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ETIKA INTERNATIONAL HOLDINGS LIMITED

Annual Report 2010

ETIKA INTERNATIONAL HOLDINGS LIMITED
annual report 2010

BRANDING FOR GROWTH

OUR GLOBAL PRESENCE

scope of operation has been completely transformed, with markets driving growth now on all continents.

LEGEND

Operation Base

DAIRIES
DIVISION


Dairy Champ
Orange Milk drink
Dairy Champ
Apple Milk drink
Pineapple Milk

Vixu milk
Soya Milk


CONTENTS

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

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

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

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

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 Malaysian manufacturing plant is located in Meru, 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, which was then upgraded to ISO9001:2008 in March 2010, and it is now in the process of obtaining the ISO 22000:2005 certification pertaining to food safety management. This will complement the Ministry of Agriculture's certification on quality assurance and the HACCP system for milk production – further reinforcing the Group's keen emphasis on quality and reliable products.

The Division's newly acquired plant in Vietnam is located in Cu Chi District, Ho Chi Minh City. Tan Viet Xuan Joint Stock Company ("TVX") is involved in the selling and distribution of UHT fresh milk, milk products and beverages. In particular, its products include UHT milk, soy milk and condensed milk registered under the brand name of ***Vixumilk*** and is one of the more recognised second-tier brand, especially in southern region of Vietnam. TVX's products are distributed in Vietnam, covering the Midlands, Mekong Delta, Eastland, Westland and Ho Chi Minh City via distributors, trade centres, supermarkets, bookstores and other retailers.

FROZEN FOOD DIVISION

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

Pok Brothers started as a general store business in Petaling Jaya in 1963 and from this humble beginning, it has managed to transform itself into one of the leading frozen food companies in Malaysia. As a premium food wholesaler, Pok Brothers imports and distributes food products, both in raw and processed form, with particular emphasis on servicing the hospitality and consumer-based food industry. Its major clients include major 5-star hotels, airlines, cruise ships, 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, and Meru, Klang, Selangor and has branches in major cities within Peninsular Malaysia, all with coldroom facilities.

Pok Brothers currently has 3 sub-divisions:

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

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

PACKAGING DIVISION

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

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

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

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 sport 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 centres.

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 brand name 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 brand name of ***Polygold***.

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.

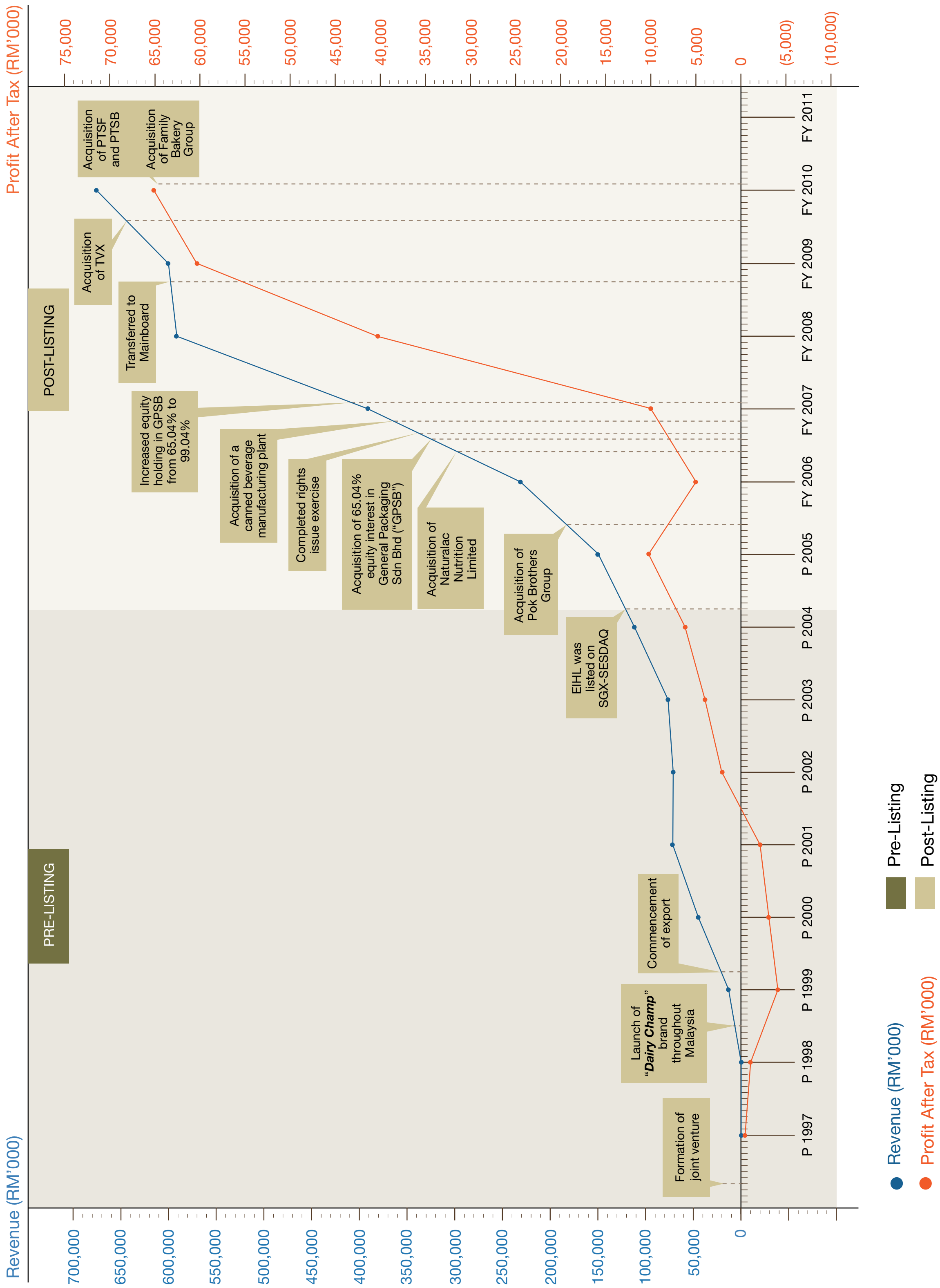
NEW BUSINESSES

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

During the same month, the Group has also completed the acquisition of 70% equity interest in PT. Sentrafood Indonusa ("PTSF") and PT. Sentraboga Intiselera ("PTSB") for an aggregate consideration of approximately Rp24.2 billion. PTSF manufactures and distributes its instant noodles under the trademark of ***Salam mie*** and ***Cinta mie*** and is also an OEM manufacturer for a few private label products (eg. Mie Sehati and Pandaroo). PTSF's products are currently distributed locally in Indonesia and overseas via authorized distributors to countries such as Saudi Arabia, Malaysia and Brunei Darussalam. PTSB is the main distributor for PTSF in the Central and East Java regions.

CORPORATE MILESTONE

CORPORATE HISTORY CHART



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.

Year	Month	Major Developments
2009	**Mac**	Entered JV in New Zealand via Etika Dairies NZ Limited ("EDNZ"), our newly incorporated subsidiary in New Zealand for an initial stake of 50.7% on 18 March 2009, which was later increased to 60.7% in December 2009.
	June	Transferred to Mainboard on 18 June 2009.
	July	Entered into a conditional sale and purchase agreement for proposed acquisition of 100% equity interest in Tan Viet Xuan Joint Stock Company ("TVX") on 24 July 2009 for an estimated purchase consideration of USD8.45 million.
	Sept	Completed acquisition of wholly-owned subsidiary in Indonesia, PT Vixon Indonesia on 30 September 2009. PT Vixon Indonesia serves as the main distributor of Etika Group's products - in particular ***Dairy Champ*** in Indonesia.
2010	**April**	Completed the acquisition of 100% equity interest in TVX on 9 April 2010 for approximately USD9.0 million.
	May	Signed syndicated financing facilities of RM368 million with a consortium of three leading Malaysian financial institution groups on 4 May 2010.
	June	Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Family Bakery Sdn. Bhd., Daily Fresh Bakery Sdn. Bhd. and Hot Bun Food Industries Sdn. Bhd. (" Family Bakery Group") on 4 June 2010 for a cash consideration of RM18.68 million.
	July	Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in PT. Sentrafood Indonusa ("PTSF") and PT. Sentraboga Intiselera ("PTSB"), an Indonesian instant noodle manufacturer and distributor on 5 July 2010 for an aggregate consideration of approximately Rp19.1 billion. Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Susu Lembu Asli (Johore) Sdn. Bhd. ("SLAJ") and Susu Lembu Asli Marketing Sdn. Bhd. ("SLAM"), collectively known as "Susu Lembu Asli Group" on 19 July 2010 for a cash consideration of RM89.5 million.
	Oct	Completed the acquisition of 100% equity interest in Family Bakery Group on 1 October 2010. Etika ventures into the manufacturing and distribution of fresh baked breads and buns. Completed the acquisition of 70% equity interest in PTSF and PTSB on 6 October 2010, for an aggregate consideration of approximately Rp24.2 billion, marking the Group's entry into the huge instant noodles industry.

MESSAGE FROM THE CHAIRMAN

Dato' Jaya J B Tan
Non-Executive Chairman

"expect all divisions to continue to grow steadily"

DEAR VALUED SHAREHOLDERS,

It is with pleasure that we present to you the results of Etika International Holdings Limited for the financial year ended 30 September 2010 ("FY2010"). Despite the challenging economic conditions, we have managed to weather the storm to deliver record revenues and profits, as our strategies for growth, both organically and through acquisitions continue to bear fruits.

FINANCIAL REVIEW

In FY2010, the turnover for the Group rose by 12.8% to RM677.7 million, while Profit Attributable to Equity Holders grew by 7.2% to RM66.1 million. This was driven by broad-based improvements in overall performance.

The higher revenue was recorded across all divisions with the exception of the Packaging Division due to the Group's focus in meeting internal demand of Dairies Division. The Dairies Division remains the largest contributor to the Group's revenue, accounting for 70.5% of turnover. This segment saw a 16.0% growth in top line partially due to the relatively recession-proof nature of this industry, as well as contributions from the takeover of Tan Viet Xuan Joint Stock Company ("TVX"), a UHT milk producer in Vietnam, in April 2010. Frozen Food and Other divisions contributed positively to our revenues as well after posting 14.0% and 9.9% growth respectively.

CORPORATE DEVELOPMENTS

It has been an active year for the Group on the merger & acquisitions front. Besides the successful acquisition of TVX, we have also embarked on other acquisitions activities which have bolstered and broadened our product range as well as extended our overall geographical reach.

In June 2010, we entered into an agreement for the acquisition of Family Bakery Group, a producer of fresh baked breads and buns in Malaysia, and in July 2010, we signed to acquire PT. Sentrafood Indonusa and PT. Sentraboga Intiselera, a manufacturer and distributor of instant noodles in Indonesia. Both transactions have since been completed in October 2010.

Further to this we also announced our proposed acquisition of Susu Lembu Asli Group, a manufacturer and distributor of pasteurized milk in Malaysia, in July 2010. The transaction is expected to be completed by end of 2010 or early 2011.

Following these series of acquisitions, we are moving up the value chain from condensed milk and evaporated milk, first to UHT milk and now pasteurized milk, making Etika a more complete dairy player. This strategy will allow us to better cater to the various segments within the dairy market and to tap on the growing consumption trend of ready-to-drink milk segment. Similarly, we have complemented our frozen bakery range with fresh baked breads and buns. In the process, the Group will see an enlarged brand portfolio within our stable with newly acquired brands like ***Daily Fresh*** (breads and buns) and ***Goodday*** (pasteurized milk) in Malaysia, ***Vixumilk*** (UHT and sweetened condensed milk) in Vietnam and ***Salam mie*** and ***Cinta mie*** (instant noodle) in Indonesia.

Geographically, these acquisitions have extended our manufacturing and distribution footprints and network, which now span regionally to Vietnam and Indonesia. These are regions with large populations and growing economies, which we feel represents tremendous market potential for Etika. This will allow us quick access to these markets while avoiding start-up risks if we were to try to break into these markets on our own.

As Etika continues to grow, the Group's financing requirements will inevitably increase. To fund this growth, Etika has signed a RM368 million syndicated financing facility with three of Malaysia's leading financial institutions in May 2010. This is testimony to the Group's strong credit standing within the banking fraternity in Malaysia. As highlighted in FY2010, our net gearing remained at a healthy 0.8 times.

OUTLOOK AND FUTURE PROSPECTS

Seeing our recent corporate development and organic expansion plans, we expect all divisions to continue to grow steadily across the region with our Dairies Division still remaining as our core business.

The rising cost of raw material in basic food ingredients, such as milk, flour and sugar, presents a challenging operating environment for the Group. However, with our continuous efforts to exceed expectations across the board, our strong brand equity in the consumer market, and on the strength and experience of our management team, we are cautiously optimistic that we are well positioned to be able to maintain our margins and hold steadfast amidst the current challenges.

DIVIDEND & APPRECIATION

To reward our loyal shareholders, the Board has proposed a final dividend of 1.25 Singapore cents. With interim dividends of 0.5 cents (after adjusting for the one-for-one bonus issue this year), this amounted to a total dividend of 1.75 cents, a significant increase from the 1.4 cents (after adjusting for the same bonus issue) declared in FY2009.

In closing, I would like to take this opportunity to thank all our principals, business partners and associates, as well as our bankers, for their unwavering support in our business operations and strategies. I would also like to express my sincere appreciation to our investors for their continued confidence in us.

And last but not least, I would like to extend my heartfelt gratitude to my fellow board members for their support and counsel, as well as to the management and staff of Etika for their dedication and hard work year on year.

DATO' JAYA J B TAN
Non-Executive Chairman

FROZEN FOOD
DIVISION (BUTCHERY)

REVIEW OF OPERATIONS

We are pleased to have achieved another solid performance in FY2010. Profit attributable to equity holders rose 7.2%, rising RM4.4 million to RM66.1 million, on the back of a 12.8% increase in Group turnover to RM677.7 million. This demonstrates the resilience and long-term sustainability of our business.

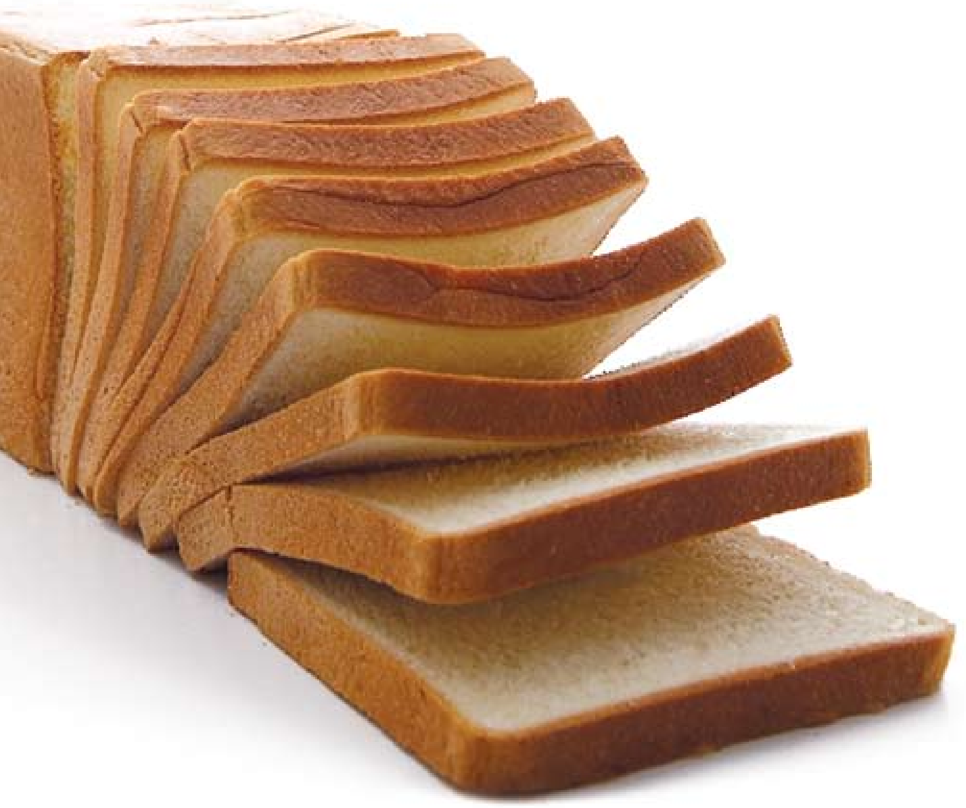
The merger and acquisition strategies adopted and the expansion plans that we have put in place for our core business segments continue to show positive results. We are very encouraged by this year's results despite facing a very challenging business climate especially with the weakening of the US Dollar.

We will continue to integrate and synergise our processes whilst keeping a vigilant watch over our cost structure and to look for areas that will contribute towards improving operational efficiencies that will further enhance our profitability.

Fourth Consecutive Year of Growth - Group Financial Results

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

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



PROFIT AFTER TAX ROSE 6.8% ON THE BACK OF 12.8% INCREASE IN TURNOVER.

We achieved our fourth consecutive year of strong results. The Group posted profit after tax of RM65.9 million which was an increase of 6.8% from RM61.7 million a year ago on the back of a 12.8% increase in its Group turnover to RM677.7 million. Profit attributable to equity holders stood at RM66.1 million as compared to RM61.7 million in FY2009. The higher revenue was contributed by the fairly-recession-proof Dairies Division of RM65.8 million, RM16.5 million from Frozen Food Division, RM5.3 million from Nutrition Division, which was compensated by the decline in revenue in the Packaging Division.

Cost of goods sold increased 12.4% for the financial year under review, from RM447.8 million to RM503.5 million. This was in tandem with the growth in revenue, albeit at a lower base of increase in comparison to revenue. Consequently, this led to an improved gross profit margin of 25.7%, which is 0.3 percentage points higher as compared to 25.4% in the corresponding period.

The improved gross profit margin came from the Dairies Division and Packaging Division as a result of lower key raw material prices such as tinplate and skimmed milk powder compared to the preceding year. In addition, the improvement in the gross profit margin was contributed by economies of scale enjoyed in the Dairies Division owing to the higher production volume in the current year.

Other operating income surged 53.5% to RM10.9 million from RM7.1 million over the same period, mainly attributable to the unrealised foreign exchange gain recorded in respect of US Dollar borrowings to finance the acquisition of Tan Viet Xuan Joint Stock Company ("TVX") as a result of the weakening of the US Dollar against Ringgit Malaysia, as well as the unrealised foreign exchange gain on the translation of payables owing to the strengthening of Ringgit Malaysia against most major currencies in the Frozen Food Division.

Administrative expenses was up 6.9% to RM32.3 million, primarily due to one-off higher legal and professional fees incurred for the merger & acquisition activities for TVX and higher rental of office space and factory for Dairies Division New Zealand.

Selling and marketing costs increased 16.1% to RM28.7 million due mainly to higher spending on advertising activities for condensed milk, evaporated milk, juice milk and flavoured milk drink under the ***Dairy Champ*** brand through mediums such as electronic and print media, trade fairs and other promotional materials.

The Group's warehouse and distribution expenses rose by 8.8% to RM23.9 million, with the increase in revenue to East Malaysia from our Dairies Division Malaysia, which resulted in higher freight charges.

Other operating expenses recorded a significant increase of RM9.3 million to RM11.1 million in FY2010 due to higher exchange losses in respect of receivables arising from export sales during the year as a result of the weakening of US Dollar against Ringgit Malaysia.

Finance cost increased 11.8% or RM0.9 million to RM8.6 million in FY2010 from the impact of the interest rate hike in Malaysia, higher utilization of trade lines in Dairies Division Malaysia and Packaging Division and the drawdown in term loan for the finance of two pieces of land, plant and machinery for the Bakery sub-division and the acquisition of TVX.

Income tax expense for the current year under review was RM13.7 million, representing an effective tax rate of 17.2% as opposed to 13.7% in FY2009. The lower effective tax rate for FY2009 was due mainly to adjustments for over provision of tax in prior years of RM1.4 million. Excluding the over and under provision adjustments, Group's effective tax rate stood at 16.5% as compared to 15.6% in the prior year. The marginal increase in the effective tax rate was mainly due to the reduced tax incentive arising from lower capital expenditure in the current year under review.

For FY2010, basic earnings per share ("EPS") rose 2.5% to 25.1 sen per share (FY2009 : 24.5 sen).

STATEMENT OF FINANCIAL POSITION

For FY2010, the Group's balance sheet expanded at a healthy pace. Net asset value grew RM45.5 million or 27.2% to RM213.0 million (FY2009: RM167.5 million). Net asset value per share increased 21.6% from 65.7 sen to 79.9 sen.

Major movements in the statement of financial position were as follows:

The Group's non-current assets rose RM53.4 million or 30.3% to RM229.8 million mainly contributed by the increase in property, plant and equipment and intangible assets.

Property, plant and equipment rose by RM41.8 million, or 28.2% to RM190.4 million after consolidating the acquisition of TVX, as well as capital expenditure spent on the on-going construction and upgrading works on factory warehouse and the purchase of two neighbouring pieces of land measuring a total of 201,627 square feet in Meru Industrial Park, Klang, for future expansion. The Group also purchased machineries and equipment for the UHT Aseptic PET bottling plant and additional sterilizer for sterilized products in Dairies Division New Zealand and Dairies Division Malaysia respectively. The increase in intangible assets of RM8.2 million was mainly due to goodwill of RM3.6 million and the fair value of the acquired ***Vixumilk*** brand and associated intellectual property of RM4.6 million arising from the acquisition of TVX in Vietnam.

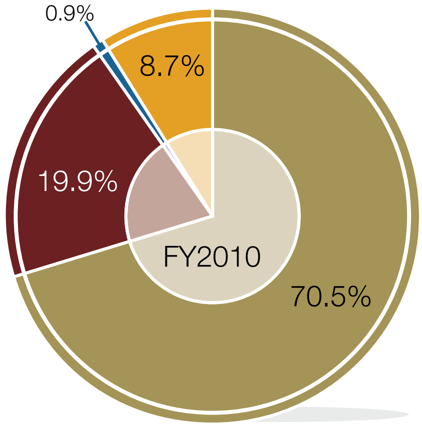
Current assets increased by RM64.8 million due mainly to the higher inventories and receivables resulting from the strong revenue growth.

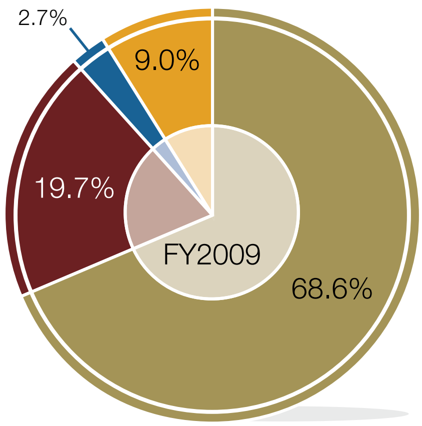
Current liabilities and non-current liabilities were higher by RM47.8 million and RM24.9 million respectively. The increase was mainly contributed by higher borrowings.

Total bank borrowings for the Group (including current and non-current) were RM201.2 million, an increase of 52.4% from the preceding year

of RM132.0 million. The increase was mainly due to the higher utilization of trade financing facilities and additional term loans to finance the acquisition of TVX in Vietnam, construction of factory building and installation of machineries and equipment in Meru for Bakery sub-division and the purchase of two pieces of land in Meru.

With the increase in total bank borrowings, the Group's net gearing position rose moderately from 0.6 times in FY2009 to a still-healthy 0.8 times in FY2010.





CASH FLOW POSITION

The Group posted lower operating cash flow for the year.

Net cash generated from operating activities decreased from RM108.1 million in FY2009 to RM17.8 million in FY2010, representing a decline of 83.5%. The decrease in net operating cash flow position was largely attributed to higher working capital requirement in view of higher inventories and receivables as a result of higher business volume.

In particular to inventories, the main reason for the increase was mainly due to the Group's decision to have higher inventory levels built up in anticipation of the rapidly rising prices of key raw materials.

Notwithstanding the above, the Group's cash flow position remained healthy with cash and cash equivalents at RM25.3 million as at 30 September 2010 compared to RM23.4 million as at 30 September 2009.

SEGMENTAL REVIEW BY BUSINESS DIVISIONS

For the year under review, Dairies, Frozen and other divisions posted positive revenue growth, while Packaging Division registered a decline in revenue.

Dairies Division remained the pillar for the Group, accounting for 70.5% of turnover. The Frozen Food Division made up for 19.9% of Group revenue, whilst the other divisions, which comprise of the Nutrition and Beverage divisions, accounted for 8.7% of Group turnover.

The Dairies Division also contributed the lion's share of profit, accounting for 74.0% of the Group's bottom line. Both the Frozen Food and Packaging Divisions contributed 17.7% to the Group's profit after tax.

REVENUE BY BUSINESS SEGMENTS

	FY2010 RM	FY2009 RM
Dairies	478,098,381	412,251,721
Frozen Food	135,029,034	118,481,290
Packaging	5,676,319	16,330,829
Other	58,886,376	53,550,172
Total	677,690,110	600,614,012

DAIRIES DIVISION

Dairies Division continues to be the main contributor for the Group in terms of revenue and profit generated. The Division delivered robust growth, registering a 16.0% increase in revenue to RM478.1 million.

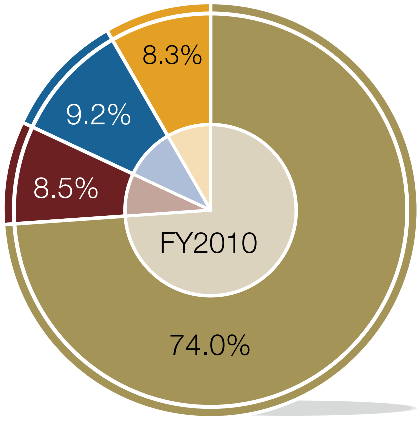
Revenue growth was driven largely by stronger sales in the Asean markets, specifically the Philippines and Vietnam of RM40.2 million and RM18.0 million respectively. This was partially compensated by decline in sales to Africa of RM14.5 million. Sales growth recorded in the Malaysia market was RM22.1 million.

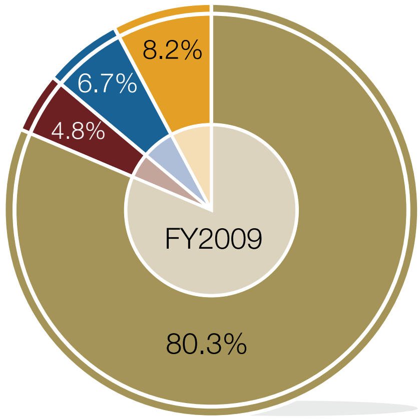
Net profit rose at a more modest pace of 2.1% to RM54.8 million from RM53.6 million mainly driven by higher sales volume which was partially negated by the slightly lower average net selling prices as compared to FY2009 and higher finance costs incurred for the financing of the recent acquisition of TVX.

In the Dairies Division Malaysia, local sales volume increased by 15.0% and average net selling prices per carton increased marginally by 1.1% whereas in the export market, sales volume growth was 21.1% in the export market, but average selling prices per carton decreased by 1.3%. The lower average net selling prices per carton was however compensated by the reduced cost of production due to the Group's emphasis on enhancing cost efficiency which in turn lead to the improvement in gross profit margin for the year. The improvement in the gross profit margin was mainly due to the lower prices for key raw materials such as tin cans, skimmed milk powder and economies of scale due to the overall reduction in cost per carton.

Higher income tax expense was recorded in the current year as the Division enjoyed less tax incentive from lower capital expenditure coupled with the higher profits recorded for the year.

Segmental assets grew 39.5% to RM290.8 million, partially due to the consolidation of the acquisition of TVX as well as additional capital expenditure. Segmental liabilities increased 67.9% as compared to the previous financial year mainly due to the higher utilization of trade financing facilities and term loans drawdown for capital expenditure and for the acquisition of TVX.





PROFIT AFTER TAX (PAT) BY OPERATING BUSINESS SEGMENTS

	FY2010 RM	FY2009 RM
Dairies	54,775,440	53,629,119
Frozen Food	6,277,433	3,219,553
Packaging	6,803,116	4,430,252
Other	6,142,925	5,480,747
Total	73,998,914	66,759,671

Capital expenditure of RM15.8 million, which accounted for 48.5% of the Group's total capital expenditure, was invested in the purchase of two neighbouring pieces of land of RM15.1 million and the upgrading of existing production lines. The Group also purchased various machineries and equipment for the progressive installation of UHT Aseptic PET bottling plant for Dairies Division New Zealand, and invested in additional sterilizer for the Dairies Division Malaysia.

FROZEN FOOD DIVISION

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

The Frozen Food Division achieved increased revenue growth of 14.0% to RM135.0 million from RM118.5 million in FY2009. The lower revenue in the last financial year was attributable to the outbreak of the H1N1 pandemic which had affected this Division as the Division caters to the upper niche market of the consumer food segment. The Trading sub-division has recorded increased sales of RM14.8 million, or 15.5% while the revenue for FMCG distribution was up by RM1.1 million or 5.3%. Butchery and bakery registered a creditable growth of RM2.4 million or 20.3% increase from previous year.

The Division's profit after tax rose 95.0% to RM6.3 million on the back of its revenue growth. Included in the current year results were RM1.3 million gain on the translation of payables owing to the strengthening of Ringgit Malaysia against major currencies. The improved performance was also partly due to the improved demands from the recovery of the global economy and the higher sales volume recorded from new outlets opening for our restaurant chain and hotel customers. The Bakery sub-division saw an increase in demand from OEM customers.

PACKAGING DIVISION

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

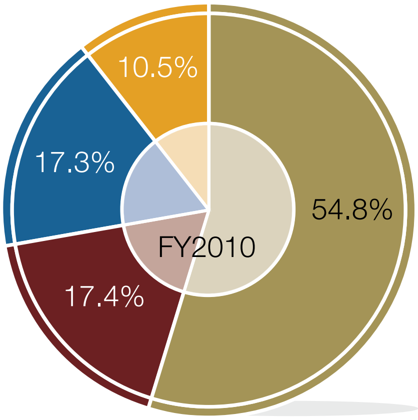
The Packaging Division experienced an overall 5.5% decline in turnover (including inter-segment sales) to RM82.3 million in FY2010, from RM87.1 million in FY2009.

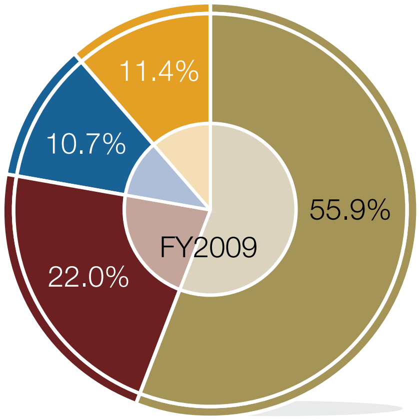
External sales dropped significantly by 65.2% to RM5.7 million from RM16.3 million in FY2009 while its inter-segment sales have increased by RM5.9 million or 8.3%, as compared to FY2009 due to the management focus on meeting internal demand rather than external demand. Strong requirement from our Dairies Division Malaysia has improved the bottom line in Packaging Division by 54.5% to RM6.8 million from RM4.4 million in the preceding year.

OTHER DIVISIONS

The Group's other operating divisions comprise of the Nutrition and Beverage divisions. Combined revenue was up 9.9% to RM58.9 million from RM53.6 million compared to the preceding year.

Profit after tax for the division rose by RM0.7 million, or 12.1%, when compared to the preceding year on the back of its strong double-digit growth in revenue. The main contributor came from the Nutrition Division, which accounted for 93.3% to the total other divisions' sales revenue and 86.8% of net profit after tax. Despite the volatility in the New Zealand and Australian Dollar, the Nutrition Division continues to show a positive trend in both top and bottom line in Ringgit Malaysia term.





REVENUE BY GEOGRAPHICAL SEGMENTS

	FY2010 RM	FY2009 RM
Malaysia	371,396,566	336,012,477
Africa	117,722,431	132,207,714
ASEAN*	116,910,668	64,072,879
Other**	71,660,445	68,320,942
Total	677,690,110	600,614,012

* All ASEAN countries excluding Malaysia

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

GEOGRAPHICAL SEGMENTATION

Geographically, Malaysia remains the dominant market for the Group with ASEAN showing a significant jump, accounting for revenue growth of RM35.4 million and RM52.8 million respectively. The African market, on the other hand, proved to be experiencing a more challenging year, has achieved lower revenue and sales volume in FY2010.

MALAYSIA

Malaysian market continued to be the strong pillar for the Group with revenue comprising 54.8% of the Group's revenue, even though slightly down from last year of 55.9%. Despite the drop of 1.1% in revenue contribution, the Group's revenue in the Malaysian market has increased 10.5% from RM336.0 million to RM371.4 million in FY2010. The revenue growth in Malaysian market was spurred by the strong brand acceptance and the effectiveness of the Group's marketing strategy. The increase was mainly from Dairies and Frozen Food divisions by 10.7% and 13.9% respectively owing to the higher sales volume recorded in the Dairies Division and Frozen Food Division.

Dairies Division continues to be the main driving force in our Malaysian market, contributing 61.6% of the total segment revenue and Frozen Food Division 36.3%, while the balance from other divisions.

AFRICA

Revenue contribution from the African region, being the second largest geographical market and making up 17.4% of sales, dropped by RM14.5 million or 11.0% as compared to FY2009. The decline was mainly due to lower sales volume of 10.6% and lower average net selling prices per carton of 0.3% in Dairies Division owing to the highly price competitive African market as a consequence of the dip in commodity prices experienced in 1HFY2010 coupled with the depreciation of US Dollar.

ASEAN

Higher sales were reported in ASEAN region, an increase of RM52.8 million or 82.5% of which the bulk of the increase came from Dairies Division due to the strong demand in the Philippines market which is presently one of the largest single markets outside of Malaysia. Sales in Vietnam market stood at RM18.0 million in FY2010 owing to the acquisition of our Vietnam Dairies Division which allowed the Group to set a foothold into the sizeable Vietnamese market.

OTHER

Sales to other geographical markets include ANZ region, China and Hong Kong, which saw an increase of RM3.3 million or 4.9% compared to previous year. The revenue growth in these regions came from Nutrition Division, which made up of 73.4% of the total sales to other regions.

CORPORATE DEVELOPMENTS

During the year under review and up to the date of this report, the Group has completed various merger and acquisition exercises while there is still an on-going acquisition to be completed.

(a) Completed acquisition

Tan Viet Xuan Joint Stock Company ("TVX")

The Group has completed the acquisition of 100% equity interest in TVX on 9 April 2010 for approximately USD9.0 million. TVX was incorporated in Vietnam as a joint stock company on 31 March 1999. It was a family-owned company, operating as a dairy milk processor with a factory located in Cu Chi Suburb of Ho Chi Minh City. Its principal activities are that of manufacturing, selling and distribution of UHT fresh milk, milk products and beverages. In particular, its products include UHT milk, soy milk and condensed milk registered under the brand name of ***Vixumilk*** and is one of the more recognized second-tier brand, especially in southern region of Vietnam. With this acquisition, the Group is able to penetrate into the growing Vietnamese market as well as within the Indo-china region.

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

The Group has completed the acquisition of 100% equity interest in Family Bakery Group on 1 October 2010 for a cash consideration of RM18.68 million. The Family Bakery Group is principally involved in the manufacturing and distribution of fresh baked breads and buns, as well as the trading of cakes and biscuits, mainly under the trademark of ***Daily Fresh*** which are then distributed nationwide to hypermarkets, supermarkets, factory canteens, petrol stations, grocery stores and convenience shops. Its production facility is currently located at Taman Perindustrian Meru Indah, Klang, with land size of approximately 1 acre, and built-up area of approximately 30,000 square feet, of which two-thirds are occupied for production.

The acquisition is in line with one of the Group's focus to grow its bakery business. This acquisition will allow the Group to tap on its distribution networks and provide greater access for the Group to market its products in Malaysia.

PT. Sentrafood Indonusa ("PTSF") and PT. Sentraboga Intiselera ("PTSB")

The Group has also completed the acquisition of 70% equity interest in PTSF and PTSB on 6 October 2010 for an aggregate consideration of approximately Rp24.2 billion.

PTSF is principally engaged in the business of manufacturing and distributing instant noodles under the trademark of ***Salam mie*** and ***Cinta mie*** and is also an OEM manufacturer for a few private label products in Indonesia. PTSB currently acts as a distributor for PTSF for Central and East Java regions.

PTSF's manufacturing facility is located in Anggadita Village, Klari District, Karawang Regency, West Jaya Province, on its own leasehold land measuring approximately 515,376 square feet with a factory built-up area of about 300,959 square feet. PTSB also owns a manufacturing facility located in Pasuruan Regency, Surabaya with its leasehold land measuring approximately 379,858 square feet and a factory built-up area of about 90,148 square feet. PTSB has ceased its manufacturing operations in 2005.

The acquisition represents an opportunity to further penetrate the Indonesia market and the Group's overall business expansion plan to expand its food and beverages businesses. In addition, both PTSF and PTSB have access to land bank and unutilized factory spaces. This will allow the Group to have the ability to shortcut the gestation period required to quickly set up its condensed milk manufacturing facilities there, without the need for the Group to source and acquire new land and/or construct factory buildings for the purposes of achieving its long term objective of locally producing its condensed milk for distribution in Indonesia in order to remain competitive.

(b) Ongoing acquisition to be completed

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

The Group has entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Susu Lembu Asli Group on 19 July 2010 for a cash consideration of RM89.5 million.

SLAJ is primarily engaged in processing and distributing of pasteurized milk and other beverages in Malaysia with its manufacturing facility located in Johor Bahru, on its own leasehold land measuring approximately 43,658 square feet with a factory built-up area of about 34,014 square feet. The products manufactured by SLAJ includes full cream milk, low fat milk, flavoured milk and fruit juice drinks under the brand names of ***Goodday***, ***Daily Fresh***, ***Mr. Farmer*** and ***Sky Fresh*** as well as contract manufacture for other FMCG companies.

SLAM is the distributing and marketing arm of SLAJ. Its business activity is carried out on its own leasehold land measuring approximately 22,593 square feet with a warehouse and office built-up area of about 36,705 square feet located in Petaling Jaya, Selangor. The Company distributes its products to all major hypermarkets, supermarkets, dealers, wholesalers, on-premise outlets as well as restaurants in Peninsular Malaysia.

This proposed acquisition is able to generate a new revenue stream for the Group which is essential to maintain the growth momentum of the Group's Dairies Division. It also serves as a strategic platform for the Group to gain a foothold into a larger ready-to-drink ("RTD") dairy segment through a wider range of healthier product offerings under its established brands which have gained wide market acceptance in Malaysia. The Group expects to reap synergistic benefits from the combined research and development efforts of Susu Lembu Asli Group and the Group's Dairies Division to create quality healthy products to meet the demands of increasingly competitive and discerning consumers. The sharing of 'know-how' and good manufacturing practices is also expected to result in more cost efficient operation coupled with higher quality products.

PROSPECTS AND GROWTH PLANS

The Group has seen both revenue and volume growth in Malaysia and especially in ASEAN markets following the recent acquisition in Vietnam and strong demand from the Philippines market. We continue to see a steady revenue growth.

DAIRIES DIVISION

This Division remains the core business of the Group as Dairies Malaysia continues to forge ahead. Going forward, we expect more revenue contribution from Vietnam and other region as well as New Zealand when it comes on stream.

The acquisition of TVX in Vietnam has enabled us to move on with our plan to penetrate into Vietnam and the rest of the Indo-china region. This will solidify the Group's foray into RTD UHT liquid milk such as UHT fresh milk, flavoured milk, soy milk and condensed milk, following our joint venture in UHT Aseptic PET bottling in New Zealand. TVX is an established business with a recognised brand – ***Vixumilk*** – in Vietnam and will provide the Group with a strategic platform to build an extensive distribution network in this country and the Indo-china region. We intend to progressively set up warehousing and distribution centres throughout the country.

In addition, the Group is planning to set up its sweetened condensed milk plant in Surabaya, Indonesia which will be operational in FY2012, leveraging on the landbank and factory space in PTSB.

As for Malaysia, volume sales and revenue for both the domestic and export markets have increased. With the introduction of new range of products in new financial year, we believe that volume and revenue will continue to grow. In addition, the installation of a new sterilizer for the production of evaporated milk and juice milk drink in May 2010 resulted in increased production capacity of 30%. For the new financial year, there will be new mixing tanks installed in Q2FY2011. This will further increase the sterilized products and condensed milk capacity by 30% and 15% respectively.

At the industry level, in line with the general economic recovery, commodities and material prices that are crucial in our Dairies Division's operations have mostly increased from their lows as witnessed during the height of the world financial crisis. Prices of milk ingredients have increased and are expected to remain relatively firm as the world economy strengthens and the demand for dairy products rises particularly in Asia, the Middle East and North Africa. We foresee current prices of our major ingredients such as sugar and palm oil continue to increase and this will exert pressure on our margin. However, with our continuous efforts to promote and enhance our strong brand equity in the consumer markets, we hope to mitigate the higher cost by passing on the cost increase to the customers and end users.

The fluctuation of US Dollar remains a key concern for this Division as the weakening of US Dollar against Ringgit Malaysia will affect the performance of its export markets in the near term.

Overall, with new product range and additional operating facilities in Vietnam and New Zealand within the Group in the new financial year, we believe that volume and revenue will continue to grow. We are cautiously optimistic that we can achieve a reasonable growth in sales revenue and volume with stable margin in view of the competitive edge that we have in terms of additional production capacity, strong brand equity and pricing policy.

FROZEN FOOD DIVISION

The robust growth rate in Asia has bolstered an unexpected high demand of meat from China, Middle East and Asian markets. Prices of most meat have risen amid reduced supply due to the increase in feed costs following the global recession last year.

The prices of dairy products have also gone up due to the decline in milk production as a result of a hangover from herd reductions in 2008 and 2009 prompted by weaker prices, as well as the severe floods in Australia and New Zealand. In 2010, butter and cheese prices have already increased over 20%. However, sales from our Agencies' products (creams, yoghurt, butter, cheeses, and frozen potato products) have mostly met their respective targets for the year. We foresee dairy prices will continue to increase in 2011 due to world demand.

The strong Ringgit Malaysia against the US Dollar has softened the impact of cost of purchase of meat and producers' prices for this Division and the expected continued strengthening of Ringgit Malaysia in the near future will augur well for this Division.

We will continue to manage price sensitivities arising from the competitive local market as we foresee pressure on our selling price in order to maintain our market share.

Going forward, we anticipate growth in the Frozen Food Division to be driven by the expansion in our Bakery sub-division. Following the relocation of our Group's Bakery sub-division to Meru, Klang in the beginning of this year, our Butchery sub-division is also undergoing renovation to increase the production floor area where upon completion in mid 2011, production capacity is estimated to increase by 50%.

We are also in the midst of renovating and expanding the dry store, chiller and freezer stores, and showroom in Glenmarie, Shah Alam to increase the operation floor area for the Trading sub-division. We expect this to be completed in FY2011. This will allow the sub-division to be able to handle a much larger throughput. In addition, we are constructing a new coldroom and warehouse facility in Penang with a total area of approximately 11,000 square feet, which is expected to be completed by 2QFY2011 to better manage the larger volume of businesses in the North of Malaysia.

PACKAGING DIVISION

Tinplate prices rose during the first 3 quarters of the financial year but the prices have since decreased. Our local supplier Perstima has confirmed a decrease of USD100 per MT for Q1FY2011's pricing after a previous USD30 per MT decrease for Q4FY2010.

The tinplate pricing depends on the demand for steel products and the pricing mechanism for iron ore. Steel price has decreased marginally as the overall demand has weakened across the Asian region. However, the demand for steel products may pick up in the first half of 2011 due to the seasonal increase in consumption after the Chinese New Year. The recently concluded Asian Steel Packaging Conference in Kuala Lumpur also noted that the new mechanism for iron ore pricing (by Vale of Brazil and Anglo-Australian BHP Billiton with Japanese and Chinese mills) could pose a challenge to the tinplate industry pricing, which will put upward pressure on pricing even while demand has not significantly increased.

However, the recent strengthening of the Ringgit Malaysia against the US Dollar has mitigated the effect of the cost increase and the weakening of US Dollar is expected to continue in the near future.

This Division is undergoing a progressive relocation exercise to a newly-built plant-cum-warehouse facility measuring approximately 90,000 square feet in Meru, Klang. It is expected that there will be cost-savings in rental and transportation as well as reduced inventory holding time from shorter delivery lead time to be enjoyed by this Division.

The current production lines for this Division cater for sweetened condensed milk and aerosol cans. A new line has been added for the production of evaporated milk cans and has commenced operation in November 2010. This Division is also planning to produce food tin cans in Q2FY2011 to be supplied to external non-related parties. Both new products will contribute to the earnings of this Division going forward.

NUTRITION DIVISION

Dairy ingredients in the form of milk powders and highly specialised dairy protein powders form a significant component of the Division's costs. World dairy markets have, for the most part of the year, remained resilient despite the volatile international trading climate. Skimmed milk powder prices have softened on the back of increased US supply but remains higher compared to FY2009. Similarly for whole milk powder, prices at the latest Fonterra 'globalDairyTrade' auction recorded a slight softening for both short term and long term contracts.

As has been the case for some time, demand for dairy proteins however remains robust with prices for the key protein ingredients used by the Nutrition Division expected to stay firm for the foreseeable future. This further adds to our view that these products are largely delinked from commodity cycles as they are used in value added and specialised nutritional applications.

A significant recent development for the Group's Nutrition Division has been the increase in consumer demand for pre-workout nutritional products. This Division is responding to this opportunity with a range of pre-workout products at various stages of development.

This Division also has a range of beverage products to be developed once the new plant is commissioned in the coming year at Etika Dairies New Zealand factory in Hawkes Bay, New Zealand. With a comprehensive range of sports-related nutritional drinks, the business will be strongly placed to retain and grow further its leading position in the Australian and New Zealand markets.

A growing awareness of the benefits that accrue from the use of supplementary nutrition for performance and health is continuing to drive category growth. This Division has maintained its brand share in Australia and made some gains in New Zealand during the last 12 months. Due to currency weakness, US competitors are making inroads into all markets serviced by the Nutrition Division. However, the strong position that our Nutrition Division holds in key markets has meant the business has been less affected than some of the smaller regional competitors.

NEW BUSINESSES

The newly acquired Family Bakery Group will provide greater access for us to market our products in Malaysia as we will be able to leverage on each other's distribution network. Together with our existing bakery business, we will be able to offer a more complete range of products catering to both domestic and export markets in the retail and OEM sector. Family Bakery Group is already a profitable business and we expect the Group's earnings to be enhanced with immediate effect.

The acquisition of PTSF and PTSB in Indonesia has given us an immediate entry into the instant noodle segment in Asia's second largest market and at the same time, has given us access to additional factory space to expand production of our condensed milk line in Indonesia. This is in line with our plan to grow our core dairies business following the acquisition of PT. Vixon Indonesia in September last year. Further, our combined distribution network will allow Etika, PTSF and PTSB to cross-sell our different products and extend the reach of our condensed milk to Indonesia, and instant noodles to Malaysia and to over 60 countries around the world.

To gain a foothold into the larger RTD dairy segment through a bigger range of healthier product offerings under established brands which have gained wide market acceptance in Malaysia, we are still in the process of completing the proposed acquisition of Susu Lembu Asli Group. This acquisition is in line with the natural evolution of our Dairies Division towards more modern and healthier products in meeting the ever-changing needs of dairy consumers. Upon completion, we expect this acquisition to be able to generate a new revenue stream for the Group which is essential for us to maintain the growth momentum of our Dairies Division.

RESOURCES REQUIREMENT

FINANCING REQUIREMENT

To fund the Group's merger and acquisition activities and future capital expansion plans, Etika signed a syndicated financing facilities of RM368 million in May 2010 with a consortium of three leading Malaysian financial institution groups, namely AmBank Group, EON Bank Group, Maybank Group and jointly lead arranged by AmInvestment Bank Group, Maybank Investment Bank Berhad and MIMB Investment Bank Berhad. The RM368 million syndicated financing facilities are made up of RM363 million Islamic term financing and tradelines and RM5 million conventional foreign exchange contract facility. These facilities will be used to refinance the Group's existing bank borrowings in Malaysia as well as to fund future expansion and merger and acquisition plans of the Group.

With this in place, the Group will have more than sufficient funding to ensure future growth. Notwithstanding the increase in borrowing, the management does not foresee the Group's dividend payment to be curtailed in the near future in view of the Group's robust operating cashflow.

COMPUTERIZATION DRIVE

The Group has successfully implemented Microsoft Navision ERP system for Frozen Food, Beverages, Packaging and the export arm of Dairies Division Malaysia in FY2010. Nutrition Division is expected to undergo its trial run of the prototype in Q2 FY2011 and the Group is also anticipates completing the implementation for Dairies Division Malaysia in FY2011. The ERP roll-out under one common platform will be further exetnded to the newly acquired businesses of Family Bakery Group and PTSF/PTSB in FY2011.

HUMAN RESOURCE

The total workforce of the Group stood at 1,054 as at 30 September 2010 and has since increased to approximately 1,600 following the completion of the acquisition of Family Bakery Group and PTSF and PTSB.

BRANDING FOR GROWTH

The Group's ***Dairy Champ*** brand continues to show resilience and with new string of acquisitions of various brands, the Group will focus on branding for growth in the coming year. The road ahead remains challenging but with our proven track record, experienced management team and sound business model, we are excited with what the future holds.

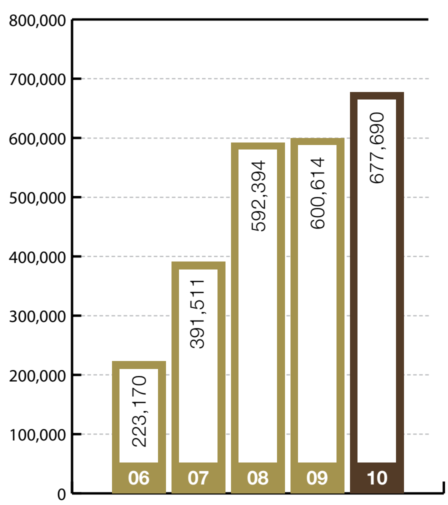
NUTRITION DIVISION

FINANCIAL HIGHLIGHTS

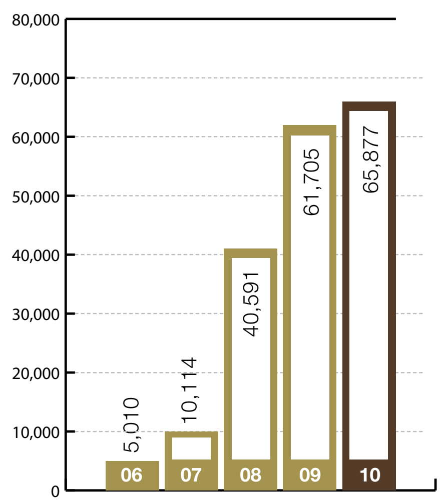
	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	**FY 2010 Actual**
KEY FINANCIAL INFORMATION					
1. Revenue (RM'000)	233,170	391,511	592,394	600,614	**677,690**
2. Profit after tax (RM'000)	5,010	10,114	40,591	61,705	**65,877**
3. Shareholders' equity-opening balance (RM'000)	45,564	56,275(1)	74,181	112,666	**210,571**
4. Total equity (RM'000)	50,654	77,641	113,512	167,477	**213,000**
5. Weighted average number of shares	171,630,152	198,714,800	249,377,707	252,404,214	**263,843,821**
6. Weighted average number of days (revenue)	336	350	365	365	**341**
KEY FINANCIAL RATIO					
1. Earnings per share (EPS) (RM sen)	2.9	4.6	16.2	24.5	**25.1**
2. Return on equity (%)	11.0	18.0	54.4	54.5	**31.3**
3. Dividend per share (RM sen)	1.0	1.1	3.9	6.9	**8.3**
4. Net asset value per share (RM sen)	29.5	32.3	45.4	65.7	**79.9**
5. Inventory turnover (days)	50	34	65	55	**70**
6. Receivables turnover (days)	86	89	70	63	**53**
7. Payables turnover (days)	63	72	27	29	**32**
8. Working capital cycle (days)	73	51	108	89	**91**
9. Net gearing ratio (times)	1.4	1.6	1.3	0.6	**0.8**

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

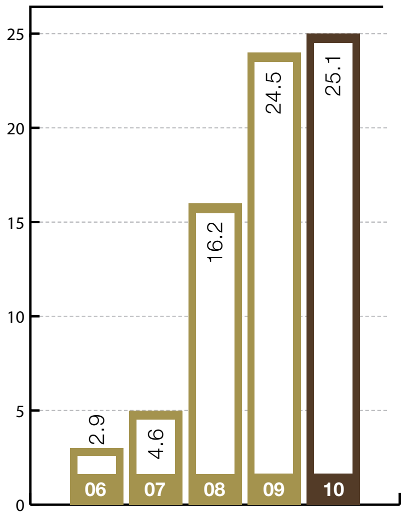
Revenue (RM'000)



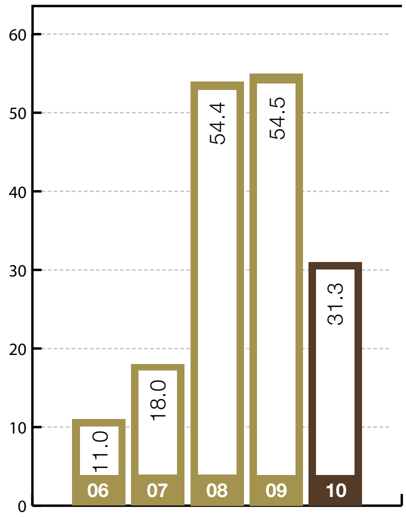
Profit After Tax (RM'000)



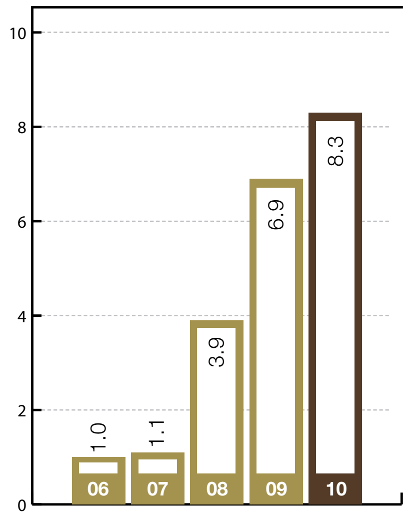
Earnings per share (EPS) (RM sen)



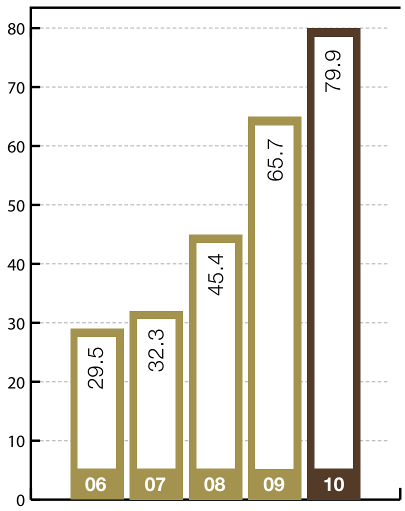
Return on Equity (%)



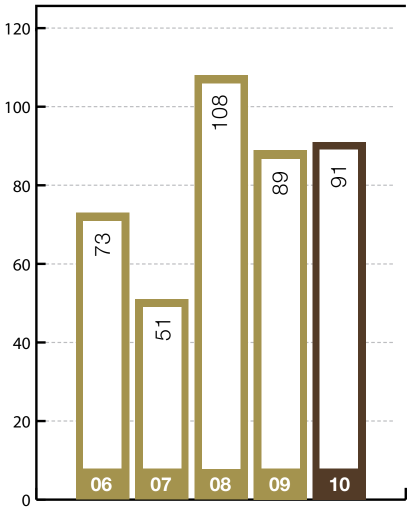
Dividend per share (RM sen)



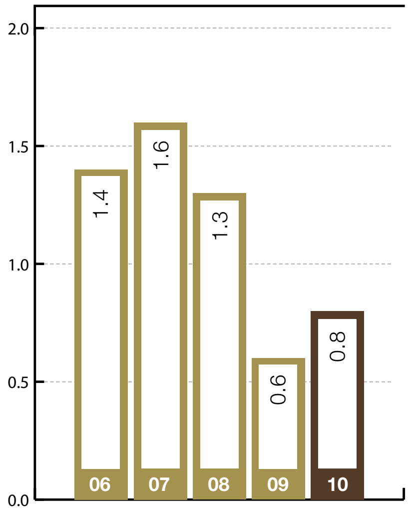
Net asset value per share (RM sen)



Working capital cycle (days)



Net gearing ratio (times)



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 although slow economy recovery is seen following the financial meltdown initiated by the sub-prime crisis in the United States towards the end of 2008. While stimulating packages and monetary control have been implemented by governments and Central Banks all over the world, the outlook of the global economy is still uncertain. If the global economic recovery turns negative, 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

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

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.

PACKAGING DIVISION

GROUP STRUCTURE

ETIKA INTERNATIONAL HOLDINGS LIMITED

DAIRIES

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

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%)*
- Naturalac Nutrition (UK) Limited (100%)*

BEVERAGE

- Etika Beverages Sdn Bhd (100%)

OTHER

- 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%)
- Platinum Appreciation Sdn Bhd (100%)
- PT Etika Indonesia (100%)*
- Etika IT Services Sdn Bhd (100%)
- Family Bakery Sdn Bhd (100%)*
- Daily Fresh Bakery Sdn Bhd (100%)*
- Hot Bun Food Industries Sdn Bhd (100%)*
- PT Sentrafood Indonusa (70%)*
- PT Sentraboga Intiselera (70%)*

* Effective shareholding held directly and indirectly

Note: Group structure updated as at date of Annual Report.

BOARD OF DIRECTORS

LEFT TO RIGHT :

DATO' JAYA J B TAN DATO' KAMAL Y P TAN TEO CHEE SENG JOHN LYN HIAN WOON

MAH WENG CHOONG TAN YET MENG KHOR SIN KOK TAN SAN CHUAN

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 was re-elected as Director at the last Annual General Meeting ("AGM") held in January 2010. 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 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 will retire at the forthcoming AGM and will offer himself for re-election. 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 29 years. He is also a Notary Public.

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

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

Mr Teo was re-elected as Director of the Company at the last 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.

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

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

Mr Lyn will retire at the forthcoming AGM and will offer himself for re-election.

Mr Mah Weng Choong was appointed to the Board on 3 August 2004 as a Non-Executive Director and was re-designated to the position of Group Chief Operating Officer on 13 May 2010. He is a graduate in Science from the University of Malaya. Having spent 34 years in the Malaysian dairy division of a group listed on the SGX-ST, he has gained extensive experience in the manufacture of sweetened condensed milk and evaporated milk. He has worked in milk plants in Malaysia and Singapore that produces sweetened condensed milk, evaporated milk, ice-cream, UHT beverages, milk powder packing and other dairy-related products.

He was appointed Managing Director of Etika Dairies Sdn Bhd ("EDSB"), a wholly-owned subsidiary of the Company in 1996 and has successfully set up our current factory located in Meru, Klang, in Malaysia and was actively involved in the supervision of the upgrading and expansion of the plant in the recent years. His primary responsibilities include the formulation and implementation of the business strategies and policies of the Dairies and Packaging Divisions as well as charting their business growth.

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

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

Mah Weng Choong
Group Chief Operating Officer

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.

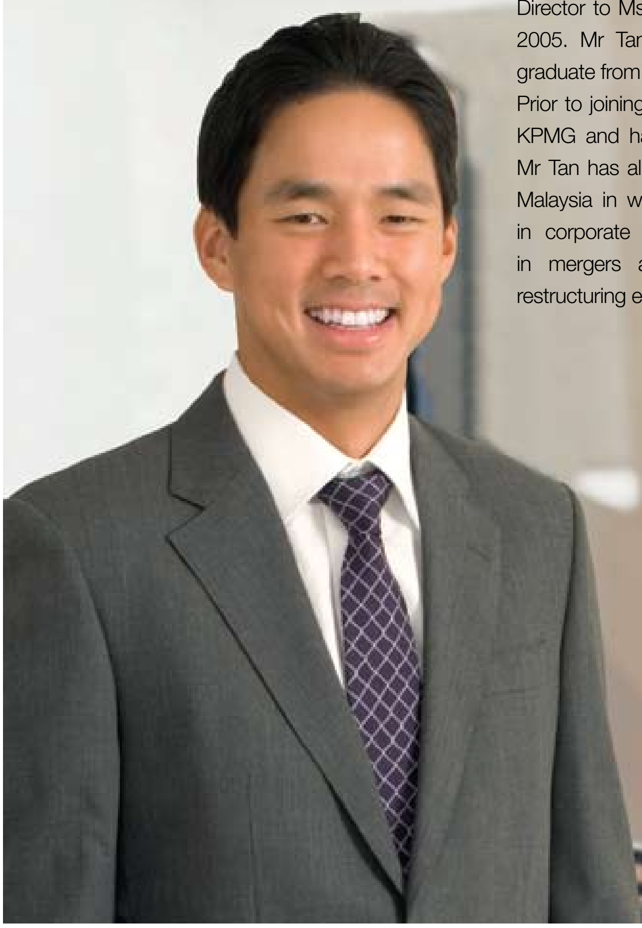
Tan Yet Meng
Non-Executive Director

Mr Khor Sin Kok was appointed as Alternate Director to Mr Mah Weng Choong on 3 August 2004 and was re-designated as Deputy Group Chief Operating Officer on 13 May 2010. He holds a degree in Mechanical Engineering from the University of Leeds, UK and a Master degree in Business Administration majoring in Finance from Michigan State University, USA. He has worked in a Malaysian dairy division of a group listed on the SGX-ST in 1985 as Assistant Project Development Manager. During his 12 years tenure with the company, he was involved in market research activities, project feasibility studies and implementation and manufacturing operations of various product lines like sweetened condensed milk, evaporated milk, milk powder packing, ice-cream, UHT beverages, sterilized and pasteurized products in plastic bottle and gable-top paper carton and can making plant. He joined EDSB in 1996 as its Executive Director.

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

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

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



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

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

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

Tan San Chuan
Alternate Director to Tan Yet Meng

KEY 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
Chief Operating Officer - Sales & Marketing, Dairies & Beverage Division

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. He is primarily responsible for developing marketing strategies and expanding our market share in Malaysia and overseas for the Dairies & Beverage Division.

Lawrence Pok York Keaw
Chief Executive Officer - Frozen Food Division

Mr. Pok York Keaw has extensive experience in the hotel and restaurant industry. He is the Managing Director of Pok Brothers Sdn Bhd and had been with the company since the mid 1960's. He was instrumental in building up the company from a mini-market trader to an importer of quality foods and distributor of a classic range of international branded products. Due to his accumulated extensive knowledge on the food industry a subsidiary, De-luxe Food Services Sdn Bhd, was established 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 from University of Malaya. He has more than 36 years of hands-on experience in FMCG business, having carved a successful sales and marketing and general management career in established companies such as Nestle Products, Johnson & Johnson, Shell Chemical, Rickett & Colman, Network Foods Sdn Bhd and QL Distribution Sdn Bhd ("QLD").

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' JAYA J B TAN
Non-Executive Chairman

DATO' KAMAL Y P TAN
Group Chief Executive Officer

MAH WENG CHOONG
Group Chief Operating Officer

JOHN LYN HIAN WOON
Independent Director

TEO CHEE SENG
Independent Director

TAN YET MENG
Non-Executive Director

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

TAN SAN CHUAN
Alternate Director to Tan Yet Meng

COMPANY SECRETARIES

Julie Koh Ngin Joo, ACIS
Kok Mor Keat, ACIS

REGISTERED OFFICE

SGX Centre II, #17-01
4 Shenton Way
Singapore 068807
Telephone : (65) 6361 9375
Facsimile : (65) 6538 0877

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Telephone : (65) 6536 5355
Facsimile : (65) 6536 1360

INVESTOR RELATIONS

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

AUDITORS

BDO LLP
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

AmBank (M) Berhad
EON Bank Berhad
Malayan Banking Berhad
National Australia Bank Limited
United Overseas Bank (Malaysia) Berhad
DEG - Deutsche Investitions-und Entwicklungsgesellschaft mbH

SOLICITORS

Stamford Law Corporation
Tay & Partners
Soo Thien Ming & Nashrah

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 2005 (the "Code"). Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interest of all shareholders.

Etika believes it has put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. This report outlines Etika's corporate governance framework in place throughout FY2010.

1. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 : Effective Board to lead and control the Company

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

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

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's 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.

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

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

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2010	3	3	2	1
Name of Directors				
Dato' Jaya J B Tan	3	3	2	1
Dato' Kamal Y P Tan	3	n/a	n/a	n/a
Tan Yet Meng (Alternate Director : Tan San Chuan)	2	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	3	2	1
John Lyn Hian Woon	3	3	2	1

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

Board Composition and Guidance

Principle 2 : Strong and independent element on the Board

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

Executive Directors

Dato' Kamal Y P Tan (Group Chief Executive Officer)
Mah Weng Choong (Group Chief Operating Officer)

Non-Executive Directors

Dato' Jaya J B Tan (Chairman)
Tan Yet Meng

Independent Non-Executive Directors

Teo Chee Seng
John Lyn Hian Woon

Alternate Directors

Khor Sin Kok (Alternate to Mah Weng Choong)
Tan San Chuan (Alternate to Tan Yet Meng)

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

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

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

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

Chairman and Chief Executive Officer

Principle 3 : Clear division of responsibilities at the top of the Company

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

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

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

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

2. BOARD MEMBERSHIP AND PERFORMANCE

Board Committees

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

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

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

Nominating Committee

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

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

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

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

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

The NC performs the following principal functions:-

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

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

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

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

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

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

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely Dato' Kamal Y P Tan and Mr John Lyn Hian Woon for re-election at the forthcoming Annual General Meeting. Dato' Kamal is retiring pursuant to Articles 87 and 91 whilst Mr Lyn is retiring under Article 91 of the Company's Articles of Association.

Dato' Kamal, the Group Chief Executive Officer of the Company, was appointed to the Board on 23 December 2003 and Mr Lyn, 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 Matters

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

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

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

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

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

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

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

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

Primary functions to be performed by RC:-

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

Directors' Remuneration

a) Number of directors in remuneration bands:-

Remuneration Bands	FY2009	FY2010
Below S$250,000	4	4
S$250,000 to S$499,999	2	1
S$500,000 to S$749,999	1	2
	7	7

b) A breakdown, showing the level and mix of each individual director's remuneration and fees of Etika for FY2010 is as follows:

Remuneration Bands & Name of Directors	Salary* %	Directors' Fees %	Performance-related income/ Bonus** %	Total Remuneration %
S$500,000 to S$749,999				
Dato' Kamal Y P Tan	49.1	-	50.9	100.0
Mah Weng Choong	45.6	7.5	46.9	100.0
S$250,000 to S$499,999				
Khor Sin Kok	49.6	-	50.4	100.0
Below S$250,000				
Dato' Jaya J B Tan	-	100.0	-	100.0
Teo Chee Seng	-	100.0	-	100.0
John Lyn Hian Woon	-	100.0	-	100.0
Tan Yet Meng	-	100.0	-	100.0
Tan San Chuan	-	-	-	-

* Inclusive of benefits–in-kind, allowances and provident fund.
** Bonus - on receipt basis during FY2010.

The breakdown, showing the level and mix of each key executive's remuneration for FY2010, is as follows:-

Remuneration Bands & Name of Executive Officers	Salary* %	Directors' Fees %	Performance-related income/ Bonus** %	Total Remuneration %
S$250,000 to S$499,999				
Ronnie Kwong Yuen Seng	49.6	-	50.4	100.0
Desmond Thong Cooi Seong	49.4	-	51.6	100.0
Richard Rowntree	59.7	-	40.3	100.0
Below S$250,000				
Lawrence Pok York Keaw	83.4	-	16.6	100.0
Robert Tan Cheng Leong	93.7	-	6.3	100.0

* Inclusive of benefits-in-kind, allowances and provident fund.
** Bonus - on receipt basis during FY2010.

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 FY2010 save and except for Dato' Kamal Y P Tan who is related to Dato' Jaya J B Tan, Ms Tan Yet Meng and Mr Tan San Chuan.

Etika Employee Share Option Scheme (ESOS)

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

Accountability

Principle 10 : Accountability of the Board and management

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of Etika through 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 LLP, the AC is of the view that such services do not affect BDO LLP's 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 LLP, carry out, in the course of their statutory audit, a review of the effectiveness of Etika's material internal controls, annually to the extent of their scope laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations, are reported to the AC members. For FY2010, 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 at general meetings of the Company and are available to address any questions from shareholders regarding the Group and its businesses.

Material Contracts

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

Interested Person Transactions

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

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000)
Perinsu (Broker Insurans) Sdn Bhd - Insurance premium	RM2,517,680 (or approximately S$1,072,723)	-
Life Medicals Sdn Bhd - Purchase of packing materials	RM1,686,300 (or approximately S$718,492)	-
Motif Etika Sdn Bhd - Rental of office premises	RM957,000 (or approximately S$407,755)	-

Based on exchange rate as at 30 September 2010 of S$1 = RM2.347

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.

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

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 30 September 2010 and the statement of financial position of the Company as at 30 September 2010 and statement of changes in equity of the Company for the financial year ended 30 September 2010.

1. Directors

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

Dato' Jaya J B Tan	(Non-Executive Chairman)
Dato' Kamal Y P Tan	(Group Chief Executive Officer)
Mah Weng Choong	(Group Chief Operating Officer)
John Lyn Hian Woon	(Independent Director)
Teo Chee Seng	(Independent Director)
Tan Yet Meng	(Non-Executive Director)
Khor Sin Kok	(Deputy Group Chief Operating Officer and Alternate Director to Mah Weng Choong)
Tan San Chuan	(Alternate Director to Tan Yet Meng)

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

3. Directors' interests in shares or debentures

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

	Shareholdings registered in the name of Directors and Nominees			**Shareholdings in which Directors are deemed to have an interest**		
	Balance as at 21.10.2010	**Balance as at 30.09.2010**	**Balance as at 1.10.2009**	**Balance as at 21.10.2010**	**Balance as at 30.09.2010**	**Balance as at 1.10.2009**
The Company			*Number of ordinary shares*			
Dato' Jaya J B Tan	88,356,364	44,178,182	42,066,304	185,499,786	92,749,893	87,539,236
Dato' Kamal Y P Tan	92,981,072	46,490,536	44,342,723	180,875,078	90,437,539	85,262,817
Mah Weng Choong	28,247,224	14,123,612	14,123,612	-	-	-
John Lyn Hian Woon	600,000	300,000	280,000	-	-	-
Teo Chee Seng	150,000	75,000	70,000	-	-	-
Tan Yet Meng	60,649,926	30,324,963	28,318,411	213,206,224	106,603,112	101,287,129
Khor Sin Kok	27,350,224	13,675,112	13,495,112	-	-	-
Tan San Chuan	14,809,394	7,404,697	6,911,051	-	-	-

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

	Shareholdings registered in the name of Directors and Nominees		
	Balance as at 21.10.2010	**Balance as at 30.09.2010**	**Balance as at 1.10.2009**
The Company	*Number of warrants to subscribe for ordinary shares*		
Dato' Jaya J B Tan	-	-	2,111,878
Dato' Kamal Y P Tan	-	-	2,147,813
John Lyn Hian Woon	-	-	20,000
Teo Chee Seng	-	-	5,000
Tan Yet Meng	-	-	2,006,552
Khor Sin Kok	-	-	33,000
Tan San Chuan	-	-	493,646
The Company	*Number of options pursuant to Employee Share Options Scheme to subscribe for ordinary shares*		
Dato' Jaya J B Tan	6,000,000	-	-
Dato' Kamal Y P Tan	8,000,000	1,900,000	-
Mah Weng Choong	4,000,000	545,000	-
Tan Yet Meng	6,000,000	-	-
Khor Sin Kok	4,000,000	450,000	-

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

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

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

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

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

5. Share options (Cont'd)

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

Date of grant	Balance at 1.10.2009	Granted	Exercised	Lapsed/ Cancelled	Balance at 30.09.2010	Exercise Price	Exercise period
10.2.2010	-	7,000,000	-	149,000	6,851,000	S$0.328	10.2.2012 to 9.2.2017

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

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

Name	Options granted during financial year	Aggregate options granted since commencement of the plan to 30 September 2010	Aggregate options exercised since commencement of the plan to 30 September 2010	Aggregate options outstanding as at 30 September 2010
Director who is also controlling shareholder				
Dato' Kamal Y P Tan	1,900,000	1,900,000	-	1,900,000
Directors				
Mah Weng Choong	545,000	545,000	-	545,000
Khor Sin Kok	450,000	450,000	-	450,000

No directors or employees of the Group received 5% or more of the total number of options available under the ESOS during the financial year under review.

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

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

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 2010, the Company issued 11,657,777 (2009: 5,388,517) ordinary shares as a result of the exercise of 11,657,777 (2009: 5,388,517) warrants. The remaining warrants amounted to 64,714 had expired on 9 April 2010.

The information on Directors' warrants during the year are as follows :

Name	Warrants outstanding as at 1 October 2009	Warrants exercised/sold by issuing ordinary shares during the financial year	Warrants expired during the financial year	Warrants outstanding as at 30 September 2010
Dato' Jaya J B Tan	2,111,878	(2,111,878)	-	-
Dato' Kamal Y P Tan	2,147,813	(2,147,813)	-	-
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	(33,000)	-	-
Tan San Chuan	493,646	(493,646)	-	-

7. Audit Committee

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

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

The Audit Committee meets periodically to perform the following functions:

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

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

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

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

e. review and approve interested person transactions;

f. review potential conflict of interests, if any;

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

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

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

8. Independent auditors

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

On behalf of the Board of Directors

Dato' Jaya J B Tan	**Dato' Kamal Y P Tan**
Non-Executive Chairman	Group Chief Executive Officer

Singapore
13 December 2010

STATEMENT BY DIRECTORS

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

(a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2010 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
13 December 2010

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 statements of financial position of the Group and of the Company as at 30 September 2010, and the consolidated statement of comprehensive income, 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 from page 56 to page 117.

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 profit and loss accounts and statements of financial position 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 statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2010 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 independent auditors have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
13 December 2010

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Non-current assets					
Property, plant and equipment	4	190,351,261	148,512,728	26,249	673,522
Prepaid lease payment for land	5	6,899,880	4,166,624	-	-
Investments in subsidiaries	6	-	-	35,090,614	28,237,896
Trade receivables	11	453,242	380,077	-	-
Available-for-sale financial assets	7	245,000	262,500	-	-
Deferred tax assets	8	1,487,818	854,093	-	-
Intangible assets	9	30,347,140	22,160,213	131,634	-
		229,784,341	176,336,235	35,248,497	28,911,418
Current assets					
Inventories	10	102,931,969	67,404,841	-	-
Trade and other receivables	11	133,643,061	105,939,809	74,624,367	46,003,091
Tax recoverable		1,515,274	1,573,205	-	-
Fixed deposits	12	4,019,691	8,161,544	871,789	250,203
Cash and bank balances	13	26,193,733	20,375,006	2,029,034	4,495,503
		268,303,728	203,454,405	77,525,190	50,748,797
Less:					
Current liabilities					
Trade and other payables	14	68,187,992	66,975,753	11,856,058	1,938,400
Bank borrowings	15	112,913,400	67,045,302	-	-
Finance lease payables	16	2,453,087	2,583,380	-	129,811
Current income tax payable		3,993,934	3,104,993	997	-
		187,548,413	139,709,428	11,857,055	2,068,211
Net current assets		80,755,315	63,744,977	65,668,135	48,680,586
Less:					
Non-current liabilities					
Other payables	14	120,998	56,305	-	-
Bank borrowings	15	83,762,080	58,602,219	-	-
Finance lease payables	16	2,079,403	3,760,267	-	227,169
Financial guarantee contracts	17	-	-	6,897,153	527,450
Deferred tax liabilities	18	11,577,230	10,185,000	-	-
		97,539,711	72,603,791	6,897,153	754,619
Net assets		212,999,945	167,477,421	94,019,479	76,837,385
Capital and reserves					
Share capital	19	56,411,736	53,706,914	56,411,736	53,706,914
Treasury shares	19	(182,875)	(182,875)	(182,875)	(182,875)
Foreign currency translation reserve	20	(1,473,432)	2,715,611	211,279	2,724,862
Fair value reserve	21	147,172	164,672	-	-
Share options reserve		582,025	-	582,025	-
Accumulated profits		153,043,439	106,353,187	36,997,314	20,588,484
Equity attributable to equity holders of the Company		208,528,065	162,757,509	94,019,479	76,837,385
Non-controlling interests		4,471,880	4,719,912	-	-
Total equity		212,999,945	167,477,421	94,019,479	76,837,385

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 RM	2009 RM
Revenue	22	677,690,110	600,614,012
Cost of goods sold		(503,535,875)	(447,758,656)
Gross profit		174,154,235	152,855,356
Other operating income	23	10,923,626	7,065,496
Administrative expenses		(32,272,097)	(30,195,386)
Selling and marketing expenses		(28,678,836)	(24,694,640)
Warehouse and distribution expenses		(23,920,891)	(21,979,419)
Research and development expenses		(1,045,628)	(1,034,695)
Other operating expenses		(11,069,927)	(1,806,243)
Goodwill written off		-	(1,065,394)
Finance costs	24	(8,559,195)	(7,655,650)
Profit before income tax	25	79,531,287	71,489,425
Income tax expense	26	(13,653,696)	(9,784,625)
Profit after income tax		65,877,591	61,704,800
Other comprehensive (loss)/ income for the financial year:			
Currency translation differences arising from consolidation, net of tax		(4,470,211)	441,535
Net fair value changes on available-for-sale financial assets, net of tax		(17,500)	117,500
Total comprehensive income for the financial year		61,389,880	62,263,835
Profit attributable to:			
Equity holders of the Company		66,119,311	61,701,928
Non-controlling interests		(241,720)	2,872
		65,877,591	61,704,800
Total comprehensive income attributable to:			
Equity holders of the Company		61,912,768	62,260,963
Non-controlling interests		(522,888)	2,872
		61,389,880	62,263,835
Earnings per share	27		
Basic		25.06 sen	24.46 sen
Diluted		24.65 sen	23.36 sen

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

		← Attributable to equity holders of the Company →								
Group 2010	**Note**	**Share capital RM**	**Treasury shares RM**	**Foreign currency translation reserve RM**	**Fair value reserve RM**	**Share option reserve RM**	**Accumulated profits RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
Balance at 1 October 2009		53,706,914	(182,875)	2,715,611	164,672	-	106,353,187	162,757,509	4,719,912	167,477,421
Total comprehensive income for the financial year		-	-	(4,189,043)	(17,500)	-	66,119,311	61,912,768	(522,888)	61,389,880
Acquisition of additional interest in existing subsidiary		-	-	-	-	-	(298,378)	(298,378)	298,378	-
Share options expense		-	-	-	-	582,025	-	582,025	-	582,025
Issue of ordinary shares	19	2,704,822	-	-	-	-	-	2,704,822	-	2,704,822
Dividends	28	-	-	-	-	-	(19,130,681)	(19,130,681)	(23,522)	(19,154,203)
Balance at 30 September 2010		56,411,736	(182,875)	(1,473,432)	147,172	582,025	153,043,439	208,528,065	4,471,880	212,999,945

		← Attributable to equity holders of the Company →							
Group 2009	**Note**	**Share capital RM**	**Treasury shares RM**	**Foreign currency translation reserve RM**	**Fair value reserve RM**	**Accumulated profits RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
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
Total comprehensive income for the financial year		-	-	441,535	117,500	61,701,928	62,260,963	2,872	62,263,835
Acquisition of subsidiary		-	-	-	-	-	-	3,429,032	3,429,032
Issue of ordinary shares	19	1,244,617	-	-	-	-	1,244,617	-	1,244,617
Purchase of treasury shares	19	-	(182,875)	-	-	-	(182,875)	-	(182,875)
Dividends	28	-	-	-	-	(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.

Company		**Share capital**	**Treasury share**	**Share options reserve**	**Foreign currency translation reserve**	**Accumulated profits**	**Total**
2010	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance at 1 October 2009		53,706,914	(182,875)	-	2,724,862	20,588,484	76,837,385
Total comprehensive income for the financial year		-	-	-	(2,513,583)	35,539,511	33,025,928
Share options expense		-	-	582,025	-	-	582,025
Issue of ordinary shares	19	2,704,822	-	-	-	-	2,704,822
Dividends	28	-	-	-	-	(19,130,681)	(19,130,681)
Balance at 30 September 2010		56,411,736	(182,875)	582,025	211,279	36,997,314	94,019,479
2009							
Balance at 1 October 2008		52,462,297	-	-	1,988,624	7,977,628	62,428,549
Total comprehensive income for the financial year		-	-	-	736,238	25,370,326	26,106,564
Issue of ordinary shares	19	1,244,617	-	-	-	-	1,244,617
Purchase of treasury shares	19	-	(182,875)	-	-	-	(182,875)
Dividends	28	-	-	-	-	(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

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 RM	2009 RM
Cash flows from operating activities			
Profit before income tax		79,531,287	71,489,425
Adjustments for:			
Allowance for doubtful trade receivables		2,037,097	2,991,257
Allowance for doubtful other assets		-	137,010
Allowance for doubtful trade receivables no longer required, now written back		(1,546,075)	(718,301)
Allowance for doubtful other receivables no longer required, now written back		(128,438)	-
Amortisation of intangible assets		180,804	1,886
Amortisation of prepaid lease payment for land		112,753	80,628
Depreciation of property, plant and equipment		11,106,998	9,081,160
Gain on disposal of property, plant and equipment		(61,694)	(176,444)
Share options expense		582,025	-
Goodwill written off		-	1,065,394
Intangible assets over capitalised in prior year		-	2,868
Interest income		(321,335)	(300,603)
Interest expense		8,559,195	7,655,650
Inventories written off		2,579,394	778,134
Property, plant and equipment written off		22,243	584,314
Foreign currency exchange loss		1,494,165	243,031
Operating profit before working capital changes		104,148,419	92,915,409
Working capital changes:			
Inventories		(36,494,600)	13,264,200
Trade and other receivables		(28,942,610)	4,910,645
Trade and other payables		(7,317,002)	5,837,596
Cash generated from operations		31,394,207	116,927,850
Interest paid		(1,583,061)	(448,814)
Income tax paid, net		(11,966,978)	(8,387,543)
Net cash generated from operating activities		17,844,168	108,091,493
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(22,573,252)	(36,028,277)
Additions of prepaid lease payment for land		-	(260,000)
Net cash outflow from acquisition of subsidiaries	6	(27,519,805)	(1,259,092)
Purchase of intangible assets		(556,920)	(12,392)
Proceeds from disposal of property, plant and equipment		476,280	426,200
Interest received		321,335	300,603
Net cash used in investing activities		(49,852,362)	(36,832,958)

	Note	2010 RM	2009 RM
Cash flows from financing activities			
Dividends paid to shareholders		(19,130,681)	(12,759,470)
Dividends paid to non-controlling interests		(23,522)	(29,955)
Repayment of amount owing to ex- shareholders of a subsidiary		-	(3,255,095)
Proceeds from issue of shares		2,704,822	1,244,617
Payment for share buyback		-	(182,875)
Interest paid		(6,976,134)	(7,206,836)
Increase/(decrease) in fixed deposits pledged to banks		20,440	(38,293)
Proceeds from bank borrowings		331,083,909	214,238,240
Repayment of bank borrowings		(267,949,621)	(245,654,592)
Repayment of finance lease obligations		(3,048,992)	(2,607,222)
Net cash generated from/ (used in) financing activities		36,680,221	(56,251,481)
Net change in cash and cash equivalents		4,672,027	15,007,054
Cash and cash equivalents at beginning of financial year		23,433,988	7,793,541
Effect of exchange rate changes		(2,773,111)	633,393
Cash and cash equivalents at end of financial year	13	25,332,904	23,433,988

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

1. General corporate information

The statement of financial position and statement of changes in equity of Etika International Holdings Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2010 were authorised for issue in accordance with a Directors' resolution dated 13 December 2010.

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 end of the financial year, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted all the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to their operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

New and revised FRS and INT FRS adopted

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 consolidated statement of comprehensive income or in two statements (a separate income statement and a consolidated 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. The Group and the Company have chosen to present both the income statement and the consolidated statement of comprehensive income in a consolidated statement of comprehensive income. As a result of the application of this revised standard, certain comparative figures have been adjusted to conform to the current year presentation and as to provide for comparative amounts in respect of items disclosed for the first time in 2010. This change in presentation has no effect on reported profit or loss, total income and expense of net assets for any period presented.

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

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

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 (Revised) 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 (Revised) 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.

Amendments to FRS 107 – Financial Instruments – Disclosures - Improving Disclosures about Financial Instruments

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

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. There is no significant change in the presentation of the reportable segments from that reported in 2009.

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 24	:	Related Party Disclosures (Revised)	1 January 2011
FRS 32	:	Amendments to FRS 32 Financial Instrument Presentation - Classification of Rights Issues	1 February 2010
FRS 101	:	Amendments to FRS 101 – Additional Exemptions for First-time Adopters	1 January 2010
	:	Amendments to FRS 101 – Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters	1 July 2010
FRS 102	:	Amendments to FRS 102 - Group Cash-settled Share-based Payment Transactions	1 January 2010
INT FRS 114	:	Amendments to INT FRS 114 – Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 115	:	Agreements for the Construction of Real Estate	1 January 2011
INT FRS 119	:	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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.

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

b. Basis of consolidation

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

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

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

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Non-controlling interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

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

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

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

c. Business combination

Business combination on or before 30 September 2009

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

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

c. Business combination (cont'd)

Business combination on or before 30 September 2009 (cont'd)

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

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

Business combination on or after 1 October 2009

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

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

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

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

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

d. Property, plant and equipment

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

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

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. All other subsequent expenditure is recognised in the consolidated statement of comprehensive income as expenses when incurred.

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

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

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

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

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

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

No depreciation is provided on freehold land.

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

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

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 indefinite useful lives and are initially measured at cost less any accumulated impairment in value.

(iii) Product licenses

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.

(iv) Computer software

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

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

e. Intangible assets (cont'd)

(iv) Computer software (cont'd)

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

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

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

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

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

An assessment is made at the end of each financial year as to whether there is any indication that an impairment in value recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment in value recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment in value was recognised. An impairment in value is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment in value has been recognised. Reversals of impairment in value are recognised in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal in excess of impairment in value recognised in the consolidated statement of comprehensive income in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

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

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

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

g. Inventories

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

Cost of raw materials and packing materials are determined on the "first-in, first-out" basis and comprise original cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity) but excludes borrowing 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 end of the financial year where allowed and appropriate.

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

These assets are non-derivative financial assets that are either designated in this category or not included in other categories of financial assets, and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities.

Recognition and derecognition

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

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

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

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 statement of comprehensive income and accumulated separately in equity as fair value reserve until the assets are derecognised, or determined to be impaired, at which time the cumulative gains or losses previously reported in equity are transferred to the consolidated statement of comprehensive income.

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

i. Financial assets (cont'd)

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

(i) Loans and receivables

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

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

(ii) Available-for-sale financial assets

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

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

(ii) Financial guarantee contracts

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

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

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

j. Financial liabilities (cont'd)

(iii) Bank borrowings

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

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

Recognition and derecognition

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

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

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

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

l. Provisions

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

m. Revenue recognition

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

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

m. 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.

Rendering of services

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

Interest income

Interest income is recognised when earned, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Rental income

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

Dividend income

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

n. Research costs

Research costs are recognised as expenses when incurred.

o. Employment benefits

Defined contribution plan

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

Employee leave entitlement

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

p. Leases

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

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

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

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

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

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

p. Leases (cont'd)

When the Group is the lessee of an operating lease

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

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

Prepaid operating leases

The Group leases property under operating leases and the leases run for a period of 50 to 84 years. The upfront lump-sum payments made under the leases are amortised to the consolidated statement of comprehensive income on a straight-line basis over the term of the leases. The amortisation amount is included in operating lease expenses.

q. Borrowing costs

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

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

r. Income tax

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

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

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

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

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

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

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

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

s. Foreign currencies

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

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

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

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

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

Goodwill and fair value adjustments arising on acquisition of foreign operation are treated as assets and liabilities of the foreign operation, recorded in the functional currency of the foreign operation and translated at the closing exchange rate at the end of each financial year.

t. Dividends

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

u. Segment reporting

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

v. Share-based payment

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

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

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

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

v. Share-based payment (cont'd)

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

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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 whether 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 2010 was approximately RM35,091,000 (2009: RM28,238,000).

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

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

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

(ii) Acquisition accounting (cont'd)

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

(iii) Going concern basis of preparation

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

(iv) Patents and trademarks

Patents and trademarks are capitalised in accordance with the accounting policy in Note 2 (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.

(v) Determination of functional currency

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

b. Key sources of estimation uncertainty

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

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amounts of the Company's and the Group's property, plant and equipment as at 30 September 2010 were approximately RM26,000 and RM190,351,000 (2009: RM674,000 and RM148,513,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised.

(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.

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

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

(ii) Income taxes (cont'd)

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. The Group and the Company establish reasonable provision for possible consequences of audits by the tax authorities of the respective countries. The amount of such provisions and/or its subsequent reversals is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Company domicile. The carrying amount of income tax payable for Group and Company as at 30 September 2010 were approximately RM3,994,000 and RM1,000 (2009: RM3,105,000 and Nil) and the carrying amount of deferred tax assets and deferred tax liabilities for Group as at 30 September 2010 are as disclosed in Notes 8 and 18 to the financial statements respectively.

(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 2010 were approximately RM16,852,000 and RM12,718,000 (2009: RM14,024,000 and RM8,133,000), respectively. More details on the impairment testing of goodwill and patents and trademarks are disclosed in Note 9 to the financial statements.

(iv) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their 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 2010 were approximately RM134,096,000 and RM74,624,000 (2009: RM106,320,000 and RM46,003,000), 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 2010 was approximately RM102,932,000 (2009: RM67,405,000).

(vi) Equity-settled share-based payments

The charge for equity-settled share-based payments is calculated in accordance with estimates and assumptions which are described in Note 19 to the financial statements. The Binomial option-pricing model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields and risk-free interest rates. The management draws upon a variety of external sources to aid them in determination of the appropriate data to use in such calculations.

4 Property, plant and equipment

Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Cold room and freezer RM	Lab equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Office equipment RM	Computer system RM	Assets under development RM	Total RM
Cost												
Balance at 1 October 2009	32,250,486	38,011,024	87,018,978	543,935	656,800	1,014,221	465,996	5,925,256	976,108	1,164,662	5,443,389	173,470,855
Additions	5,832,177	6,606,620	15,690,090	144,000	58,096	291,794	655,067	1,097,053	402,912	564,426	1,193,665	32,535,900
Acquisition of subsidiary	-	3,646,778	16,281,831	-	-	-	-	400,520	108,825	-	1,743,545	22,181,499
Currency realignment	-	-	(699,747)	-	562	223,882	(1,521)	-	-	177,575	-	(299,249)
Currency realignment due to acquisition of subsidiary	-	(66,608)	(774,817)	-	(647)	-	668	(27,462)	(6,683)	-	(79,346)	(954,895)
Reclassification	-	3,866,573	(29,489)	33,534	-	13,845	-	37,725	(123,549)	798,291	(4,596,930)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(689,596)	-	(689,596)
Disposals	-	-	(1,650)	(213,213)	-	(2,680)	-	(208,806)	(9,349)	(415,263)	-	(850,961)
Written off	-	-	(25,725)	-	-	(860)	-	(33,436)	(9,261)	-	-	(69,282)
Balance at 30 September 2010	38,082,663	52,064,387	117,459,471	508,256	714,811	1,540,202	1,120,210	7,190,850	1,339,003	1,600,095	3,704,323	225,324,271
Accumulated depreciation												
Balance at 1 October 2009	-	2,513,500	17,131,464	224,567	474,914	563,789	238,693	2,541,018	527,853	742,329	-	24,958,127
Depreciation for the financial year	-	1,190,800	8,145,055	68,441	43,855	88,397	88,226	1,043,988	297,374	140,862	-	11,106,998
Currency realignment	-	(51,348)	(690,177)	-	-	228,509	-	(13,669)	(6,401)	223,280	-	(309,806)
Reclassification	-	-	(53,702)	8,245	-	12,291	-	31,993	(63,955)	65,128	-	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(298,895)	-	(298,895)
Disposals	-	-	(358)	(213,213)	-	(1,394)	-	(188,664)	(3,313)	(29,433)	-	(436,375)
Written off	-	-	(4,385)	-	-	(860)	-	(33,436)	(8,358)	-	-	(47,039)
Balance at 30 September 2010	-	3,652,952	24,527,897	88,040	518,769	890,732	326,919	3,381,230	743,200	843,271	-	34,973,010
Carrying amount												
Balance at 30 September 2010	38,082,663	48,411,435	92,931,574	420,216	196,042	649,470	793,291	3,809,620	595,803	756,824	3,704,323	190,351,261

4 Property, plant and equipment (Cont'd)

Group	Freehold land RM	Factory buildings RM	Plant and machinery RM	Cold room and freezer RM	Lab equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Office equipment RM	Computer system RM	Assets under development RM	Total RM
Cost												
Balance at 1 October 2008	23,660,537	21,784,303	75,801,162	539,561	588,674	948,695	267,383	4,243,420	981,905	955,147	-	129,770,787
Additions	8,589,949	16,306,577	8,705,651	5,200	68,126	68,116	198,613	2,181,653	223,187	227,010	5,443,389	42,017,471
Acquisition of subsidiaries	-	70,099	4,739,804	-	-	-	-	-	27,285	-	-	4,837,188
Currency realignment due to acquisition of subsidiary	-	-	1,018,669	-	-	-	-	-	-	-	-	1,018,669
Disposals	-	-	(1,632,551)	-	-	-	-	(499,817)	(858)	-	-	(2,133,226)
Written off	-	(149,955)	(1,613,757)	(826)	-	(2,590)	-	-	(255,411)	(17,495)	-	(2,040,034)
Balance at 30 September 2009	32,250,486	38,011,024	87,018,978	543,935	656,800	1,014,221	465,996	5,925,256	976,108	1,164,662	5,443,389	173,470,855
Accumulated depreciation												
Balance at 1 October 2008	-	1,723,634	13,137,930	159,468	436,493	458,697	176,821	1,976,656	608,372	535,103	-	19,213,174
Currency realignment	-	-	-	-	-	-	-	-	2	2,981	-	2,983
Depreciation for the financial year	-	789,866	6,665,062	65,099	38,421	105,279	61,872	980,726	167,983	206,852	-	9,081,160
Disposals	-	-	(1,467,106)	-	-	-	-	(416,364)	-	-	-	(1,883,470)
Written off	-	-	(1,204,422)	-	-	(187)	-	-	(248,504)	(2,607)	-	(1,455,720)
Balance at 30 September 2009	-	2,513,500	17,131,464	224,567	474,914	563,789	238,693	2,541,018	527,853	742,329	-	24,958,127
Carrying amount												
Balance at 30 September 2009	32,250,486	35,497,524	69,887,514	319,368	181,886	450,432	227,303	3,384,238	448,255	422,333	5,443,389	148,512,728

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

Company 2010	**Assets under development RM**	**Computer system RM**	**Total RM**
Cost			
Balance at 1 October 2009	628,390	73,933	702,323
Additions	-	45,167	45,167
Reclassification	(628,390)	628,390	-
Transfer to intangible assets	-	(226,464)	(226,464)
Disposals	-	(415,263)	(415,263)
Balance at 30 September 2010	-	105,763	105,763
Accumulated depreciation			
Balance at 1 October 2009	-	28,801	28,801
Currency realignment	-	29,893	29,893
Depreciation for the financial year	-	51,782	51,782
Transfer to intangible assets	-	(1,529)	(1,529)
Diposals	-	(29,433)	(29,433)
Balance at 30 September 2010	-	79,514	79,514
Carrying amount			
Balance at 30 September 2010	-	26,249	26,249
2009			
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

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

	2010 RM	**2009 RM**
Additions of property, plant and equipment	32,535,900	42,017,471
Acquired under finance lease	(9,962,648)	(5,989,194)
Cash payments made to acquire property, plant and equipment	22,573,252	36,028,277

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

The land title deeds for the freehold land and buildings of the Group with total carrying amount at the end of the financial year of approximately RM5,824,000 (2009: RM9,107,000) have yet to be issued by the relevant authorities.

As at the end of the financial year, the Group had property, plant and equipment with a carrying amount of approximately RM94,404,000 (2009: RM111,344,000) charged for banking facilities granted to certain subsidiaries. During the year, the Group had no motor vehicles held in trust by certain directors and employees of the Group (2009: RM33,000).

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Carrying amount				
Assets under development	-	356,980	-	356,980
Plant and machinery	4,693,647	3,980,890	-	-
Motor vehicles	1,780,215	3,026,497	-	-
Office and factory equipment	413,806	1,272,101	-	-
	6,887,668	8,636,468	-	356,980

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

As at 30 September 2010, 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	Factory building	174,458	70,000
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	-
Lot 1, Mukim Kapar, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Under construction	100,788	-

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

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Dairies Division (Cont'd)				
Lot 2, Mukim Kapar, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Under construction	100,913	-
Frozen Food Division				
Lot 55, Hicom Glenmarie Industrial Park, Malaysia	Warehouse	Office, Warehouse, cold room and processing factory	68,824	44,986
Lot 1-3-1, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	862
Lot 1-3-3, Sri Kerjaya Apartment, Shah Alam, Malaysia	Apartment	Staff quarters	-	855
3, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru , Malaysia	Industrial warehouse	Cold room/Office	2,400	2,400
1, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	4,690	4,690
7, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial warehouse	Cold room	2,400	2,400
Intersection of Jalan Bertam 2 & Jalan Bertam 5, Taman Daya, 81100 Johor Bahru, Malaysia	Industrial land	Vacant	16,882	-
49, Lorong Wong Ah Jang, Kuantan, Pahang, Malaysia	Shop office	Cold room/Office	1,560	2,832
Lot 1237 & Lot 1238 Jalan Makloom, Penang, Malaysia	Industrial land	Vacant	10,641	-
Packaging Division				
Lot 3, Jalan 203, 74, Seksyen 20, Petaling Jaya, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	51,731	34,003
Other Divisions				
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	Long-term leasehold land RM
2010	
Cost	
Balance at 1 October 2009	4,360,000
Acquisition of subsidiary	2,849,045
Balance at 30 September 2010	7,209,045
Accumulated amortisation	
Balance at 1 October 2009	193,376
Currency realignment	3,036
Amortisation for the financial year	112,753
Balance at 30 September 2010	309,165
Carrying amount	
Balance at 30 September 2010	6,899,880
2009	
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

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	
	2010 RM	**2009 RM**
Unquoted equity shares in corporations, at cost	27,840,967	27,357,949
Issuance of financial guarantee contracts	7,249,647	879,947
	35,090,614	28,237,896

6. Investments in subsidiaries (Cont'd)

(b) Particulars of subsidiaries

Name of company (Country of incorporation)	Principal activities	Effective equity held by the Group 2010 %	2009 %
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
Etika Foods International (Labuan) Inc [2] (Malaysia)	Dormant	100	100
Etika Foods (M) Sdn. Bhd. [2] (Malaysia)	Investment holding	100	100
Etika Foods Marketing Sdn. Bhd. [2] (Malaysia)	Distribution of dairy products (local market)	100	100
Etika Global Resources Sdn. Bhd. [2] (Malaysia)	Distribution of dairy products (export market)	100	100
Etika Industries Holdings Sdn. Bhd. [2] (Malaysia)	Investment holding	100	100
Etika (NZ) Limited [4] (New Zealand)	Investment holding	100	100
Eureka Capital Sdn. Bhd. [2] (Malaysia)	Dormant	100	100
Quality Wines Sdn. Bhd. [2] (Malaysia)	Wholesalers of wines	70	70
PT Etika Marketing [3] (Indonesia)	Investment holding	100	100
Etika Vixumilk Pte Ltd [1] (Singapore)	Investment holding	100	100
PT Etika Indonesia (Indonesia) [3]	Investment holding	100	-
Etika IT Services Sdn Bhd (Malaysia) [2]	IT service	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 2010 %	2009 %
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
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 (4) (New Zealand)	Marketing of branded sport nutrition and weight management foods	100	100
Etika Dairies NZ Limited (4) (New Zealand)	Manufacture of dairies and water based products	60.7	50.7
- PT Etika Marketing			
PT Vixon Indonesia (3) (Indonesia)	Wholesale of imported foods, beverages and medicines	100	100
- Etika Vixumilk Pte Ltd			
Tan Viet Xuan Joint Stock Company (5)	Manufacturing & distribution of dairy products	100	-

(1) Audited by BDO LLP, Singapore, a member firm of BDO International Limited.
(2) Audited by BDO Malaysia, Chartered Accountants, a member firm of BDO International Limited.
(3) Audited by BDO Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited.
(4) Audited by BDO New Zealand Limited, a member firm of BDO International Limited.
(5) Audited by BDO Vietnam, a member firm of BDO International Limited.

6. Investments in subsidiaries (Cont'd)

(c) Acquisition of subsidiary in financial year 2010

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

On 9 April 2010, the Group acquired 100% equity interest in TVX for a cash consideration of VND164,827,042,000 (equivalent to RM28,098,712). The acquisition was accounted for using the purchase method.

The net fair value of identifiable assets of TVX as at the date of acquisition was RM24,561,095, thus, resulting in goodwill on acquisition of RM3,537,617 attributable to the anticipated profitability of the acquired business and the potential to penetrate the growing market in the Vietnam and Indo-China regions. Further, it is expected to provide benefits to the Group by growing the condensed milk business in Vietnam which is relatively an insignificant part of TVX's business. Additionally, the UHT milk manufacturing and distribution business which is the primary business of TVX will complement the business of the Group's recent joint venture, Etika Dairies NZ Limited. Goodwill recognised is not expected to be deductible for income tax purposes.

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

	Fair value recognised on acquisition RM	Carrying amount before combination RM
Property, plant and equipment	22,181,499	2,551,582
Prepaid lease payment for land	2,849,045	-
Inventories	1,611,922	1,611,922
Trade and other receivables	412,185	1,827,182
Deferred tax assets	233,332	-
Intangible assets	4,592,150	40,571
Cash and bank balances	37,304	37,304
Trade and other payables	(4,082,419)	(4,291,398)
Borrowings	(3,273,923)	(3,273,923)
Net identifiable assets acquired	24,561,095	(1,496,760)
Goodwill arising on acquisition	3,537,617	
Less: Cash and bank balances acquired	(37,304)	
Less: Amount outstanding	(541,603)	
	27,519,805	
Total purchase consideration	28,098,712	
Less:		
Cash and bank balances acquired	(37,304)	
Deferred consideration	(541,603)	
Net cash outflow on acquisition	27,519,805	

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

	RM
Goodwill on acquisition (Note 9)	3,537,617
Net cash outflow on acquisition	27,519,805
Acquisition transaction costs recognised in "Administrative expenses"	1,108,890

On 9 April 2010, the Company entered into a share pledge agreement pledging 10% of the total sale shares to the Seller as a guarantee for the payment of the deferred consideration of RM541,603.

6. Investments in subsidiaries (Cont'd)

(c) Acquisition of subsidiary in financial year 2010 (cont'd)

(i) Tan Viet Xuan Joint Stock Company ("TVX") (cont'd)

As at the date of this report, the acquisition and purchase price allocation computation for TVX has not been finalised.

As at the end of the financial year, revenue and net profit contributed by TVX were approximately RM18,000,000 and RM580,000 respectively. Should the acquisition been completed on 1 October 2009, the management expects the revenue and net profit to be approximately RM36,000,000 and RM1,200,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 October 2009, nor is it intended to be a projection of future results.

(ii) On 31 December 2009, Etika (NZ) Limited increased its shareholding in Etika Dairies (NZ) Limited from 50.7% to 60.7% by subscribing to NZD$1,000,000 worth of shares.

(d) 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 a 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.

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	

6. Investments in subsidiaries (Cont'd)

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

(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 as 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.

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)

(e) Acquisitions of subsidiaries subsequent to financial year end 2010

The Group has also acquired the following companies subsequent to the financial year 2010:

100% shareholding in Family Bakery Sdn Bhd;
100% shareholding in Hot Bun Food Industries Sdn Bhd;
100% shareholding in Daily Fresh Bakery Sdn Bhd;
70% shareholding in PT Sentrafood Indonusa; and
70% shareholding in PT Sentraboga Intiselera.

The determined acquisition dates of the above companies are as follows:

	Acquisition date
Family Bakery Sdn Bhd	1 October 2010
Hot Bun Food Industries Sdn Bhd	1 October 2010
Daily Fresh Bakery Sdn Bhd	1 October 2010
PT Sentrafood Indonusa	6 October 2010
PT Sentraboga Initiselera	6 October 2010

These subsequent acquisitions have been disclosed in Note 34 to audited financial statements.

The initial accounting for acquisitions that took place after the financial year is still incomplete as at the end of the financial year. Accordingly, it is impracticable for the Group to make complete business combination disclosures as required by FRS 103 such as:

(i) The acquisition date fair value of assets acquired and liabilities assumed, or assets and liabilities arising from contingencies;

(ii) The acquisition date fair value of total consideration transferred;

(iii) The goodwill or bargain discount, if any and intangibles acquired;

(iv) The contingent consideration arrangements and indemnification of assets, if any;

(v) The related tax implication;

(vi) The amount of acquisition related cost and the amount recognised as expense;

(vii) The amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and

(viii) For each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining the value.

The following are the pertinent information in respect to the said acquisitions:

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

1. The Group acquired the Family Bakery Group to expand its food and beverages business;

2. The purchase consideration costs as per the sales and purchase agreement is fixed at RM18,680,000. Up to the acquisition date, a total sum of RM16,680,000 which represents 89% of Family Bakery Group has already been paid.

(ii) PT Sentrafood Indonusa ("PTSF") /PT Sentraboga Intiselera ("PTSB")

1. The Group acquired PTSF and PTSB to expand its food and beverages business; and

2. The aggregate purchase cost consideration as per the sales and purchase agreement is Indonesian Rupiah 24.2 billion. Up to the acquisition date, a total sum of Indonesian Rupiah 10 billion which includes Indonesian Rupiah 7 thousand that constitutes 70% of the total ordinary shares of PTSF and PTSB has already been paid.

In addition, the Group is in the process of acquiring the following companies:

(i) Susu Lembu Asli (Johore) Sdn Bhd ("SLAJ"); and

(ii) Susu Lembu Asli Marketing ("SLAM") Sdn Bhd.

As at the end of the financial year, a deposit of RM8,950,000 was paid for the proposed acquisition of SLAJ and SLAM.

7. Available-for-sale financial assets

	Group	
	2010	2009
	RM	RM
At fair value		
Balance at beginning of financial year	262,500	145,000
Fair value (loss)/gain recognised directly in other comprehensive income	(17,500)	117,500
Balance at end of financial year	245,000	262,500

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

8. Deferred tax assets

	Group	
	2010	2009
	RM	RM
Balance at beginning of financial year	854,093	972,481
Currency realignment	(46,572)	19,565
Acquisition of subsidiary	233,332	17,808
Recognised in consolidated statement of comprehensive income	446,965	(155,761)
Balance at end of financial year	1,487,818	854,093
Deferred tax assets arise as a result of:		
Property, plant and equipment	45,351	7,850
Other deductible temporary differences	1,442,467	846,243
	1,487,818	854,093

Unrecognised deferred tax assets

	Group	
	2010	2009
	RM	RM
Balance at beginning of financial year	413,819	32,750
Deferred tax assets (recognised)/unrecognised during the financial year	(413,819)	381,069
Balance at end of financial year	-	413,819

	Group	
	2010	2009
	RM	RM
Unrecognised deferred tax assets as a result of:		
Other deductible temporary differences	-	413,819

As at the end of the financial year, there are no unrecorded deferred tax assets arising from other deductible temporary differences (2009: RM1,655,276), which is available for set-off against future taxable profits subject to agreement by the relevant authorities and with provisions of the tax legislation of the respective countries in which the Group operates.

9. Intangible assets

Group	Goodwill RM	Patents and trademarks RM	Product licences RM	Software RM	Total RM
Cost					
Balance at 1 October 2009	14,023,642	8,132,887	9,702	-	22,166,231
Additions	-	-	-	556,920	556,920
Acquisition of subsidiary	3,537,617	4,585,465	-	6,685	8,129,767
Currency realignment	(709,543)	-	-	-	(709,543)
Transfer from property, plant and equipment	-	-	-	689,596	689,596
Balance at 30 September 2010	16,851,716	12,718,352	9,702	1,253,201	30,832,971
Accumulated amortisation					
Balance at 1 October 2009	-	-	6,018	-	6,018
Amortisation for the financial year	-	-	1,497	179,307	180,804
Currency realignment	-	-	421	(307)	114
Transfer from property, plant and equipment	-	-	-	298,895	298,895
Balance at 30 September 2010	-	-	7,936	477,895	485,831
Carrying amount					
Balance at 30 September 2010	16,851,716	12,718,352	1,766	775,306	30,347,140

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 prior 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

9. Intangible assets (Cont'd)

Company	Software RM
Cost	
Balance at 1 October 2009	-
Additions	12,664
Transfer from property, plant and equipment	226,464
Disposals	(79,237)
Balance at 30 September 2010	159,891
Accumulated amortisation	
Balance at 1 October 2009	-
Amortisation for the financial year	32,502
Currency realignment	(492)
Transfer from property, plant and equipment	1,529
Disposals	(5,282)
Balance at 30 September 2010	28,257
Carrying amount	
Balance at 30 September 2010	131,634

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.

Patents and trademarks also include the brands of TVX amounting to RM4,585,465 acquired as a result of the acquisition of the subsidiary in 2010.

Impairment testing of goodwill

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

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

2010 Carrying amount	Dairies RM	Frozen Food RM	Packaging RM	Others RM	Total RM
Goodwill	3,537,617	4,042,299	1,846,883	7,424,917	16,851,716
Patents and trademarks	4,585,465	-	-	8,132,887	12,718,352
Product licences	1,766	-	-	-	1,766
Software	117,085	520,578	-	137,643	775,306
	8,241,933	4,562,877	1,846,883	15,695,447	30,347,140

2009 Carrying amount	Dairies RM	Frozen Food RM	Packaging RM	Others RM	Total RM
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

Others include intangible assets that are related mainly to Nutrition Division.

9. Intangible assets (Cont'd)

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

	Dairies		Frozen Food		Packaging		Others	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Gross margin (1)	20.13	5.37	19.40	20.30	18.30	18.30	48.00	47.70
Growth rate (2)	5.00	5.95	10.00	17.00	12.50	12.59	6.00	13.47
Discount rate (3)	7.30	8.25	7.30	8.34	6.00	6.75	15.60	4.77

(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	
	2010	**2009**
	RM	**RM**
Finished goods	44,049,613	37,909,056
Raw materials	51,534,247	23,998,188
Packaging materials	4,039,309	3,202,692
Work in progress	2,892,713	2,027,229
Consumables	22,629	223,963
Goods in transit	393,458	43,713
	102,931,969	67,404,841

The cost of inventories recognised as an expense and included in "costs of goods sold" in the consolidated statement of comprehensive income amounted to approximately RM483,200,000 (2009: RM426,957,000).

As at the end of the financial year, the Group's inventories with a carrying amount of approximately RM5,701,000 (2009: RM12,681,000) have been pledged as security for the banking facilities granted to several subsidiaries.

11. Trade and other receivables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Current receivables				
Trade receivables				
- within 60 to 90 days	80,598,651	91,523,145	-	-
- more than 90 days	30,899,877	12,215,494	-	-
	111,498,528	103,738,639	-	-
Allowance for doubtful trade receivables	(6,776,317)	(9,008,516)	-	-
	104,722,211	94,730,123	-	-

11. Trade and other receivables (Cont'd)

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Other receivables	1,789,847	2,966,665	47,674	22,038
Prepayments	6,318,379	4,695,656	3,113	68,753
Deposits	20,812,624	3,547,365	9,071,895	54,600
Due from subsidiaries - non-trade	-	-	65,501,685	45,857,700
	133,643,061	105,939,809	74,624,367	46,003,091
Other assets	3,155,807	3,284,245	3,018,797	3,147,235
Allowance for doubtful other assets	(3,155,807)	(3,284,245)	(3,018,797)	(3,147,235)
	133,643,061	105,939,809	74,624,367	46,003,091
Non-current receivables				
Trade receivables	453,242	380,077	-	-
	134,096,303	106,319,886	74,624,367	46,003,091

The trade amounts owing by third parties are usually repayable within the normal trade credit terms of 30 days to 90 days. In the opinion of the management, based on the review of the trade receivables, including balances that are outstanding for more than 90 days, allowance for doubtful receivables as at 30 September 2010 is adequate (2009: adequate).

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

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

The trade receivables pertaining to several customers which totalled approximately RM213,000 (2009: RM430,000) are being paid through installments over periods of 2 to 14 years. The amortised cost recognised in the statement of comprehensive income amounted to approximately RM25,300 (2009: RM49,000).

During the financial year, the Group paid a deposit of RM9,274,000 and RM8,950,000 to acquire Family Bakery Group and SLAJ and SLAM respectiely The amount paid is included in “Deposits” above.

Movements in allowance for doubtful trade receivables:

	Group	
	2010	2009
	RM	RM
Balance at beginning of financial year	9,008,516	7,256,181
Currency realignment	(3,389)	-
Addition due to acquisition of subsidiary	39,446	-
Allowance made during the financial year	2,037,097	2,991,257
Write back of allowance no longer required	(1,546,075)	(718,301)
Bad receivables written off against allowance	(2,759,278)	(520,621)
Balance at end of financial year	6,776,317	9,008,516

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

11. Trade and other receivables (Cont'd)

Movements in allowance for doubtful other assets:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Balance at beginning of financial year	3,284,245	3,147,235	3,147,235	3,147,235
Allowance made during the financial year	-	137,010	-	-
Write back of allowance no longer required	(128,438)	-	(128,438)	-
Balance at end of financial year	3,155,807	3,284,245	3,018,797	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 end of the financial year and the management has taken legal action to recover the outstanding balance. During the financial year, the Company recovered a total amount of HKD300,000 (RM128,438).

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	112,596,068	83,982,342	20,028,076	347,715
Singapore dollar	1,000,360	1,964,980	35,536,948	45,604,482
United States dollar	11,175,749	10,693,456	8,712,055	50,894
Indonesian rupiah	364,205	190,101	-	-
New Zealand dollar	2,679,465	3,203,935	10,343,447	-
Australian dollar	5,102,126	6,285,072	-	-
Euro	-	-	3,428	-
Vietnamese dong	1,178,330	-	413	-
	134,096,303	106,319,886	74,624,367	46,003,091

12. Fixed deposits

Fixed deposits are placed for a period of 7 days to 1 month (2009: 7 days to 3 months) and the effective interest rates on the fixed deposits approximated between 0.18% to 9% (2009: 1.62% to 3.00%) per annum. As at the end of the financial year, fixed deposits of RM1,026,124 (2009: RM1,046,564) of the Group have been pledged as security for the banking facilities granted to its subsidiaries.

Fixed deposits are denominated in the following currencies:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	1,058,350	1,198,849	-	-
New Zealand dollar	871,789	250,203	871,789	250,203
United States dollar	2,023,472	6,712,492	-	-
Vietnamese dong	66,080	-	-	-
	4,019,691	8,161,544	871,789	250,203

13. Cash and cash equivalents

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	26,193,733	20,375,006	2,029,034	4,495,503
Fixed deposits	4,019,691	8,161,544	871,789	250,203
	30,213,424	28,536,550	2,900,823	4,745,706
Less:				
Pledged fixed deposits	(1,026,124)	(1,046,564)	-	-
Bank overdrafts	(3,854,396)	(4,055,998)	-	-
Cash and cash equivalents per consolidated statement of cash flow	25,332,904	23,433,988	2,900,823	4,745,706

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	13,428,309	12,830,119	1,040,333	2,108,275
Singapore dollar	817,079	1,905,675	659,223	1,164,934
United States dollar	3,176,641	181,599	-	-
New Zealand dollar	2,649,398	3,511,211	329,478	1,222,294
Australian dollar	1,649,492	1,844,306	-	-
Indonesian rupiah	349,712	102,096	-	-
Vietnamese dong	4,123,102	-	-	-
	26,193,733	20,375,006	2,029,034	4,495,503

14. Trade and other payables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Current liabilities				
Trade payables	46,617,844	35,608,649	-	-
Other payables	8,786,392	13,646,199	247,034	136,715
Customers' deposits	1,246,762	731,828	-	-
Accruals	11,536,994	16,989,077	2,044,550	1,801,685
Amount owing to subsidiaries	-	-	9,564,474	-
	68,187,992	66,975,753	11,856,058	1,938,400
Non-current liabilities				
Other payables	120,998	56,305	-	-
	68,308,990	67,032,058	11,856,058	1,938,400

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

14. Trade and other payables (Cont'd)

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 long term employment benefits.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	56,803,667	54,040,862	1,699,074	-
Singapore dollar	2,298,090	2,192,056	3,643,424	1,938,400
United States dollar	2,324,824	2,699,122	5,983,021	-
British pound	150,654	131,019	-	-
Australian dollar	1,225,750	966,176	-	-
Euro	-	1,340,819	-	-
Swiss franc	115,787	-	-	-
New Zealand dollar	3,150,845	4,933,732	530,147	-
Indonesian rupiah	382,276	728,272	-	-
Vietnamese dong	1,857,097	-	392	-
	68,308,990	67,032,058	11,856,058	1,938,400

15. Bank borrowings

	Group	
	2010 RM	2009 RM
Current liabilities		
Secured:		
Bank overdrafts	-	146,267
Banker's acceptance	26,042,000	29,653,000
Offshore foreign currency loan	14,366,796	1,048,044
Term loans	18,326,199	16,103,260
	58,734,995	46,950,571
Unsecured:		
Bank overdrafts	3,854,396	3,909,731
Banker's acceptance	40,324,009	16,185,000
Short term revolving credit	10,000,000	-
	54,178,405	20,094,731
	112,913,400	67,045,302
Non-current liabilities		
Secured:		
Term loans	83,762,080	58,602,219

15. Bank borrowings (Cont'd)

Bank borrowings are denominated in the following currencies:

	Group 2010 RM	Group 2009 RM
Ringgit Malaysia	149,409,061	112,120,294
United States dollar	30,901,909	-
New Zealand dollar	16,364,510	13,527,227
	196,675,480	125,647,521

	Group 2010 RM	Group 2009 RM
Term loans analysed by divisions:		
Dairies Division		
Term loan repayable by 60 monthly installments of RM65,114 each commencing February 2005	-	204,312
Term loan repayable by 96 monthly installments of RM56,717 each commencing 1 June 2006	2,252,573	2,765,548
Term loan repayable by 60 monthly installments of RM163,339 each commencing 1 November 2006	4,236,538	5,858,035
Term loan repayable by 72 monthly installments of RM43,800 each commencing 5 April 2007	2,127,436	2,547,709
Term loan repayable by 60 monthly installments of RM40,989 each commencing 1 May 2007	756,273	1,182,837
Term loan repayable by 72 monthly installments of RM74,000 each commencing 15 February 2011	4,515,925	4,516,782
Term loan repayable by 72 monthly installments of RM74,000 each commencing 30 July 2011	4,517,975	4,515,154
Term loan repayable by 72 monthly installments of RM49,600 each commencing 30 July 2011	2,442,397	2,440,873
Term loan repayable by 83 monthly installments of RM104,405 each commencing 24 April 2010	7,728,824	7,597,526
Term loan repayable by 120 monthly installments of RM5,810 each commencing 1 June 2010 and RM5,844 each commencing from 1 June 2015	481,971	494,261
Term loan repayable by 84 monthly installments of RM82,751 each commencing 1 December 2010	5,497,706	-
Term loan repayable by 83 monthly installment of RM69,048 and 1 final of RM69,016 upon drawdown	5,833,846	-

15. Bank borrowings (Cont'd)

	Group 2010 RM	Group 2009 RM
Frozen Food Division		
Term loan repayable by 120 monthly installments of RM2,415 each commencing July 2002	45,912	69,771
Term loan repayable by 60 monthly installments of RM9,418 each commencing September 2005	-	82,123
Term loan repayable by 84 monthly installments of RM310,600 each commencing 1 March 2007	11,325,025	14,115,635
Term loan repayable by 84 monthly installments of RM16,310 each commencing July 2009	1,125,350	1,321,070
Term loan repayable by 84 monthly installments of RM25,715 each commencing one month from the date of full drawdown	207,970	-
Term loan repayable by 96 monthly installments of RM93,000 each commencing one month from the date of full drawdown	4,354,282	-
Packaging Division		
Term loan repayable by 24 quarterly installments of RM257,375 commencing 25 July 2008	3,860,625	4,890,125
Term loan repayable by 48 monthly installments of RM100,000 in 2008, RM200,000 in 2009, RM400,000 in 2011 with bullet repayment on the balance on March 2011	5,205,851	8,869,004
Term loan repayable by 61 monthly installments of RM19,466 each commencing July 2008	569,335	755,530
Term loan repayable by 60 monthly instalments of RM47,297 each commencing 6 May 2010	2,102,846	-
Other Divisions		
Term loan repayable quarterly commencing February 2007	1,369,860	1,500,780
Term loan repayable by 40 quarterly installments of AUD132,600 each commencing May 2007	4,374,442	5,529,827
Term loan repayable by 37 monthly installments of NZD83,800 commencing February 2008	4,969,531	6,496,621
Term loan repayable until the expiry date	3,367,572	-
Term loan repayable until the expire date	2,283,100	-
Term loan repayable by 14 half yearly installments of USD714,285 each commencing 15 July 2011	30,901,910	-
	116,455,075	75,753,523

	Group 2010 RM	Group 2009 RM
Term loans analysed into:		
Current	32,692,995	17,151,304
Non-current	83,762,080	58,602,219
	116,455,075	75,753,523

15. Bank borrowings (Cont'd)

	Group 2010 %	Group 2009 %
Effective interest rates		
Bank overdrafts	7.10 – 7.55	6.35 - 8.00
Bankers' acceptance	2.48 – 10.30	5.10 - 9.55
Offshore foreign currency loan	3.85 – 6.55	4.80 - 9.70
Short term revolving credit	2.87	3.90
Term loans	7.10 – 7.80	4.26 - 9.58

Non-current bank borrowings are repayable as follows:

	Group 2010 RM	Group 2009 RM
After one year	43,673,922	11,277,023
Two to five years	32,850,314	44,643,794
After five years	7,237,844	2,681,402
	83,762,080	58,602,219

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 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 Etika Dairies Sdn. Bhd.;

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

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

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

(h) Registered General Security Agreement over all present and after acquired personal property of Etika Dairies NZ Limited including goodwill and uncalled capital and called but unpaid capital together with relative insurance policy assigned to bank;

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

15. Bank borrowings (Cont'd)

Frozen Food Division

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

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

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

(m) 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;

(n) 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;

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

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

(q) Specific charge over the plant and machineries of Deluxe Food Services Sdn Bhd;

Packaging Division

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

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

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

(u) First to ninth 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

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

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

(x) Guarantee and indemnity NZD2,963,395 given by the Company and Naturalac Nutrition Limited (New Zealand);

(y) Guarantee and indemnity NZD2,345,945 given by the Company and Etika (NZ) Limited (New Zealand);

(z) Guarantee and indemnity NZD1,500,000 given by the Company, Naturalac Nutrition Limited (New Zealand), Etika Dairies NZ Limited (New Zealand) and Etika (NZ) Limited (New Zealand);

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

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

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

16. Finance lease payables

Group	Minimum lease payments RM	Future finance charges RM	Present value of lease payments RM
2010			
Current			
- within one year	2,652,506	(199,419)	2,453,087
Non-current			
- two to five years	2,229,561	(150,158)	2,079,403
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
Company			
2009			
Current			
- within one year	142,752	(12,941)	129,811
Non-current			
- two to five years	249,816	(22,647)	227,169

The effective interest rates range from 2.25% to 7.21% (2009: 2.50% to 7.65%) per annum.

As at 30 September 2010, the Company has transferred all of its finance leases to its subsidiary.

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

All the finance leases are denominated in Ringgit Malaysia.

17. Financial guarantee contracts

	Company 2010 RM	Company 2009 RM
Balance at beginning of financial year	527,450	444,015
Currency realignment	-	8,090
Fair value adjustments	-	(6,797)
Issuance of financial guarantee contracts, at initial recognition	6,369,703	113,963
Amortised cost during the financial year	-	(36,582)
Reversal of amortised cost during the financial year	-	4,761
Balance at end of the financial year	6,897,153	527,450

The balance as at 30 September 2010 of RM6,897,153 (2009: RM527,450) represents the fair value of financial guarantee contracts which was discounted at interest rates ranging from 5.30% to 10.20% (2009: 4.7% to 9.7%) for over 5 to 9 years.

18. Deferred tax liabilities

	Group	
	2010	**2009**
	RM	**RM**
Balance at beginning of financial year	10,185,000	8,510,469
Currency realignment	(908)	(5,746)
Recognised in consolidated statement of comprehensive income	1,393,138	1,680,277
Balance at end of financial year	11,577,230	10,185,000

Deferred tax liabilities arise as a result of:

	Group	
	2010	**2009**
	RM	**RM**
Fair value adjustments on property, plant and equipment	3,200,080	2,828,277
Property, plant and equipment	8,790,292	7,634,373
Other temporary differences	(413,142)	(277,650)
	11,577,230	10,185,000

19. Share capital

	Group and Company			
	2010		**2009**	
	S$	**RM**	**S$**	**RM**
Issued and fully paid:				
Balance at beginning of financial year	23,558,948	53,706,914	23,047,039	52,462,297
Exercise of warrants	1,107,489	2,704,822	511,909	1,244,617
Balance at end of financial year	24,666,437	56,411,736	23,558,948	53,706,914

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

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

Share capital does not have a par value.

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

19. Share capital (Cont'd)

Warrants

Movement in number of shares issued and outstanding warrants:

	Group and Company			
	Number of ordinary shares		Outstanding warrants	
	2010	2009	2010	2009
Balance at beginning of financial year	255,632,987	250,244,470	11,722,491	17,111,008
Exercise of warrants by issuance of ordinary shares	11,657,777	5,388,517	(11,657,777)	(5,388,517)
Outstanding warrants expired	-	-	(64,714)	-
Balance at end of financial year	267,290,764	255,632,987	-	11,722,491

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.

Treasury shares

Movement in treasury shares:

	Group and Company			
	Number of treasury shares		Amount (RM)	
	2010	2009	2010	2009
Balance at beginning of financial year	605,000	-	182,875	-
Repurchase during the financial year	-	605,000	-	182,875
Balance at end of financial year	605,000	605,000	182,875	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 Options Scheme in the future.

Employee Share Options Scheme ("ESOS Scheme")

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

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

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

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

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

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

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

19. Share capital (Cont'd)

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

	2010	
	Number of share options	**Weighted average exercise price $**
Outstanding at beginning of financial year	-	-
Granted	7,000,000	0.328
Expired/cancelled	(149,000)	0.328
Outstanding at end of financial year	6,851,000	0.328
Exercisable as at end of financial year	-	

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

Pursuant to the bonus issue on 13 October 2010 as disclosed in Note 34 (d), the total outstanding share options has been doubled and increased to 13,702,000 share options.

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

Date of grant	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise Price $	Share price at date of grant $
10.02.10	6.82	30	1.54	7	0.328	0.415

20. Foreign currency translation reserve

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

21. Fair value reserve

Fair value reserve represents 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.

22. Revenue

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

23. Other operating income

	Group 2010 RM	Group 2009 RM
Allowance for doubtful receivables no longer required		
- trade	1,546,075	718,301
- other assets	128,438	-
Gain on disposal of property, plant and equipment	61,694	176,444
Interest income from fixed deposits	321,335	300,603
Foreign currency exchange gain	8,040,668	5,660,353
Rental income	92,636	-
Bad debts recovered	40,811	27,927
Sundry income	691,969	181,868
	10,923,626	7,065,496

24. Finance costs

	Group 2010 RM	Group 2009 RM
Interest expense		
- finance leases	340,713	397,783
- bank overdrafts	83,090	56,967
- bankers' acceptance	2,158,788	2,261,380
- term loans	4,778,946	4,446,544
- offshore foreign currency loan	965,250	393,587
- revolving credits	228,272	58,599
- others	4,136	40,790
	8,559,195	7,655,650

25. 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 2010 RM	Group 2009 RM
Allowance for doubtful receivables		
- trade	2,037,097	2,991,257
- other assets	-	137,010
Non-audit fees	92,989	53,000
Amortisation of intangible assets	180,804	1,886
Directors' remuneration		
- Directors of the Company	1,799,073	540,455
- Directors of the subsidiaries	4,126,423	4,479,435

25. Profit before income tax (Cont'd)

	Group 2010 RM	Group 2009 RM
Directors' fee		
- Directors of the Company	579,709	556,163
Inventories written off	2,579,394	778,134
Foreign currency exchange loss	1,494,165	243,031
Operating leases	4,118,277	1,591,163
Property, plant and equipment written off	22,243	584,314
Research costs	-	10,635
Staff costs:		
- Salaries, bonuses and allowances	34,788,989	33,012,370
- Employee contributions to defined contribution plans	3,642,650	2,738,827
Depreciation of property, plant and equipment	11,106,998	9,081,160
Share options expense	582,025	-
Goodwill written off	-	1,065,394
Amortisation of prepaid lease payment for land	112,753	80,628

26 Income tax expense

	Group 2010 RM	Group 2009 RM
Current tax:		
- current year	12,583,965	9,193,983
- under/(over) provision in previous years	123,558	(1,245,396)
	12,707,523	7,948,587
Deferred tax expense		
- current year	512,078	1,971,877
- under/(over) provision in previous years	434,095	(135,839)
	946,173	1,836,038
	13,653,696	9,784,625

26 Income tax expense (Cont'd)

Reconciliation of effective income tax rate

	Group	
	2010 RM	**2009 RM**
Profit before income tax	79,531,287	71,489,425
Income tax calculated at Singapore statutory tax rate of 17% (2009: 17%)	13,520,319	12,153,202
Effect of different tax rates in other countries	6,334,484	5,573,480
Changes in tax rates	-	(5,325)
Expenses not deductible for tax purposes	2,841,070	3,636,442
Income not subject to tax	(7,992,674)	(6,765,331)
Deferred tax assets not recognised	6,325	381,069
Tax incentives	(6,921,136)	(6,999,509)
Tax credit on tax dividends	6,599,663	4,702,896
Utilisation of reinvestment allowance	(624,364)	(1,353,993)
Income tax under/(over) provided in prior years	123,558	(1,245,396)
Deferred tax under/(over) provided in prior years	434,095	(135,839)
Utilisation of group relief	(40,419)	(25,504)
Utilisation of previously unrecognised deferred tax assets	(413,819)	-
Double tax deduction on certain expenses	(11,821)	-
Withholding tax	995,932	662,748
Write down of allowances on Intellectual Property Rights	(1,113,047)	(764,027)
Others	(84,470)	(30,288)
	13,653,696	9,784,625

27. 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	
	2010	**2009**
Profit after income tax attributable to equity holders of the Company (RM)	66,119,311	61,701,928
Weighted average number of ordinary shares in issue during the financial year	263,843,821	252,404,214
Basic earnings per share	25.06 sen	24.46 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 and employee share options into ordinary shares as at 30 September 2010.

	Group	
	2010	**2009**
Profit after income tax attributable to equity holders of the Company (RM)	66,119,311	61,701,928
Weighted average number of shares in issue	263,843,821	252,404,214
Adjustment for:		
- Warrants	-	11,722,491
- Employee share options	4,354,608	-
	268,198,429	264,126,705
Diluted earnings per share	24.65 sen	23.36 sen

28. Dividends

	Group and Company	
	2010	2009
	RM	RM
Dividends paid:		
Final tax exempt 1-tier dividend of S$0.02 (2009: S$0.013) per share paid in respect of financial years ended 30 September 2009 and 2008, respectively	12,871,033	7,842,207
Interim tax exempt 1-tier dividend of S$0.01 (2008: S$0.008) paid in respect of financial year ended 30 September 2010 and 2009 respectively	6,259,648	4,917,263
	19,130,681	12,759,470

The Directors of the Company propose that a final tax exempt 1-tier dividend of S$0.0125 per share amounting to S$6,667,144 (equivalent to RM15,647,786) to be paid for the financial year ended 30 September 2010 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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

29. Significant related party transactions

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

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

	Group	
	2010	2009
	RM	RM
With related parties:		
- Insurance premium paid to Perinsu (Broker Insurans) Sdn. Bhd.	2,517,680	1,735,030
- Rental of premises paid to Motif Etika Sdn. Bhd.	957,000	528,000
- Purchase of packing materials from Life Medicals Bhd.	1,686,300	1,819,050
- 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	45,000	59,400

29. Significant related party transactions (Cont'd)

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Short-term benefits	7,427,508	6,657,511	2,100,529	1,776,871
Post-employment benefits	482,959	317,474	-	-
Share options expense	357,114	-	278,125	-
	8,267,581	6,974,985	2,378,654	1,776,871
Analysed into:				
- Directors of the Company	2,684,011	1,096,618	1,530,107	1,096,618
- Directors of the subsidiaries	4,126,420	4,479,435	-	-
- Other key management personnel	1,457,150	1,398,932	848,547	680,253
	8,267,581	6,974,985	2,378,654	1,776,871

30. Contingent liabilities and commitments

(a) Capital commitments

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

	Group	
	2010 RM	**2009 RM**
Purchase of property, plant and equipment	4,508,521	9,717,292
Acquisition of additional equity interest in Etika Dairies (NZ) Limited	-	2,501,300
Balance of purchase consideration for Family Bakery Group	9,406,000	-
Balance of purchase consideration for PTSF and PTSB	6,849,896	-
Balance between deposits paid and proposed purchase price for the proposed acquisitions of SLAJ and SLAM	80,550,000	-
	101,314,417	12,218,592

(b) Operating lease commitments

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

	Group	
	2010 RM	**2009 RM**
Within one financial year	1,655,318	1,065,333
After one financial year but within five financial years	3,450,018	3,411,736
More than five financial years	5,959,704	-
	11,065,040	4,477,069

31. Contingent liabilities and commitments (Cont'd)

(c) 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 2010. In the opinion of the Directors, no losses are expected to arise.

As at the end of the financial year, there were contingent liabilities in respect of guarantees given by the Company to banks in connection with banking facilities granted to certain of its subsidiaries amounting to approximately RM324,375,000 (2009: RM245,854,000) comprising RM266,634,000 (2009: RM226,374,000), USD10,852,000 equivalent to RM33,519,009 (2009: USD852,000 equivalent to RM2,971,000) and NZD10,609,000 equivalent to RM24,222,000 (2009: NZD6,600,000 equivalent to RM16,509,000). The amount of banking facilities utilised by the subsidiaries as at 30 September 2010 amounted to RM124,991,000 (2009: RM129,471,000).

31. Segment information

Business segments

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

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

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

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

Income taxes are managed on a Group basis.

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

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

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

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

2010	Dairies RM	Frozen food RM	Packaging RM	Others RM	Unallocated RM	Total RM
Revenue						
External revenue	478,098,381	135,029,034	5,676,319	58,886,376	-	677,690,110
Results						
Segments results	64,938,767	10,642,983	9,958,978	9,715,148	(7,486,729)	87,769,147
Interest income	193,548	43,062	8,203	27,901	48,621	321,335
Finance costs	(3,463,778)	(2,151,506)	(1,380,554)	(880,142)	(683,215).	(8,559,195)
Profit/(loss) before income tax	61,668,537	8,534,539	8,586,627	8,862,907	(8,121,323)	79,531,287
Income tax	(6,893,097)	(2,257,106)	(1,783,511)	(2,719,982)	-	(13,653,696)

31. Segment information (Cont'd)

Business segments (cont'd)

2010	**Dairies RM**	**Frozen food RM**	**Packaging RM**	**Others RM**	**Unallocated RM**	**Total RM**
Profit/(loss) after income tax	54,775,440	6,277,433	6,803,116	6,142,925	(8,121,323)	65,877,591
Segment assets	290,781,279	96,726,768	45,130,142	47,719,098	14,727,690	495,084,977
Unallocated assets	520,433	978,699	693,962	809,273	725	3,003,092
Total assets	291,301,712	97,705,467	45,824,104	48,528,371	14,728,415	498,088,069
Segment liabilities	154,063,374	55,200,494	31,452,886	21,106,005	7,694,201	269,516,960
Unallocated liabilities	9,509,412	1,201,887	3,911,966	935,437	12,462	15,571,164
Total liabilities	163,572,786	56,402,381	35,364,852	22,041,442	7,706,663	285,088,124
Other information						
Capital expenditure	15,788,964	7,437,630	2,308,368	6,495,987	504,951	32,535,900
Depreciation and amortisation	7,684,257	1,246,670	1,882,661	456,703	130,264	11,400,555
Allowance for doubtful trade receivables	1,411,092	604,571	4,192	17,242	-	2,037,097
Inventories written off	2,579,394	-	-	-	-	2,579,394
Property, plant and equipment written off	21,340	313	-	590	-	22,243

2009	**Dairies RM**	**Frozen food RM**	**Packaging RM**	**Others RM**	**Unallocated RM**	**Total RM**
External revenue	412,251,721	118,481,290	16,330,829	53,550,172	-	600,614,012
Results						
Segments results	61,778,388	6,095,823	7,163,648	7,791,130	(3,984,517)	78,844,472
Interest income	187,846	46,598	4,184	47,127	14,848.	300,603
Finance costs	(2,492,974)	(2,251,310)	(1,731,290)	(780,155)	(399,921)	(7,655,650)
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	(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

31. Segment information (Cont'd)

Business segments (cont'd)

2009	Dairies RM	Frozen food RM	Packaging RM	Others RM	Unallocated RM	Total RM
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

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.

2010	Malaysia RM	Africa RM	Asean RM	Others RM	Group RM
Total revenue from external customers	371,396,566	117,722,431	116,910,668	71,660,445	677,690,110
Segment assets	400,565,061	7,271,006	49,002,614	38,246,296	495,084,977
Capital expenditure	26,810,670	-	389,053	5,336,177	32,535,900
Depreciation and amortisation	10,138,482	-	1,205,114	56,959	11,400,555
Allowance for doubtful other assets	-	-	-	-	-
Allowance for doubtful trade receivables	1,992,476	-	27,579	17,042	2,037,097
Inventories written off	2,462,301	-	117,093	-	2,579,394
Property, plant and equipment written off	22,243	-	-	-	22,243

2009	Malaysia RM	Africa RM	Asean RM	Others 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	324,503,190	9,282,621	7,125,715	36,501,525	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

32. 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 statement of financial position and the trade amounts owing by third parties. The maximum exposures to credit risks are represented by the carrying amount of the financial assets on the statement of financial position.

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

The Group's trade receivables amounting to RM38,791,838 (2009: RM27,044,537) 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	
	2010 RM	**2009 RM**
Past due 0 to 3 months	33,800,732	22,333,527
Past due 3 to 6 months	2,634,930	2,641,466
Past due 6 to 12 months	1,346,975	1,208,886
Past due over 12 months	1,009,202	860,658
	38,791,839	27,044,537

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

Foreign currency sensitivity analysis

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

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

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

(b) Foreign currency risks

If the respective foreign currency weakens by 10% (2009: 10%) against the functional currency, profit before income tax of the Group will increase/(decrease) by:

Group	**Consolidated statement of comprehensive income**	
	2010	**2009**
	RM	**RM**
Singapore dollar	(71,630)	(163,556)
United States dollar	2,178,415	(799,597)
British pound	15,065	13,102
Australian dollar	(387,638)	(531,890)
Euro	11,580	134,082
New Zealand dollar	497,288	649,662
	2,243,080	(698,197)

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

If the respective foreign currency weakens by 10% (2009: 10%) against the functional currency, profit before income tax of the Company will decrease by:

	Consolidated statement of comprehensive income	
	2010	**2009**
Company	**RM**	**RM**
Singapore dollar	193,084	180,521

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

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

(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.

Interest rate sensitivity analysis

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

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

(c) Interest rate risks (cont'd)

If the interest rate increases/decreases by 3% (2009: 3%), profit before tax of the Group will increase/decrease by:

	Group	
	2010 RM	**2009 RM**
Bank borrowings	5,784,632	3,732,069
Bank overdrafts	115,632	121,680
	5,900,264	3,853,749

The Company has no bank borrowings for financial years 2010 and 2009.

(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					
2010					
Bank borrowings	98,020,210	46,203,436	35,084,529	7,688,281	186,996,455
Bank overdrafts	3,909,731	-	-	-	3,909,731
Finance lease payables	2,652,506	557,390	1,672,171	-	4,882,067
Trade and other payables	68,015,234	-	-	120,998	68,136,232
	172,597,681	46,760,826	36,756,700	7,809,278	263,924,485
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
Trade and other payables	66,975,753	-	-	56,305	67,032,058
	140,002,651	41,433,773	19,940,988	3,826,167	205,203,579

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

	Less than 1 year RM	**1 to 2 years RM**	**2 to 4 years RM**	**More than 5 years RM**	**Total RM**
Company					
2010					
Trade and other payables	11,856,058	-	-	-	11,856,058
	11,856,058	-	-	-	11,856,058
2009					
Finance lease payables	129,811	120,195	83,469	-	333,475
Trade and other payables	1,938,400	-	-	-	1,938,400
	2,068,211	120,195	83,469	-	2,271,875

32. 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 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 2009 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**	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Net debt/(Cash)	170,994,546	103,454,618	(2,900,823)	(4,388,726)
Total equity	212,999,945	167,477,421	94,019,479	76,837,385
Total capital	383,994,491	270,932,039	91,118,656	72,448,659
Gearing ratio	44.5%	38.2%	(3.2%)	(6.1%)

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

(f) Fair values

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

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

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);
(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow (Level 2 of fair value hierarchy); and
(iii) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

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

33. Comparative figures

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

	Group	
	As restated 2009 RM	As previously reported 2009 RM
Consolidated statement of comprehensive income		
Cost of goods sold	(447,758,656)	(449,083,817)
Other operating income	7,065,496	7,067,231
Administrative expenses	(30,195,386)	(32,137,293)
Selling and marketing expenses	(24,694,640)	(40,829,300)
Warehouse and distribution expenses	(21,979,419)	-
Research and development expenses	(1,034,695)	-
Other operating expenses	(1,806,243)	(5,348,357)
Finance costs	(7,655,650)	(7,727,657)

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

34. Events occurring after the reporting period

Subsequent to 30 September 2010, the following events have taken place:

(a) On 1 October 2010, the Group completed the acquisition of Family Bakery Group for cash consideration of approximately RM18.68 million. Pertinent information on the acquisition is disclosed in Note 6 (e) (i) of the financial statements;

(b) On 6 October 2010, the Group completed the acquisition of 70% equity in PTSF and PTSB for an aggregate consideration of approximately Indonesian Rupiah 24.2 billion (approximately RM8.2 million). Pertinent information on the acquisition is disclosed in Note 6 (e) (ii) of the financial statements;

(c) On 7 October 2010, the Company acquired 2 ordinary shares, representing the entire issued and paid-up share capital of Golden Difference Sdn. Bhd. which is a shell Company, for a total cash consideration of RM2,000;

(d) On 13 October 2010, the Company announced that 267,290,764 Bonus Shares have been allotted and issued on the basis of one bonus share for every one ordinary share in the Company held by shareholders. The bonus issue gave rise to an adjustment in the number of options to which the option holder is entitled to be issued with and the exercise price of the outstanding options pursuant to the ESOS rules as at that date;

(e) On 13 October 2010, the Company granted 27,230,000 share options to the employee under the "Etika Employee Share Options Scheme". The exercise price of the options granted is at S$0.40. Vesting period and validity period is at 2 years and 7 years from the date of grant respectively; and

(f) On 2 November 2010, the Company acquired 2 ordinary shares, representing the entire issued and paid-up share capital of Platinum Appreciation Sdn. Bhd. which is a shell Company, for a total cost consideration of RM2,000.

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantages acquired, principal retail relocation leases, as well as knowledgeable employees that did not meet the criteria for recognition as other intangible assets on the dates of acquisition.

As at the date of this report, the above acquisitions have not been finalised.

STATISTICS OF SHAREHOLDINGS

AS AT 8 DECEMBER 2010

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

Note :

[1] Calculated based on 533,371,528 voting shares as at 8 December 2010.

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% of the issued ordinary shares of the Company are held in the hands of the public as at 8 December 2010 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	18	2.13	7,972	0.00
1,000 – 10,000	301	35.58	1,832,736	0.34
10,001 – 1,000,000	483	57.09	46,449,652	8.71
1,000,001 and above	44	5.20	485,081,168	90.95
TOTAL	**846**	**100.00**	**533,371,528**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Tan Yet Meng	60,649,926	11.37
2.	Mayban Nominees (S) Pte Ltd	53,420,000	10.02
3.	CIMB Nominees (S) Pte Ltd	50,400,000	9.45
4.	SBS Nominees Pte Ltd	27,000,000	5.06
5.	Masuma Trading Company Limited	25,500,000	4.78
6.	Kwong Yuen Seng	24,457,220	4.59
7.	Hong Leong Finance Nominees Pte Ltd	23,360,000	4.38
8.	Phillip Securities Pte Ltd	21,322,494	4.00
9.	Mah Weng Choong	20,247,224	3.80
10.	Khor Sin Kok	19,050,224	3.57
11.	Jaya J B Tan	18,156,364	3.40
12.	Tan San Chuan	14,809,394	2.78
13.	Tan San Lin	14,331,394	2.69
14.	Kamal Y P Tan	9,221,072	1.73
15.	Pok York Keaw	9,200,000	1.72
16.	DBS Nominees Pte Ltd	8,564,000	1.61
17.	HSBC (Singapore) Nominees Pte Ltd	8,289,000	1.55
18.	Yap Beng Wei	8,100,000	1.52
19.	Pok Yoke Kung	7,149,000	1.34
20.	DBS Vickers Securities (S) Pte Ltd	5,945,000	1.11
	Total	**429,172,312**	**80.47**

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

	Name	Direct interest	%	Deemed interest	%	Total interest	%
(1)(2)	Dato' Jaya J B Tan	88,356,364	16.57	185,499,786	34.77	273,856,150	51.34
(1)(2)	Dato' Kamal Y P Tan	92,981,072	17.43	180,875,078	33.91	273,856,150	51.34
(1)	Tan Yet Meng	60,649,926	11.37	213,206,224	39.97	273,856,150	51.34
(2)	Mah Weng Choong	28,247,224	5.30	-	-	28,247,224	5.30
(2)	Khor Sin Kok	27,350,224	5.13	-	-	27,350,224	5.13

Note :-

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

(2) Direct interest includes shares held through nominees.

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Etika International Holdings Limited will be held at Camellia Room, Level 3, Grand Hyatt Singapore, 10 Scotts Road, Singapore 228211 on Friday, 21 January 2011 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 2010 and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the Company's Articles of Association :-
   (i) Dato' Kamal Y P Tan (Articles 87 and 91) **(Resolution 2)**
   (ii) Mr John Lyn Hian Woon (Article 91) **(Resolution 3)**

   (Mr John Lyn will, upon re-election as a director, remain as the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)

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

4. To approve the payment of Directors' fees of S$247,000 for the financial year ended 30 September 2010 (FY2009: S$230,000). **(Resolution 5)**

5. To declare the payment of a final tax exempt 1-tier dividend of 1.25 Singapore cents per share for the financial year ended 30 September 2010. **(Resolution 6)**

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

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

AS SPECIAL BUSINESS

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

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

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

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

   (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares.

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

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

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

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

(a) new shares arising from the conversion or exercise of any convertible securities;
(b) new shares arising from the exercising share options or vesting of shares awards which are outstanding or subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue, consolidation or subdivision of shares.

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

(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (a)]

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

"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 under the Etika Employee Share Option Scheme ("the Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether during the subsistence of this authority or otherwise, the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory Note (b)]

10. **RENEWAL OF SHARE BUYBACK MANDATE** **(Resolution 10)**

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

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

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

BY ORDER OF THE BOARD

Julie Koh Ngin Joo
Kok Mor Keat
Company Secretaries

Singapore
4 January 2011

Explanatory Notes on Special Business to be transacted

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

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

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

NOTES:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorized officer or attorney.
3. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of Etika International Holdings Limited (the "Company") will be closed on 1 February 2011 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 p.m. on 31 January 2011 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 31 January 2011 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 21 January 2011, will be made on 22 February 2011.

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

proxy form

ANNUAL GENERAL MEETING

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Etika International Holdings Limited, the Annual Report 2010 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 21 January 2011 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 2010				
2	Re-election of Dato' Kamal Y P Tan as Director				
3	Re-election of Mr John Lyn Hian Woon as Director				
4	Re-appointment of Mr Mah Weng Choong as Director				
5	Approval of payment of Directors' fees				
6	Approval of payment of one-tier tax exempt final dividend				
7	Re-appointment of Messrs BDO LLP as auditors and authorize Directors to fix their Remuneration				
8	Authority to allot and issue new shares				
9	Authority to allot and issue shares under Etika Employee Share Option Scheme				
10	Renewal of Share 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 _________________________ 2011.

Total Number of Shares held	
CDP Register	
Register of Members	

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

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

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

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

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

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

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

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

General:

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