,403	11,936,610
Term loan repayable by 61 monthly instalments of RM19,466 each commencing July 2008	927,719	-
Other Divisions		
Term loan repayable quarterly commencing February 2007	1,537,660	1,554,933
Term loan repayable by 40 quarterly instalments of AUD132,600 each commencing May 2007	5,893,058	14,755,172
Term loan repayable by 37 monthly instalments of NZD$83,800 commencing February 2008	6,695,107	-
	66,201,918	71,770,650
Analysed into:		
Current	12,817,410	10,952,755
Non-current	53,384,508	60,817,895
	66,201,918	71,770,650

16. Bank borrowings (cont'd)

	Group	
	2008	**2007**
	%	**%**
Effective interest rates		
Bank overdrafts	7.68 - 8.00	7.75 - 7.80
Bankers' acceptance	3.60 - 5.13	3.20 - 4.00
Offshore foreign currency loan	4.04	-
Short term revolving credit	3.90	5.10 - 5.28
Term loans	6.31 - 9.58	6.19 - 8.25

Non-current bank borrowings are repayable as follows:

	Group	
	2008	**2007**
	RM	**RM**
Within one year	21,455,965	12,386,764
Two to five years	24,651,616	26,519,249
After five years	7,276,927	21,911,882
	53,384,508	60,817,895

The secured bank borrowings are secured by:

Dairies Division

(a) Supplemental loan agreement and assignment over a piece of land known as LS-1, currently being developed into an industrial park held under Title No. H.S.(D)117114, No. PT 55223 Mukim Kapar, Daerah of Klang, Selangor Darul Ehsan, Malaysia, of Etika Dairies Sdn. Bhd.;

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

(c) First legal charge over one piece of land known as Lot LS2 held under Ttile H.S.(D)117113 No PT 55222, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

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

Frozen Food Division

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

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

(g) Lien on fixed deposits during the tenure of the facilities;

16. Bank borrowings (cont'd)

Frozen Food Division (cont'd)

(h) Pledged of fixed deposit of RM500,000 by way of memorandum of deposit and letter of set-off. The interest earned thereon shall be capitalised and retained as part of the security;

(i) First party charge over certain freehold land and buildings of Pok Brothers Sdn. Bhd. and its subsidiaries ("PB Group") for facilities granted to PB Group;

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

Packaging Division

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

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

(m) Lien on fixed deposits during the tenure of the facilities;

(n) Joint and several guarantee by certain directors of Etika Industries Holdings Sdn. Bhd;

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

(p) Facility agreement to be executed between borrower and the bank.

Other Divisions

(q) Registered mortage debenture over the whole assets of Etika (NZ) Limited including goodwill and uncalled capital and called but unpaid capital together with relative insurance policy assigned to the National Australia Bank Limited ("NAB");

(r) Guarantee and indemnity NZD6,600,000 given by the Company and Naturalac Nutrition Limited (New Zealand);

(s) Subordination agreement regarding any loans from the Company to Etika (NZ) Limited;

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

(u) Term deposit letter of set-off given by Etika (NZ) Limited for the AUD equivalent of NZD3,100,000 relating to NAB term deposit in the name of Etika (NZ) Limited;

(v) Guarantee and indemnity for NZD3,100,000 given by the Company, Etika (NZ) Limited and Naturalac Nutrition Limited (New Zealand).

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

17. Finance lease payables

Group

	Minimum lease payments RM	Future finance charges RM	Present value of lease payments RM
2008			
Current			
- within one year	1,347,227	(140,557)	1,206,670
Non-current			
- two to five years	1,865,782	(115,271)	1,750,511
2007			
Current			
- within one year	1,409,778	(192,444)	1,217,334
Non-current			
- two to five years	2,156,991	(162,979)	1,994,012

The effective interest rates range from 2.25% to 5.39% (2007: 2.37% to 11.52%) per annum.

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

All the finance leases are denominated in Ringgit Malaysia.

18. Derivative financial instruments

The derivative financial instruments entered into by the Group relate to the forward foreign exchange contracts to hedge the Group's sales and purchases denominated in foreign currencies.

The negative fair values of the derivative financial instruments totalling RM77,775 (2007: Nil) are shown as current liability and included in other operating expenses.

19. Financial guarantee contracts

	Company 2008 RM
Balance at 1 October 2007	-
Issuance of financial guarantee contracts, at initial recognition	758,955
Amortised cost during the financial year	(369,369)
Reversal of amortised cost during the financial year	54,429
Balance at 30 September 2008	444,015
Balance at 30 September 2007	-

The balance as at 30 September 2008 of RM444,015 represents the fair value of financial guarantee contracts which was discounted at interest rates ranging from 5.38% to 10.20% (2007: Nil) for over 5 to 9 years.

20. Deferred tax liabilities

	2008 RM	2007 RM
Balance at beginning of financial year	(9,883,075)	(4,620,050)
Currency realignment	436	-
Acquisition of subsidiaries	-	(2,346,327)
Recognised in consolidated income statement	1,343,246	(2,916,698)
Transfer from asset revaluation	28,924	-
Balance at end of financial year	(8,510,469)	(9,883,075)

Deferred tax liabilities arise as a result of:

	2008 RM	2007 RM
Unabsorbed capital allowances	11,502	143,000
Taxable temporary difference relating to freehold and building	-	(856,334)
Fair value adjustments on property, plant and equipment	-	(114,000)
Plant and equipment	(6,240,479)	(7,478,388)
Revaluation reserves	(3,292,481)	-
Other temporary differences	1,010,989	(1,577,353)
	(8,510,469)	(9,883,075)

21. Share capital

	Group and Company			
	2008		2007	
	S$	RM	S$	RM
Issued and fully paid:				
Balance at beginning of financial year - 240,282,212 (2007: 171,630,152) ordinary shares	21,852,866	49,711,245	15,515,568	35,461,830
Exercise of warrants	4,933	11,637	-	-
Proceeds from issue of shares	1,189,240	2,739,415	-	-
Proceeds from rights issue	-	-	6,337,298	14,249,415
Balance at end of financial year - 250,244,470 (2007: 240,282,212) ordinary shares	23,047,039	52,462,297	21,852,866	49,711,245

During the financial year, the Company issued 9,910,335 ordinary shares at $S0.12 per share as part of the purchase consideration of additional shares in General Packaging Sdn. Bhd.

21. Share capital (cont'd)

On 10 May 2007, the Company issued 17,162,931 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 $0.095, exercisable from 14 May 2007 to 8 April 2010.

As at the balance sheet date, 51,923 warrants were converted into 51,923 ordinary shares at exercise price of $S0.095.

22. Foreign currency translation account

Group and Company

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

23. Fair value reserve

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

24. Revenue

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

25. Other income

	Group	
	2008	**2007**
	RM	**RM**
Allowance for doubtful trade receivables no longer required	372,526	91,055
Debts waived by trade payable	-	887,790
Gain on disposal of property, plant and equipment	207,142	133,711
Insurance compensation	5,057	-
Interest income from fixed deposits	122,351	276,827
Gain on foreign exchange	2,186,434	-
Rental income	34,815	13,769
Reversal of impairment loss on investment	-	269,808
Gain on disposal of quoted investments	-	551,849
Sundry income	52,842	113,163
	2,981,167	2,337,972

26. Other operating expenses

The following items have been included in arriving at the other operating expenses:

	Group	
	2008 RM	2007 RM
Foreign currency exchange loss	3,200,988	866,130
Staff costs		
- Salaries, wages, bonuses and other costs	1,629,627	1,053,024
- Employer's contribution to Employees Provident Fund	142,000	97,283

27. Accreditation of negative goodwill

	Group	
	2008 RM	2007 RM
Excess of net assets acquired over the cost of acquisition in a subsidiary	-	446,295
Excess of net assets acquired over the cost of acquisition in new business	-	450,000
Excess of net assets acquired over the cost of acquisition of additional shares in a subsidiary	-	814,325
	-	1,710,620

28. Finance costs

	Group	
	2008 RM	2007 RM
Interest expense		
- finance leases	233,132	195,627
- bank overdrafts	175,753	376,094
- bankers' acceptance	2,734,034	1,780,800
- term loans	5,502,327	4,061,721
- offshore foreign currency loan	414,662	82,984
- revolving credits	387,412	419,269
- trust receipts	78,217	20,533
- other interests	-	30,899
	9,525,537	6,967,927

29. Profit before income tax

	Group	
	2008	2007
	RM	RM
After charging:		
Allowance for doubtful trade receivables		
- trade	3,614,056	1,641,443
- non trade	1,095,337	2,051,898
Non-audit fees		
- auditors of the Company	-	-
- other auditors	-	55,000
Amortisation of intangible assets	1,264	2,868
Bad trade receivables written off	288,856	17,740
Directors' remuneration		
- Directors of the Company	658,055	477,500
- Directors of the subsidiaries	4,484,572	2,162,427
Directors' fee		
- Directors of the Company		
- current year	590,070	354,330
- under provision in previous year	-	22,860
Inventories written off	721,379	-
Loss on foreign exchange	1,137,581	1,111,679
Operating leases	1,895,745	904,881
Property, plant and equipment written off	115,622	21,653
Research costs	36,924	1,600
Staff costs		
Salaries, bonuses and allowances	33,196,159	19,171,871
Employee contributions to defined contribution plans	2,697,935	1,631,449

30. Income tax expense

	Group	
	2008	2007
	RM	RM
Current income tax		
- current year	5,904,344	2,249,662
- under provision in previous year	131,306	91,686
	6,035,650	2,341,348
Deferred tax expense		
- current year	(887,134)	1,597,149
- under/(over) provision in previous year	(1,322,392)	21,796
	(2,209,526)	1,618,945
	3,826,124	3,960,293

30. Income tax expense (cont'd)

Reconciliation of effective income tax rate

	Group	
	2008 RM	**2007 RM**
Profit before income tax	44,416,964	14,073,935
Income tax calculated at Singapore statutory tax rate of 18%	7,995,054	2,533,309
Effect of different tax rates in other countries	3,787,058	3,458,044
Changes in tax rates	(169,862)	(322,493)
Expenses not deductible for tax purposes	1,458,318	1,123,520
Income not subject to tax	(2,529,542)	(1,951,773)
Singapore statutory stepped income exemption	-	(14,742)
Deferred tax assets not recognised	789,643	16,828
Fair value adjustments on property, plant and equipment	-	115,953
Tax incentives	(4,317,561)	(491,607)
Tax credit on tax dividends	1,189,484	-
Utilisation of reinvestment allowance	(2,798,727)	(724,119)
Income tax under provided in previous year	131,305	91,686
Reduction in statutory tax rate on chargeable income up to RM500,000 for certain subsidiaries	(58,678)	(25,678)
Reduction in statutory tax rate for deferred tax liabilities	(111,665)	-
Deferred tax over provided in previous year	(1,322,392)	21,796
Utilisation of deferred tax assets previously not recognised	-	43,436
Utilisation of group relief	(51,470)	-
Utilisation of tax losses and capital allowances not recognised	-	288,976
Double tax deduction on certain expenses	(22,270)	(64,646)
Withholding tax	556,202	-
Writing down allowances on IPR	(663,654)	-
Others	(35,119)	(138,197)
	3,826,124	3,960,293

31. 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 during the financial year.

	Group	
	2008 RM	**2007 RM**
Profit after income tax attributable to equity holders of the Company	40,338,001	9,132,063
Weighted average number of ordinary shares in issue during the financial year	249,377,707	198,714,800
Basic earnings per share	16.18 sen	4.60 sen

31. Earnings per share (cont'd)

(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 warrants into ordinary shares as at 30 September 2008.

	Group	
	2008	**2007**
	RM	**RM**
Profit after income tax attributable to equity holders of the Company	40,338,001	9,132,063
Weighted average number of shares in issue	249,377,707	198,714,800
Adjustment for:		
- Warrants	17,111,008	6,771,162
	266,488,715	205,485,962
Diluted earnings per share	15.14 sen	4.44 sen

32. Dividends

	Group and Company	
	2008	**2007**
	RM	**RM**
Dividends paid:		
Final tax exempt 1-tier dividend of S$0.005 (2007: S$0.002) per share paid in respect of financial years ended 30 September 2007 and 30 September 2006, respectively.	2,743,104	784,692
Interim tax exempt 1-tier dividend of S$0.003 (2007: Nil) per share paid in respect of the financial years ended 30 September 2008 and 30 September 2007, respectively.	1,779,304	-
	4,522,408	784,692

The Directors propose that a final tax exempt 1-tier dividend of S$0.013 per share amounting to S$3,253,178 to be paid for the financial year ended 30 September 2008 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

33. Significant related party transactions

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

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

	Group	
	2008	**2007**
	RM	**RM**
With related parties		
- Insurance premium paid to Perinsu (Broker Insurans) Sdn. Bhd.	1,618,827	1,137,983
- Rental of premises paid to Motif Etika Sdn. Bhd.	396,000	343,500
- Purchase of packing materials from Life Medicals Sdn. Bhd.	341,963	987,663
- Rental of premises paid to a director of a subsidiary	18,000	18,000
- Rental of shop office to a director of a subsidiary	39,000	50,400

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Short-term benefits	6,380,836	3,513,075	1,648,440	1,089,869
Post-employment benefits	289,776	240,981	-	-
	6,670,612	3,754,056	1,648,440	1,089,869
Analysed into:				
- Directors of the Company	1,248,125	830,458	1,248,125	830,458
- Directors of the subsidiaries	4,484,572	2,162,427	-	-
- Other key management personnel	937,915	761,171	400,315	259,411
	6,670,612	3,754,056	1,648,440	1,089,869

34. Contingent liabilities and commitments

(a) Capital commitments

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

	Group	
	2008	**2007**
	RM	**RM**
Purchase of property, plant and equipment	16,238,185	19,117,818
Acquisition of additional equity interest in General Packaging Sdn. Bhd.	-	6,636,930
	16,238,185	25,754,748

(b) Operating lease commitments

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

	Group	
	2008	**2007**
	RM	**RM**
Within one financial year	328,562	497,615
After one financial year but within five financial years	85,069	218,054
	413,631	715,669

(c) Forward foreign exchange contracts

The fair value of forward currency contracts is calculated by reference to current exchange rates for contracts with similar maturity profiles.

(d) Contingent liabilities - unsecured

Company

The Company has undertaken to provide financial support to its subsidiaries, namely Etika Capital (Labuan) Inc., Eureka Capital Sdn. Bhd., Etika Foods International Inc,, Etika Foods Marketing Sdn. Bhd. and Etika Brands Pte Ltd, to enable them to operate as going concern and to meet their obligations for at least 12 months from the date of their respective directors' report relating to the financial statements for the financial year ended 30 September 2008. In the opinion of the Directors, no losses are expected to arise.

As at the balance sheet date, there were contingent liabilities in respect of guarantees given by the Company to banks in connection with banking facilities granted to certain of its subsidiaries amounting to RM216,769,846 (2007: RM242,345,205) comprising RM198,304,000 (2007: RM223,173,610), USD852,200 equivalent to RM2,942,646 (2007: USD852,200 equivalent to RM2,691,395) and NZD6,600,000 equivalent to RM15,523,200 (2007: NZD6,600,000 equivalent to RM16,480,200). The amount of banking facilities utilised by the subsidiaries as at 30 September 2008 amounted to RM149,100,000 (2007: RM132,629,517).

35. Segment reporting

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 subjected to risks and rewards that are different from those of other segments.

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

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

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

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

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

2008	Dairies RM	Frozen Food RM	Packaging RM	Others RM	Unallocated RM	Total RM
Revenue						
External revenue	391,547,368	124,156,016	27,167,733	49,522,858	-	592,393,975
Results						
Segments results	36,853,070	4,957,298	10,341,267	7,066,591	(5,398,076)	53,820,150
Interest income	30,747	18,683	2,824	61,496	8,601	122,351
Finance costs	(4,014,035)	(2,561,923)	(1,593,709)	(1,355,870)	-	(9,525,537)
Profit/(loss) before income tax	32,869,782	2,414,058	8,750,382	5,772,217	(5,389,475)	44,416,964
Income tax (expense)/benefit	(1,712,672)	171,448	(887,664)	(853,063)	(544,173)	(3,826,124)
Profit/(loss) after income tax	31,157,110	2,585,506	7,862,718	4,919,154	(5,933,648)	40,590,840
Segment assets	191,338,758	73,301,354	39,076,224	38,935,649	2,639,926	345,291,911
Unallocated assets	-	1,704,473	208,664	302,968	-	2,216,105
Total assets	191,338,758	75,005,827	39,284,888	39,238,617	2,639,926	347,508,016
Segment liabilities	108,577,838	55,476,108	33,640,191	24,450,701	1,548,769	223,693,607
Unallocated liabilities	4,580,969	1,558,932	4,072,059	90,212	-	10,302,172
Total liabilities	113,158,807	57,035,040	37,712,250	24,540,913	1,548,769	233,995,779

35. Segment reporting (cont'd)

2008 (Cont'd)	Dairies RM	Frozen Food RM	Packaging RM	Others RM	Unallocated RM	Total RM
Other information						
Capital expenditure	14,390,384	2,000,359	3,748,566	548,690	52,654	20,740,653
Depreciation and amortisation	4,784,945	1,209,572	1,941,045	407,659	12,160	8,355,381

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

35. Segment reporting (cont'd)

Geographical segments

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

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

2008	Malaysia RM	Africa RM	Asean RM	Others RM	Group RM
Total revenue from external customers	350,139,120	110,906,724	72,992,067	58,356,064	592,393,975
Segment assets	301,744,604	8,574,318	17,853,049	17,119,940	345,291,911
Capital expenditure	20,682,119	-	52,655	5,879	20,740,653
2007					
Total revenue from external customers	237,683,485	89,672,041	35,514,690	28,641,033	391,511,249
Segment assets	269,404,906	1,762,763	5,387,614	14,841,682	291,396,965
Capital expenditure	14,169,928	-	-	179,207	14,349,135

36. Financial risk and capital risk management

The Group's activities expose the Group to financial risks (including credit risk, foreign currency risks, interest rate risks and liquidity risk) 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 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 risk. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

36. Financial risk and capital risk management (cont'd)

(a) Credit risk

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

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 RM36,271,866 (2007: RM40,395,205) 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	
	2008	2007
	RM	RM
Past due 0 to 3 months	31,313,367	32,780,165
Past due 3 to 6 months	2,224,430	3,073,502
Past due 6 to 12 months	2,599,961	3,406,248
Past due over 12 months	134,108	1,135,290
	36,271,866	40,395,205

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:

a) Several customers have made arrangements to pay their overdue accounts by instalments; and
b) Some of the trade receivables can be offset against the outstanding trade payables.

(b) Foreign currency risks

The Group and the Company incur 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, and Thai Baht. 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.

At the balance sheet date, 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 relevant foreign currencies against the functional currency of the Group and the Company. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates.

36. Financial risk and capital risk management (cont'd)

(b) Foreign currency risks (cont'd)

Foreign currency sensitivity analysis (cont'd)

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 relevant foreign currency weakens by 10% (2007: 10%) against the functional currency, income statement or equity of the Group will increase/(decrease) by:

	Income statement		Equity	
Group	**2008 RM**	**2007 RM**	**2008 RM**	**2007 RM**
Singapore Dollar	(328,002)	(387,604)	198,862	37,587
United States Dollar	(1,162,138)	(567,999)	861	(375)
Hong Kong Dollar	(303,617)	(107,056)	-	-
British Pound	18,109	29,160	-	-
Australian Dollar	(474,228)	(439,948)	-	-
Euro	10,739	5,559	-	-
New Zealand Dollar	1,828,391	1,578,651	21,581	(86)
Thai Baht	(6,285)	-	-	-
	(417,031)	110,763	221,304	37,126

If the relevant foreign currency weakens by 10% (2007: 10%) against the functional currency, equity of the Company will decrease by as below. There is no impact to the income statement of the Company.

Company	**2008 RM**	**2007 RM**
Singapore Dollar	198,862	37,587

If the relevant foreign currency strengthens by 10% (2007: 10%) against the functional currency, income statement or equity of the Group will increase/(decrease) by:

	Income statement		Equity	
Group	**2008 RM**	**2007 RM**	**2008 RM**	**2007 RM**
Singapore Dollar	328,002	387,604	(198,862)	(37,587)
United States Dollar	1,162,138	567,999	(861)	375
Hong Kong Dollar	303,617	107,056	-	-
British Pound	(18,109)	(29,160)	-	-
Australian Dollar	474,228	439,948	-	-
Euro Dollar	(10,739)	(5,559)	-	-
New Zealand Dollar	(1,828,391)	(1,578,651)	(21,581)	86
Thai Baht	6,285	-	-	-
	417,031	(110,763)	(221,304)	(37,126)

36. Financial risk and capital risk management (cont'd)

(b) Foreign currency risks (cont'd)

If the relevant foreign currency strengthens by 10% (2007: 10%) against the functional currency, equity of the Company will increase by as below. There is no impact to the income statement of the Company.

Company	2008 RM	2007 RM
Singapore Dollar	(198,862)	(37,587)

(c) Interest rate risks

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to fixed deposits, bank borrowings and finance lease obligations 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 balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 3% (2007: 3%) change in the interest rates from the balance sheet date, with all variables held constant.

If the interest rate increases/decreases by 3% (2007: 3%), income statement of the Group and the Company, respectively, will (decrease)/increase by:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Bank borrowings	4,115,605	3,650,550	-	-
Bank overdrafts	654,270	450,360	-	-
	4,769,875	4,100,910	-	-

(d) 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.

36. Financial risk and capital risk management (cont'd)

(d) Liquidity risks (cont'd)

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	1 to 2 years RM	2 to 4 years RM	More than 5 years RM	Total RM
Group					
Financial Liabilities					
2008					
Bank borrowings	96,527,614	23,477,885	40,881,068	29,255,944	190,142,511
Bank overdrafts	2,799,533	-	-	-	2,799,533
Finance lease payables	1,347,042	1,006,393	839,953	19,622	3,213,010
	100,674,189	24,484,278	41,721,021	29,275,566	196,155,054
2007					
Bank borrowings	80,110,332	14,031,510	29,564,904	24,807,240	148,513,986
Bank overdrafts	5,442,397	-	-	-	5,442,397
Finance lease payables	1,409,779	1,160,037	910,206	86,748	3,566,770
	86,962,508	15,191,547	30,475,110	24,893,988	157,523,153

The repayment terms of the bank loans, overdrafts and finance leases are disclosed in Notes 16 and 17 to the financial statements.

The Company has no outstanding bank borrowings and finance lease payables as at 30 September 2008 and 2007.

(e) 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 maintains an optimal capital structure so as to maximise shareholders' values.

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.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged from 2007.

36. Financial risk and capital risk management (cont'd)

(e) Capital risk management policies and objectives (cont'd)

	Group		Company	
	2008	**2007**	**2008**	**2007**
Group	**RM**	**RM**	**RM**	**RM**
Net debt	146,302,310	127,523,741	(1,757,169)	(2,668,911)
Total equity	113,512,237	77,640,686	62,428,549	53,146,403
Total capital	259,814,547	205,164,427	60,671,380	50,477,492
Gearing ratio	56.3%	62.2%	(2.9%)	(5.3%)

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 September 2008 and 2007.

(f) Fair values

Financial instruments carried at fair value

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

Financial instruments where carrying amount approximates fair value

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

Financial instruments carried at other than fair value

Group

	Discount rate [1]		Carrying amount		Fair value	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	%	**%**	**RM**	**RM**	**RM**	**RM**
Financial liabilities:						
Bank borrowings (non-current)	8.13	8.13	53,384,508	60,817,895	53,407,903	61,113,711
Other payable (non-current)	-	7.45	-	2,389,000	-	2,096,430

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

37. Global economic condition

The assessment of the going concern assumption is based on the future cash flows of the Group which are estimated based on the prevailing conditions and available information at the date of this report. However, the current weak economic outlook may affect consumers' discretionary spending and confidence which could in turn impact the future operations of the Group.

STATISTICS OF SHAREHOLDINGS

AS AT 17 DECEMBER 2008

Issued and fully paid-up capital	:	S$23,232,826.925
Number of ordinary shares in issue	:	250,256,470
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

VOTING RIGHTS

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

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

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

Based on the information provided and to the best knowledge of the Directors, approximately 22% of the issued ordinary shares of the Company are held in the hands of the public as at 17 December 2008 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	4	0.66	1,650	0.00
1,000 – 10,000	270	44.33	1,290,608	0.52
10,001 – 1,000,000	304	49.92	28,051,074	11.21
1,000,001 and above	31	5.09	220,913,138	88.27
TOTAL	**609**	**100.00**	**250,256,470**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Tan Yet Meng	28,318,411	11.32
2.	Mayban Nominees (S) Pte Ltd	25,000,000	9.99
3.	CIMB Bank Nominees (S) Sdn Bhd	23,820,000	9.52
4.	Hong Leong Finance Nominees Pte Ltd	22,113,000	8.84
5.	DMG & Partners Securities Pte Ltd	15,170,129	6.06
6.	SBS Nominees Pte Ltd	12,600,000	5.03
7.	Masuma Trading Company Limited	11,900,000	4.76
8.	Mah Weng Choong	8,529,967	3.41

STATISTICS OF SHAREHOLDINGS
AS AT 17 DECEMBER 2008

TWENTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares	%
9.	Khor Sin Kok	7,780,967	3.11
10.	Tan San Chuan	6,911,051	2.76
11.	Tan San Lin	6,911,051	2.76
12.	Kwong Yuen Seng	6,669,966	2.67
13.	UOB Kay Hian Pte Ltd	6,154,000	2.46
14.	Yong Chi Chung Max (Yang Zhicong Max)	4,294,000	1.72
15.	Pok York Keaw	4,193,000	1.68
16.	Pok Yoke Kung	3,761,800	1.50
17.	Pok Yoke Wang	2,615,200	1.05
18.	Hew Margaret Wye Yoong or Hew Leonard Yoke Leong	2,518,000	1.01
19.	Chung Chee Fook	2,468,231	0.99
20.	Kim Eng Securities Pte. Ltd.	2,108,629	0.84
	TOTAL	**203,837,402**	**81.48**

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

	Name	Direct Interest	%	Deemed interest	%	Total Interest	%
(1)(2)	Dato' Jaya J B Tan	41,216,304	16.47	86,599,236	34.60	127,815,540	51.07
(1)(3)	Dato' Kamal Y P Tan	43,492,723	17.38	84,322,817	33.69	127,815,540	51.07
(1)	Tan Yet Meng	28,318,411	11.32	99,497,129	39.75	127,815,540	51.07
(4)	Pok Yock Tin	1,005,200	0.40	16,526,432	6.60	17,531,632	7.00
(4)	Pok Yoke Koon	1,407,000	0.56	16,124,632	6.44	17,531,632	7.00
(4)	Pok Yoke Kung	3,761,800	1.50	13,769,832	5.50	17,531,632	7.00
(4)	Pok Yoke Wang	2,615,200	1.04	14,916,432	5.96	17,531,632	7.00
(4)	Pak Yok Joon	200,000	0.08	17,331,632	6.92	17,531,632	7.00
(4)	Pok York Keaw	4,193,000	1.67	13,338,632	5.33	17,531,632	7.00
(4)	Pok York Keng	1,704,232	0.68	15,827,400	6.32	17,531,632	7.00
(4)	Tan Kiam Jong	242,000	0.10	17,289,632	6.90	17,531,632	7.00
(4)	Tan Mooi Ngoh	221,000	0.09	17,310,632	6.91	17,531,632	7.00
(4)	Kaw See @ Cheam Tat Min	154,000	0.06	17,377,632	6.94	17,531,632	7.00
(4)	Lai Meng Kam	413,000	0.16	17,118,632	6.84	17,531,632	7.00
(4)	Pok Yoke Cheng @ Peh Yoke Cheng	610,000	0.24	16,921,632	6.76	17,531,632	7.00
(4)	Pok Fook Soon	1,005,200	0.40	16,526,432	6.60	17,531,632	7.00
(5)	Mah Weng Choong	13,234,705	5.29	-	-	13,234,705	5.29

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

STATISTICS OF WARRANTHOLDINGS

AS AT 17 DECEMBER 2008

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 999	77	18.16	31,494	0.18
1,000 – 10,000	279	65.80	730,131	4.27
10,001 – 1,000,000	64	15.10	9,620,801	57.27
1,000,001 and above	4	0.94	6,716,582	39.28
TOTAL	**424**	**100.00**	**17,099,008**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1.	Tan Yet Meng	2,006,552	11.73
2.	Mayban Nominees (S) Pte Ltd	1,700,000	9.94
3.	DMG & Partners Securities Pte Ltd	1,630,030	9.53
4.	CIMB Bank Nominees (S) Sdn Bhd	1,380,000	8.07
5.	Jaya J B Tan	921,878	5.39
6.	SBS Nominees Pte Ltd	900,000	5.26
7.	Masuma Trading Company Limited	850,000	4.97
8.	Kamal Y P Tan	805,935	4.71
9.	Tan San Chuan	493,646	2.89
10.	Tan San Lin	493,646	2.89
11.	Khor Sin Kok	425,223	2.49
12.	Mah Weng Choong	425,223	2.49
13.	Kwong Yuen Seng	425,222	2.49
14.	OCBC Securities Private Ltd	333,750	1.95
15.	Pok York Keaw	299,500	1.75
16.	Pok Yoke Kung	268,700	1.57
17.	Koh Cheoh Liang Vincent	200,000	1.17
18.	Teo Hai Meng	200,000	1.17
19.	Pok Yoke Wang	186,800	1.09
20.	Phillip Securities Pte Ltd	157,750	0.92
	TOTAL	**14,103,855**	**82.47**

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 Hibiscus Room, Level 3, Grand Hyatt Singapore, 10 Scotts Road, Singapore 228211 on Tuesday, 20 January 2009 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 2008 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' Kamal Y P Tan (Articles 87 and 91) **(Resolution 2)**

   (ii) Ms Tan Yet Meng (Article 91) **(Resolution 3)**

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

4. To approve the payment of Directors' fees of S$205,000 for the financial year ended 30 September 2008 (FY2007 : S$155,000). **(Resolution 5)**

5. To declare the payment of a tax exempt (one-tier) final dividend of 1.3 Singapore cents per share for the financial year ended 30 September 2008. **(Resolution 6)**

6. To re-appoint Messrs BDO Raffles 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. **Ordinary Resolution : General Mandate to authorize Directors to allot and issue shares and convertible securities** **(Resolution 8)**

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

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

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

9. **Ordinary Resolution : Authority to issue shares under Etika Employee Share Option Scheme** **(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 in accordance with the Etika Employee Share Option Scheme ("the Scheme") and to allot and issue shares in the capital of the Company to all the holders of options granted by the Company whether granted during the subsistence of this authority or otherwise, under the Scheme upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares from time to time. [See Explanatory Note (b)]

BY ORDER OF THE BOARD

Julie Koh Ngin Joo
Kok Mor Keat
Company Secretaries

Singapore
31 December 2008

Explanatory Notes on Special Business to be transacted

(a) **Ordinary Resolution 8** proposed in item 8 above, if passed will empower the Directors to allot and issue shares and convertible securities in the capital of the Company and/or instruments (as defined above) from the date of the above Meeting until the date of the next Annual General Meeting of the Company, or the date of which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier, unless varied or revoked by the Company in general meeting.

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

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares excluding treasury shares is based on the Company total number of issued shares excluding treasury shares as at the date of the passing of this Resolution after adjusting for:

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

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

This calculation is in accordance with Rule 806(2) of the Listing Manual of the SGX-ST.

(b) Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options under the Etika Employee Share Option Scheme ('the Scheme") and to allot and issue shares in the Company of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time pursuant to the exercise of the options under the Scheme.

NOTES:-

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

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

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

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of Etika International Holdings Limited (the "Company") will be closed on 30 January 2009 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 3 Church Street, #08-01 Samsung Hub, Singapore 049483 up to 5.00 p.m. on 29 January 2009 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 29 January 2009 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 20 January 2009, will be made on 12 February 2009.

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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 2008 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 20 January 2009 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 2008				
2	Re-election of Dato' Kamal Y P 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 tax exempt (one-tier) final dividend				
7	Re-appointment of Messrs BDO Raffles 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				

* 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 ______________ 2009.

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 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

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

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

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

General :

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

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Singapore 048619

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