ETIKA INTERNATIONAL HOLDINGS LIMITED

Annual Report 2009

Raising the Bar

OUR GLOBAL PRESENCE

LEGEND

▲ **Operation Base**

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corporate profile

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

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

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

All of its operating facilities are located in Malaysia with distribution depots and warehousing cum coldroom facilities throughout major cities in the Peninsular except for Nutrition Division which is based in New Zealand, and a recently acquired warehousing/distribution operation in Indonesia.

Apart from Malaysia, the Group's products can be found in over 60 countries around the world, including ASEAN, North and Central Asia, Middle East, Asia Pacific region, Central America and the Caribbean, and Africa. The Group's products are traded under various 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.

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 distributes complementary products such as full cream milk powder, instant coffee powder and tea dust. Today, the Dairies Division continues to be the Group's core business division and main growth driver.

The Division's 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 50 countries around the world, including ASEAN, North and Central Asia, Middle East, Asia Pacific region, Central America and the Caribbean, and Africa.

The Dairies Division also successfully obtained the ISO9001:2000 certification in May 2007, 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 beginning, 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 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.

Pok Brothers currently has 3 sub-divisions:

- **Frozen Food trading**
- **Butchery and Bakery business**
- **FMCG distribution business**

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

PACKAGING DIVISION

Acquired in April 2007, General Packaging Sdn. Bhd., formerly known as M.C. Packaging (M) Sdn. Bhd., ("General Packaging") is a manufacturer of tin cans with production facilities located in Petaling Jaya, Selangor, 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 4/5 of its production capacity is used for the Dairies Division.

OTHER

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 competency in product development, advertising and promotion and customer service. This model has reduced the need for substantial resources, both financial and non-financial, otherwise required for setting up of processing and production centers.

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

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

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

BEVERAGE DIVISION

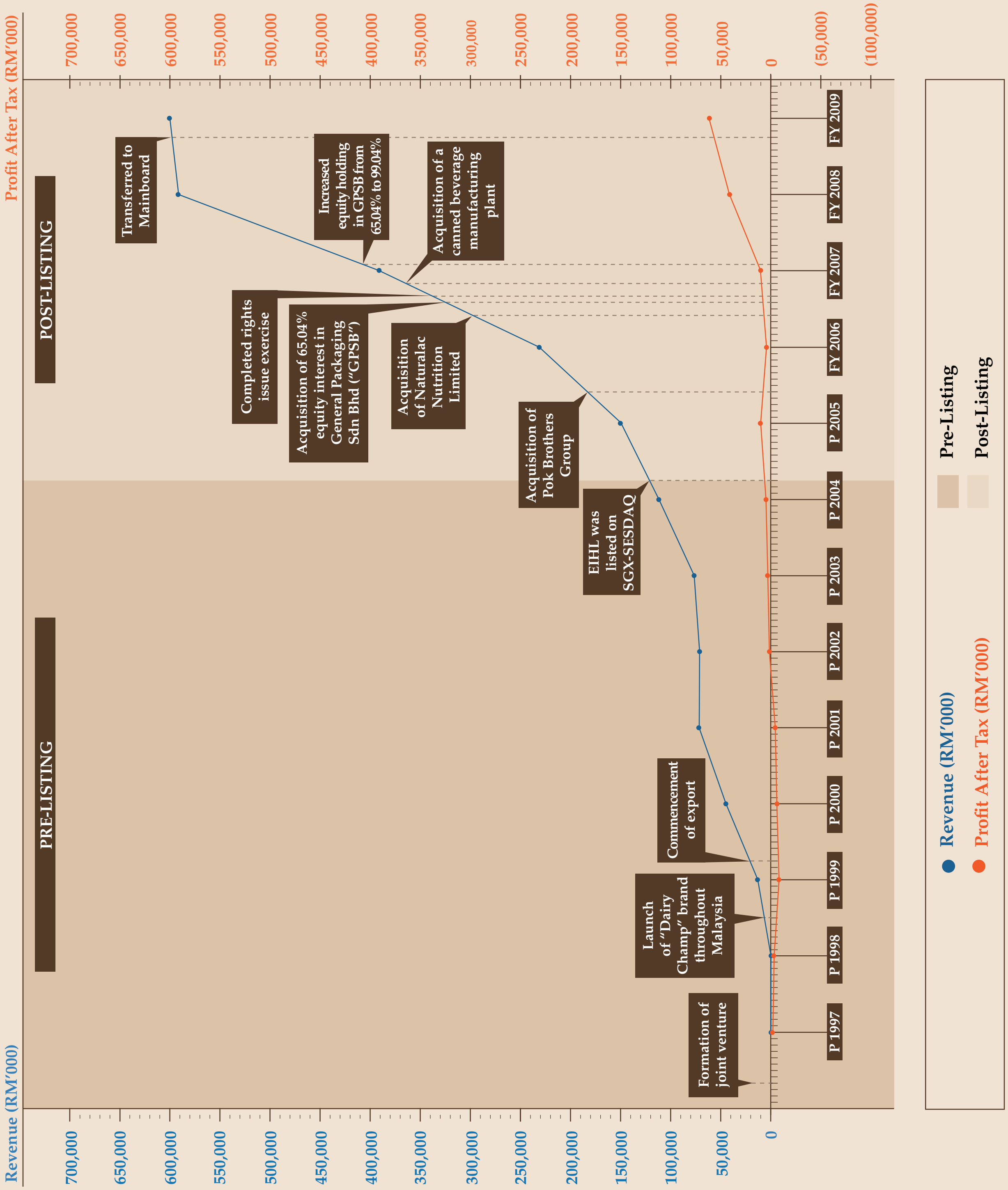
The Group acquired a canned beverages manufacturing plant in June 2007 based in Seremban, Negeri Sembilan. This facility produces both carbonated and non-carbonated drinks under the brandname of "Polygold", and energy drinks under the brandname of "Air Bull".

Although it is 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.

DAIRIES DIVISION

corporate milestone

CORPORATE HISTORY CHART



corporate milestone

Year	Month	Major Developments
1997	Jan	Clarity Valley Sdn Bhd was used as a joint venture ("JV") vehicle between the Tan Brothers (Motif Etika Sdn Bhd) and Messrs Mah Weng Choong, Khor Sin Kok and others (Jasnida Sdn Bhd) to engage in the manufacturing and distribution of milk products in Malaysia. Subsequently, Clarity Valley Sdn Bhd changed its name to Etika Dairies Sdn Bhd.
1999	Feb	Etika Dairies Sdn Bhd completed installation of its maiden modern and fully automated sweetened condensed milk production line in our production factory in Meru, Klang, Selangor, Malaysia.
	Mac	Commercial launch of sweetened condensed milk under the "Dairy Champ" brand throughout Malaysia.
	Dec	Commencement of export of sweetened condensed milk to Malawi.
2003	Dec	Etika International Holdings Limited (EIHL) was incorporated in Singapore on 23 December 2003 as a private limited company.
2004	Nov	Pursuant to a Restructuring Exercise, EIHL became the holding company of Etika Dairies Sdn Bhd on 8 November 2004.
	Dec	EIHL was converted into a public limited company on 10 December 2004. Subsequently, it was listed on SGX-SESDAQ (now known as SGX Catalist) on 23 December 2004.
2006	Feb	1st acquisition pursuant to our listing, we acquired Pok Brothers Group, one of Malaysia's leading frozen food and premium food wholesaler, on 8 February 2006 via our wholly-owned subsidiary, Etika Foods (M) Sdn Bhd for consideration of approximately RM21.5 million.
2007	Jan	The Group proposed a renounceable non-underwritten rights issue of up to 68,652,060 new ordinary shares in the capital of the company at an issue price of S$0.095 for each rights share with up to 17,163,016 free detachable warrants.
	Feb	Completed acquisition of Naturalac Nutrition Limited ("NNL") based in New Zealand via our wholly-owned subsidiary Etika (NZ) Limited on 8 February 2007 for consideration of NZD7.8 million.
	April	Completed acquisition of 65.04% equity interest in General Packaging Sdn Bhd ("GPSB") (formerly known as M.C Packaging (M) Sdn Bhd) on 25 April 2007 via our wholly-owned subsidiary Etika Industries Holdings Sdn Bhd for consideration of RM7.8 million.
	May	The Group completed the take-over of an ongoing consumer distribution business involved in chilled and dry-ambient consumer products on 1 May 2007. This business is housed under Pok Brothers Group to complement our Frozen Food Division.
		On 10 May 2007, we completed the renounceable non-underwritten rights issue (proposed in January 2007) which resulted in issuance of 17,162,931 free detachable warrants and net proceeds of S$6.34 million.
	July	Completed acquisition of a canned beverage manufacturing plant by Etika Beverages Sdn Bhd ("EBSB") on 3 July 2007 for consideration of RM3.8 million.
	Oct	Increased equity holding in GPSB from 65.04% to 99.04% for purchase consideration of approximately RM6.7 million on 31 October 2007.
2009	March	Entered JV in New Zealand via Etika Dairies NZ Limited ("EDNZ"), our newly incorporated subsidiary in New Zealand for an initial stake of 50.7% on 18 March 2009.
	June	Transferred to Mainboard on 18 June 2009.
	July	Entered into a conditional sale and purchase agreement for proposed acquisition of 100% equity on 24 July 2009 interest in Tan Viet Xuan Joint Stock Company ("TVX") for an estimated purchase consideration of USD8.45 million.
	Sept	Completed acquisition of wholly-owned subsidiary in Indonesia, PT Vixon Indonesia on 30 September 2009. PT Vixon Indonesia serves as the main distributor of Etika Group's products - in particular Dairy Champ in Indonesia.

message from the chairman

"...profit after tax surged **52.0%** from FY2008..."

DATO' JAYA J B TAN
Non-Executive Chairman

Dear Valued Shareholders,

It is with great pleasure that I present to you Etika International Holdings Limited's results for the financial year ended 30 September 2009 ("FY2009"). I am delighted to report that, despite the challenging market conditions, FY2009 has been another successful year for our Group. We have achieved record profits and we are committed to continue raising our bar by growing through organic growth and mergers and acquisitions.

FINANCIAL REVIEW

This year, the group turnover grew marginally by 1.4% to RM600.6 million, but profit after tax surged 52.0% from FY2008 to reach a historical high of RM61.7 million. This increase was mainly due to declining input costs coupled with good management of operational efficiencies and cost control measures as well as consolidation efforts.

As a result of the higher net profit and improvement in working capital position, the Group reported a healthy cash position at the end of FY2009, with cash and cash equivalents of RM23.4 million. Consequently, our net gearing ratio improved from 1.3 times in FY2008 to 0.6 times in FY2009.

Of the total revenue reported, our Dairies Division made up 68.6% of the Group's total revenue, while our Frozen Food Division constituted 19.7%, and the Packaging Division 2.7% and the Nutrition and Beverage Divisions making up the remaining 9.0% of total revenue.

CORPORATE DEVELOPMENTS

In line with our long-term strategy of strengthening our core businesses whilst increasing our market value, we embarked on a number of new and exciting potential prospects over the course of FY2009.

In March this year, we entered into a joint venture ("JV") at an approximate cost of NZD6.0 million via our subsidiary in New Zealand, Etika Dairies NZ Limited, to set up a UHT Aseptic PET Bottling plant in New Zealand. This plant will be the first-of-its-kind in the Australasia and South East Asia region and commercial production is set to commence in Q3FY2010.

Other non-operational highlights include being upgraded to the SGX Mainboard in June 2009, as we ceased to be quoted on the Catalist (non-sponsored) regime. We believe this move accurately reflects the company growing from strength to strength as we have consistently produced progressive results since our listing in December 2004. Furthermore, there has been a a notable increase in interest and trading in our counter and we hope that being listed on the Mainboard will further increase our visibility and attract more interest from current and potential investors.

Subsequently in July 2009, we further solidify our commitment to producing ready-to-drink UHT milk products by entering into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Vietnamese company, Tan Viet Xuan Joint Stock Company ("TVX"). This was for a cash consideration of approximately USD8.45 million and we believe that since TVX is an established business with recognised brand name, namely "Vixumilk", we are of the view that it will put us in good stead as we venture into the F&B market in Vietnam and throughout the region as a whole. We also believe that TVX would complement our JV business in New Zealand and we look forward to exploring the synergistic benefits between the two operations.

We continued on our expansion strategy and in September, we completed the acquisition of a wholly-owned subsidiary in Indonesia – PT Vixon Indonesia ("PT Vixon"), a distributor of consumer products. We intend to leverage on PT Vixon to serve as the Group's main distributor in Indonesia.

Finally, in November 2009, we launched our corporate website, www.etika-intl.com. Through our website, current shareholders, investors and members of the public will be able to keep abreast of our activities and maintain an open line of communication with us. We hope that this would further improve our relationships with our investors and business partners as well.

message from the chairman

OUTLOOK AND FUTURE PROSPECTS

Moving forward, we anticipate growth to be underpinned largely by our Dairies Division. We plan to seek out new ways to achieve better market penetration, especially via our sweetened condensed milk under our 'Dairy Champ brand', in both our existing and new markets. Vietnam, in particular, is extremely attractive for us. With a population of over 80 million people as well as a robust general food consumption that is projected to grow by an average of 6.6% per annum from 2009 to 2013, we feel that there is a lot of potential for growth in Vietnam in terms of per capita consumption of milk. Accordingly, we believe there are many opportunities present for us to explore and tap into.

We continue to innovate and we have recently introduced new products such as the 'Juice Milk drink' and plans are underway to develop and introduce other new dairy products to the market. This, together with good product distribution, brand strength and awareness, and product quality, will put us in good stead to increase our sales volume for both the domestic and export markets.

We expect our Packaging Division to continue to grow alongside the Dairies Division. As such, demand for tin cans should be precipitated by growth in the Dairies Division. To accommodate an anticipated surge in demand within this division, we have put in place an expansion plan to relocate our existing operations to further maximize operational efficiencies and complement the Dairies Division.

With regards to the Frozen Food Division, we foresee intense competition and some margin pressure to take place, but we do anticipate a gradual recovery in 2QFY2010. We believe that growth in this division will be driven through product innovation, expansion and new market access for retail and export businesses in both the butchery and bakery sub-divisions.

We further believe that our consistent growth in the Australian market will underpin the Nutrition Division – particularly as interest in gym memberships and increasing popularity of sports in Australia continue to grow. Our Horleys range in Australia has been doing very well, particularly from the re-launch of certain product range, and we intend to leverage on this to take a leading position in the Australian market. That being said, we are also seeking opportunities to increase our brand awareness and penetrate other markets beyond the borders of Australia and New Zealand.

DIVIDEND & APPRECIATION

To reward our loyal shareholders, the Board of Directors is pleased to recommend for shareholders' approval a final dividend payment of 2.0 Singapore cents for the financial year ended 30 September 2009. Together with the interim dividend of 0.8 Singapore cents per share paid on 3 June 2009, total dividend for the full year works out to be 2.8 Singapore cents per share.

I would like to extend my sincere appreciation to our bankers, our principals, our business partners and associates locally and globally and the investors for their continued confidence and loyal support towards Etika.

Last but not least, I would also like to take this opportunity to thank all my fellow board members for their counsel and guidance, and to the management and staff for their hard work and dedication.

DATO' JAYA J B TAN
Non-Executive Chairman

FROZEN FOOD DIVISION (BAKERY)

review of operations

> ... we will continue to steer Etika ahead on its path of excellence...

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

- Dairies Division
- Frozen Food Division
- Packaging Division
- Other – comprising Nutrition Division and Beverage Division

Financial year ended 30 September 2009 ("FY2009") was an exciting year for the Group. After a year of consolidation during the previous financial year, Etika Group has began reaping the benefits of these efforts.

The Group continues raising the bar in FY2009 from the success of past expansion and merger and acquisition efforts, thereby reporting a remarkable 52.0% increase in net profit.

The Group has now posted two consecutive years of strong results and we believe this has laid a solid foundation for the Group to raise our bar further. We intend to continue expanding, organically and through new acquisitions, our product offerings and our global reach to bring about new product innovation, technology and competitiveness to our markets and to our customers. We are excited about the potential of the Group and we are ready to take Etika to the next step of our rapid evolution.

GROUP FINANCIAL RESULTS

Etika International Holdings reported a strong set of financials for the full year ended 30 September 2009. Notwithstanding a challenging year brought on by the global economic uncertainty, we achieved yet another historical high in net profit as prudent cost control measures as well as consolidation efforts paid off very well.

Group profit after tax registered a 52.0% jump from FY2008 to an unprecedented RM61.7 million (FY2008: RM40.6 million). This was on the back of a 1.4% increase in turnover from RM592.4 million to RM600.6 million in FY2009. The modest increase of RM8.2 million in turnover for the Group is made up of RM20.7 million from the fairly recession-proof Dairies Division and RM4.0 million from Other divisions, which was offset by decline in revenue of RM16.5 million in Frozen Food and Packaging Divisions.

Cost of goods sold declined by 2.9% for the financial year under review, a decreased from RM462.6 million to RM449.1 million in FY2009.

This has resulted in a notable 16.7% increase in gross profit to RM151.5 million (FY2008 : RM129.8 million) and accordingly, gross profit margin expanded from 21.9% to 25.2%, an improvement of 3.3 percentage points compared to previous year. More specifically, the improvements in gross profit margin were mainly attributed to lower raw material costs in our Dairies Division.

Other operating income recorded an increase of 137.1% to RM7.1 million in FY2009 from RM3.0 million in FY2008. This was mainly attributed to higher realized foreign exchange gain due to strong Ringgit especially against USD, allowance for doubtful debts no longer required and higher interest income.

The Group's administration expenses decreased from RM34.2 million to RM32.1 million or 6.1% from FY2008, primarily due to lower allowance for doubtful debts made and lower repairs and maintenance costs incurred for the year.

review of operations

Sales, marketing and distribution expenses saw a 6.6% or RM2.5 million increase to RM40.8 million in FY2009 from RM38.3 million in FY2008. The increase was mainly due to more aggressive advertising and promotion campaigns undertaken by the Group as the management is of the view that the advertising and promotion campaigns dollar spend will gain more mileage or visibility during economic downturn since the others are cutting back on advertising and promotion budget.

Other operating expenses recorded a marginal decrease of 15.4% or RM1.0 million from RM6.3 million to RM5.3 million in FY2009 as compared to the previous corresponding year. This was mainly due to reversal of amortized costs on the fair value of trade receivables incurred for the year.

Goodwill written off amounted to RM1.1 million arose from the acquisition of PT Vixon Indonesia, which comprises of the cost of investment RM0.3 million and net identifiable liabilities of RM0.8 million acquired during the year.

The Group's finance cost decreased by 18.9% or RM1.8 million to RM7.7 million in FY2009 mainly due to lower interest expense incurred as a result of lower interest rate and lower utilisation of trade lines due to a decrease in material costs.

The Group's tax expense was RM9.8 million, compared to RM3.8 million in the previous year, an increase of 155.7% or RM6.0 million. Effective tax rate grew by 5.1 percentage point, from 8.6% to 13.7% in FY2009. This was mainly due to higher income tax expense in the Dairies Division as the division has fully utilized the unabsorbed tax losses carried forward from previous financial year coupled with higher profits recorded for Frozen Food and Other Divisions in FY2009.

For FY2009, basic earnings per share ("EPS") soared by 51.2% to 24.5 RM sen per share (FY2008: 16.2 RM sen).

BALANCE SHEET POSITION

For the financial year ended 30 September 2009, the Group showed a significant improvement in balance sheet position as compared to the previous financial year. Net assets increased by RM54.0 million or 47.5% to RM167.5 million (FY2008: RM113.5 million) in line with the expansion plans adopted by the management, lower bank borrowings coupled with profit performance.

Net asset value per share increased from 45.4 RM sen to 65.7 RM sen in FY2009, an increase of 44.7%.

Property, plant and equipment increased by RM38.0 million or 34.3% to RM148.5 million (FY2008: RM110.6 million). This comprised mainly of the construction, renovation and improvement works on factory buildings located in Meru Industrial Park, Klang and Ipoh warehouse, acquisition of additional vacant lands in Meru Industrial Park, Klang, installations and upgrading of new production lines, purchase of new machinery as a result of our new joint venture in New Zealand, replacement of motor vehicles for directors and the implementation of new ERP system across all divisions.

Total bank borrowings for the Group were RM132.0 million, down by 18.5% from RM161.9 million. The decline was due to lower utilization of trade financing facilities and repayment of existing term loans.

Consequently, the decrease in bank borrowings also led to an improvement in the Group's net gearing position to 0.6 times in FY2009 compared to 1.3 times in FY2008.

CASHFLOW POSITION

For FY2009, the Group reported a significant improvement in its operating cashflow compared to the previous financial year.

Net cash generated from operating activities was RM108.3 million in FY2009 compared to RM15.1 million in FY2008, an increase of 617.2%. The significant improvement in our operating cash flow position was attributed to higher profit achieved and improvement in our working capital position.

This has resulted in a healthy cash position for the Group as at end of financial year, as cash and cash equivalents amounted to RM23.4 million as compared to RM7.8 million in FY2008.

SEGMENTAL REVIEW BY BUSINESS DIVISIONS

The Group's Dairies and Other divisions posted positive revenue growth in FY2009 as compared to FY2008, whilst Frozen Food and Packaging Divisions registered a decline in revenue.

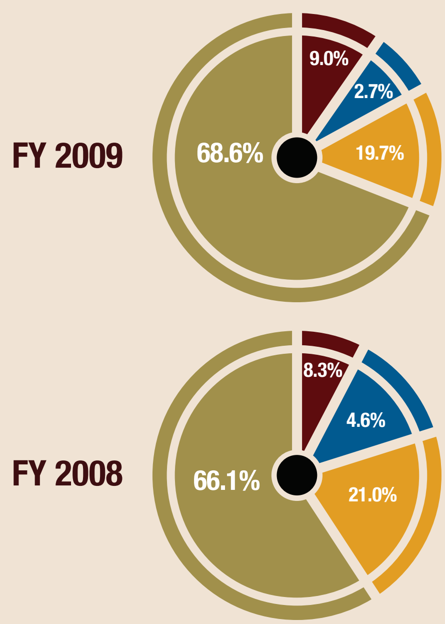
Dairies Division continues to be a strong pillar for the Group's revenue, making up 68.6% of the Group's total revenue.

The Group's Frozen Food Division made up 19.7% of the Group's total revenue, whilst the Packaging Division constituted 2.7% of total revenue. The Nutrition and Beverage Divisions made up the remaining 9.0% of total revenue.

Dairies Division also contributed the largest share of net profit to the Group at 80.3%, followed by Other (comprises of our Nutrition and Beverage Divisions) of 8.2%, while Packaging Division contributed 6.7%. Frozen Food Division made up the remaining 4.8% of the net profit by operating business segments.

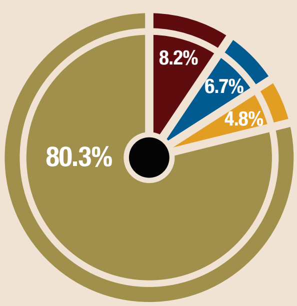
Revenue By Business Segments

	FY2009 RM	FY2008 RM
Dairies	**412,251,721**	391,547,368
Frozen Food	**118,481,290**	124,156,016
Packaging	**16,330,829**	27,167,733
Other	**53,550,172**	49,522,858
Total	**600,614,012**	592,393,975



Profit After Tax (PAT) By Operating Business Segments

	FY2009 RM	FY2008 RM
Dairies	**53,629,119**	31,157,110
Frozen Food	**3,219,553**	2,585,506
Packaging	**4,430,252**	7,862,718
Other	**5,480,747**	4,919,154
Total	**66,759,671**	46,524,488



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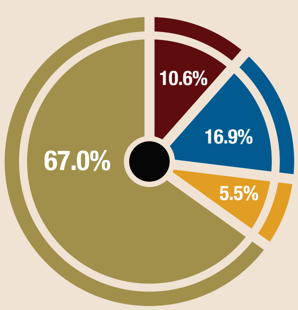


FY 2008

Dairies Division

Despite the challenging economic situation during the year in review, the Dairies Division registered a 72.1% surge in profit after tax to RM53.6 million (FY2008: RM31.2 million) and a 5.3% marginal increase in revenue from RM391.5 million to RM412.3 million. The marginal growth in revenue was mainly due to an increase in volume sales for both domestic and export markets which was negated by lower average net selling prices for both markets as compared to FY2008.

In the domestic market, sales volume increased by 10.0% with average net selling price per carton decreased by 6.8% whereas in the export market, sales volume growth was 24.5% with average net selling price per carton decreased by 11.3%. The lower average selling price, however, was compensated by lower costs of production and continuous process improvement efforts that led to improved gross profit margin for FY2009.

Improved margins were mainly attributed to several key factors, including:

- Falling prices of key raw materials such as skimmed milk powder, whey powder, and palm oil which saw the decline in raw material unit cost of between 26.5% to 46.8% per carton, respectively compared to previous year. However, these were negated partially by higher sugar and tin can prices per carton between 3.5% to 10.1%; and
- Further economies of scale brought about by an overall reduction in overheads per carton.

Higher income tax expenses were recorded this year as the division has fully utilized the unabsorbed tax losses carried forward in FY2008 coupled with higher profits recorded for the year.

Segment assets increased; in line with the expansionary programs adopted by the management; on the other hand, segment liabilities decreased as compared to the previous financial year mainly due to the lower utilisation of trade financing facilities as a result of lower material cost.

Capital expenditure incurred during FY2009 for Dairies Division (which made up of 80.8% of the total capital expenditure for the Group) was primarily for the construction, renovation and improvement works on factory buildings located in Meru Industrial Park and Ipoh warehouse, the purchase of neighboring vacant lands, the construction of additional condensed milk production line and improvement to existing sweetened condensed milk production line amounted RM32.8 million.

Frozen Food Division

The Frozen Food Division comprises frozen food trading, butchery and bakery sub-divisions and the FMCG distribution businesses. As the Frozen Food Division caters to the upper niche market of the consumer food segment, it was not as resilient against the current world-wide economic crisis amidst the outbreak of the H1N1 pandemic.

Overall revenue decreased 4.6% or RM5.7 million to RM118.5 million for FY2009, lower revenue was recorded in the frozen food trading sub-division (accounting for RM4.1 million of the total decrease); and FMCG distribution sub-division (accounting for RM2.4 million). Conversely, the butchery and bakery sub-divisions registered a modest growth of RM0.8 million increase from the previous financial year. Domestic sales remained flat, a decline of RM4.4 million or 3.6%, reflecting the slowdown in the global economy and changes in consumer spending behavior (spending less and saving more).

Notwithstanding a decline in revenue growth, net profit after tax increased by a commendable 24.5% or RM0.6 million. The improved performance was partly due to lower staff costs and costs cutting measures adopted by the division.

Packaging Division

The performance of Packaging Division continues to ride on the performance of our Dairies Division.

Total segment revenue (including inter-segment sales) increased by a marginal RM4.3 million or 5.1% to RM87.1 million. Excluding inter-segment sales, revenue from the Packaging Division declined 40.0% or RM10.8 million from RM27.2 million to RM16.3 million in FY2009. Accordingly, net profit registered a decline of 43.7% or RM3.4 million to RM4.4 million in FY2009.

This division was faced with a disproportionate reduction of the selling price in the industry vis-à-vis costs and escalating raw

material prices (particularly for tin plates), which eroded our profit margin, leading to a subsequent decline in gross profit margin from 19.0% the previous year to 12.8% in FY2009. These imbalances were experienced during the first half of the financial year but were subsequently corrected in the second half.

Other Divisions

The Group's other operating divisions comprise of the Nutrition Division and the Beverage Division. Combined revenue for the Group's Nutrition and Beverage Divisions grew by a modest 8.1% or RM4.0 million to RM53.6 million, while net profit rose 11.4% or RM0.6 million to RM5.5 million.

The Nutrition Division delivered a commendable set of results despite the challenging economic climate. Although the impact from the economic crisis saw a marginal revenue growth of RM3.4 million or 7.3% over the corresponding period, revenue in New Zealand Dollar ("NZD") terms grew by NZD4.9 million or 26.4%.

This was mainly attributable to revenue growth in Australia coupled with the strengthening of the Australian Dollar ("AUD") over the NZD. The Australian market contributed 63.7% of total sales of the Nutrition Division as opposed to 57.5% in the previous corresponding period. Revenue in AUD terms increased by AUD3.2 million or 36.1% y.o.y but in Ringgit ("RM") terms, only showed RM5.0 million or 18.8% growth. As such, the strong performance in the Australian market and the strong AUD in NZD terms were not reflected after conversion to RM due to the strong RM during the first nine months of the financial year.

The strong performance of this Nutrition Division, notwithstanding the strength of the Ringgit, was primarily attributable to the our continuous efforts to grow the Australian market, the successful re-launch of the Elite range and the continued strong growth of our ladies-only gym chain, Contours.

Overall, profit after tax was equally strong, registering an improvement of RM1.5 million or 88.3% (or NZD0.8 million or 121.9% in NZD terms) as compared to FY2008.

Geographical Segmentation

Revenue growth was recorded in Africa and Other geographical markets in FY2009 compared to FY2008. However, the Malaysian and ASEAN markets proved to be more challenging as the Group achieved lower revenue despite volume increases.

Malaysia

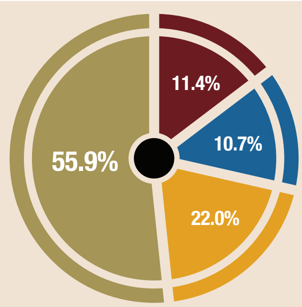
Malaysia is still the dominant market for the Group in FY2009, accounting for 55.9% or RM336.0 million of the Group's total revenue, despite slightly down from last year of 59.1%. The decreased of 3.2 percentage point were experienced across all divisions, especially Packaging, Frozen Food and Dairies Divisions, which saw the decline of approximately 43.6%, 3.6% and 1.5% respectively, compared to FY2008. The decrease was mainly attributable to lower net selling price per carton in Dairies Division, lower sales from Frozen Food Division due to reduced activities on hospitality and tourism sectors and lower sales from Packaging Division due to technical constraints and pricing in-equilibrium in the market.

Dairies Division continues to be the main driving force in our Malaysian market, contributing 61.5% of the total segment revenue, Frozen Food Division 35.2%, Packaging Division 2.5% and the balance from Other.

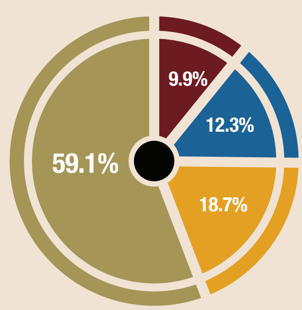
REVENUE BY GEOGRAPHICAL SEGMENTS

	FY2009 RM	FY2008 RM
Malaysia	**336,012,477**	350,139,120
Africa	**132,207,714**	110,906,724
ASEAN*	**64,072,879**	72,992,067
Other**	**68,320,942**	58,356,064
Total	**600,614,012**	592,393,975

FY 2009



FY 2008



* 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

Africa

Africa region remained the second largest geographical market for the Group, which showed a marked increase in revenue of RM21.3 million or 19.2%. Notwithstanding the current global economy slowdown, Dairies Division continues to see strong demand for our products in this continent. Despite overall decrease in net selling price of 17.0% per carton, volume grew by 43.4% y.o.y. These further emphasize the significance of this region to our group sales.

Again, the single largest contributor to this increase came from Dairies Division as a result of increasing demand for our sweetened condensed milk under the Dairy Champ brand as well as third party labels under OEM arrangement.

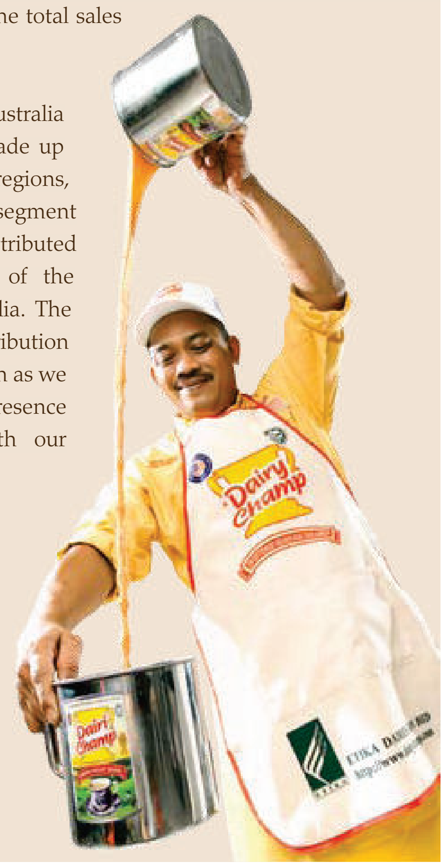
ASEAN

The ASEAN countries (excluding Malaysia) accounted for 10.7% or RM64.1 million of the Group's total revenue. Lower sales were reported in ASEAN region, a decline of RM8.9 million or 12.2% of which the bulk of the decrease came from Dairies, Frozen Food and Packaging Divisions due to lower demand from Singapore, Thailand and Indonesia markets. The decrease in revenue was mainly due to lower net selling price per carton coupled with lower sales volume in the Dairies Division, the expiring of bakery contracts in Thailand and Singapore market for our Frozen Food Division and lower sales of tin cans to Singapore market for our Packaging Division.

Other

Other markets made up 11.4% or RM68.3 million of the Group's total revenue in FY2009. Revenue in Other region increased by RM10.0 million or 17.1% compared to previous year. The revenue growth in these regions was from Dairies and Nutrition Divisions, which made up of 99.0% of the total sales to Other region.

Revenue generated from Australia and New Zealand market made up the bulk of sales in these regions, accounted for 70.3% of total segment revenue, this was mainly attributed to the strong performance of the Nutrition Division in Australia. The remaining revenue contribution came from the Dairies Division as we continued to establish our presence in Hong Kong market with our evaporated milk.



Prospects and Growth Plans

Despite the uncertain global economic conditions during the financial year, the Group continues to break new grounds while progressively and organically grow its existing businesses. In order to create new market demands and support increased future demand from existing markets, the Group continues to expand its existing Divisions particularly in Dairies, Frozen Food and Packaging.

For Dairies Division, we have completed 30% additional capacity in the sweetened condensed milk production line in FY2009 and have laid plans for the expansion of our evaporated milk production capacity in the new financial year. This is to cater to the newly-launched Juice Milk drink and other flavoured milk drinks that are expected to substantially utilise the sterilisers' capacity going forward. The installation is expected to be completed by 3QFY2010.

In line with a general pick-up in the world economy, prices of major ingredients such as milk solid, sugar and palm oil have come off its lows. While certain ingredients continue to show signs of upward price pressure (for instance: tin cans and sugar), other key ingredients such as skimmed milk powder and palm oil prices have stabilized, albeit with upward pressure. As the global economy enters its recovery phase, the demand for the Group's products is expected to increase as well. As such, any potential costs increase should be mitigated by increased volume and selling price adjustment.

Dairies Division is also committed to expand its product offerings and market reach, as seen in its formation of a joint venture in New Zealand, the acquisition of 100% equity interest in a distribution company in Indonesia and the proposed acquisition of 100% equity interest in a manufacturing cum distribution company in Vietnam.

The New Zealand venture, Etika Dairies NZ Limited with Etika initially holding 50.7% equity interest, represents another milestone for the Group as the setting up of a UHT Aseptic PET bottling plant in Whakatu, New Zealand is the first-of-its-kind in the Australasia and the South East Asian regions. The state of the art plant in New Zealand which costs approximately NZD6.0 million, is expected to enter into commercial production by 3QFY2010. Once in production, Etika is expected to leverage on the plant's technology to introduce new products within Etika's existing brandnames as well as to serve as a contract manufacturer of UHT dairy products for third party labels using the Aseptic PET bottling technology. Products to be produced in this plant include vitamin-flavoured milk drinks, lactose-free milk, soy milk, milk-based energy drinks/liquid meals, ready-to-drink infant juice and standard UHT milk. Etika Group is expected to increase its equity interest to 60.7% before 31 December 2009 in line with pre-agreed terms of the joint-venture.

The proposed strategic acquisition of 100% equity of a UHT manufacturing and distribution company Tan Viet Xuan Joint Stock Company in Ho Chi Minh, Vietnam, for an estimated consideration of USD8.45 million is still subject to the relevant local regulatory approvals. Upon completion of this acquisition next year, it will present new opportunities for the Group to tap into unexplored market in Indochina.

review of operations

Both New Zealand and Vietnam projects are expected to contribute positively to the Group with effect from FY2010.

The acquisition of PT Vixon Indonesia, a distribution company, will serve as the main distributor of Etika Group's products, in particular Dairy Champ. This marks the Group's concrete step towards setting a stronger foothold in the Indonesian F&B industry.

Barring any unforeseen circumstances, we remain cautiously confident that the Dairies Division will continue to contribute significantly to the Group's financial performance in the next 12 months.

The Group anticipates growth in the Frozen Food Division to be driven by the expansion in the bakery sub-division. Once the Group's new modern facilities are completed in 2QFY2010, we will capitalise on the improved infrastructure and product offering capability.

Upon completion, the bakery sub-division will be able to offer a whole range of new products within the categories of buns/bread, croissants, pies/tarts and danishes catering to both domestic and export markets in the retail and OEM sector. For the OEM category, the bakery sub-division is exploring market potential with international retail chains, direct selling companies, corporate and industrial players. For the export market, focus will be on countries in the Middle East and Asian region especially Japan, Korea and Singapore.

The Frozen Food trading sub-division will be expanding the coldroom and dry storage facilities in Glenmarie, Shah Alam, scheduled for completion by 3QFY2010 and will also be constructing a new coldroom and warehouse facility in Penang targeted for completion by 2QFY2011. Both facilities are expected to be ready to cater to higher business volume as world economy recovers.

We believe that, notwithstanding higher costs and margin pressures brought about by competition, we will see a gradual recovery in 2QFY2010 for the Frozen Food Division.

In order to meet future demands precipitated by growth in the Dairies Division, we have put in place an expansion plan for the Packaging Division to increase its capacity by 30%. This is expected to be completed by 2QFY2010.

As part of this expansion and rationalization program, we have completed the relocation of our operations in Pekan Nanas, Johor and will progressively re-locate our Petaling Jaya, Selangor plant to a new plant in Meru, Klang. The Group expects to derive synergistical benefits from this exercise, which include cost savings in transportation, improved delivery lead-time and reduced inventory holding, leading to improvement in net profit.

For the Nutrition Division, we are looking to introduce new products under new packaging technology i.e Aseptic PET bottling from the New Zealand joint venture in our pursuit to generate new revenue streams in order to expand the business further.

review of operations

Computerization Drive

As the Group continues to grow and expand into different regions, there is a need for timely and accurate information by the management for decision making purposes. The computerization of the entire group's operation using a common IT platform will assist the Group in achieving its overall operation efficiency. The ERP project that the Group has embarked on since the second quarter of this financial year, is expected to be completed in stages amongst all the Group's core operating divisions. Once completed, we expect the harmonization of IT solution within the Group will not only lead to standardization and timeliness of financial reporting within the Group, but is expected to enhance internal control processes, improve operating efficiencies, accord better accountabilities and higher visibility to all aspects of the Group's business operations.

Forging Ahead in Excellence

Moving forward, we will continue to look for new opportunities and cost-saving benefits in all our endeavors while placing a strong emphasis on enhancing shareholders' value. Backed by a proven business model and an experienced management team, we will continue to steer Etika ahead on its path of excellence.

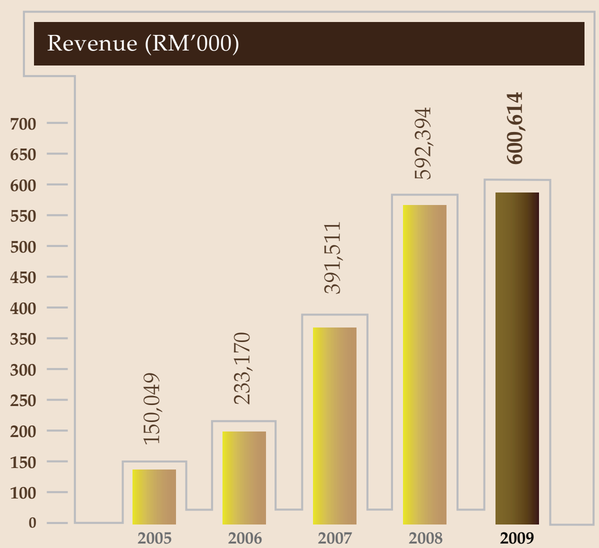
FROZEN FOOD DIVISION (BUTCHERY)

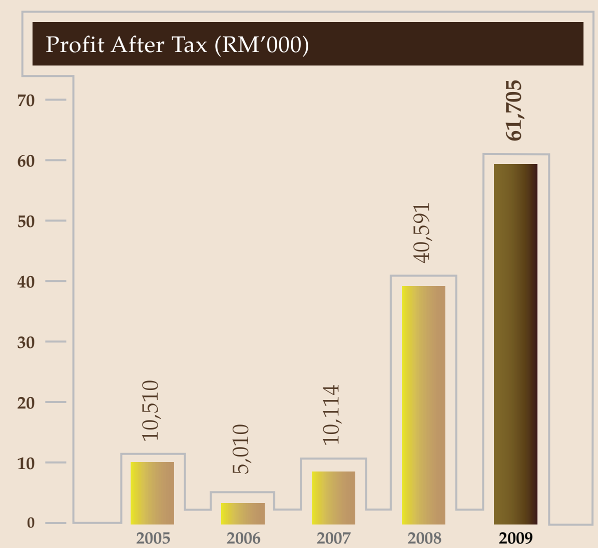
GOURMESSA®

financial highlights

	FY 2005 Proforma	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual
KEY FINANCIAL INFORMATION					
1. Revenue (RM'000)	150,049	233,170	391,511	592,394	**600,614**
2. Profit after tax (RM'000)	10,510	5,010	10,114	40,591	**61,705**
3. Shareholders' equity-opening balance (RM'000)	33 ,731[1]	45,564	56,275[1]	74,181	**112,666**
4. Total equity (RM'000)	45,564	50,654	77,641	113,512	**167,477**
5. Weighted average number of shares	148,460,443	171,630,152	198,714,800	249,377,707	**252,404,214**
6. Weighted average number of days (revenue)	334	336	350	365	**365**
KEY FINANCIAL RATIO					
1. Earning per share (EPS) (RM sen)	7.1	2.9	4.6	16.2	**24.5**
2. Return on equity (%)	31.2	11.0	18.0	54.4	**54.5**
3. Dividend per share (RM sen)	0.9	1.0	1.1	3.9	**6.9**
4. Net asset value per share (RM sen)	26.6	29.5	32.3	45.4	**65.7**
5. Inventory turnover (days)	54	50	34	65	**55**
6. Receivables turnover (days)	73	86	89	70	**63**
7. Payables turnover (days)	82	63	72	27	**29**
8. Working capital cycle (days)	45	73	51	108	**89**
9. Net gearing ratio (times)	0.4	1.4	1.6	1.3	**0.6**

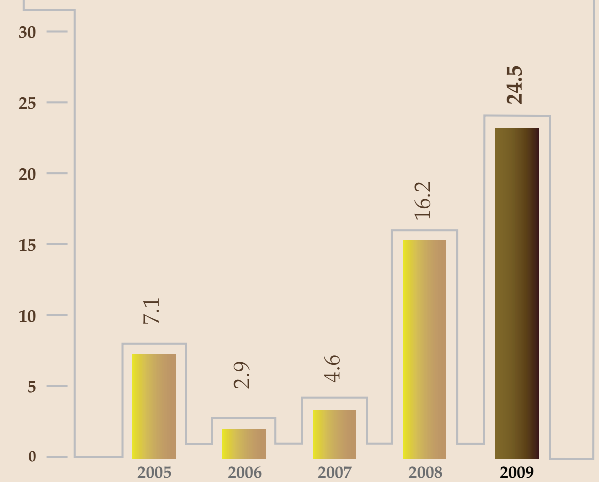
[1] adjusted for new shares issued during the financial year



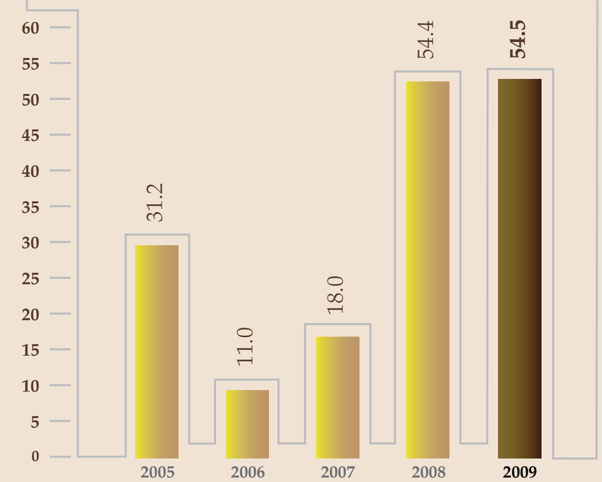


financial highlights

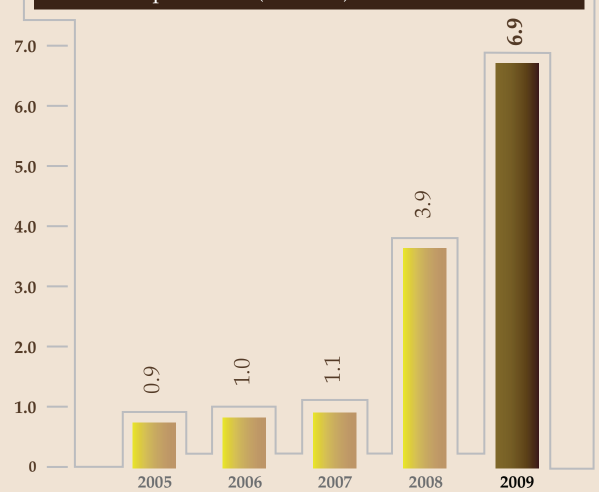
Earning per share (EPS) (RM sen)



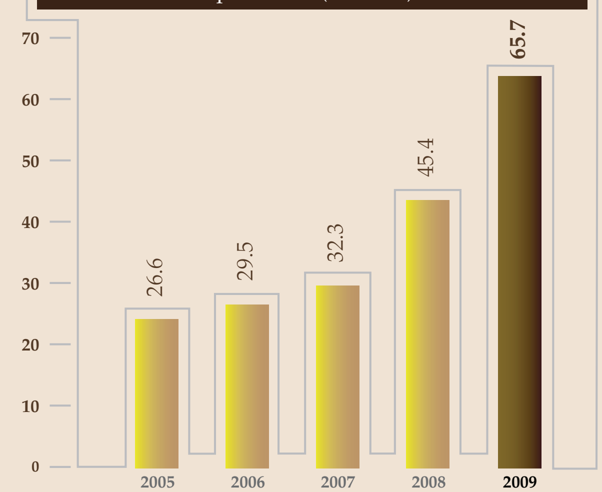
Return on Equity (%)



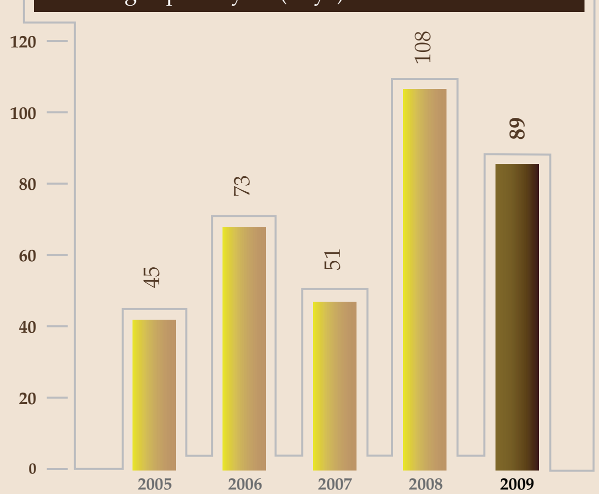
Dividend per share (RM sen)



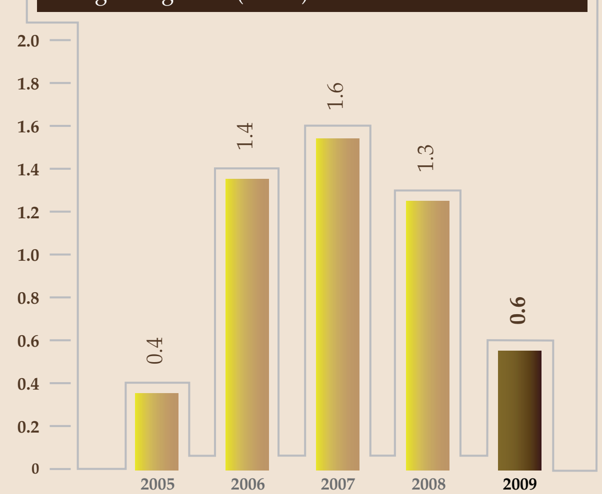
Net asset value per share (RM sen)



Working capital cycle (days)



Net gearing ratio (times)



risk factors

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

Economic Risks

Changes in the economic conditions within and outside of Malaysia where the Group's main operation is based may have a material adverse effect on the demand for our products and hence, on the financial performance and operations of the Group. While the Group operates in a fairly defensive F&B industry, we are not completely shielded from the impact of economic crisis. The past 12 months have been challenging for all businesses globally following the financial meltdown initiated by the sub-prime crisis in the United States towards the end of 2008. While we are seeing some major economies in developed countries making a turnaround, global economy has not return to growth. If the economic downturn is prolonged, this may affect the demand for our products which are being exported to more than 60 countries globally.

Business Risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regional Expansion Risks

Although the Group's main operation is based in Malaysia, we are constantly seeking new business opportunities overseas. Thus, the Group will focus equally on international expansion for future growth. However, there are considerable risks associated with this regional expansion strategy.

Ability to extract synergies and integrate new investment

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

Ability to make further acquisitions

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

Financial Risks

Credit risks

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

Foreign currency risks

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

Interest rate risks

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

Liquidity risks

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

group structure

ETIKA INTERNATIONAL HOLDINGS LIMITED

DAIRIES

- Etika Dairies Sdn Bhd (100%)
- Etika Global Resources Sdn Bhd (100%)
- Etika Foods Marketing Sdn Bhd (100%)
- Etika Dairies NZ Limited (50.7%)*
- PT Vixon Indonesia (100%)
- Etika Vixumilk Pte Ltd (100%)**
- PT Etika Marketing (100%)**

FROZEN FOOD

▲ Etika Foods (M) Sdn Bhd (100%)
■ Pok Brothers Sdn Bhd (100%)
- Pok Brothers (Selangor) Sdn Bhd (100%)
- Pok Brothers (Penang) Sdn Bhd (100%)
- Pok Brothers (Pahang) Sdn Bhd (100%)
- Pok Brothers (Johor) Sdn Bhd (81.5%)
- De-Luxe Food Services Sdn Bhd (100%)

PACKAGING

■ Etika Industries Holdings Sdn Bhd (100%)
- General Packaging Sdn Bhd (99.04%)

NUTRITION

■ Etika (NZ) Limited (100%)
- Naturalac Nutrition Limited (100%)

BEVERAGE

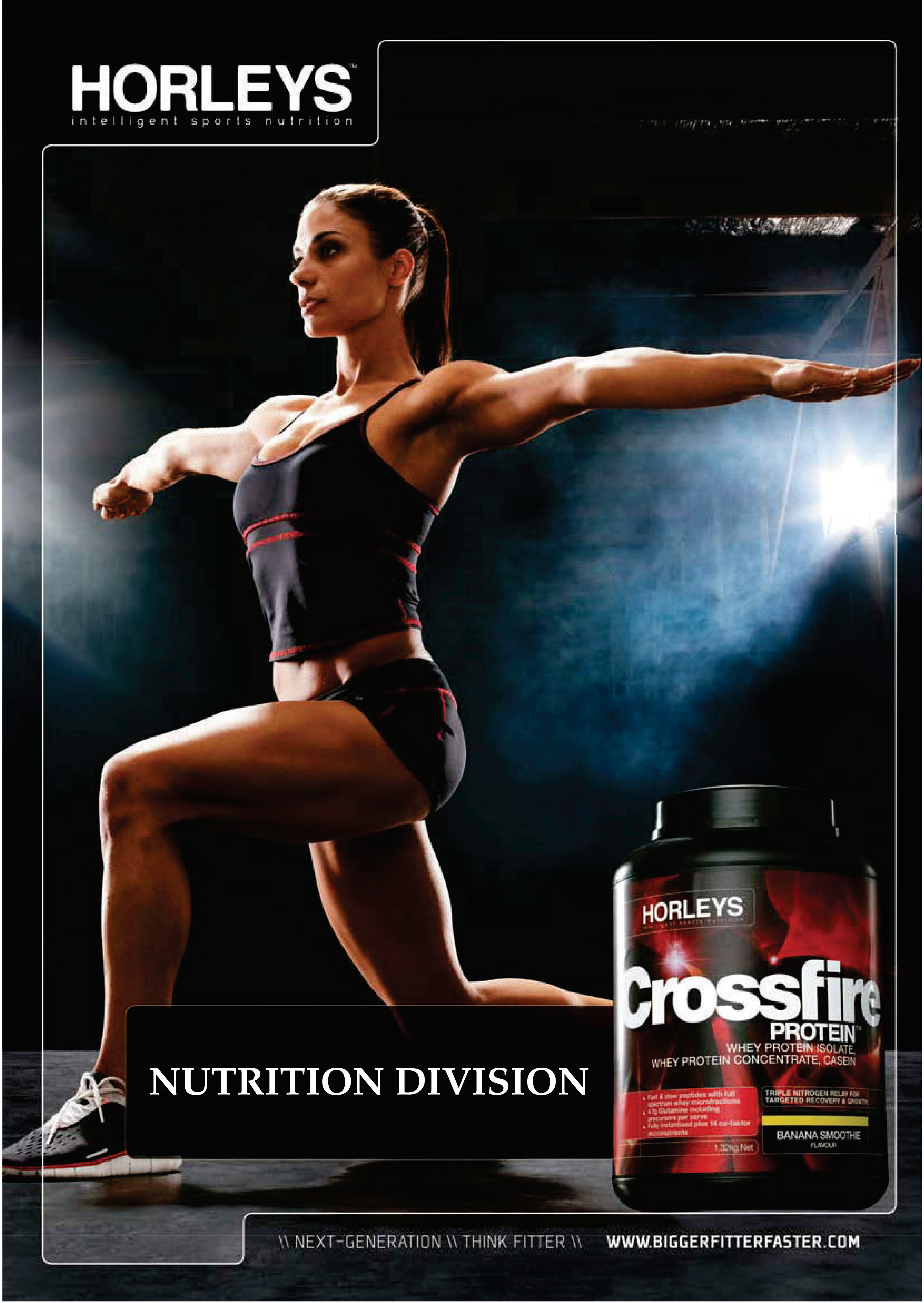
- Etika Beverages Sdn Bhd (100%)

NON-CORE

- Quality Wines Sdn Bhd (70%)
- Etika Capital (Labuan) Inc (100%)
- Eureka Capital Sdn Bhd (100%)
- Etika Foods International Inc (100%)
- Etika Brands Pte Ltd (100%)

■ Immediate holding companies
▲ Intermediate holding companies

* Shareholding is held via Etika (NZ) Limited
** Effective shareholding held directly and indirectly


HORLEYS
intelligent sports nutrition
NUTRITION DIVISION
HORLEYS
Crossfire
PROTEIN
WHEY PROTEIN ISOLATE,
WHEY PROTEIN CONCENTRATE, CASEIN
TRIPLE NITROGEN RELAY FOR
TARGETED RECOVERY & GROWTH
BANANA SMOOTHE
FLAVOUR
\\ NEXT-GENERATION \\ THINK FITTER \\
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board of directors

LEFT TO RIGHT :

KHOR SIN KOK **TAN YET MENG** **MAH WENG CHOONG** **DATO' KAMAL Y P TAN**

board of directors

TAN SAN CHUAN DATO' JAYA J B TAN TEO CHEE SENG JOHN LYN HIAN WOON

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

Dato' Jaya is due for re-election as a Director at the forthcoming Annual General Meeting ("AGM"). He is the brother of Dato' Kamal Y P Tan, brother-in-law of Ms Tan Yet Meng and uncle of Mr Tan San Chuan.

DATO' KAMAL Y P TAN
Group Chief Executive Officer

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

Dato' Kamal is an Economics graduate from the London School of Economics and has held board positions with companies listed on the stock exchanges in Malaysia, Singapore, Australia, United Kingdom and India.

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

Dato' Kamal was re-elected as a Director of the Company at the AGM held in January 2009. 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.

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 28 years. He is also a Notary Public.

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

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

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

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 AGM held in January 2008.

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 was re-elected as a Director at the AGM held in January 2009. 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.

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

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

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

RICHARD ROWNTREE
Managing Director, Naturalac Nutrition 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.

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.

PACKAGING DIVISION

corporate information

BOARD OF DIRECTORS

DATO' JAYA J B TAN
Non-Executive Chairman

DATO' KAMAL Y P TAN
Group Chief Executive Officer

MAH WENG CHOONG
Non-Executive Director

JOHN LYN HIAN WOON
Independent Director

TEO CHEE SENG
Independent Director

TAN YET MENG
Non-Executive Director

KHOR SIN KOK
(Alternate Director to Mah Weng Choong)

TAN SAN CHUAN
(Alternate Director to Tan Yet Meng)

COMPANY SECRETARIES
Julie Koh Ngin Joo, ACIS
Kok Mor Keat, ACIS

REGISTERED OFFICE
4 Shenton Way
#17-01, SGX Centre II
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Telephone: (65) 6361 9375
Facsimile: (65) 6538 0877

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

INVESTOR RELATIONS
Ms Dolores Phua
Citigate Dewe Rogerson
i.MAGE Pte Ltd
Telephone: (65) 6534 5122
Facsimile: (65) 6534 4171

AUDITORS
BDO Raffles
Certified Public Accountants
19 Keppel Road, #02-01
Jit Poh Building
Singapore 089058
Partner-in-charge: Lai Keng Wei
(Appointed since the financial year ended 30 September 2009)

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

SOLICITORS
Soo Thien Ming & Nashrah
Stamford Law Corporation
Tay & Partners

CORPORATE WEBSITE
http://www.etika-intl.com

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 2009 ("FY2009").

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 FY2009	3	3	3	1
Name of Directors				
Dato' Jaya J B Tan	2	3	3	1
Dato' Kamal Y P Tan	3	n/a	n/a	n/a
Tan Yet Meng (Alternate Director : Tan San Chuan)	1	n/a	n/a	n/a
Mah Weng Choong (Alternate Director : Khor Sin Kok)	3	n/a	n/a	n/a
Teo Chee Seng	3	2	3	1
John Lyn Hian Woon	2	2	2	1

Note : n/a - not applicable as director is not a member of the committee.

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 (Group Chief Executive Officer)

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

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

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

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

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

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

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

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

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

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

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

2. BOARD MEMBERSHIP AND PERFORMANCE

Board Committees

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

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

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

Nominating Committee

Principle 4 : Formal and transparent process for appointment of new directors

Principle 5 : Formal assessment of the effectiveness of the Board and contributions of each director

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

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

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

The NC performs the following principal functions:-

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

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

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

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

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

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

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely Dato' Jaya J B Tan and Mr Teo Chee Seng for re-election at the forthcoming Annual General Meeting. Both Dato' Jaya and Mr Teo are retiring under Article 91 of the Company's Articles of Association.

Dato' Jaya, the non-Executive Chairman of the Company, was appointed to the Board on 23 December 2003 while Mr Teo, an Independent Non-Executive Director, was appointed as a Director on 3 August 2004.

Access to information

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

To assist the Board in its discharge of duties and responsibilities, all directors are provided with adequate information in a timely manner by the management on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis.

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

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

Remuneration Committee

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

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

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

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

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

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

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

Primary functions to be performed by RC:-

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

Directors' Remuneration

a) Number of directors in remuneration bands:-

Remuneration Bands	FY2008	FY2009
Below S$250,000	5	4
S$250,000 to S$499,999	2	2
S$500,000 to S$749,999	-	1
	7	7

b) A breakdown, showing the level and mix of each individual director's remuneration and fees of Etika for FY2009 is as follows:

Remuneration Bands & Names of Directors	Salary* %	Directors' Fees %	Performance-related income/Bonus %	Total Remuneration %
S$500,000 to S$749,999				
Mah Weng Choong	45.9	8.8	45.3	100.0
S$250,000 to S$499,999				
Dato' Kamal Y P Tan	50.9	-	49.1	100.0
Khor Sin Kok	50.5	-	49.5	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
Tan San Chuan	-	-	-	-

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

The breakdown, showing the level and mix of each key executive's remuneration for FY2009, is as follows:-

Remuneration Bands & Names of Executive Officers	Salary* %	Directors' Fees %	Performance-related income/Bonus %	Total Remuneration %
S$250,000 to S$499,999				
Kwong Yuen Seng	50.5	-	49.5	100.0
Richard Rowntree	57.9	-	42.1	100.0
Thong Cooi Seong	49.6	-	50.4	100.0
Below S$250,000				
Pok York Keaw	88.3	-	11.7	100.0
Tan Cheng Leong	88.0	-	12.0	100.0

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

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 FY2009 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 FY2009, 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.etika-intl.com) at which shareholders and the public may access information on the Group.

All shareholders are welcome to attend the AGM. The Board of Directors, AC members and other committee members, chief financial officer, auditors and the Company Secretary/Secretaries will be present 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	2,004,958 (or approximately S$815,355)	-
Life Medicals Sdn Bhd - Purchase of packing materials	1,819,050 (or approximately S$739,752)	-
Motif Etika Sdn Bhd - Rental of office premises	528,000 (or approximately S$214,721)	-

Based on exchange rate as at 30 September 2009 of S$1 = RM2.459

Risk Management

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

Dealings in Securities

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

Etika has adopted and implemented an internal compliance of the Code which prohibits securities dealings by directors and employees while in possession of unpublished price-sensitive information. Officers are discouraged to deal in the Company's securities on short-term considerations.

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

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 2009 and the balance sheet of the Company as at 30 September 2009 and statement of changes in equity of the Company for the financial year ended 30 September 2009.

1. Directors

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

Dato' Jaya J B Tan	(Non-Executive Chairman)
Dato' Kamal Y P Tan	(Group Chief Executive Officer)
Mah Weng Choong	(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 30.09.2009	**Balance as at 1.10.2008**	**Balance as at 30.9.2009**	**Balance as at 1.10.2008**
The Company	*Number of ordinary shares*			
Dato' Jaya J B Tan	42,066,304	40,216,304	87,539,236	86,599,236
Dato' Kamal Y P Tan	44,342,723	43,492,723	85,262,817	83,322,817
Mah Weng Choong	14,123,612	13,234,705	-	-
John Lyn Hian Woon	280,000	280,000	-	-
Teo Chee Seng	70,000	70,000	-	-
Tan Yet Meng	28,318,411	28,318,411	101,287,129	98,497,129
Khor Sin Kok	13,495,112	12,462,105	-	-
Tan San Chuan	6,911,051	6,911,051	-	-
	Number of warrants to subscribe for ordinary shares			
Dato' Jaya J B Tan	2,111,879	2,961,879	-	-
Dato' Kamal Y P Tan	2,147,814	2,997,814	-	-
Mah Weng Choong	-	888,908	-	-
John Lyn Hian Woon	20,000	20,000	-	-
Teo Chee Seng	5,000	5,000	-	-
Tan Yet Meng	2,006,552	2,006,552	-	-
Khor Sin Kok	33,000	883,007	-	-
Tan San Chuan	493,646	493,646	-	-

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interest as at 21 October 2009 in the shares of the Company have not changed from those disclosed as at 30 September 2009.

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.

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

6. 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 S$0.095, exercisable from 14 May 2007 to 8 April 2010.

During the financial year 2009, the Company issued 5,388,517 (2008: 51,923) ordinary shares as a result of the exercise of 5,388,517 (2008: 51,923) warrants. As at the end of the financial year, the number of outstanding warrants was 11,722,491 (2008: 17,111,008).

7. Audit Committee

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

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

7. Audit Committee (Cont'd)

The Audit Committee meets periodically to perform the following functions:

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

b. review the consolidated financial statements of the Group, 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. Independent auditors

The independent 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
Group Chief Executive Officer

Singapore
10 December 2009

statement by directors

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

(a) the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

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

On behalf of the Board of Directors

Dato' Jaya J B Tan
Non-Executive Chairman

Dato' Kamal Y P Tan
Group Chief Executive Officer

Singapore
10 December 2009

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 2009, and the income statement, statement of changes in equity and statement of cash flows 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.

Management's Responsibility for the Financial Statements

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

(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 income statements 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 2009 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 subsidiaries 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 2009

balance sheets

as at 30 September 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Non-current assets					
Property, plant and equipment	4	148,512,728	110,557,613	673,522	42,311
Prepaid lease payment for land	5	4,166,624	3,987,252	-	-
Investments in subsidiaries	6	-	-	28,237,896	20,942,643
Trade receivables	11	380,077	1,958,100	-	-
Available-for-sale financial assets	7	262,500	145,000	-	-
Deferred tax assets	8	854,093	972,481	-	-
Intangible assets	9	22,160,213	20,686,375	-	-
		176,336,235	138,306,821	28,911,418	20,984,954
Current assets					
Inventories	10	67,404,841	81,321,455	-	-
Trade and other receivables	11	105,939,809	111,036,068	46,003,091	41,597,356
Tax recoverable		1,573,205	1,262,969	-	19,344
Fixed deposits	12	8,161,544	2,582,480	250,203	1,505,149
Cash and bank balances	13	20,375,006	12,998,223	4,495,503	252,020
		203,454,405	209,201,195	50,748,797	43,373,869
Less:					
Current liabilities					
Trade and other payables	14	66,975,753	60,304,735	1,938,400	1,486,259
Bank borrowings	15	67,045,302	105,611,324	-	-
Finance lease payables	16	2,583,380	1,206,670	129,811	-
Current income tax payable		3,104,993	3,149,787	-	-
Derivative financial instruments	17	-	77,775	-	-
		139,709,428	170,350,291	2,068,211	1,486,259
Net current assets		63,744,977	38,850,904	48,680,586	41,887,610
Less:					
Non-current liabilities					
Other payables	14	56,305	-	-	-
Bank borrowings	15	58,602,219	53,384,508	-	-
Finance lease payables	16	3,760,267	1,750,511	227,169	-
Financial guarantee contracts	18	-	-	527,450	444,015
Deferred tax liabilities	19	10,185,000	8,510,469	-	-
		72,603,791	63,645,488	754,619	444,015
Net assets		167,477,421	113,512,237	76,837,385	62,428,549
Capital and reserves					
Share capital	20	53,706,914	52,462,297	53,706,914	52,462,297
Treasury shares	20	(182,875)	-	(182,875)	-
Foreign currency translation account	21	2,715,611	2,274,076	2,724,862	1,988,624
Fair value reserve	22	164,672	47,172	-	-
Accumulated profits		106,353,187	57,410,729	20,588,484	7,977,628
Equity attributable to equity holders of the Company		162,757,509	112,194,274	76,837,385	62,428,549
Minority interests		4,719,912	1,317,963	-	-
Total equity		167,477,421	113,512,237	76,837,385	62,428,549

The accompanying notes form an integral part of the financial statements

consolidated income statement

for the financial year ended 30 September 2009

	Note	2009 RM	2008 RM
Revenue	23	600,614,012	592,393,975
Cost of sales		(449,083,817)	(462,567,673)
Gross profit		151,530,195	129,826,302
Other income	24	7,067,231	2,981,167
Administrative expenses		(32,137,293)	(34,241,443)
Marketing and distribution expenses		(40,829,300)	(38,301,902)
Other operating expenses		(5,348,357)	(6,321,623)
Goodwill written off	6	(1,065,394)	-
Finance costs	25	(7,727,657)	(9,525,537)
Profit before income tax	26	71,489,425	44,416,964
Income tax expense	27	(9,784,625)	(3,826,124)
Profit after income tax		61,704,800	40,590,840
Attributable to:			
Equity holders of the Company		61,701,928	40,338,001
Minority interests		2,872	252,839
		61,704,800	40,590,840
Earnings per share	28		
Basic		24.46 sen	16.18 sen
Diluted		23.36 sen	15.14 sen

The accompanying notes form an integral part of the financial statements

statements of changes in equity

for the financial year ended 30 September 2009

Group 2009	Note	Share capital RM	Treasury shares RM	Foreign currency translation account RM	Fair value reserve RM	Accumulated profits RM	Total RM	Minority interests RM	Total equity RM
		← Attributable to equity holders of the Company →							
Balance at 1 October 2008		52,462,297	-	2,274,076	47,172	57,410,729	112,194,274	1,317,963	113,512,237
Net fair value changes on financial assets	7	-	-	-	117,500	-	117,500	-	177,500
Foreign currency translation adjustment	21	-	-	441,535	-	-	441,535	-	441,535
Net gain recognised directly in equity		-	-	441,535	117,500	-	559,035	-	559,035
Net profit for the financial year		-	-	-	-	61,701,928	61,701,928	2,872	61,704,800
Total income recognised for the financial year		-	-	441,535	117,500	61,701,928	62,260,963	2,872	62,263,835
Addition due to acquisition of subsidiary		-	-	-	-	-	-	3,429,032	3,429,032
Issue of shares	20	1,244,617	-	-	-	-	1,244,617	-	1,244,617
Repurchase during the financial year	20	-	(182,875)	-	-	-	(182,875)	-	(182,875)
Dividends	29	-	-	-	-	(12,759,470)	(12,759,470)	(29,955)	(12,789,425)
Balance at 30 September 2009		53,706,914	(182,875)	2,715,611	164,672	106,353,187	162,757,509	4,719,912	167,477,421

The accompanying notes form an integral part of the financial statements

Group 2008	Note	Share capital RM	Foreign currency translation account RM	Fair value reserve RM	Accumulated profits RM	Total RM	Minority interests RM	Total equity RM
		← Attributable to equity holders of the Company →						
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	21	-	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 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 shares	20	2,751,052	-	-	-	2,751,052	-	2,751,052
Dividends	29	-	-	-	(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 form an integral part of the financial statements

Company 2009	Note	Share capital RM	Treasury shares RM	Foreign currency translation account RM	Accumulated profits RM	Total RM
Balance at 1 October 2008		52,462,297	-	1,988,624	7,977,628	62,428,549
Foreign currency translation adjustment	21	-	-	736,238	-	736,238
Net gain recognised directly in equity		-	-	736,238	-	736,238
Net profit for the financial year		-	-	-	25,370,326	25,370,326
Total income recognised for the financial year		-	-	736,238	25,370,326	26,106,564
Issue of shares	20	1,244,617	-	-	-	1,244,617
Repurchase during the financial year	20	-	(182,875)	-	-	(182,875)
Dividends	29	-	-	-	(12,759,470)	(12,759,470)
Balance at 30 September 2009		53,706,914	(182,875)	2,724,862	20,588,484	76,837,385
2008						
Balance at 1 October 2007		49,711,245	-	378,442	3,056,716	53,146,403
Foreign currency translation adjustment	21	-	-	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 income recognised for the financial year		-	-	1,610,182	9,443,320	11,053,502
Issue of shares	20	2,751,052	-	-	-	2,751,052
Dividends	29	-	-	-	(4,522,408)	(4,522,408)
Balance at 30 September 2008		52,462,297	-	1,988,624	7,977,628	62,428,549

The accompanying notes form an integral part of the financial statements

consolidated cash flow statement

for the financial year ended 30 September 2009

	Note	2009 RM	2008 RM
Cash flows from operating activities			
Profit before income tax		71,489,425	44,416,964
Adjustments for:			
Allowance for doubtful trade receivables		2,991,257	3,614,056
Allowance for doubtful other assets		137,010	1,095,337
Allowance for doubtful trade receivables no longer required, now written back		(718,301)	(372,526)
Amortisation of intangible assets		1,886	1,264
Amortisation of prepaid lease payment for land		80,628	79,587
Bad trade receivables written off		-	288,856
Depreciation of property, plant and equipment		9,081,160	8,275,794
Gain on disposal of property, plant and equipment		(176,444)	(207,142)
Impairment loss of investment in quoted shares		-	315,000
Impairment loss of value of property, plant and equipment		-	7,530
Goodwill written off		1,065,394	-
Intangible assets over capitalised last year		2,868	3,118
Interest income		(300,603)	(122,351)
Interest expense		7,727,657	9,525,537
Inventories written off		778,134	721,379
Property, plant and equipment written off		584,314	115,622
Loss on foreign exchange		243,031	1,215,356
Operating profit before working capital changes		92,987,416	68,973,381
Working capital changes:			
Inventories		13,264,200	(24,823,769)
Trade and other receivables		4,910,645	(23,786,871)
Trade and other payables		5,837,596	(331,388)
Currency realignment		191,858	(349,187)
Cash generated from operations		117,191,715	19,682,166
Interest paid		(448,814)	(175,753)
Income tax paid, net		(8,387,543)	(4,363,153)
Net cash generated from operating activities		108,355,358	15,143,260
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(36,028,277)	(19,601,623)
Additions of prepaid lease payment for land		(260,000)	-
Net cash outflow from acquisition of subsidiaries	6(c)	(1,259,092)	-
Acquisition of additional shares in a subsidiary	6(d)	-	(4,001,159)
Purchase of intangible assets		(12,392)	(9,965)
Proceeds from disposal of property, plant and equipment		426,200	4,838,756
Proceeds from allotment of shares of minorities		-	150,000
Interest received		300,603	122,351
Net cash used in investing activities		(36,832,958)	(18,501,640)

The accompanying notes form an integral part of the financial statements

consolidated cash flow statement (Cont'd)

for the financial year ended 30 September 2009

	Note	2009 RM	2008 RM
Cash flows from financing activities			
Dividends paid to shareholders		(12,759,470)	(4,522,408)
Dividends paid to minorities		(29,955)	(10,719)
Repayment of amount owing to ex-shareholders of a subsidiary		(3,255,095)	(3,228,819)
Proceeds from issue of shares		1,244,617	11,637
Payment for share buyback		(182,875)	-
Interest paid		(7,278,843)	(9,349,784)
Increase in fixed deposits pledged to bank		(38,293)	(607,355)
Proceeds from bank borrowings		214,238,240	216,614,187
Repayment of bank borrowings		(245,654,592)	(194,931,988)
Repayment of finance lease obligations		(2,607,222)	(1,393,195)
Net cash (used in)/ generated from financing activities		(56,323,488)	2,581,556
Net change in cash and cash equivalents		15,198,912	(776,824)
Cash and cash equivalents at beginning of financial year		7,793,541	6,611,338
Effect of exchange rate changes		441,535	1,959,027
Cash and cash equivalents at end of financial year	13	23,433,988	7,793,541

The accompanying notes form an integral part of the financial statements

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

1. General corporate information

The balance sheet and statement of changes in equity of Etika International Holdings Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2009 were authorised for issue in accordance with a Directors' resolution dated 10 December 2009.

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

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

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

2. Summary of significant accounting policies

(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
FRS 1	:	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	:	Consolidated and Separate Financial Statements (Revised)	1 July 2009
FRS 32	:	Financial Instruments : Presentation (Amendments Relating to Puttable Financial Instruments and Obligations Arising on Liquidation)	1 January 2009
FRS 33	:	Earnings Per Share (Revised)	1 January 2009
FRS 36	:	Impairment of Assets (Revised)	1 January 2009
FRS 38	:	Intangible Assets (Revised)	1 January 2009
FRS 39	:	Amendments to Financial Instruments : Recognition and Measurement - Eligible Hedged Items	1 July 2009
FRS 39	:	Amendments to Financial Instruments : Recognition and Measurement - Embedded Derivatives	30 June 2009
FRS 101	:	Amendments to FRS 101 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates	1 January 2009
FRS 102	:	Share - Based Payments (Amendments Relating to Vesting Conditions and Cancellations)	1 January 2009
FRS 103	:	Business Combination (Revised)	1 July 2009
FRS 105	:	Non-current Assets Held for Sale and Discontinued Operations (Revised)	1 January 2009
FRS 107	:	Financial Instrument Disclosure (Amendments Relating to Improving Disclosure about Financial Instruments)	1 January 2009
FRS 108	:	Operating Segments	1 January 2009
INT FRS 117	:	Distributions of Non-cash Assets to Owners	1 July 2009

Consequential amendments were also made to various standards as a result of these new/revised standards.

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 as disclosed below:

2. **Summary of significant accounting policies (Cont'd)**

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

FRS 1 - Presentation of Financial Statements (Revised Presentation)

FRS 1 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.

FRS 23 - Borrowing Costs (Revised)

The revised standard removes the option to recognise immediately as an expense, borrowings 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.

FRS 103 - Business Combinations (Revised) and FRS 27 - Consolidated and Separate Financial Statements (Revised)

The revised standards are effective prospectively for financial year beginning on or after 1 July 2009. FRS 103 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. FRS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such a transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

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 1 (Revised Presentation), FRS 23 (Revised), FRS 27 (Revised), FRS 103 (Revised) and FRS 108 from financial period beginning 1 October 2009.

(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 companies within the Group 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

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

No depreciation is provided on freehold land.

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 items of property, plant and equipment.

2. **Summary of significant accounting policies (Cont'd)**

(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) Patents and trademarks

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

(iii) Product licences

Product licences are 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 are estimated.

An impairment in value is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent of 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.

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.

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

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

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.

(h) Cash and cash equivalents

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

(i) 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.

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

(i) Financial assets (cont'd)

Recognition and derecognition

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

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

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

Initial and subsequent measurement

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

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

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

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 as allowance for impairment when such evidence exists.

(i) Loans and receivables

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

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

(i) Financial assets (cont'd)

(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.

(j) 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.

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

(j) Financial liabilities (cont'd)

Recognition and derecognition

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

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

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

(k) 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.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the income statement when the changes arise.

(l) Equity instruments and treasury shares

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments and are recorded at the proceeds received, net of direct issue costs.

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

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

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

(m) 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.

(n) 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.

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

(n) Revenue recognition (cont'd)

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.

(o) Research costs

Research costs are recognised as expenses when incurred.

(p) 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.

(q) Leases

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

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

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

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

(q) Leases (cont'd)

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

When the Group is the lessee of an operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease (net of any incentives received from the lessor) are recognised in the 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.

Prepaid operating leaves

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

(r) 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.

(s) 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 substantively 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 substantively 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.

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

(s) Income tax (cont'd)

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

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

(t) Foreign currencies

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

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

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

Exchange differences arising on the settlements 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, recorded in the functional currency of the foreign operation and translated at the closing exchange rate at the balance sheet date.

(u) 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 dates are not recognised as a liability at the balance sheet date.

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

(v) 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 judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investment in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining when investments 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 2009 was RM28,237,896 (2008: RM20,942,643).

(ii) Acquisition accounting

The Group accounts for the acquired businesses/companies using the purchase method accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their fair values. The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired tangible and intangible assets have to be determined. The judgements made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from independent valuation specialists. These independent valuation specialists used highly subjective assumptions and estimates to determine the valuation of the identified net assets of the acquired companies. These assumptions and estimates involve inherent uncertainties and the application of judgements. As a result, if factors change and these independent valuation specialists use different assumptions and estimates, the fair value of the identified net assets could be materially different. The valuations are based on information available at the acquisition date.

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

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

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

(iii) Going concern basis of preparation

The financial statements of the Company and its subsidiaries have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant information about the future of the Company and its subsidiaries available at the date of this report. However, the current uncertain economic outlook may affect consumer's discretionary spending and confidence which could in turn impact the future operations of the Group.

(iv) Patents and trademarks

Patents and trademarks are capitalised in accordance with the accounting policy in Note 2 (e) (ii). Initial capitalisation of costs is based on management's judgement that the assets are separated from the entity, the entity controls the assets and it is probable that expected future economic benefits of the assets will flow to the entity. The management has applied judgement in determining the useful lives of patents and trademarks after having considered various factors such as competitive environment, product life cycles, operating plans and the macroeconomic environment of the patents and trademarks. In addition, management believes there is no foreseeable limit to the period over which the indefinite patents and trademarks are expected to generate net cash inflows for the Group.

(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 Company's and the Group's property, plant and equipment as at 30 September 2009 were RM673,522 and RM148,512,728 (2008: RM42,311 and RM110,557,613). 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 management has exercised significant judgement when determining the Group's and the Company's provisions for income taxes. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences, unutilised tax losses and unabsorbed tax allowances, if any, can be utilised to offset future taxable income. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of action. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. The Group and the Company establish reasonable provision for possible consequences of audits by the tax authorities of the respective countries. The amount of such provisions and/or its subsequent reversals is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Company domicile. The carrying amount of income tax payable as at 30 September 2009 is RM3,104,993 (2008: RM3,149,787) and the carrying amount of deferred tax assets and deferred tax liabilities as at 30 September 2009 are as disclosed in Note 8 and 19 to the financial statements 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 and patents and trademarks

The management determines whether goodwill and patents and trademarks are impaired at least on an annual basis and as and when there is an indication that goodwill and patents and trademarks may be impaired. This requires an estimation of the value in use of patents and trademarks and the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and patents and trademarks as at 30 September 2009 were RM14,023,642 and RM8,132,887 (2008: RM12,560,407 and RM8,123,363), respectively. More details on the impairment testing of goodwill and patents and trademarks are disclosed in Note 9 to the financial statements.

(iv) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amount of the Group's and Company's trade and other receivables as at 30 September 2009 was RM106,319,886 and RM46,003,091 (2008: RM112,994,168 and RM41,597,356), respectively.

(v) Inventories and related allowance

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the "first-in, first-out" method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 30 September 2009 was RM67,404,841 (2008: RM81,321,455).

4. Property, plant and equipment

Group 2009	Freehold land RM	Factory buildings RM	Plant and machinery RM	Cold room and freezer RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Office and factory equipment RM	Computer system RM	Assets under development RM	Total RM
Cost											
Balance at 1 October 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
Additions	8,589,949	16,306,576	6,217,181	5,200	64,090	198,613	2,181,653	2,758,820	252,000	5,443,389	42,017,471
Acquisition of subsidiaries	-	70,099	4,734,318	-	-	-	-	32,771	-	-	4,837,188
Currency realignment due to acquisition of subsidiary	-	-	1,018,669	-	-	-	-	-	-	-	1,018,669
Disposals	-	-	(1,539,809)	-	-	-	(499,817)	(93,600)	-	-	(2,133,226)
Written off	-	(149,955)	(1,063,543)	(826)	(790)	-	-	(807,425)	(17,495)	-	(2,040,034)
Balance at 30 September 2009	32,250,486	38,011,023	24,338,919	543,935	687,193	465,996	5,925,255	64,883,249	921,410	5,443,389	173,470,855
Accumulated depreciation											
Balance at 1 October 2008	-	1,723,633	2,695,963	159,467	253,599	176,821	1,976,655	11,886,361	340,675	-	19,213,174
Currency realignment	-	-	-	-	-	-	-	2	2,981	-	2,983
Depreciation for the financial year	-	789,866	1,875,197	65,099	77,999	61,872	980,726	5,060,526	169,875	-	9,081,160
Disposals	-	-	(1,412,184)	-	-	-	(416,363)	(54,923)	-	-	(1,883,470)
Written off	-	-	(1,062,958)	-	(186)	-	-	(389,970)	(2,606)	-	(1,455,720)
Balance at 30 September 2009	-	2,513,499	2,096,018	224,566	331,412	238,693	2,541,018	16,501,996	510,925	-	24,958,127
Carrying amount											
Balance at 30 September 2009	32,250,486	35,497,524	22,242,901	319,369	355,781	227,303	3,384,237	48,381,253	410,485	5,443,389	148,512,728

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

Group 2008 RM	Freehold land RM	Factory buildings RM	Plant and machinery RM	Cold room and freezer RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Office and factory equipment RM	Computer system RM	Total
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
Carrying amount										
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)

Company 2009	Assets under development RM	Computer system RM	Total RM
Cost			
Balance at 1 October 2008	-	52,655	52,655
Additions	628,390	31,528	659,918
Written off	-	(10,250)	(10,250)
Balance at 30 September 2009	628,390	73,933	702,323
Accumulated depreciation			
Balance at 1 October 2008	-	10,344	10,344
Currency realignment	-	1,106	1,106
Depreciation for the financial year	-	19,958	19,958
Written off	-	(2,607)	(2,607)
Balance at 30 September 2009	-	28,801	28,801
Carrying amount			
Balance at 30 September 2009	628,390	45,132	673,522

Company 2008	Computer system RM
Cost	
Balance at 1 October 2007	-
Additions	52,655
Balance at 30 September 2008	52,655
Accumulated depreciation	
Balance at 1 October 2007	-
Depreciation for the financial year	12,160
Currency realignment	(1,816)
Balance at 30 September 2008	10,344
Carrying amount	
Balance at 30 September 2008	42,311

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

	2009 RM	2008 RM
Additions of property, plant and equipment	42,017,471	20,740,653
Acquired under finance lease	(5,989,194)	(1,139,030)
Cash payments made to acquire property, plant and equipment	36,028,277	19,601,623

The land title deeds for the freehold land and buildings of the Group with total carrying amount at the balance sheet date of RM9,107,399 (2008: RM1,689,042) have yet to be issued by the relevant authorities.

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

As at the balance sheet date, the Group had property, plant and equipment with a carrying amount of RM111,344,317 (2008: RM90,061,324) charged for banking facilities granted to certain subsidiaries. In addition, the Group had motor vehicles with a carrying amount of RM33,256 (2008: RM183,528) held in trust by certain directors and employees of the Group.

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
Carrying amount	**RM**	**RM**	**RM**	**RM**
Assets under development	356,980	-	356,980	-
Plant and machinery	3,980,890	210,275	-	-
Motor vehicles	3,026,497	2,034,378	-	-
Office and factory equipment	1,272,101	1,538,051	-	-
Computer system	-	31,623	-	-
	8,636,468	3,814,327	356,980	-

Assets under development represent development costs of the construction work-in-progress and computer system.

As at 30 September 2009, 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	Under construction	174,458	-
Lot LS-3, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	173,143	108,085
Lot LS-5, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	131,654	-
Lot LS-6, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	172,773	-
Frozen Food Division				
Lot 55, Hicom Glenmarie Industrial Park, Malaysia	Warehouse	Office, Warehouse, cold room and processing factory	68,800	44,986

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)				
Lot 1-3-1, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	862
Lot 1-3-3, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	855
3, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room/ Office	2,400	2,400
1, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	4,690	4,690
7, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	2,400	2,400
Intersection of Jalan Bertam 2 & Jalan Bertam 5, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial Land	Vacant	16,882	-
49, Lorong Wong Ah Jang, Kuantan, Pahang, Malaysia	Shop office	Office	1,660	2,832
Lot 1237 & Lot 1238 Jalan Makloom, Penang, Malaysia	Industrial Land	Vacant	131,341	-
Packaging Division				
Lot 3, Jalan 203, 74, Seksyen 20, Petaling Jaya, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	51,731	34,003
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 2009	Long-term leasehold land RM
Cost	
Balance at 1 October 2008	4,100,000
Additions	260,000
Balance at 30 September 2009	4,360,000
Accumulated amortisation	
Balance at 1 October 2008	112,748
Amortisation for the financial year	80,628
Balance at 30 September 2009	193,376
Carrying amount	
Balance at 30 September 2009	4,166,624

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

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
Amortised for the financial year	79,587
Balance at 30 September 2008	112,748
Carrying amount	
Balance at 30 September 2008	3,987,252

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

6. Investments in subsidiaries

(a) Investments in subsidiaries comprise:

	Company 2009 RM	2008 RM
Unquoted equity shares in corporations, at cost	27,357,949	20,183,688
Issuance of financial guarantee contracts	879,947	758,955
	28,237,896	20,942,643

(b) Particulars of subsidiaries

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2009 %	2008 %
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
Etika Dairies Sdn. Bhd. (2) (Malaysia)	Manufacturing and distribution of dairy products	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 2009 %	2008 %
Held by the Company (cont'd)			
Etika Foods International 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	70
PT Etika Marketing [3] (Indonesia)	Investment holding	100	100
Etika Vixumilk Pte Ltd [5] (Singapore)	Dormant	100	-
Held by subsidiaries			
- Etika Foods (M) Sdn. Bhd.			
Pok Brothers Sdn. Bhd. [2] (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	100
- 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

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 2009 %**	**2008 %**
Held by subsidiaries (cont'd)			
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	99
- Etika (NZ) Limited			
Naturalac Nutrition Limited (5) (New Zealand)	Marketing of branded sport nutrition and weight management foods	100	100
Etika Dairies NZ Limited (5) (New Zealand)	Manufacture of dairies and water based products	50.7	-
- PT Etika Marketing			
PT Vixon Indonesia (3) (Indonesia)	Wholesale of imported foods, beverages and medicines	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 Auckland, New Zealand, a member firm of BDO International.
(5) The subsidiary company is dormant and management financial statements are used for consolidation purposes.

(c) Acquisitions of subsidiaries in financial year 2009

(i) Etika Dairies NZ Limited ("EDNZ")

On 18 December 2008, the Company's wholly-owned subsidiary, Etika (NZ) Limited entered into a joint venture for the setting up of a UHT Aseptic PET Bottling plant in New Zealand. The joint venture was completed on 18 March 2009 with Etika (NZ) Limited paying consideration of NZD2,000,000 (equivalent to RM4,116,800) for 50.7% equity interest in EDNZ. The acquisition was accounted for using the purchase method.

The net fair value of identifiable assets of EDNZ at the date of acquisition was RM5,763,518, thus, resulting in goodwill on acquisition of RM1,194,695. The goodwill recognised on acquisition is attributable mainly to the skills and talent of the acquired business work force.

6. Investments in subsidiaries (Cont'd)

(c) Acquisitions of subsidiaries in financial year 2009 (cont'd)

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

	Fair value recognised on acquisition RM	Carrying amount before combination RM
Property, plant and equipment	4,734,318	4,734,318
Cash and bank balances	3,087,600	3,087,600
Trade and other payables	(2,058,400)	(2,058,400)
Net identifiable assets acquired	5,763,518	5,763,518
Share acquired (50.7%)	2,922,105	
Purchase consideration	4,116,800	
Goodwill arising on acquisition	1,194,695	
Total purchase consideration	4,116,800	
Less:-		
Cash and bank balances acquired	(3,087,600)	
Net cash outflow on acquisition	1,029,200	

(ii) PT Vixon Indonesia ("PT Vixon")

On 30 September 2009, the Group acquired 100% equity interest in PT Vixon for a cash consideration of USD95,207 (equivalent to RM331,988). The acquisition was accounted for using the purchase method.

The net fair value of identifiable liabilities of PT Vixon at the date of acquisition was RM733,406, thus, resulting in goodwill on acquisition of RM1,065,394. However, the Group has decided to write off the said goodwill as the management is uncertain of the economic benefits which PT Vixon can contribute to the Group in foreseeable future.

6. Investments in subsidiaries (Cont'd)

(c) Acquisitions of subsidiaries in financial year 2009 (cont'd)

(ii) PT Vixon Indonesia ("PT Vixon") (cont'd)

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

	Fair value recognised on acquisition RM	Carrying amount before combination RM
Property, plant and equipment	102,870	102,870
Deferred tax assets	17,808	17,808
Inventories	125,720	125,720
Trade and other receivables	140,397	140,397
Tax recoverable	49,704	49,704
Cash and bank balances	102,096	102,096
Trade and other payables	(1,262,623)	(1,262,623)
Tax payable	(9,378)	(9,378)
Net identifiable liabilities acquired	(733,406)	(733,406)
Purchase consideration	(331,988)	
Goodwill arising on acquisition	1,065,394	
Less: Written off	(1,065,394)	
	-	
Total purchase consideration	331,988	
Less:-		
Cash and bank balances acquired	(102,096)	
Net cash outflow on acquisition	229,892	

The following are the pertinent information in respect of the acquisitions in the financial year 2009:

	Acquisition of EDNZ RM	Acquisition of PT Vixon RM	Total RM
Contribution net loss since acquisition	193,054	-	193,054
Goodwill on acquisition (Note 9)	1,194,695	1,065,394	2,260,089
Goodwill written off	-	(1,065,394)	(1,065,394)
Net cash outflow on acquisition	1,029,200	229,892	1,259,092

The management did not expect any significant impact to the Group's revenue and profit for the financial year 2009 had the acquisition been completed on 1 October 2008.

6. Investments in subsidiaries (Cont'd)

(d) Acquisition of subsidiaries in financial year 2008

(i) Additional interest in General Packaging Sdn Bhd ("GPSB")

On 31 October 2007, the Group acquired additional 34% equity interest in GPSB for a total purchase consideration of RM6,740,574. The acquisition of additional equity interest was financed through a combination of RM4,001,159 cash consideration and issuance of a 9,910,335 ordinary shares of the Company at S$0.12 per share.

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

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

	Fair value recognised on acquisition RM	**Carrying amount before combination RM**
Property, plant and equipment	10,303,781	6,454,534
Prepaid lease payment for land	3,682,152	2,606,149
Inventories	3,990,876	3,990,876
Trade and other receivables	3,900,200	3,900,200
Amount due from inter company	9,546,692	9,546,692
Cash and bank balances	2,746,205	2,746,205
Trade and other payables	(3,355,139)	(3,355,139)
Amount due to inter company	(79,332)	(79,332)
Finance leases	(101,867)	(101,867)
Bank borrowings	(12,920,249)	(12,920,249)
Current income tax payable	(411,436)	(411,436)
Deferred tax liabilities	(2,459,986)	(2,459,986)
Net identifiable assets acquired	14,841,897	9,916,647
Additional shares acquired (34%)	5,046,245	
Goodwill arising on acquisition	1,694,329	
Purchase consideration	6,740,574	
Less:		
Consideration settled through issue of shares of the Company	(2,739,415)	
Net cash outflow on acquisitions	4,001,159	

(ii) Quality Wines Sdn. Bhd.

On 30 October 2007, the Company acquired 50% equity interest in Quality Wines Sdn. Bhd. for a cash consideration of RM250,000, 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% for cash consideration of RM100,000.

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

7. Available-for-sale financial assets

	Group	
	2009	2008
At fair value	RM	RM
Balance at beginning of financial year	145,000	460,000
Fair value gain recognised directly in equity	117,500	-
Permanent impairment in value recognised in the income statement	-	(315,000)
Balance at end of financial year	262,500	145,000

Available-for-sale financial assets represents investments in quoted equity shares in Malaysia and are denominated in Ringgit Malaysia.

8. Deferred tax assets

	Group	
	2009	2008
	RM	RM
Balance at beginning of financial year	972,481	148,762
Currency realignment	19,565	(13,635)
Acquisition of subsidiary	17,808	-
Recognised in consolidated income statement	(155,761)	837,354
Balance at end of financial year	854,093	972,481
Deferred tax assets arise as a result of:		
Property, plant and equipment	7,850	28,439
Other deductible temporary differences	846,243	944,042
	854,093	972,481
Unrecognised deferred tax assets		
Balance at beginning of financial year	32,750	370,731
Deferred tax assets unrecognised/(recognised) during the financial year	381,069	(337,981)
Balance at end of financial year	413,819	32,750
Unrecognised deferred tax assets as a result of:		
Unutilised tax losses	-	32,750
Other deductible temporary differences	413,819	-
	413,819	32,750

As at the balance sheet date, the Group had unutilised tax losses and other deductible temporary differences of RM Nil and RM1,655,276 (2008: RM131,000 and RM Nil), 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	Patents and trademarks RM	Product licences RM	Total RM
Cost				
Balance at 1 October 2008	12,560,407	8,123,363	6,737	20,690,507
Additions	-	12,392	-	12,392
Currency realignment	-	-	2,965	2,965
Acquisition of subsidiary	1,194,695	-	-	1,194,695
Currency realignment due to acquisition of subsidiary	268,540	-	-	268,540
Overcapitalised in last year	-	(2,868)	-	(2,868)
Balance at 30 September 2009	14,023,642	8,132,887	9,702	22,166,231
Accumulated amortisation				
Balance at 1 October 2008	-	-	4,132	4,132
Amortisation for the financial year	-	-	1,886	1,886
Balance at 30 September 2009	-	-	6,018	6,018
Carrying amount				
Balance at 30 September 2009	14,023,642	8,132,887	3,684	22,160,213
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 subsidiary	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

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

Patents and trademarks pertains to the Horley trademark acquired in financial year 2007 through the acquisition of Naturalac Nutrition Limited. The useful life of the trademark is estimated to be indefinite because based on the current market share of the trademark, management believes there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flow for the Company. As such there is no amortisation of the cost of trademark.

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 patents and trademarks have been allocated to the following Group's CGUs, which are also part of the reportable segments, for impairment testing:

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

9. Intangible assets (Cont'd)

2009	Dairies RM	Frozen Food RM	Packaging RM	Other RM	Total RM
Carrying amount					
Goodwill	-	4,042,299	1,846,883	8,134,460	14,023,642
Patents and trademarks	-	-	-	8,132,887	8,132,887
Product licences	3,684	-	-	-	3,684
	3,684	4,042,299	1,846,883	16,267,347	22,160,213

2008	Dairies RM	Frozen Food RM	Packaging RM	Other RM	Total RM
Carrying amount					
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

Included in under Other 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		Other	
	2009 %	2008 %	2009 %	2008 %	2009 %	2008 %	2009 %	2008 %
Gross margin (1)	5.37	9.43	20.30	20.95	18.30	16.80	47.70	10.28
Growth rate (2)	5.95	11.32	17.00	7.63	12.59	23.08	13.47	12.23
Discount rate (3)	8.25	8.25	8.34	8.00	6.75	8.25	4.77	10.20

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

10. Inventories

	Group 2009 RM	Group 2008 RM
Finished goods	37,909,056	50,224,310
Raw materials	23,998,188	26,467,643
Packaging materials	3,202,692	2,626,106
Work in progress	2,027,229	1,974,276
Consumables	223,963	29,120
Goods in transit	43,713	-
	67,404,841	81,321,455

10. Inventories (Cont'd)

The cost of inventories recognised as an expense and included in"costs of sales"in the consolidated income statement amounted to RM426,956,908 (2008: RM404,791,188).

As at the balance sheet date, the Group's inventories with a carrying amount of RM12,681,485 (2008: RM13,145,623) have been pledged as security for the banking facilities granted to several subsidiaries.

11. Trade and other receivables

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Current receivables				
Trade receivables				
- within 60 to 90 days	91,523,145	99,060,564	-	-
- more than 90 days	12,215,494	13,754,451	-	-
	103,738,639	112,815,015	-	-
Allowance for doubtful trade receivables	(9,008,516)	(7,256,181)	-	-
	94,730,123	105,558,834	-	-
Other receivables	2,966,665	2,662,659	22,038	10,430
Prepayments	4,695,656	1,928,625	68,753	79,876
Deposits	3,547,365	885,950	54,600	18,509
Due from subsidiaries - non-trade	-	-	45,857,700	41,488,541
	105,939,809	111,036,068	46,003,091	41,597,356
Other assets	3,284,245	3,147,235	3,147,235	3,147,235
Allowance for doubtful other assets	(3,284,245)	(3,147,235)	(3,147,235)	(3,147,235)
	105,939,809	111,036,068	46,003,091	41,597,356
Non-current receivables				
Trade receivables	380,077	1,958,100	-	-
	106,319,886	112,994,168	46,003,091	41,597,356

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.

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

The trade receivables pertaining to several customers which totalled RM429,558 (2008: RM2,225,268) are being paid through installments over period of 2 to 14 years. The amortised cost recognised in the income statement amounted to RM49,481 (2008: RM267,168).

11. Trade and other receivables (Cont'd)

Movements in allowance for doubtful trade receivables:

	Group	
	2009	**2008**
	RM	**RM**
Balance at beginning of financial year	7,256,181	4,824,689
Allowance made during the financial year	2,991,257	3,614,056
Write back of allowance no longer required	(718,301)	(372,526)
Bad receivables written off against allowance	(520,621)	(810,038)
Balance at end of financial year	9,008,516	7,256,181

Allowance for doubtful trade receivables arose mainly from customers who have difficulty in settling the amount due.

Movements in allowance for doubtful other assets:

	Group		Company	
	2009	**2008**	**2008**	**2009**
	RM	**RM**	**RM**	**RM**
Balance at beginning of financial year	3,147,235	2,051,898	3,147,235	2,051,898
Allowance made during the financial year	137,010	1,095,337	-	1,095,337
Balance at end of financial year	3,284,245	3,147,235	3,147,235	3,147,235

Other assets mainly represents a refundable purchase consideration of RM3,147,235 of an aborted acquisition in financial year 2007. The management has made full allowance on the total outstanding balance of HKD6,700,000 (RM3,147,235) as a result of default payment from the third party. This remained the same as at the balance sheet date and the management has taken legal action to recover the outstanding balance.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	83,982,342	88,093,570	347,715	8,662,827
Singapore dollar	1,964,980	4,566,927	45,604,482	32,934,529
United States dollar	10,693,456	12,526,194	50,894	-
Indonesian rupiah	190,101	-	-	-
New Zealand dollar	3,203,935	3,036,171	-	-
Australian dollar	6,285,072	4,708,454	-	-
Thai baht	-	62,852	-	-
	106,319,886	112,994,168	46,003,091	41,597,356

12. Fixed deposits

Group and Company

Fixed deposits are placed for a period of 7 days to 3 months (2008: 7 days to 3 months) and the effective interest rates on the fixed deposits approximated between 1.62% to 3.00% (2008: 2.00% to 4.00%) per annum. As at the balance sheet date, fixed deposits of RM1,046,564 (2008: RM1,008,271) of the Group have been pledged as security for the banking facilities granted to its subsidiaries.

12. Fixed deposits (Cont'd)

Fixed deposits are denominated in the following currencies:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	1,198,849	2,513,420	-	1,505,149
New Zealand dollar	250,203	-	250,203	-
United States dollar	6,712,492	69,060	-	-
	8,161,544	2,582,480	250,203	1,505,149

13. Cash and cash equivalents

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	20,375,006	12,998,223	4,495,503	252,020
Fixed deposits	8,161,544	2,582,480	250,203	1,505,149
	28,536,550	15,580,703	4,745,706	1,757,169
Less:				
Pledged fixed deposits	(1,046,564)	(1,008,271)	-	-
Bank overdrafts	(4,055,998)	(6,778,891)	-	-
Cash and cash equivalents per consolidated cash flow statement	23,433,988	7,793,541	4,745,706	1,757,169

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	12,830,119	10,750,404	2,108,275	190,145
Singapore dollar	1,905,675	464,716	1,164,934	61,875
United States dollar	181,599	715,911	-	-
New Zealand dollar	3,511,211	1,067,192	1,222,294	-
Australian dollar	1,844,306	-	-	-
Indonesian rupiah	102,096	-	-	-
	20,375,006	12,998,223	4,495,503	252,020

14. Trade and other payables

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Current liabilities				
Trade payables	35,608,649	34,790,513	-	-
Other payables	13,646,199	9,725,265	136,715	-
Customers' deposits	731,828	650,928	-	-
Accruals	16,989,077	15,138,029	1,801,685	1,486,259
	66,975,753	60,304,735	1,938,400	1,486,259
Non-current liabilities				
Other payables	56,305	-	-	-
	67,032,058	60,304,735	1,938,400	1,486,259

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 retention sum and progress billings for construction of factory buildings, staff related expenses payable and other operating expenses payable and new capital expenditure payable resulting from the joint venture for setting up a UHT Aseptic PET bottling plant in New Zealand. Non-current other payables comprise of long term employment benefits.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Ringgit Malaysia	54,040,862	51,383,401	-	-
Singapore dollar	2,192,056	1,740,338	1,938,400	1,486,259
United States dollar	2,699,122	985,163	-	-
British pound	131,019	181,092	-	-
Australian dollar	966,176	1,033,370	-	-
Euro	1,340,819	107,385	-	-
New Zealand dollar	4,933,732	4,873,986	-	-
Indonesian rupiah	728,272	-	-	-
	67,032,058	60,304,735	1,938,400	1,486,259

15. Bank borrowings

	Group	
	2009 RM	**2008 RM**
Current liabilities		
Secured:		
Bank overdrafts	146,267	6,778,891
Banker's acceptance	29,653,000	21,809,000
Offshore foreign currency loan	1,048,044	-
Bank guarantee	-	70,000
Term loans	16,103,260	12,817,410
	46,950,571	41,475,301

15. Bank borrowings (Cont'd)

	Group 2009 RM	Group 2008 RM
Current liabilities		
Unsecured:		
Bank overdrafts	3,909,731	-
Banker's acceptance	16,185,000	59,016,000
Offshore foreign currency loan	-	1,120,023
Short term revolving credit	-	4,000,000
	20,094,731	64,136,023
	67,045,302	105,611,324
Non-current liabilities		
Secured:		
Term loans	58,602,219	53,384,508
	58,602,219	53,384,508

	Group 2009 RM	Group 2008 RM
Term loans		
Dairies Division		
Term loan repayable by 60 monthly installments of RM65,114 each commencing February 2005	204,312	943,649
Term loan repayable by 96 monthly installments of RM56,717 each commencing 1 June 2006	2,765,548	3,241,307
Term loan repayable by 60 monthly installments of RM163,339 each commencing 1 November 2006	5,858,035	7,365,126
Term loan repayable by 72 monthly installments of RM43,800 each commencing 5 April 2007	2,547,709	2,672,080
Term loan repayable by 60 monthly installments of RM40,989 each commencing 1 May 2007 of credit limit RM2,070,000	1,182,837	1,579,706
Term loan repayable by 72 monthly installments of RM74,000 each commencing 15 February 2011 of credit limit RM4,500,000	4,516,782	-
Term loan repayable by 72 monthly installments of RM74,000 each commencing 30 July 2011 of credit limit RM4,500,000	4,515,154	-
Term loan repayable by 72 monthly installments of RM49,600 each commencing 30 July 2011 of credit limit RM3,000,000	2,440,873	-
Term loan repayable by 83 monthly installments of RM104,405 each commencing 24 April 2010 of credit limit RM8,770,000	7,597,526	-
Term loan repayable by 120 monthly installments of RM5,810 each commencing 1 June 2010 and RM5,844 each commencing from1 June 2015 of credit limit RM495,000	494,261	-

15. Bank borrowings (Cont'd)

	Group 2009 RM	Group 2008 RM
Term loans (cont'd)		
Frozen Food Division		
Term loan repayable by 120 monthly installments of RM2,415 each commencing July 2002	69,771	92,040
Term loan repayable by 60 monthly installments of RM9,418 each commencing September 2005	82,123	184,555
Term loan repayable by 84 monthly installments of RM310,600 each commencing 1 March 2007	14,115,635	16,676,883
Term loan repayable by 84 monthly installments of RM16,310 each commencing July 2009	1,321,070	1,370,000
Packaging Division		
Term loan repayable by 24 quarterly installments of RM257,375 commencing 25 July 2008	4,890,125	5,919,625
Term loan repayable by 48 monthly installments of RM100,000 in 2008, RM200,000 in 2009, RM400,000 in 2011 with bullet repayment on the balance on March 2011	8,869,004	11,103,403
Term loan repayable by 61 monthly installments of RM19,466 each commencing July 2008	755,530	927,719
Other Divisions		
Term loan repayable quarterly commencing February 2007	1,500,780	1,537,660
Term loan repayable by 40 quarterly installments of AUD132,600 each commencing May 2007	5,529,827	5,893,058
Term loan repayable by 37 monthly installments of NZD83,800 commencing February 2008	6,496,621	6,695,107
	75,753,523	66,201,918
Term loan analysed into:		
Current	17,151,304	12,817,410
Non-current	58,602,219	53,384,508
	75,753,523	66,201,918

	Group 2009 %	Group 2008 %
Effective interest rates		
Bank overdrafts	6.35 - 8.00	7.68 - 8.00
Bankers' acceptance	5.10 - 9.55	3.60 - 5.13
Offshore foreign currency loan	4.80 - 9.70	4.04
Short term revolving credit	3.90	3.90
Term loans	4.26 - 9.58	6.31-9.58

15. Bank borrowings (Cont'd)

Non-current bank borrowings are repayable as follows:

	Group	
	2009	**2008**
	RM	**RM**
Within one year	11,277,023	21,455,965
Two to five years	44,643,794	24,651,616
After five years	2,681,402	7,276,927
	58,602,219	53,384,508

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 Klang, Selangor Darul Ehsan, Malaysia, of Etika Dairies Sdn. Bhd.;

(b) First to third legal charge over a freehold land known as LS-3 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 LS-2 held under Title No. 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 Etika Dairies Sdn. Bhd.;

(e) Limited debenture by way of fixed charge over equipment and machinery;

(f) First party fixed charge over Lot LS-5 and LS-6 held under Title No. H.S.(D) 117109, No. PT. 55218 and H.S.(D) 117110, No. PT. 55219, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan;

(g) First party first legal charge over 1 ½ storey factory known as P.N. 202764 Lot 204531, Mukim Hulu Kinta, Ipoh, Perak;

Frozen Food Division

(h) Debenture incorporating a fixed and floating charge over all assets of Etika Foods (M) Sdn. Bhd., both present and future;

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

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

(k) 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;

(l) 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;

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

(n) First party charge over freehold land, held under Geran No. 3871 & 3872, Lot 1237 & 1238, Jalan Makloom, Penang;

15. Bank borrowings (Cont'd)

Packaging Division

(o) 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.;

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

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

(r) First to seventh legal charge over factory land and building held under Title No. P.N. 10311, Lot No. 3, Jalan 203, 74, Seksyen 20 Mukim of District of Petaling, Selangor Darul Ehsan;

Other Divisions

(s) Registered mortgage 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;

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

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

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

(w) 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.

16 Finance lease payables

Group	Minimum lease payments RM	Future finance charges RM	Present value of lease payments RM
2009			
Current			
- within one year	2,852,502	(269,122)	2,583,380
Non-current			
- two to five years	4,065,314	(305,047)	3,760,267
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

16 Finance lease payables (Cont'd)

Company	Minimum lease payments RM	Future finance charges RM	Present value of lease payments RM
2009			
Current			
- within one year	142,752	(12,941)	129,811
Non-current			
- two to five years	249,816	(22,647)	227,169
2008			
Current and Non-current	-	-	-

The effective interest rates range from 2.50% to 7.65% (2008: 2.25% to 5.39%) per annum.

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

All the finance leases are denominated in Ringgit Malaysia.

17 Derivative financial instruments

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.

During the current financial year, the Group did not enter into any derivative financial instruments. However, in financial year 2008, the Group had derivative financial instruments with fair values totaling RM77,775 which was shown as current liability and included in other operating expenses.

18. Financial guarantee contracts

	Company 2009 RM	Company 2008 RM
Balance at beginning of financial year	444,015	-
Currency realignment	8,090	-
Fair value adjustments	(6,797)	-
Issuance of financial guarantee contracts, at initial recognition	113,963	758,955
Amortised cost during the financial year	(36,582)	(369,369)
Reversal of amortised cost during the financial year	4,761	54,429
Balance at end of the financial year	527,450	444,015

The balance as at 30 September 2009 of RM527,450 (2008: RM444,015) represents the fair value of financial guarantee contracts which was discounted at interest rates ranging from 4.7% to 9.7% (2008: 5.38% to 10.2%) for over 5 to 9 years.

19. Deferred tax liabilities

	Group	
	2009 RM	2008 RM
Balance at beginning of financial year	(8,510,469)	(9,883,075)
Currency realignment	5,746	436
Recognised in consolidated income statement	(1,680,277)	1,343,246
Transfer from asset revaluation	-	28,924
Balance at end of financial year	(10,185,000)	(8,510,469)

Deferred tax liabilities arise as a result of:

Unabsorbed capital allowances	-	11,502
Fair value adjustments on property, plant and equipment	(2,828,277)	(3,292,481)
Property, plant and equipment	(7,634,373)	(6,240,479)
Other temporary differences	277,650	1,010,989
	(10,185,000)	(8,510,469)

20. Share capital

	Group and Company			
	2009		2008	
	S$	RM	S$	RM
Issued and fully paid:				
Balance at beginning of financial year	23,047,039	52,462,297	21,852,866	49,711,245
Exercise of warrants	511,909	1,244,617	4,933	11,637
Issuance of shares	-	-	1,189,240	2,739,415
Balance at end of financial year	23,558,948	53,706,914	23,047,039	52,462,297

Movement in number of shares issued and outstanding warrants:

	Group and Company			
	Number of ordinary shares		Outstanding warrants	
	2009	2008	2009	2008
Balance at beginning of financial year	250,244,470	240,282,212	17,111,008	17,162,931
Exercise of warrants by issuance of ordinary shares	5,388,517	51,923	(5,388,517)	(51,923)
Issuance of ordinary shares	-	9,910,335	-	-
Balance at end of financial year	255,632,987	250,244,470	11,722,491	17,111,008

	Group and Company			
	Number of treasury shares		Amount (RM)	
	2009	2008	2009	2008
At beginning of financial year	-	-	-	-
Repurchase during the financial year	605,000	-	182,875	-
Balance at end of financial year	605,000	-	182,875	-

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

20. Share capital (Cont'd)

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

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

Share capital does not have a par value and there is no authorised share capital.

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

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 S$0.095, exercisable from 14 May 2007 to 8 April 2010.

During financial year 2008, the Company issued 9,910,335 ordinary shares at S$0.12 per share as part of the purchase consideration of the additional shares in General Packaging Sdn Bhd.

21. Foreign currency translation account

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

22. Fair value 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.

23. Revenue

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

24. Other income

	Group	
	2009	**2008**
	RM	**RM**
Allowance for doubtful trade receivables no longer required	718,301	372,526
Gain on disposal of property, plant and equipment	176,444	207,142
Insurance compensation	-	5,057
Interest income from fixed deposits	300,603	122,351
Gain on foreign exchange	5,660,353	2,186,434
Rental income	-	34,815
Bad debts recovered	27,927	-
Sundry income	183,603	52,842
	7,067,231	2,981,167

25. Finance costs

	Group 2009 RM	Group 2008 RM
Interest expense		
- finance leases	397,783	233,132
- bank overdrafts	56,302	175,753
- bankers' acceptance	2,332,970	2,734,034
- term loans	4,446,544	5,502,327
- offshore foreign currency loan	394,251	414,662
- revolving credits	58,599	387,412
- trust receipts	-	78,217
- others	41,208	-
	7,727,657	9,525,537

26. Profit before income tax

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

	Group 2009 RM	Group 2008 RM
Allowance for doubtful receivables		
- trade	2,991,257	3,614,056
- other assets	137,010	1,095,337
Tax fees	53,000	-
Amortisation of intangible assets	1,886	1,264
Bad trade receivables written off	-	288,856
Directors' remuneration		
- Directors of the Company	540,455	658,055
- Directors of the subsidiaries	4,479,435	4,484,572
Directors' fee		
- Directors of the Company	556,163	590,070
Inventories written off	778,134	721,379
Foreign currency exchange loss	243,031	1,215,356
Operating leases	1,591,163	1,895,745
Property, plant and equipment written off	584,314	115,622
Research costs	10,635	36,924
Staff costs:		
- Salaries, bonuses and allowances	33,012,370	33,196,159
- Employee contributions to defined contribution plans	2,738,827	2,697,935
Impairment loss of investment in quoted shares	-	315,000
Depreciation of property, plant and equipment	9,801,160	8,275,794

27. Income tax expense

	Group 2009 RM	Group 2008 RM
Income tax expense		
- current year	9,193,983	5,904,344
- (over)/under provision in previous years	(1,245,396)	131,306
	7,948,587	6,035,650
Deferred tax expense		
- current year	1,971,877	(887,134)
- over provision in previous years	(135,839)	(1,322,392)
	1,836,038	(2,209,526)
	9,784,625	3,826,124

Reconciliation of effective income tax rate

	Group 2009 RM	Group 2008 RM
Profit before income tax	71,489,425	44,416,964
Income tax calculated at Singapore statutory tax rate of 17% (2008: 18%)	12,153,202	7,995,054
Effect of different tax rates in other countries	5,573,480	3,787,058
Changes in tax rates	(5,325)	(169,862)
Expenses not deductible for tax purposes	3,636,442	1,458,318
Income not subject to tax	(6,765,331)	(2,529,542)
Deferred tax assets not recognised	381,069	789,643
Tax incentives	(6,999,509)	(4,317,561)
Tax credit on tax dividends	4,702,896	1,189,484
Utilisation of reinvestment allowance	(1,353,993)	(2,798,727)
Income tax (over)/under provided in previous years	(1,245,396)	131,306
Reduction in statutory tax rate on chargeable income up to RM500,000 for certain subsidiaries	-	(58,678)
Reduction in statutory tax rate for deferred tax liabilities	-	(111,665)
Deferred tax over provided in previous years	(135,839)	(1,322,392)
Utilisation of group relief	(25,504)	(51,470)
Double tax deduction on certain expenses	-	(22,270)
Withholding tax	662,748	556,202
Writing down allowances on Intellectual Property Rights	(764,027)	(663,654)
Others	(30,288)	(35,120)
	9,784,625	3,826,124

28. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the Group's profit after income tax attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2009	**2008**
Profit after income tax attributable to equity holders of the Company (RM)	61,701,928	40,338,001
Weighted average number of ordinary shares in issue during the financial year	252,404,214	249,377,707
Basic earnings per share	24.46 sen	16.18 sen

(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 2009.

	Group	
	2009	**2008**
Profit after income tax attributable to equity holders of the Company (RM)	61,701,928	40,338,001
Weighted average number of shares in issue	252,404,214	249,377,707
Adjustment for:		
- Warrants	11,722,491	17,111,008
	264,126,705	266,488,715
Diluted earnings per share	23.36 sen	15.14 sen

29. Dividends

	Group and Company	
	2009 **RM**	**2008** **RM**
Dividends paid:		
Final tax exempt 1-tier dividend of S$0.013 (2008: S$0.005) per share paid in respect of financial year ended 30 September 2008 and 30 September 2007, respectively.	7,842,207	2,743,104
Interim tax exempt 1-tier dividend of S$0.008 (2008: S$0.003) paid in respect of financial year ended 30 September 2009 and 30 September 2008 respectively	4,917,263	1,779,304
	12,759,470	4,522,408

The Directors of the Company propose that a final tax exempt 1-tier dividend of S$0.02 per share amounting to S$5,100,560 (equivalent to RM12,542,277) to be paid for the financial year ended 30 September 2009 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

30. Significant related party transactions

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

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	
	2009 RM	**2008 RM**
With related parties:		
- Insurance premium paid to Perinsu (Broker Insurans) Sdn. Bhd.	1,735,030	1,618,827
- Rental of premises paid to Motif Etika Sdn. Bhd.	528,000	396,000
- Purchase of packing materials from Life Medicals Bhd.	1,819,050	341,963
- Rental of premises paid to a director of a subsidiary	18,000	18,000
- Rental of shop office paid to a director of a subsidiary	59,400	39,000

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

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Short-term benefits	6,657,511	6,380,836	1,776,871	1,648,440
Post-employment benefits	317,474	289,776	-	-
	6,974,985	6,670,612	1,776,871	1,648,440
Analysed into:				
- Directors of the Company	1,096,618	1,248,125	1,096,618	1,248,125
- Directors of the subsidiaries	4,479,435	4,484,572	-	-
- Other key management personnel	1,398,932	937,915	680,253	400,315
	6,974,985	6,670,612	1,776,871	1,648,440

31. Contingent liabilities and commitments

(a) Capital commitments

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

	Group	
	2009 RM	**2008 RM**
Purchase of property, plant and equipment	9,717,292	16,238,185
Acquisition of additional equity interest in Etika Dairies NZ Limited	2,501,300	-
	12,218,592	16,238,185

31. Contingent liabilities and commitments (Cont'd)

(b) Operating lease commitments

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

	Group	
	2009 RM	**2008 RM**
Within one financial year	1,065,333	328,562
After one financial year but within five financial years	3,411,736	85,069
	4,477,069	413,631

(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 Eureka Capital Sdn. Bhd., Etika Foods International Inc., Etika Dairies Sdn. Bhd., Etika Brands Pte Ltd, Etika (NZ) Limited and Etika Beverages Sdn. Bhd., 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 2009. 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 RM245,854,101 (2008: RM216,769,846) comprising RM226,374,000 (2008: RM198,304,000), USD852,200 equivalent to RM2,971,621 (2008: USD852,200 equivalent to RM2,942,646) and NZD6,600,000 equivalent to RM16,508,580 (2008: NZD6,600,000 equivalent to RM15,523,200). The amount of banking facilities utilised by the subsidiaries as at 30 September 2009 amounted to RM129,470,622 (2008: RM149,100,000).

32. 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
- Other

32. Segment reporting (Cont'd)

Business segments (cont'd)

2009	Dairies RM	Frozen Food RM	Packaging RM	Other RM	Unallocated RM	Total RM
Revenue						
External revenue	412,251,721	118,481,290	16,330,829	53,550,172	-	600,614,012
Results						
Segments results	61,778,388	6,167,830	7,163,648	7,791,130	(3,984,517)	78,916,479
Interest income	187,846	46,598	4,184	47,127	14,848	300,603
Finance costs	(2,492,974)	(2,323,317)	(1,731,290)	(780,155)	(399,921)	(7,727,657)
Profit/(loss) before income tax	59,473,260	3,891,111	5,436,542	7,058,102	(4,369,590)	71,489,425
Income tax expense	(5,844,141)	(671,558)	(1,006,290)	(1,577,355)	(685,281)	(9,784,625)
Profit/(loss) after income tax	53,629,119	3,219,553	4,430,252	5,480,747	(5,054,871)	61,704,800
Segment assets	208,418,001	74,565,542	40,368,739	44,117,591	9,943,178	377,413,051
Unallocated assets	17,808	1,604,681	446,362	308,738	-	2,377,589
Total assets	208,435,809	76,170,223	40,815,101	44,426,329	9,943,178	379,790,640
Segment liabilities	91,755,564	48,924,338	30,412,012	19,030,284	8,901,028	199,023,226
Unallocated liabilities	8,401,820	556,488	3,508,839	821,350	1,496	13,289,993
Total liabilities	100,157,384	49,480,826	33,920,851	19,851,634	8,902,524	212,313,219
Other information						
Capital expenditure	33,948,970	714,225	4,117,753	2,576,605	659,918	42,017,471
Depreciation and amortisation	5,749,728	1,132,292	1,827,489	432,321	21,844	9,163,674
Goodwill written off	1,065,394	-	-	-	-	1,065,394
Allowance for doubtful other assets	-	137,010	-	-	-	137,010
Allowance for doubtful trade receivables	1,808,588	1,182,669	-	-	-	2,991,257
Inventories written off	198,149	-	579,985	-	-	778,134
Property, plant and equipment written off	425,167	23,447	127,975	82	7,643	584,314

32. Segment reporting (Cont'd)

Business segments (cont'd)

2008	Dairies RM	Frozen Food RM	Packaging RM	Other 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
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	13,424	8,356,645
Allowance for doubtful other assets	-	-	-	-	1,095,337	1,095,337
Allowance for doubtful trade receivables	2,443,483	1,004,386	125,554	40,633	-	3,614,056
Inventories written off	389,260	-	332,119	-	-	721,379
Property, plant and equipment written off	99,604	15,001	-	1,017	-	115,622

32. 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.

2009	Malaysia RM	Africa RM	Asean RM	Other RM	Group RM
Total revenue from external customers	336,012,477	132,207,714	64,072,879	68,320,942	600,614,012
Segment assets	360,976,282	9,282,621	7,125,715	28,433	377,413,051
Capital expenditure	38,938,803	-	659,918	2,418,750	42,017,471
Depreciation and amortisation	9,070,459	-	21,844	71,371	9,163,674
Goodwill written off	-	-	1,065,394	-	1,065,394
Allowance for doubtful other assets	137,010	-	-	-	137,010
Allowance for doubtful trade receivables	2,991,257	-	-	-	2,991,257
Inventories written off	778,134	-	-	-	778,134
Property, plant and equipment written off	576,589	-	7,725	-	584,314

2008	Malaysia RM	Africa RM	Asean RM	Other 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
Depreciation and amortisation	8,261,569	-	12,160	82,916	8,356,645
Allowance for doubtful other assets	-	-	1,095,337	-	1,095,337
Allowance for doubtful trade receivables	3,573,423	-	-	40,633	3,614,056
Inventories written off	721,379	-	-	-	721,379
Property, plant and equipment written off	115,622	-	-	-	115,622

33. Financial risk and capital risk management

The Group's activities expose the Group to financial risks (including credit risks, foreign currency risks, interest rate risks and liquidity risks) arising in the normal course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

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

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

(a) Credit risks

The Group and the Company have no significant concentration of credit risks 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 risks 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 RM27,044,537 (2008: RM36,271,866) 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	
	2009	**2008**
	RM	**RM**
Past due 0 to 3 months	22,333,527	31,313,367
Past due 3 to 6 months	2,641,466	2,224,430
Past due 6 to 12 months	1,208,886	2,599,961
Past due over 12 months	860,658	134,108
	27,044,537	36,271,866

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

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

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

(b) Foreign currency risks

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

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.

33. Financial risk and capital risk management (Cont'd)

(b) Foreign currency risks (cont'd)

Foreign currency sensitivity analysis

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

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

If the respective foreign currency weakens by 10% (2008: 10%) against the functional currency, profit before income tax of the Group will increase/(decrease) by:

	Income statement	
	2009	2008
Group	RM	RM
Singapore dollar	(163,556)	(328,002)
United States dollar	(799,597)	(1,162,138)
Hong Kong dollar	-	(303,617)
British pound	13,102	18,109
Australian dollar	(531,890)	(474,228)
Euro	134,082	10,739
New Zealand dollar	649,662	1,828,391
Thai baht	-	(6,285)
	(698,197)	(417,031)

As at balance sheet dates, the Group's equity is not affected by changes in the foreign currency.

If the respective foreign currency weakens by 10% (2008: 10%) against the functional currency, profit before income tax of the Company will decrease by as follow:

	Income Statement	
	2009	2008
Company	RM	RM
Singapore dollar	180,521	198,862

As at balance sheet dates, the Company's equity is not affecded by changes in the foreign currency.

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

(c) Interest rate risks

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

33. **Financial risk and capital risk management (Cont'd)**

(c) **Interest rate risks (cont'd)**

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% (2008: 3%) change in the interest rates from the balance sheet date, with all variables held constant.

If the interest rate increases/decreases by 3% (2008: 3%), profit before income tax of the Group will increase/decrease by:

	Group	
	2009 RM	**2008 RM**
Bank borrowings	3,732,069	4,115,605
Bank overdrafts	121,680	654,270
	3,853,749	4,769,875

The Company has no bank borrowings for financial years 2009 and 2008.

(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.

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					
2009					
Bank borrowings	66,118,398	38,719,709	18,697,681	3,661,919	127,197,707
Bank overdrafts	4,055,998	-	-	-	4,055,998
Finance lease payables	2,852,502	2,714,064	1,243,307	107,943	6,917,816
	73,026,898	41,433,773	19,940,988	3,769,862	138,171,521
2008					
Bank borrowings	96,527,614	23,477,885	40,881,068	29,255,944	190,142,511
Bank overdrafts	6,778,891	-	-	-	6,778,891
Finance lease payables	1,347,227	1,006,393	839,953	19,436	3,213,009
	104,653,732	24,484,278	41,721,021	29,275,380	200,134,411
Company					
2009					
Finance lease payables	142,752	142,752	107,064	-	392,568

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

The Company has no outstanding bank borrowings as at 30 September 2009 and 2008.

33. Financial risk and capital risk management (Cont'd)

(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 maintain an optimal capital structure so as to maximise shareholders' values.

In financial year 2009, the Company purchased its own shares from the market and the timing of these purchases depends on market prices. Primarily, such actions are intended to enhance the return to the Company's shareholders and to be used for issuing shares under the Group's share options scheme in the future. Buy and sell decisions are made on a specific transaction basis by the management. The Company does not have a defined share buy-back plan.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as equity plus net debt. The Group overall strategy remains unchanged from 2008 which is to maintain a gearing ratio of less than 75%.

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Net debt	103,454,618	146,302,310	(4,388,726)	(1,757,169)
Total equity	167,477,421	113,512,237	76,837,385	62,428,549
Total capital	270,932,039	259,814,547	72,448,659	60,671,380
Gearing ratio	38.2%	56.3%	(6.1%)	(2.9%)

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 30 September 2009 and 2008.

(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 values.

Financial instruments where carrying amount approximates fair value

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

34. Subsequent event

Subsequent to 30 September 2009, the following events have taken place:

(a) The Company issued 1,952,240 ordinary shares as a result of the exercise of 1,952,240 warrants, at an exercise price of S$0.095 each.

(b) On 12 October 2009, the Company signed a USD10 million long-term loan agreement with a financial institution, for the purpose of financing the proposed acquisition of Tan Viet Xuan Joint Stock Company.

statistics of shareholdings

as at 8 December 2009

Issued and fully paid-up capital	:	S$23,929,058.855
Number of ordinary shares in issue	:	257,585,227
Class of shares	:	Ordinary share
Voting rights	:	One vote per share
Number of Treasury Shares held	:	605,000
Number of ordinary shares excluding Treasury Shares	:	256,980,227
Percentage of Treasury Shares	:	0.235%[1]

Note :

[1] Calculated based on 256,980,227 voting shares as at 8 December 2009.

VOTING RIGHTS

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

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

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

Based on the information provided and to the best knowledge of the Directors, approximately 30.5% of the issued ordinary shares of the Company are held in the hands of the public as at 8 December 2009 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	0.68	1,100	0.00
1,000 – 10,000	284	48.38	1,425,274	0.55
10,001 – 1,000,000	265	45.15	26,767,970	10.42
1,000,001 and above	34	5.79	228,785,883	89.03
TOTAL	**587**	**100.00**	**256,980,227**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Tan Yet Meng	28,318,411	11.02
2.	Mayban Nominees (S) Pte Ltd	26,700,000	10.39
3.	CIMB Bank Nominees (S) Sdn Bhd	23,820,000	9.27
4.	Masuma Trading Company Limited	12,750,000	4.96
5.	SBS Nominees Pte Ltd	12,600,000	4.90
6.	Kwong Yuen Seng	12,228,610	4.76
7.	Phillip Securities Pte Ltd	11,947,400	4.65
8.	Hong Leong Finance Nominees Pte Ltd	11,780,000	4.58
9.	Mah Weng Choong	10,123,612	3.94
10.	Khor Sin Kok	9,445,112	3.68
11.	Jaya J B Tan	8,156,304	3.17
12.	Tan San Lin	7,214,697	2.81
13.	Tan San Chuan	6,911,051	2.69
14.	Yap Beng Wei	5,250,000	2.04
15.	DBS Vickers Securities (S) Pte Ltd	4,344,000	1.69
16.	Pok York Keaw	4,193,000	1.63
17.	DBS Nominees Pte Ltd	4,076,000	1.59
18.	Pok Yoke Kung	3,305,800	1.29
19.	UOB Kay Hian Pte Ltd	2,732,000	1.06
20.	Hew Margaret Wye Yoong or Hew Leonard Yoke Leong	2,520,000	0.98
	Total	**208,415,997**	**81.10**

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

	Name	Direct interest	%	Deemed interest	%	Total interest	%
(1)(2)	Dato' Jaya J B Tan	42,066,304	16.37	88,532,882	34.45	130,599,186	50.82
(1)(2)	Dato' Kamal Y P Tan	44,842,723	17.45	85,756,463	33.37	130,599,186	50.82
(1)	Tan Yet Meng	28,318,411	11.02	102,280,775	39.80	130,599,186	50.82
(2)	Mah Weng Choong	14,123,612	5.50	-	-	14,123,612	5.50
(2)	Khor Sin Kok	13,595,112	5.29	-	-	13,595,112	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.

statistics of warrantholdings

as at 8 December 2009

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 999	74	34.91	29,181	0.30
1,000 – 10,000	102	48.11	245,335	2.51
10,001 – 1,000,000	33	15.57	4,742,183	48.54
1,000,001 and above	3	1.42	4,753,552	48.65
TOTAL	**212**	**100.00**	**9,770,251**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1.	Tan Yet Meng	2,006,552	20.54
2.	CIMB Bank Nominees (S) Sdn Bhd	1,380,000	14.12
3.	Ong Eng Joo	1,367,000	13.99
4.	Jaya J B Tan	921,878	9.44
5.	SBS Nominees Pte Ltd	900,000	9.21
6.	Kamal Y P Tan	557,813	5.71
7.	Tan San Chuan	493,646	5.05
8.	Pok York Keaw	299,500	3.07
9.	Pok Yoke Kung	268,700	2.75
10.	Pok Yoke Wang	186,800	1.91
11.	Phang Mah Thiang	138,200	1.41
12.	Pok York Keng	121,730	1.25
13.	Pok Fook Soon	71,800	0.73
14.	Pok Yock Tin	71,800	0.73
15.	Yuen Chooi Chun @ Yuen Pik Chan	69,000	0.71
16.	Lim Hong Huat Mark	68,000	0.70
17.	Ang Ban Tong	63,000	0.64
18.	Chew Yit Foong	62,500	0.64
19.	Yap Chin Kok	57,500	0.59
20.	Lim Kok Chye	38,000	0.39
	Total	**9,143,419**	**93.58**

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 Friday, 22 January 2010 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 2009 and the Auditors' Report thereon. **(Resolution 1)**

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

   (i) Dato' Jaya J B Tan **(Resolution 2)**
   (ii) Mr Teo Chee Seng **(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$230,000 for the financial year ended 30 September 2009 (FY2008 : S$205,000). **(Resolution 5)**

5. To declare the payment of a tax exempt (one-tier) final dividend of 2.0 Singapore cents per share for the financial year ended 30 September 2009. **(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. **AUTHORITY TO ISSUE AND ALLOT SHARES** **(Resolution 8)**

   "THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to allot and issue new shares in the Company at any time and upon such terms and conditions and with such rights and restrictions as they may think fit to impose and for such purposes as the Directors may in their absolute discretion deem fit provided that :

   (i) The aggregate number of shares to be issued pursuant to this resolution does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares in the capital of the Company. For the purpose of this resolution, the total number of issued shares excluding treasury shares in the capital of the Company at the time this resolution is passed after adjusting for:-

      (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of shares awards which are outstanding or subsisting at the time of passing this resolution; and

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

   (ii) The fifty per cent (50%) limit in sub-paragraph (i) above may be increased to one hundred per cent (100%) for issue of shares by way of renounceable rights issue where shareholders of the Company are entitled to participate in the same on a pro-rata basis; and

   (iii) Such authority shall, unless revoked or varied by ordinary resolution of the shareholders of 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. **DISCOUNT FOR NON PRO-RATA SHARE ISSUE** **(Resolution 9)**

"THAT subject to and conditional upon passing of Resolution 8 above, approval be and is hereby given to the Directors of the Company at any time to issue new shares (other than on a pro-rata basis to the shareholders of the Company) at an issue price for each share which shall be determined by the Directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than 20 per cent (20%) to the weighted average price for trades done on the Exchange for the full market day on which the placement or subscription agreement is signed. If, however, trading in the Company's shares is not available for a full market day, the weighted average price shall be based on trades done on the preceding market day up to the time the placement agreement or subscription agreement is signed." [See Explanatory Note (b)]

10. **AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES** **(Resolution 10)**

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

11. **RENEWAL OF SHARE BUYBACK MANDATE** **(Resolution 11)**

"THAT:

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

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

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
(ii) the date on which the share purchases are carried out to the full extent mandated; or
(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

(c) in this Resolution:

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

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

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

where:

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

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

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

BY ORDER OF THE BOARD

Julie Koh Ngin Joo
Kok Mor Keat
Company Secretaries

Singapore
5 January 2010

Explanatory Notes on Special Business to be transacted

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

(ii) The increased limit of up to 100% for renounceable rights issue will be effective up to 31 December 2010 pursuant to SGX-ST's notification dated 19 February 2009 and the increased limit is subject to the conditions that the Company makes periodic announcements on the use of proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(b) Ordinary Resolution 9, if passed, will empower the Directors of the Company to issue shares in the capital (on a non pro-rata basis) of the Company at a discount not exceeding 20%. This discount limit is effective up to 31 December 2010 pursuant to SGX-ST's notification dated 19 February 2009.

(c) Ordinary Resolution 10, 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.

(d) Ordinary Resolution 11, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary issued shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution is set out in the Circular attached.

NOTES:-

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

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

3. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar at 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 1 February 2010 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 2010 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 2010 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 22 January 2010, will be made on 10 February 2010.

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 2009 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 22 January 2010 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 2009				
2	Re-election of Dato' Jaya J B Tan as Director				
3	Re-election of Mr Teo Chee Seng 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	Approval for discount to non pro-rata share issue				
10	Authority to allot and issue shares under Etika Employee Share Option Scheme				
11	Renewal of Share Buyback Mandate				

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

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

Dated this ______________ day of _________________ 2010.

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.