ETIKA INTERNATIONAL HOLDINGS LIMITED

NURTURING OUR GROWTH

ANNUAL REPORT 2013

America

1. Belize
2. Colombia
3. Cuba
4. Grenada
5. Guyana
6. Honduras
7. Mexico
8. Suriname
9. Trinidad & Tobago

Europe

10. Netherlands

E T I K A

LEGEND

Operation Base

OUR GLOBAL PRESENCE

Africa

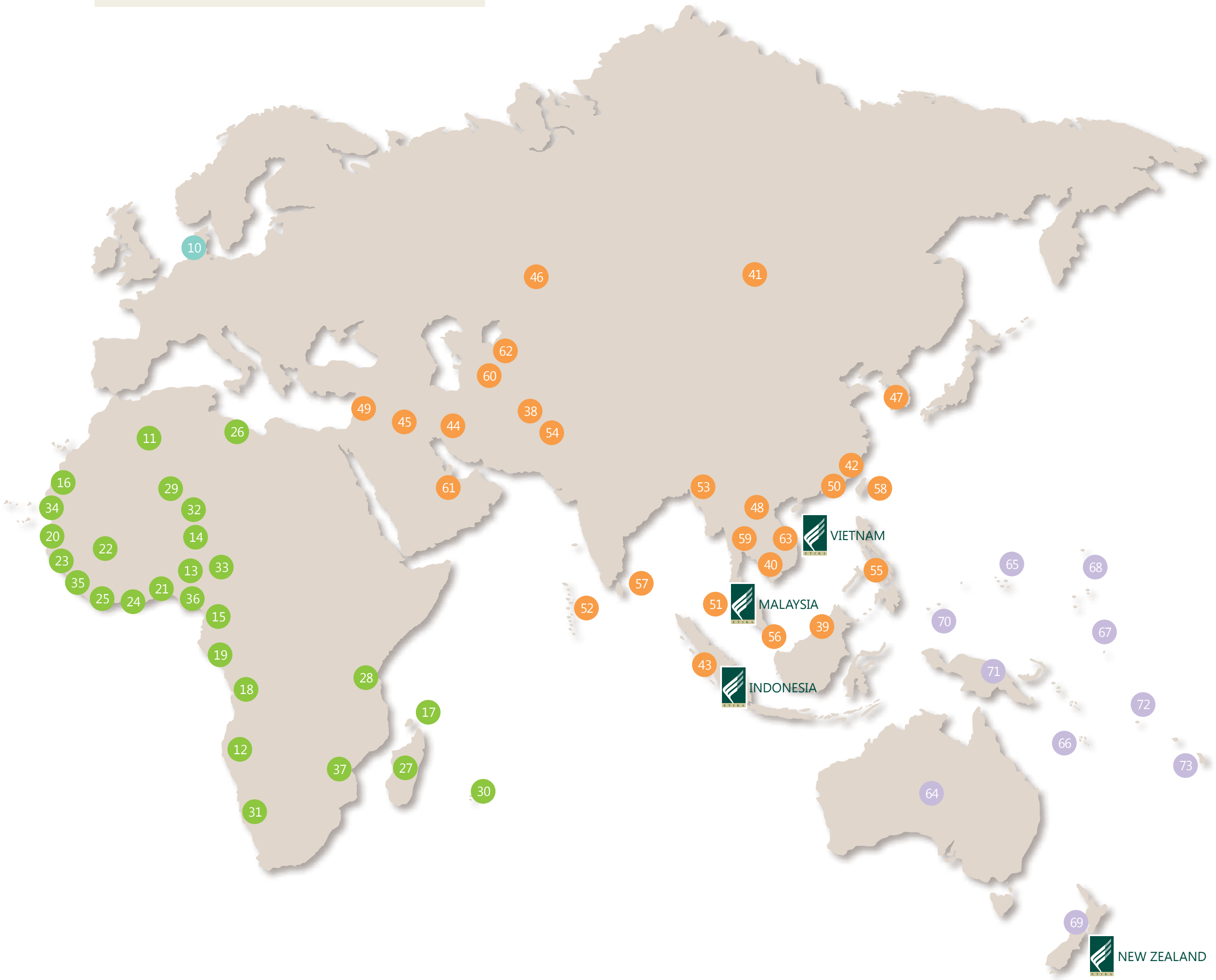
11. Algeria
12. Angola
13. Benin
14. Burkina Faso
15. Cameroon
16. Cape Verde
17. Comoros Island
18. Congo
19. Gabon
20. The Gambia
21. Ghana
22. Guinea
23. Guinea-Bissau
24. Ivory Coast
25. Liberia
26. Libya
27. Madagascar
28. Malawi
29. Mali
30. Mauritius
31. Namibia
32. Niger
33. Nigeria
34. Senegal
35. Sierra Leone
36. Togo
37. Zimbabwe

Asia

38. Afghanistan
39. Brunei
40. Cambodia
41. China
42. Hong Kong
43. Indonesia
44. Iran
45. Iraq
46. Kazakhstan
47. Korea
48. Laos
49. Lebanon
50. Macau
51. Malaysia
52. Maldives
53. Myanmar
54. Pakistan
55. Philippines
56. Singapore
57. Sri Lanka
58. Taiwan
59. Thailand
60. Turkmenistan
61. UAE
62. Uzbekistan
63. Vietnam

Oceania

64. Australia
65. Federated States of Micronesia
66. Fiji
67. Kiribati
68. Marshall Islands
69. New Zealand
70. Palau
71. Papua New Guinea
72. Samoa
73. Tahiti



Our facilities in the operation base have expanded as planned and our sales have reached more than

70 countries around the world.

CONTENTS

Dairies Division

Trading & Frozen Food Division

Nutrition Division

Others Division

CORPORATE PROFILE

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

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

- **Dairies Division**
- **Trading & Frozen Food Division**
- **Nutrition Division**
- **Others 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 70 countries around the world, including ASEAN, North and Central Asia, Middle East, Asia Pacific region, North, South and Central America, the Caribbean and Africa. The Group's products are traded under various brand names like Dairy Champ, Dairy Star, Daily Champ, Vixumilk, Goodday, Mr. Farmer, Sky Fresh, Gourmessa, Horleys, Polygold, Family, Daily Fresh and Salam mie.

The Dairy Champ trademark brand is voted again as one of Malaysian consumers favourite brand in 2013 in the category of preferred sweetened condensed milk and evaporated milk, according to the brand survey from Superbrands conducted by the research agency BDRC Asia. Previously, Dairy Champ has been awarded the "Superbrand" status for two consecutive years in 2003/2004 and 2004/2005. The "Superbrand" award represents a powerful endorsement of the brand and provides evidence of the remarkable standing that Dairy Champ has achieved with Malaysian consumers in terms of quality assurance, brand reputation and brand loyalty.

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

DAIRIES
DIVISION

The Dairies Division, which began as the Group's principal business, is involved in the manufacturing and distribution of milk products, comprising mainly sweetened condensed milk and evaporated milk. It also repacks and distributes complementary products such as full cream milk powder, instant coffee powder and tea dust. This Division's product offering were later expanded to include UHT milk, soya milk and pasteurised milk products. Today, the Dairies Division continues to be the Group's core business division and main growth driver.

The Division's manufacturing plants are based in Malaysia, Indonesia and Vietnam. In Malaysia, the plants are located in Meru Industrial Park in Klang, Selangor and Johor Bahru. The Indonesian plant is located in Surabaya and the Vietnamese plant is located in Cu Chi District, Ho Chi Minh City.

The Division's very first manufacturing facility operated by Etika Dairies Sdn Bhd is based in Meru Industrial Park, Klang. This facility is primarily engaged in the manufacturing of sweetened condensed milk, evaporated milk and UHT milk. Presently, its products are distributed domestically in Malaysia and in many other parts of the world under the brand name Dairy Champ as well as other in-house brands. 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. Its export market covers over 60 countries around the world, including ASEAN, North and Central Asia, Middle East, Asia Pacific region, North, South and Central America, the Caribbean and Africa.

Susu Lembu Asli (Johore) Sdn Bhd which operates the plant in Johor Bahru, is engaged in the manufacturing of pasteurised milk and other beverages. The distribution of its products is undertaken by its marketing arm, Susu Lembu Asli Marketing Sdn Bhd, which has a warehouse and office in Petaling Jaya. Both companies started operations more than 40 years ago as a small-scale fresh milk distributor, with their activities mainly concentrated in the state of Negeri Sembilan. The product offering includes full cream milk, low-fat milk, flavoured milk, soya milk and fruit drinks under the brand name of Goodday, Mr. Farmer and Sky Fresh. In addition to our own brand name, we also contract pack for Starbucks' pasteurised milk for the Malaysian market. Our products are distributed to major hypermarkets, supermarkets, dealers, wholesalers, on-premise outlets as well as restaurants in Peninsular Malaysia. We also export our Goodday pasteurised fresh milk to Singapore and it is mainly distributed via NTUC stores.

Our Indonesian subsidiary, PT Etika Marketing has set up a production line for sweetened condensed milk in the factory space of its sister company, PT Sentraboga Intiselera in Surabaya. The sweetened condensed milk line, which became fully operational in September 2013, will cater mainly to the Indonesian market.

Our Vietnamese subsidiary, Tan Viet Xuan Joint Stock Company ("TVX') is involved in the production, selling and distribution of UHT milk, milk products and beverages. In particular, its products include UHT milk, soy milk and condensed milk registered under the brand name of Vixumilk and is one of the larger domestic milk processors in Vietnam. TVX's products are extensively distributed in Vietnam, covering the Midlands, Mekong Delta, Eastland, Westland and Ho Chi Minh City via distributors, trade centers, supermarkets, bookstores and other retailers.

The Group has invested in 2 plots of land in the Vietnam-Singapore Industrial Park II ("VSIP II") in Binh Duong district for the purpose of setting up a plant producing dairy products. VSIP II, which is located in north of Ho Chi Minh City and south of Vietnam, is an integrated industrial park with full infrastructure facilities including power, water, sewage and telecommunications. The development of the plant will be dependent on future market demand for the dairy products from the domestic as well as export markets, especially from the Indochina region and its neighbouring countries.

TRADING & FROZEN FOOD DIVISION

Pok Brothers Sdn Bhd ("Pok Brothers"), one of Malaysia's leading frozen food and premium food wholesaler started as a general store business in Petaling Jaya in 1963 and from this humble beginning, it has successfully transformed itself into one of the leading frozen food companies in Malaysia. 2013 marks the 50th anniversary of Pok Brothers in the food business, a clear testimony of its resilience resulting from prudent business practices and strong partnerships forged with clients and suppliers. 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 products include frozen/chilled beef and lamb cut, dairy products, seafood, condiments, vegetables, bakery products and cold cuts among many others. 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 proprietary goods for several internationally known restaurant chains in Malaysia such A&W, Chili's, TGIF, Bubba Gum and Bulgogi Brothers.

Most of Pok Brothers' 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, in Selangor and has branches in Penang, Johor, Pahang and Langkawi to cover the length and breadth of Peninsular Malaysia, all with coldroom facilities.

Pok Brothers currently has 2 sub-divisions:

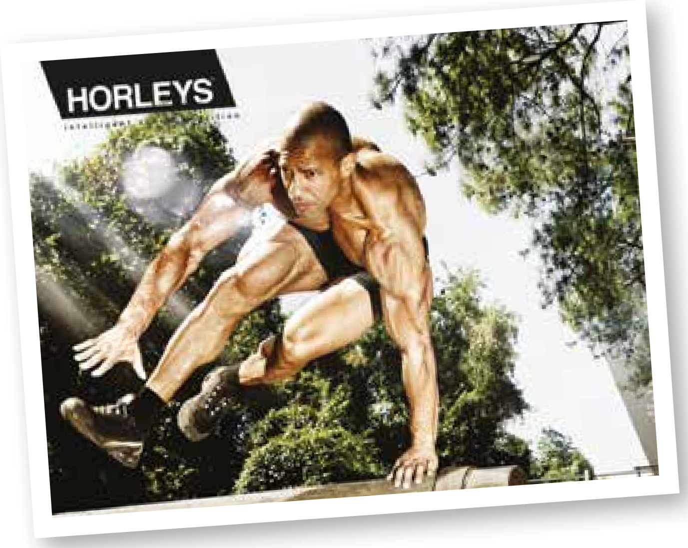
- Frozen Food trading
- Butchery and Bakery business under De-luxe Food Services Sdn Bhd ("DFS")

DFS' bakery division, located in Meru, Klang, manufactures speciality European bread for supply to hotels, restaurants, cafes and supermarkets as well as Subway Malaysia. Its butchery division, located in Glenmarie, Shah Alam, manufactures and processes cold cuts, sausages, portion control meat and smoked salmon for distribution to supermarkets, hotels and restaurants. Its Gourmessa brand of cold cuts and sausages are well distributed and displayed in most supermarkets and retail stores.

In addition to the frozen bakery range, the Group also produces and distributes fresh breads and buns through the Family Group consisting of Family Bakery Sdn Bhd and Daily Fresh Bakery Sdn Bhd.

Family Group's manufacturing facility is located in Meru, Klang and produces fresh breads and buns in Malaysia under the brand name of Daily Fresh and Family. Their products are distributed nationwide to hypermarkets, supermarkets, factory canteens, petrol marts, grocery stores and convenience shops.

Lastly, we also have a distribution business under Etika Consumer Sdn Bhd for fast moving consumer goods such as dairy products like UHT milk, cheese, butter, coconut milk, corn and sunflower oil, chocolate confectionery, butter cookies and biscuits, honey and pudding. These products are distributed nationwide via hyper/supermarkets, mini markets, wholesalers, Chinese medical hall, petrol marts, hotel, restaurant and catering companies.



NUTRITION DIVISION

Naturalac Nutrition Limited ("NNL"), a marketer of branded sports nutrition and weight management food products to athletes and mass consumer markets trades under the Horleys™ brand name and other proprietary brands such as Sculpt™ (a weight management product tailored for women), Replace™ (an isotonic sports drink in both powder and carbonated format) and Pro-Fit™ (a high protein ready-to-drink beverage). The key benefits of these products are in the areas of 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 its efforts on key areas of marketing and product development. As such, this marketing company outsources many of its key functions including manufacturing, distribution and selling 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 required for 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.

The Group entered into the ready-to-drink segment via a joint venture in Etika Dairies NZ Limited to establish New Zealand's first state-of-art, UHT Aseptic PET bottling line for dairy, juice and water products with the official opening of its plant on 1 September 2011. The plant, located at Whakatu Industrial Park, near Hastings is ideally-suited for bottling operations with its existing resources, including trade waste discharge rights and tanker access. The plant currently produces UHT milk for China market, flavoured milk for Australasia, pet milk for Japan, fruit juice for local and China market. It is also developing ready-to-drink sports nutrition beverage including isotonic drinks, protein drinks, weight loss water and pre-workout drinks in order to retain and grow NNL's leading position in the Australian and New Zealand markets.

OTHERS DIVISION

PACKAGING DIVISION

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

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

BEVERAGE DIVISION

Etika Beverages Sdn Bhd is a manufacturer of canned beverages based in Seremban, Negeri Sembilan. Its plant produces both carbonated and non-carbonated drinks under the brand name of "Polygold". In addition, it also produces "Air Champ" energy drink and "Power Champ" isotonic sports drink.

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

NOODLES DIVISION

PT. Sentrafood Indonusa's manufacturing facility in Karawang, West Java manufactures and distributes its instant noodles under the trademark of Salam mie and is also an OEM manufacturer for a few private label products (eg. Mie Sehati, Pandaroo and Myam). PTSF's products are currently distributed both locally in Indonesia as well as in overseas markets via authorised distributors to countries such as Malaysia, Brunei Darussalam, Algeria, Madagascar, China, Hong Kong and Australia.

RESTAURANT DIVISION

On 10 July 2012, the Group signed an exclusive 10 year International Multiple Unit Franchise Agreement with US-based Cajun Global LLC for exclusive rights to develop and operate "Texas Chicken" restaurants in Malaysia and Brunei from 2013 to 2022. This marked the Group's maiden foray into the fast food segment. These restaurants serve American-styled, big juicy full-flavoured fried chicken, french fries, honey butter biscuits, mashed potatoes, coleslaw, burgers and sundae, to name a few.

This partnership will expand Etika's portfolio as well as enable the Group to tap on the synergistic opportunities of its existing trading and frozen food and beverage division. In addition, this downstream expansion is part of Etika Group's growth strategy to increase the presence of Etika Group's identity and brand in key markets such as Malaysia and in neighbouring countries in Asia.

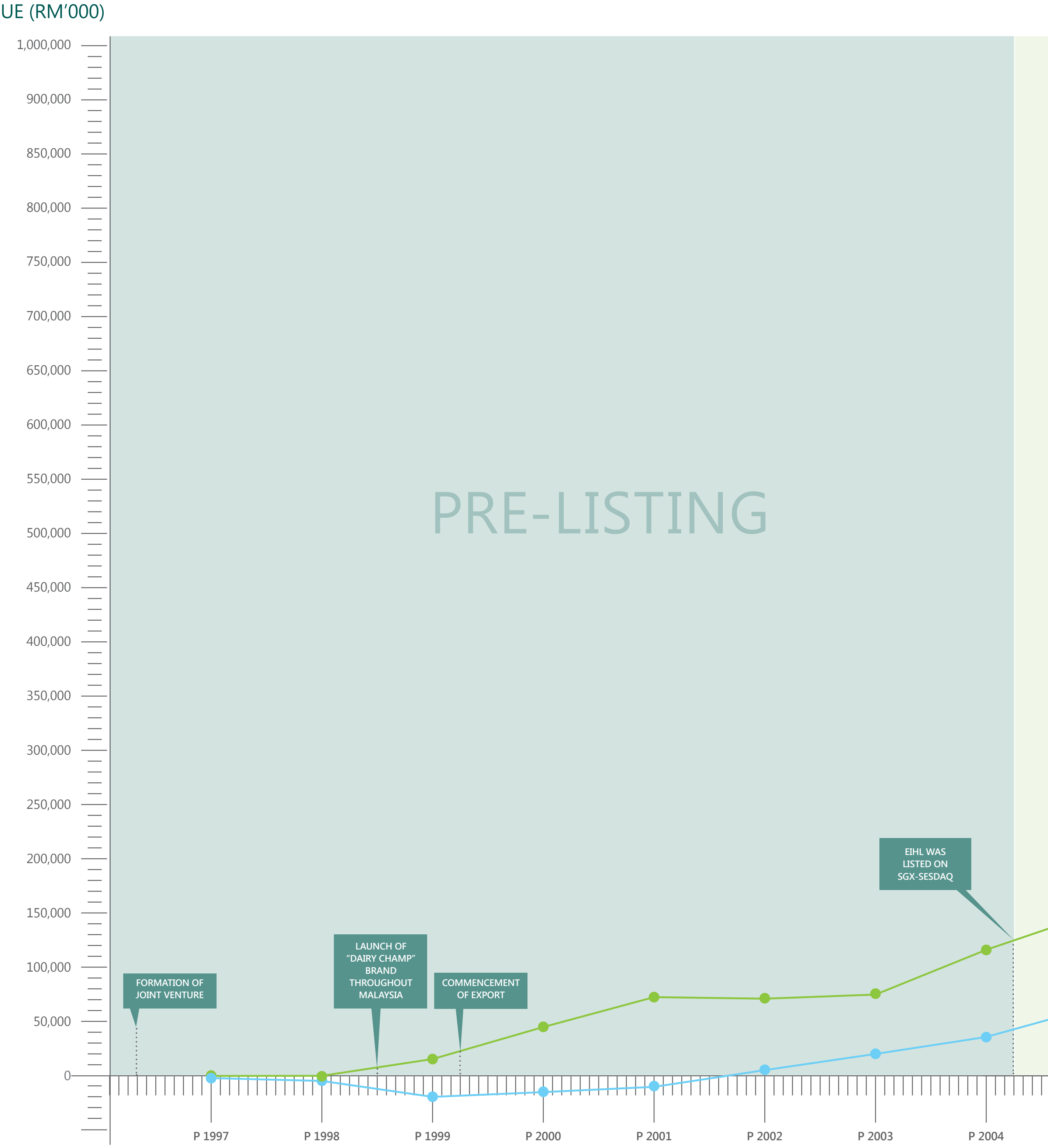
"Texas Chicken" is set apart from competition given the great attention paid to ingredient sourcing and good quality control to ensure freshness of food at all times. All spices and seasoning for "Texas Chicken's" great tasting chicken are imported directly from USA for consistency in flavour to ensure that guests who visit Texas Malaysia restaurants enjoy the same great taste created 60 years ago by the founder – Mr. George W. Church, Sr. The attention to detail is seen right down to the choice of the key ingredient - chicken freshly procured from local farms - cooked with an exclusive technique for a juicy and crunchy bite. In addition, Texas Chicken's signature 8-piece cut ensure that customers enjoy bigger chicken portions at greater value.

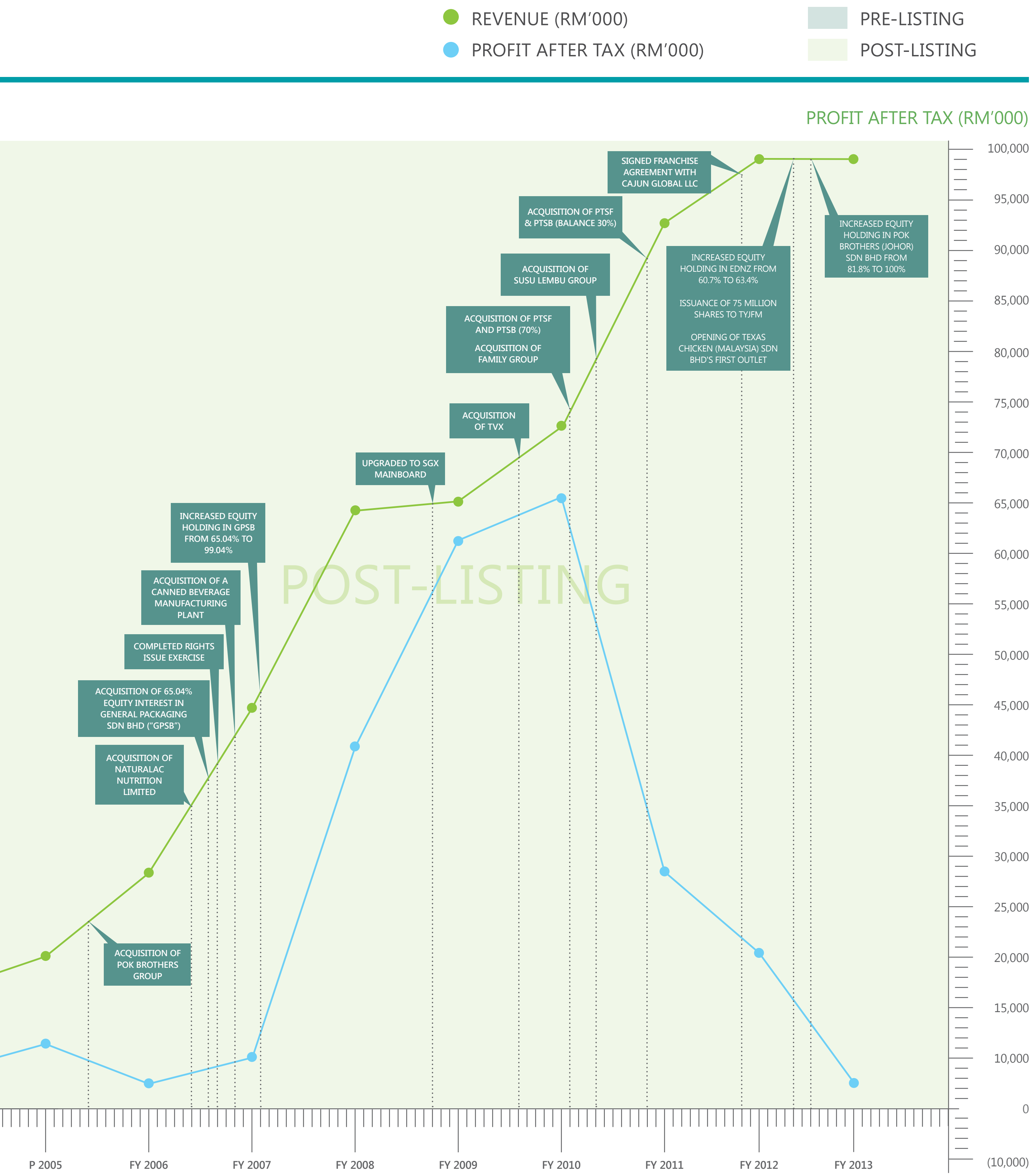
During the financial year, on 31 January 2013, the first flagship outlet opened at Aeon Bukit Tinggi Shopping Centre, located in Bandar Bukit Tinggi township, Klang. This was followed by a second outlet on 1 March 2013 at Sri Gombak, a 2-storey shoplot in Batu Caves. A third outlet located in Kuala Lumpur's golden triangle at Jalan Sultan Ismail was opened on 2 May 2013. This was followed by two other outlets in July - the fourth outlet at Sunway Pyramid shopping mall, located in the heart of Bandar Sunway, Subang Jaya on 12 July 2013 and the fifth outlet at The Mines shopping mall in Seri Kembangan on 19 July 2013. The sixth outlet was officially opened on 20 September 2013 at the Empire Damansara shopping mall. The seventh outlet was officially opened on 12 December 2013 at a shoplot in Kajang.

DAIRIES
DIVISION

CORPORATE MILESTONE

Corporate History Chart





REVENUE (RM'000)
PROFIT AFTER TAX (RM'000)
PRE-LISTING
POST-LISTING
PROFIT AFTER TAX (RM'000)
POST-LISTING
SIGNED FRANCHISE AGREEMENT WITH CAJUN GLOBAL LLC
ACQUISITION OF PTSF & PTSB (BALANCE 30%)
ACQUISITION OF SUSU LEMBU GROUP
ACQUISITION OF PTSF AND PTSB (70%)
ACQUISITION OF FAMILY GROUP
ACQUISITION OF TVX
UPGRADED TO SGX MAINBOARD
INCREASED EQUITY HOLDING IN EDNZ FROM 60.7% TO 63.4%
ISSUANCE OF 75 MILLION SHARES TO TYJFM
OPENING OF TEXAS CHICKEN (MALAYSIA) SDN BHD'S FIRST OUTLET
INCREASED EQUITY HOLDING IN POK BROTHERS (JOHOR) SDN BHD FROM 81.8% TO 100%
INCREASED EQUITY HOLDING IN GPSB FROM 65.04% TO 99.04%
ACQUISITION OF A CANNED BEVERAGE MANUFACTURING PLANT
COMPLETED RIGHTS ISSUE EXERCISE
ACQUISITION OF 65.04% EQUITY INTEREST IN GENERAL PACKAGING SDN BHD ("GPSB")
ACQUISITION OF NATURALAC NUTRITION LIMITED
ACQUISITION OF POK BROTHERS GROUP
100,000
95,000
90,000
85,000
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P 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013

CORPORATE MILESTONE

YEAR	MONTH	MAJOR DEVELOPMENTS
1997	Jan	Clarity Valley Sdn Bhd was used as a joint venture ("JV") vehicle between the Tan Brothers (Motif Etika Sdn Bhd) and Messrs Mah Weng Choong, Khor Sin Kok and others (Jasnida Sdn Bhd) to engage in the manufacturing and distribution of milk products in Malaysia. Subsequently, Clarity Valley Sdn Bhd changed its name to Etika Dairies Sdn Bhd.
1999	Feb	Etika Dairies Sdn Bhd completed installation of its maiden modern and fully automated sweetened condensed milk production line in our production factory in Meru, Klang, Selangor, Malaysia.
	Mar	Commercial launch of sweetened condensed milk under the Dairy Champ brand throughout Malaysia.
	Dec	Commencement of export of sweetened condensed milk to Malawi.
2003	Dec	Etika International Holdings Limited (EIHL) was incorporated in Singapore on 23 December 2003 as a private limited company.
2004	Nov	Pursuant to a Restructuring Exercise, EIHL became the holding company of Etika Dairies Sdn Bhd on 8 November 2004.
	Dec	EIHL was converted into a public limited company on 10 December 2004. Subsequently, it was listed on SGX-SESDAQ (now known as SGX Catalist) on 23 December 2004.
2006	Feb	1st acquisition pursuant to our listing, we acquired Pok Brothers Group, one of Malaysia's leading frozen food and premium food wholesaler, on 8 February 2006 vide our wholly-owned subsidiary, Etika Foods (M) Sdn Bhd for a consideration of approximately RM21.5 million.
2007	Jan	The Group proposed a renounceable non-underwritten rights issue of up to 68,652,060 new ordinary shares in the capital of the company at an issue price of S$0.095 for each rights share with up to 17,163,016 free detachable warrants.
	Feb	Completed acquisition of Naturalac Nutrition Limited ("NNL") based in New Zealand vide our wholly-owned subsidiary Etika (NZ) Limited on 8 February 2007 for a consideration of NZ$7.8 million.
	April	Completed acquisition of 65.04% equity interest in General Packaging Sdn Bhd ("GPSB") (formerly known as M.C. Packaging (M) Sdn Bhd) on 25 April 2007 vide our wholly-owned subsidiary Etika Industries Holdings Sdn Bhd for a consideration of RM7.8 million.
	May	The Group completed the take-over of an ongoing consumer distribution business involved in chilled and dry-ambient consumer products on 1 May 2007. This business was housed under Pok Brothers Group to complement our Trading and Frozen Food Division. On 10 May 2007, we completed the renounceable non-underwritten rights issue (proposed in January 2007) which resulted in issuance of 17,162,931 free detachable warrants and net proceeds of S$6.34 million.
	July	Completed acquisition of a canned beverage manufacturing plant by Etika Beverages Sdn Bhd ("EBSB") on 3 July 2007 for a consideration of RM3.8 million.
	Oct	Increased equity holding in GPSB from 65.04% to 99.04% for purchase consideration of approximately RM6.7 million on 31 October 2007.
2009	Mar	Entered JV in New Zealand vide Etika Dairies NZ Limited ("EDNZ"), our newly incorporated subsidiary in New Zealand for an initial stake of 50.7% on 18 March 2009, which was later increased to 60.7% in December 2009.
	June	Upgraded to SGX Mainboard on 18 June 2009.
	July	Entered into a conditional sale and purchase agreement for proposed acquisition of 100% equity interest in Tan Viet Xuan Joint Stock Company ("TVX") on 24 July 2009 for an estimated purchase consideration of US$8.45 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.

YEAR	MONTH	MAJOR DEVELOPMENTS
2010	April	Completed the acquisition of 100% equity interest in TVX on 9 April 2010 for approximately US$9.0 million.
	May	Signed syndicated financing facilities of RM368 million with a consortium of three leading Malaysian financial institution groups on 4 May 2010.
	June	Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Family Bakery Sdn Bhd, Daily Fresh Bakery Sdn Bhd and Hot Bun Food Industries Sdn Bhd (" Family Group") on 4 June 2010 for a cash consideration of RM18.68 million.
	July	Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in PT Sentrafood Indonusa ("PTSF") and PT Sentraboga Intiselera ("PTSB"), an Indonesian instant noodle manufacturer and distributor on 5 July 2010 for an aggregate consideration of approximately IDR19.1 billion.
		Entered into a conditional sale and purchase agreement for the proposed acquisition of 100% equity interest in Susu Lembu Asli (Johore) Sdn Bhd ("SLAJ") and Susu Lembu Asli Marketing Sdn Bhd ("SLAM"), collectively known as "Susu Lembu Group" on 19 July 2010 for a cash consideration of RM89.5 million.
	Oct	Completed the acquisition of 100% equity interest in Family Group on 1 October 2010. Etika ventures into the manufacturing and distribution of fresh baked breads and buns.
		Completed the acquisition of 70% equity interest in PTSF and PTSB on 6 October 2010, for an aggregate consideration of approximately IDR24.2 billion, marking the Group's entry into the huge instant noodles industry.
		Allotment and issuance of 267,290,764 Bonus Shares on 12 October 2010.
2011	Jan	Completed the acquisition of 100% equity interest in Susu Lembu Group on 4 January 2011.
	July	Completed the acquisition of balance 30% equity interest in PTSF and PTSB on 4 July 2011.
2012	July	Signed an International Multiple Unit Franchise Agreement with US-based Cajun Global LLC on 10 July 2012 for exclusive rights to develop and operate "Texas Chicken" restaurants in Malaysia and Brunei over next 10 years from 2013 to 2022.
	Dec	Entered into a subscription agreement on 6 December 2012 with Tee Yih Jia Food Manufacturing Pte Ltd ("TYJFM"), a leading frozen foods manufacturer in Singapore whereby Etika will allot and issue TYJFM 75,000,000 new ordinary shares at S$0.1998 each or a total consideration of S$14,985,000. A supplemental agreement was entered on 24 December 2012 to further amend, vary and supplement the subscription agreement to revise the issue price to S$0.21321 for each share or a total consideration of S$15,990,750.
2013	Jan	Completed allotment and issuance of additional 75,000,000 new ordinary shares in share capital of Etika International Holdings Limited at an issue price of S$0.21321 each to TYJFM for total consideration of S$15,990,750 on 7 January 2013.
		Increased equity holding in Etika Dairies NZ Limited ("EDNZ") from 60.7% to 63.4% vide a wholly-owned subsidiary, Etika (NZ) Limited through subscription of additional 751,617 new shares in the share capital of EDNZ pursuant to a rights issue exercise undertaken by EDNZ at the issue price of NZ$1 per share or a total subscription amount of NZ$751,617 on 18 January 2013.
		Opening of Texas Chicken (Malaysia) Sdn Bhd's first flagship outlet at Aeon Bukit Tinggi Shopping Centre, a shopping mall located in Bandar Bukit Tinggi township, Klang on 31 January 2013.
	Mar	Increased equity holding in Pok Brothers (Johor) Sdn Bhd from 81.8% to 100% vide a wholly-owned subsidiary of the Group, Pok Brothers Sdn Bhd for a consideration of approximately RM1.3 million on 25 March 2013.

MESSAGE FROM THE CHAIRMAN

Dear Valued

Shareholders,

On behalf of the Board of Directors, I am pleased to present you the results of Etika International Holdings Limited for the financial year ended 30 September 2013 ("FY2013"). FY2013 continued to be a challenging year for the Group demonstrated by overall highly competitive business environment. However, despite this tough business condition, the Group has remained focus and committed in its efforts to forge ahead with its growth strategies in order to position itself as a leading regional Food and Beverage Group with global reach.

DATO' JAYA J B TAN
Non-Executive Chairman

The lower raw material costs of the dairy products, particularly whey milk powder and sugar, and stable meat prices resulted in the overall improvement in the gross profit margin of the Group from 21% in the previous financial year to 23%, an increase in gross profit of 9% from RM205 million previously to RM223 million in the current year.

FINANCIAL REVIEW

For the year ended 30 September 2013, the Group recorded revenue of RM982 million, a marginal decrease of 0.3% compared to RM985 million reported in the previous year. The Dairies Division continued to be the main contributor of the Group in terms of revenue and earnings, accounting for 67% of the Group's revenue followed by the Trading and Frozen Food Division and the Nutrition Division bringing in 22% and 6% respectively. The Others Division namely packaging, beverage, noodles and the newly commenced restaurant businesses accounted for the remaining 5%.

The lower raw material costs of the dairy products, particularly whey milk powder and sugar, and stable meat prices resulted in the overall improvement in the gross profit margin of the Group from 21% in the previous financial year to 23%, an increase in gross profit of 9% from RM205 million previously to RM223 million in the current year.

Notwithstanding the higher gross profit, earnings before interest and tax were impacted by the higher operating expenses of RM29 million or 19% mainly due to higher selling and marketing expenses as a result of more aggressive advertising and promotion campaigns undertaken by the Group, particularly in Indonesia, and higher staff costs. The hike in staff costs was related to additional head counts in new operations such as Texas Chicken (Malaysia) Sdn Bhd, Etika Dairies NZ Limited and PT Etika Marketing and the impact of revised minimum wage policies implemented in Indonesia and Malaysia during the year.

Foreign currency exchange loss of RM7 million suffered by an Indonesian company due to the weakening of the Indonesian Rupiah against the US Dollar also contributed to the higher operating expenses.

Tax charge for the Group increased to RM14 million from RM9 million in previous year mainly due to increase in profit generated by certain subsidiaries and non-availability of group relief for losses incurred by certain subsidiaries, further eroded the profit after tax from RM21 million recorded in the previous financial year to RM5 million registered in FY2013.

CORPORATE DEVELOPMENT

During the financial year, we have successfully completed the subscription of 75 million new ordinary shares by Tee Yih Jia Food Manufacturing Pte Ltd on 7 January 2013 at S$0.21321 per share. We raised S$15,960,750 in net proceeds which went towards capital expenditure and working capital of the Group.

The subscription proceeds and the profit generated during the year bolstered our shareholders' equity which now stands at RM273 million, up from RM228 million a year ago.

FUTURE OUTLOOK AND PROSPECTS

Nurturing Our Growth, the theme for this year's Annual Report is reflective of the initiatives and actions to be undertaken by the Group to position itself for growth in the years ahead. We are confident that the demand for our existing and new products is expected to increase and drive sales volume. The Group has been actively strategizing and implementing ways to expand its business and enhance greater synergies from its different operating divisions.

We expect our core business segment, the Dairies Division to be more defensive due to its regular demand and affordability in the consumer food segment. The commencement of the commercial production of the sweetened condensed milk plant in Surabaya, Indonesia is expected to boost Etika's presence in the Indonesian market.

In the Trading and Frozen Food Division, the retail of cold cuts is encouraging as the Division has successfully penetrated into smaller chains of retail outlets, thus widening its reach beyond its existing big chains of supermarkets. With a well balance customer base and portfolio, the Division expects an encouraging growth in both its top and bottom lines.

The Nutrition Division continues to focus on new product offerings to meet the increase in consumer demand for pre-workout nutritional products as well as ready to consume products. Through the UHT Aseptic PET Bottling plant in Hawke's Bay, New Zealand, several of the new ready-to-drink sports nutrition beverages are being developed and have been launched. The range launched to date includes isotonic drinks, protein drinks, weight loss water and pre-workout drinks. This exciting development means the Division will be strongly placed to retain and grow further its leading position in the Australian and New Zealand markets.

Under the Others Division – Restaurant, we have been progressing well since the signing of the exclusive 10-year International Multiple Unit Franchise Agreement with US-based Cajun Global LLC on 10 July 2012. We opened the first flagship outlet at Aeon Bukit Tinggi Shopping Centre in Klang on 31 January 2013. This was followed by another six outlets covering Sri Gombak, Jalan Sultan Ismail, Sunway Pyramid Shopping Mall, The Mines Shopping Mall, Empire Damansara Shopping Mall and Kajang throughout the period to end of 2013. The Group will be looking into opening more "Texas Chicken" outlets in strategic locations and aims to do well with its competitive strength of paying great attention to ingredient sourcing and good quality control to ensure freshness of food at all times.

PT Sentrafood Indonusa continues to suffer losses despite the aggressive sales promotion undertaken by the Group which did not achieve the desired bottom line results expected by the Management due to stiff competition, price cutting and challenging market conditions. The Management has restructured its personnel to reduce costs and to improve production efficiency. The Company is now focusing more on export sales to improve margins, mitigate local competition and reduce manpower costs in an effort to reduce the losses.

Moving ahead, we will endeavor to firmly establish ourselves as a leading regional F&B player, building on the strengths of the various business segments to drive maximum growth and enhance shareholders' value. The Management remains committed to driving top and bottom line growth.

DIVIDEND

The Board of Directors is pleased to recommend a tax exempt (one-tier) final dividend payment of 0.2 Singapore cents per share for approval at the forthcoming Annual General Meeting. If approved, the dividend will be paid on 28 February 2014.

Together with the interim dividend of 0.3 Singapore cents per share paid on 28 June 2013, this will make to a total dividend of 0.5 Singapore cents per share for the year.

APPRECIATION

As the Group continues into the new financial year, we will strive to deliver stronger earnings growth and returns to shareholders.

I would like to take this opportunity to thank my fellow members, past and present, for their invaluable advice and contributions throughout the year. I would also like to record my appreciation to our Directors, Madam Tan Yet Meng and Mr Tan San Chuan, who resigned from the Board during the year. We are pleased to welcome Mr Sam Goi Seng Hui onto the Board as well as our new investor, Tee Yih Jia Food Manufacturing Pte Ltd, which supported our share subscription.

FY2013 was a challenging year and we are grateful to all who were on this journey with us. We thank all our shareholders for their continued faith in the Group. Our thanks also go out to all our customers, suppliers, business partners for their assistance and support.

Last but not least, I wish to record our sincere appreciation to the management and staff as without those unwavering dedication, hard work and commitment, we would not have sustained our growth in FY2013.

We look forward to *"Nurturing Our Growth"* in our performance and we hope that our journey in FY2014 will be better than the one we completed in FY2013.

DATO' JAYA J B TAN
Chairman

TRADING & FROZEN FOOD DIVISION

REVIEW OF OPERATIONS

Financial year ended 30 September 2013 was a year of consolidation for Etika International Holdings Limited ("Etika" or "the Group"), after embarking on a series of acquisition in the preceding two financial years.

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

a) **Dairies Division**
b) **Trading and Frozen Food Division** – comprising frozen food trading, butchery and bakery sub-divisions and the distribution business
c) **Nutrition Division**
d) **Others Division** – comprising packaging, beverage, noodles and restaurant businesses

The Group has been focusing its attention on strategizing and implementing ways to expand its businesses and enhancing greater synergies amongst its different operating divisions particularly those recent acquisitions.

CONSOLIDATED INCOME STATEMENT

The Dairies Division continues to be the Group's main contributor in terms of revenue and earnings. Despite the challenges faced from intense market competition, the Group's revenue held steady at RM982 million as compared to revenue of RM985 million recorded in the previous year. Trading and Frozen Food Division contributed an increase in revenue of RM23 million followed by the Others and Nutrition Divisions which contributed RM17 million and RM2 million respectively. These increases were however reduced by lower revenue registered by the Dairies Division of RM45 million due to lower export sales.

The lower raw material costs of the dairy products, particularly whey milk powder and sugar, and stable meat prices resulted in the overall improvement in the gross profit margin of the Group from 21% in the previous financial year to 23%. The improved margin resulted in gross profit increasing to RM223 million from RM205 million previously.

Earnings before interest and tax were impacted by the higher operating expenses of RM29 million. Major increases were seen in the selling and marketing expenses as a result of aggressive advertising and promotion campaigns undertaken by the Group, particularly in Indonesia to promote sales and increase in staff costs due to the additional head count in the Dairies and Nutrition Divisions and the restaurant business, each expense rising by RM8 million respectively. Foreign currency exchange loss of RM7 million suffered by an Indonesian company due to the weakening of the Indonesian Rupiah against the US Dollar also contributed to the higher operating expenses.

On the Indonesian front, PT Sentrafood Indonusa continues to suffer losses despite the increase in revenue by 38%. Aggressive sales promotions undertaken since the first quarter of the financial year did not achieve the desired bottom line results expected by Management due to stiff competition, price cutting and challenging market conditions. Management has made changes to the personnel with the objective of cost reduction and improving production efficiency whilst for sales, the Company is now concentrating on export sales to improve margin, mitigate local competition and reduce manpower costs. All these measures are expected to reduce the current losses of the Company.

In Surabaya, Indonesia, the delays experienced in the commencement of operations in the sweetened condensed milk factory dampened the expectation of top and bottom line contributions to the Group. This resulted in losses incurred during the financial year. The commercial production has successfully commenced in late September 2013.

The beverage plant in New Zealand has only recently resolved the production and quality issues. Supplies of a principal raw material are also back to normal after the supplier increased its production capacity. However, all these issues have impacted the sales negatively which further eroded the Group's bottom line.

On a positive note, the exclusive franchise agreement signed by the Group with US-based Cajun Global LLC to develop and operate "Texas Chicken" restaurants in Malaysia and Brunei saw the successful opening of six "Texas Chicken" outlets in the Klang Valley. The business contributed to the top line of the Group but incurred losses as it is in its preliminary stage of development.

Finance costs incurred during the year was flat at RM27 million. The Group continued to drawdown on its facilities to finance capital expenditure and working capital requirements to support its growth.

The Group's effective tax rate was 73% for the current financial year under review as compared to 31% mainly due to the additional tax charge as a result of increase in profit generated by certain subsidiaries and non-availability of group relief for losses incurred by certain subsidiaries.

For FY 2013 basic earnings per share were RM0.013 as compared to RM0.041 in FY 2012.

REVIEW OF OPERATIONS

STATEMENTS OF FINANCIAL POSITION

The Group ended the financial year with its equity attributable to shareholders increasing from RM228 million to RM273 million and a healthy cash position surging from RM41 million to RM67 million. Net assets value per share increased marginally from RM0.43 to RM0.45, an increase of 5%.

Non-current assets increased by RM32 million from RM466 million to RM498 million mainly attributable to the setting up costs of the UHT processing plant in Malaysia, the sweetened condensed milk plant in Surabaya, Indonesia and the Texas Chicken restaurants amounting to RM26 million and the acquisition of an additional piece of land in Vietnam of RM6 million respectively.

There were no significant changes in the current assets except for the increase in cash and bank balances of RM26 million.

Bank borrowings increased by RM16 million principally due to the higher utilisation of trade lines and higher capital expenditure. Although borrowings increased, the Group's debt to equity ratio has been brought down from 1.7 times to 1.4 times which is within the 2.5 times stipulated by the syndicated lenders as a result of the increase in equity vide the subscription of 75 million new ordinary shares of RM40 million.

CASH FLOW POSITION

Overall, the Group's cash and cash equivalents rose to a healthy balance of RM49 million from RM34 million, an increase of RM15 million due to the net effects of the following:

i) a decrease in net cash generated from operating activities of RM43 million from RM98 million to RM55 million due to lower profit before tax, increased outflow on inventories and payables of RM23 million and RM21 million respectively and partial set off by the higher collections from receivables of RM10 million.

ii) a reduction in net cash used in investing activities of RM27 million from RM84 million to RM57 million whereby in the previous corresponding year, RM83 million was utilised for capital expenditure as compared to RM57 million utilised in the current year.

iii) a reduction in net cash generated from financing activities of RM5 million from RM22 million to RM17 million principally due to the lower net proceeds from bank borrowings which was partially set off by the proceeds from the issuance of ordinary shares.

SEGMENTAL REVIEW BY BUSINESS DIVISIONS

For the year under review, the Trading and Frozen Food, Nutrition and Others Divisions posted positive growth while the Dairies Division's growth slipped marginally.

Dairies Division remains the core business of the Group, accounting for 67% of the revenue, followed by the Trading and Frozen Food and Nutrition Divisions of 22% and 6% respectively. The Others Division, comprising of packaging, beverage, noodles and restaurant businesses accounted for the balance 5%.

The Dairies Division contributed a notable profit after tax of RM29 million followed by the Trading and Frozen Food Division of RM0.7 million. However, these positive contributions to the Group's profit after tax were reduced by losses incurred by the newly commissioned beverage plant in New Zealand, the noodles business in Indonesia, the restaurant and bakery businesses respectively.

DAIRIES DIVISION

Dairies Division continues to be the major contributor to the Group in terms of revenue and profit generated. However, the Division's growth slipped marginally by 6% in revenue to RM661 million as compared to the preceding year of RM706 million due to intense market competition in the overseas market.

In the Dairies Division operating in Malaysia, the local market registered an increase in sales of 3% while the overseas market registered a reduction in growth of 18% with the main markets from Asean and Africa recording a decline in revenue. Profit after tax decreased by 22% to RM29 million from RM37 million in the preceding year.

Segmental assets grew by 8% from RM471 million to RM509 million principally due to increase in capital expenditure. Additional drawdown on borrowings increased by 4% while payables reduced due to lower purchases as there were sufficient floor stock, hence resulting in an overall increase in segmental liabilities by 1% from RM439 million to RM445 million.

TRADING AND FROZEN FOOD DIVISION

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

The Division registered a revenue growth of 12% contributed by the successful supply of its cold cuts to smaller chains of retail outlets besides supplying to the big chains of supermarkets. The Division registered a constant profit after tax of RM0.7 million.

Segmental assets grew by 8% from RM152 million to RM164 million principally due to increase in capital expenditure incurred by the butchery and bakery sub-divisions. Segmental liabilities increased by 27% from RM15 million to RM19 million mainly due to the increase in purchases which was in line with the increase in revenue and the increase in accruals for operating expenses.

NUTRITION DIVISION

The sports nutrition and dietary supplements business saw a drop in revenue by 8% mainly due to stiff competition faced in the Australian market but this was cushioned by the additional revenue generated by the beverage plant which commenced commercial production in the fourth quarter of FY2012, hence recording an overall revenue growth of 4% from RM55 million in the previous financial year to RM57 million in the current year.

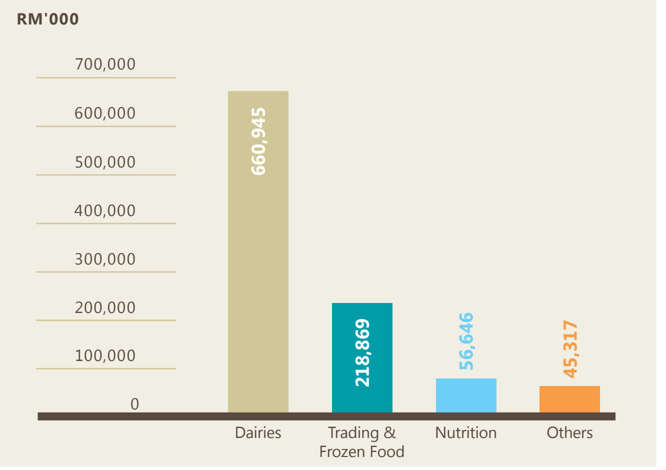
Segmental assets grew by 2% from RM55 million to RM56 million principally due to the increase in the deferred tax effect arising from the losses incurred by a subsidiary company and capital expenditure incurred. Segmental liabilities reduced by 6% from RM32 million to RM30 million mainly due to the repayment of bank borrowings and decrease in trade payables due to lower payments to co-packers for inventories which is supported by the lower sales in the sports nutrition and dietary supplements business.

OTHERS DIVISION

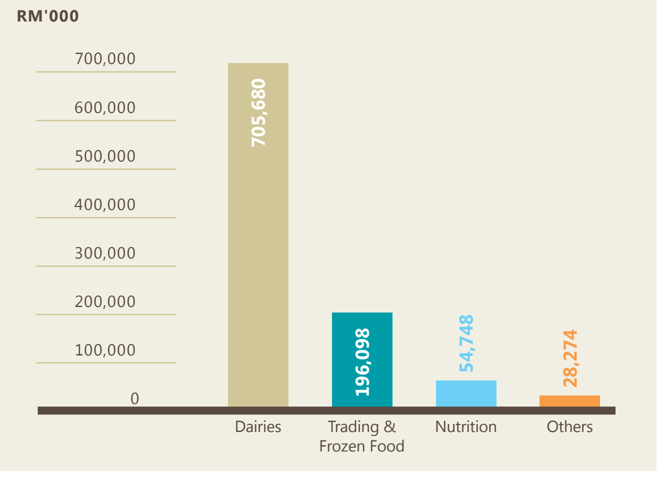
The Group's Others Division comprises packaging, beverage, noodles and restaurant businesses. Revenue was up by 61% from RM28 million in FY2012 to RM45 million due to the increase in sales contributed by the noodles, beverage and the new restaurant businesses.

The losses recorded in the current financial year have deteriorated from RM6 million to RM14 million mainly due to the continued losses incurred by the noodles business and losses incurred by the new restaurant business.

REVENUE BY BUSINESS SEGMENTS FY2013



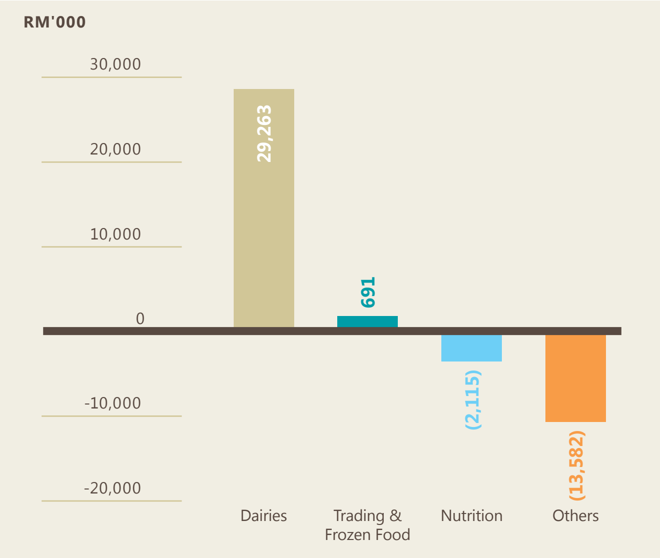
REVENUE BY BUSINESS SEGMENTS FY2012



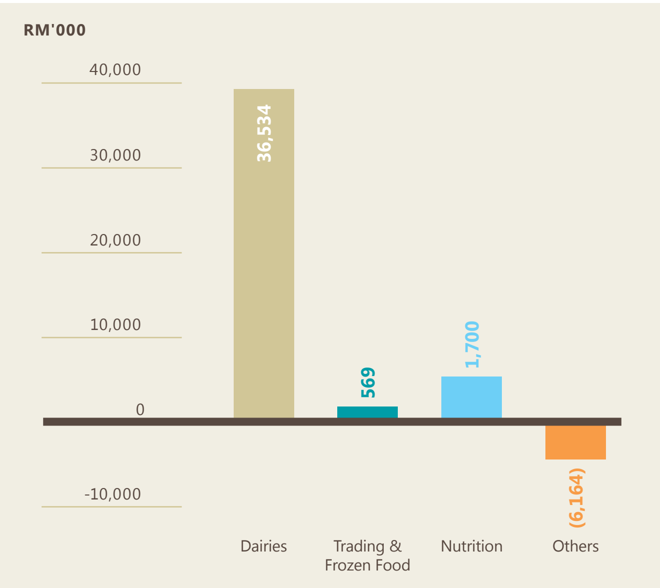
REVENUE BY BUSINESS SEGMENTS

	FY2013	FY2012
	RM'000	RM'000
Dairies	660,945	705,680
Trading and Frozen Food	218,869	196,098
Nutrition	56,646	54,748
Others	45,317	28,274
	981,777	984,800

PROFIT/(LOSS) AFTER TAX BY OPERATING BUSINESS SEGMENTS FY2013



PROFIT/(LOSS) AFTER TAX BY OPERATING BUSINESS SEGMENTS FY2012



PROFIT/(LOSS) AFTER TAX BY OPERATING BUSINESS SEGMENTS

	FY2013	FY2012
	RM'000	RM'000
Dairies	29,263	36,534
Trading and Frozen Food	691	569
Nutrition	(2,115)	1,700
Others	(13,582)	(6,164)
	14,257	32,639

PERFORMANCE REVIEW BY GEOGRAPHICAL SEGMENTS

Driven by strong growth from three out of four divisions, the Group's revenue held steady at RM982 million as compared to the preceding year of RM985 million. Malaysia remains the Group's core market, contributing RM596 million or 61% to the revenue, followed by ASEAN (RM219 million), Africa (RM73 million) and Others (RM94 million).

MALAYSIA

The Malaysian market continued to be the anchor for the growth of the Group contributing 61% of the Group's revenue. Revenue grew from RM558 million in FY2012 to RM596 million in the current year, an increase of 7%, principally due to higher sales volume.

Dairies Division continues to be the main driving force, contributing 61% of the total revenue, a marginal reduction of 3% from the preceding year of 64%. Frozen Food contributed 37%, moving up 2% from 35% last year whilst the balance 2% was from Others Division.

ASEAN AND AFRICA

The ASEAN market is the second largest market for the Group, accounting for 22% of the Group's revenue. However, revenue slipped by 7% to RM219 million from RM236 million in the preceding year principally due to the competitive market conditions faced in this region. Similarly in Africa, revenue reduced by 31% from RM106 million in FY2012 to RM73 million in the current year, accounting for 7% of the Group's revenue.

OTHERS

Other geographical markets refer principally to the Oceania region, comprising Australia and New Zealand, China and Hong Kong. Revenue increased by 12% from RM84 million to RM94 million principally contributed by the overall revenue growth in the Nutrition Division and the increase in export sales to China by the beverage business.

PROSPECT AND GROWTH PLANS

Much has been achieved in spite of the Group experiencing a challenging past year. The Group is confident that with the various strategies that are currently being pursued it is cautiously confident of a reasonable growth which will contribute to both the top and bottom line performances. Looking ahead, the Group is embarking on its next phase of growth to further synergise its existing businesses and expand its facilities, capacity and market presence.

DAIRIES DIVISION

Prices of raw materials for the Dairies Division are expected to be generally stable except for skimmed milk and buttermilk powders which are on the upward trend. Given the current high price of these milk powders, buyers are focused on near term buying to avoid long term commitments at higher prices. This poses a risk in depleted supply of milk powder. Currently, the bulk of sugar is procured at world price which is on a downward trend. However, it is uncertain whether this trend will continue.

The commercial production of the UHT milk in Malaysia, which commenced end December 2012 is slowly positioning itself and is expected to contribute to the growth of the Division. Current production capacity for sweetened condensed milk, evaporated milk and UHT milk are able to accommodate customers' orders. The sweetened condensed milk plant in Surabaya, Indonesia, has commenced commercial production end September 2013.

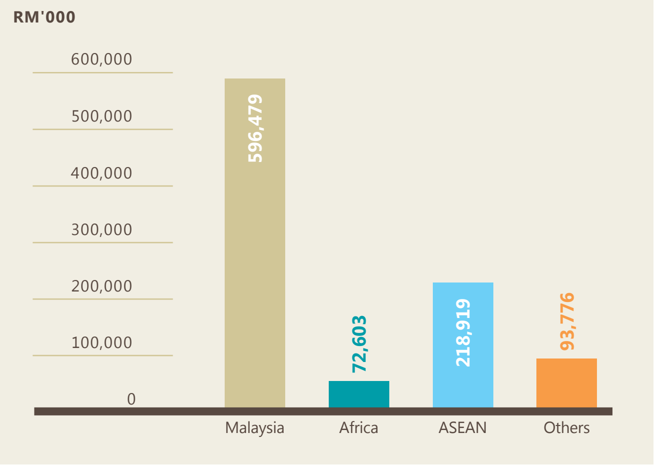
The Division will continue its efforts to improve production efficiency and strengthen its brand name, Dairy Champ, Goodday and Vixumilk. Given the expected additional sales from the UHT milk and the new sweetened condensed milk production line in Surabaya, Indonesia, the Group is cautiously optimistic that a reasonable growth can be achieved in this Division.

TRADING AND FROZEN FOOD DIVISION

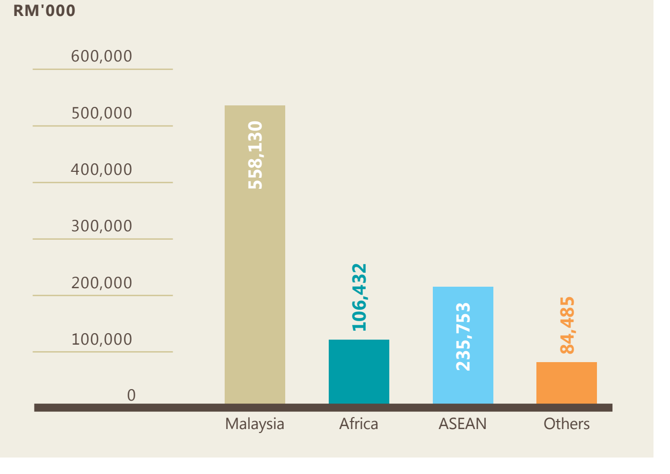
The Trading and Frozen Food Division expects challenges in the forthcoming year as although despite an anticipated increase in demand, the frozen food market remains competitive.

Due to the recent petrol price hike, contractors have increased their transport charges and service fees. This will cause some impact on costs beginning the new financial year. Meat items such as beef, lamb and mutton are expected to be costlier since all the slaughter plants in Australia and New Zealand will be closing down from early December to mid-January 2014.

REVENUE BY GEOGRAPHICAL SEGMENTS FY2013



REVENUE BY GEOGRAPHICAL SEGMENTS FY2012



REVENUE BY GEOGRAPHICAL SEGMENTS

	FY2013	FY2012
	RM'000	RM'000
Malaysia	596,479	558,130
Africa	72,603	106,432
ASEAN	218,919	235,753
Others	93,776	84,485
	981,777	984,800

The retail of cold cuts is encouraging with an increase in revenue of 14% within the last three months as the Division has successfully supplied its cold cuts to smaller chains of retail outlets besides supplying to the big chains of supermarkets. The Division expects an encouraging growth in its revenue for the next three months due to the festive season and the school holidays. The sub-divisions of bakery and butchery are expected to leverage on the Division's experienced sales force and its branch network.

NUTRITION DIVISION

Dairy ingredients in the form of milk powders and highly specialised whey proteins form a significant component of the Nutrition Division's costs. International prices for milk powder and specialised dairy proteins have increased significantly over the recent three fiscal quarters. This is due to increased world demand coupled with the impact of a severe drought in New Zealand at the end of last summer and as a consequence, falls in farm supply. New season milk is now assisting to improve the supply side and therein take some pressure off prices.

The Nutrition Division remains confident at this juncture that such a situation will not unduly affect their access to supply as the business indirectly enjoys preferred supplier access to Fonterra the major dairy ingredient supplier in New Zealand.

What may continue throughout the remainder of 2013 and into 2014 is further upward pressure on dairy protein ingredient prices as demand from developing nations, especially China, for good sources of protein continues to increase in line with higher incomes.

The UHT Aseptic PET Bottling plant in Hawke's Bay, New Zealand has recently resolved the production and quality issues. Several of the new ready-to-drink sports nutrition beverages being developed at the new beverage plant have been launched. This exciting development means the Division will be strongly placed to retain and strengthen its leading position in the Australian and New Zealand markets.

OTHERS DIVISION

As for the Others Division, to date, the Group has successfully opened six "Texas Chicken" outlets in the Klang Valley and another one is in the pipeline to be opened by the end of the first quarter of FY2014. Sales have been encouraging and the business is expected to contribute positively towards the Group's revenue growth.

In respect of the noodles business, Management has implemented changes to the personnel with the objective of costs reduction and improving production efficiency. As for sales, the Company is now focusing more on export sales to improve margin, mitigate local competition and reduce manpower costs.

USE OF PROCEEDS

Etika has raised S$15.99 million (RM39.92 million) via a subscription agreement entered into with Tee Yih Jia Food Manufacturing Pte Ltd which was completed on 7 January 2013. As at 30 September 2013, these proceeds have been utilised in the following manner:

- Approximately S$7.16 million (RM17.65 million) were utilised for the Group's business expansion and
- Approximately S$8.83 million (RM22.27 million) were utilised for working capital purposes.

RESOURCES REQUIREMENT

COMPUTERIZATION DRIVE

Bar Coding is a new enhancement in the Trading and Frozen Food Division. The warehouse bar coding is scheduled to go live in the second quarter of FY2014 after a thorough testing of parallel run since FY2013.

The "Texas Chicken" outlets are currently powered with Pointsoft Point of Sales software to track the performance of individual stores. It is integrated with a Kitchen Display System that allows quicker food preparation in the kitchen. There will be plans to integrate it with Microsoft Navision to further improve the control of the overall inventory. Wand Display are digital menu boards that have been implemented in all stores that provides captivating new video contents of "Texas Chicken's" restaurant menu and promotions. These menu boards are one of its first in Malaysia that has the centralized capability to update the content and automatically push to all stores, hence saving cost and time.

HUMAN RESOURCE

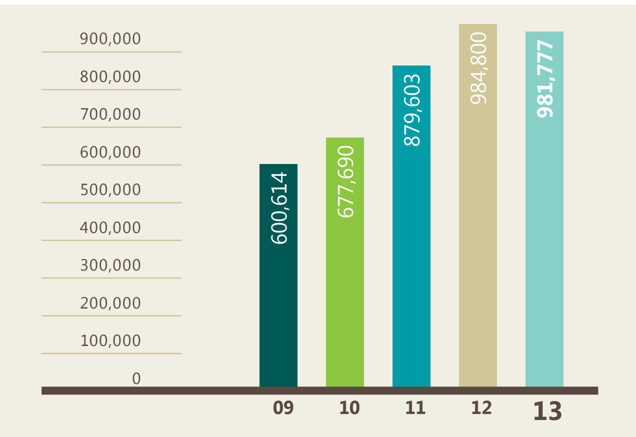
The total workforce of the Group stood at approximately 2,200 as at 30 September 2013 (2012: 1,900) an increase of 16% due to the additional staff force required to support the expansion of the Group.

NUTRITION
DIVISION

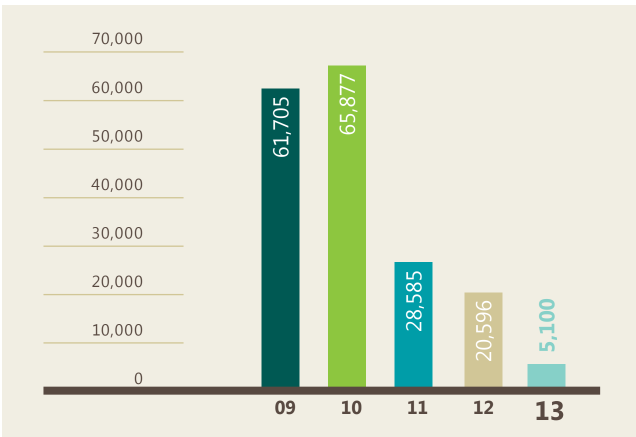
FINANCIAL HIGHLIGHTS

	FY2009	FY2010	FY2011	FY2012	**FY2013**
KEY FINANCIAL INFORMATION					
Revenue (RM'000)	600,614	677,690	879,603	984,800	**981,777**
Profit after tax (RM'000)	61,705	65,877	28,585	20,596	**5,100**
Shareholders' equity (RM'000)	162,758	208,528	218,408	227,870	**273,026**
Total equity (RM'000)	167,477	213,000	222,718	230,866	**273,592**
Weighted average number of shares	252,404,214	263,843,821	533,371,528	533,941,681	**591,128,912**
Weighted average number of days (revenue)	365	341	339	366	**365**
KEY FINANCIAL RATIO					
Earnings per share (RM sen)	24.5	25.1	5.4	4.1	**1.3**
Return on equity (%)	64.5	46.3	25.4	24.7	**18.3**
Dividend per share (RM sen)	6.9	8.3	3.9	2.0	**1.5**
Net asset value per share (RM sen)	65.7	79.9	41.8	43.1	**44.5**
Inventory turnover (days)	55	70	71	62	**66**
Receivable turnover (days)	63	53	54	53	**51**
Payables turnover (days)	29	32	34	33	**31**
Working capital cycle (days)	89	91	92	82	**86**
Net gearing ratio (times)	0.6	1.6	1.8	1.7	**1.4**

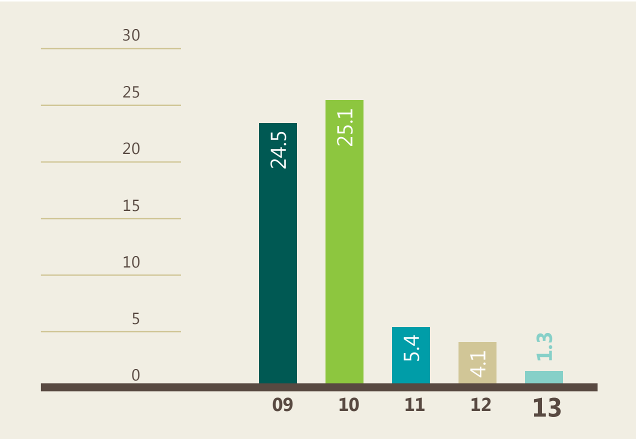
REVENUE
(RM'000)



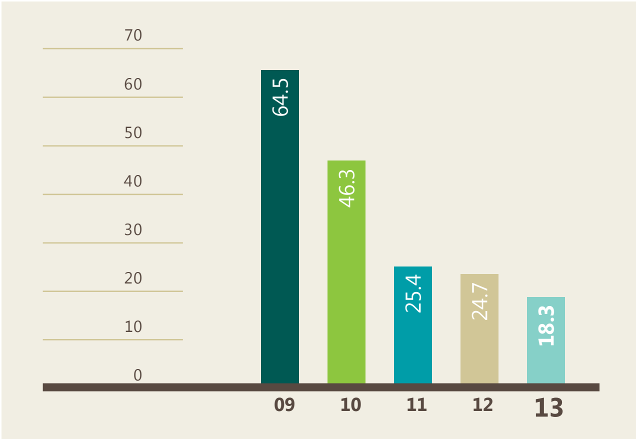
PROFIT AFTER TAX
(RM'000)



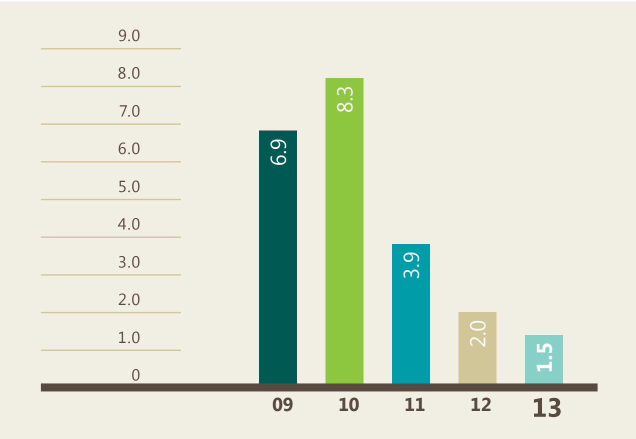
EARNINGS PER SHARE (EPS)
(RM sen)



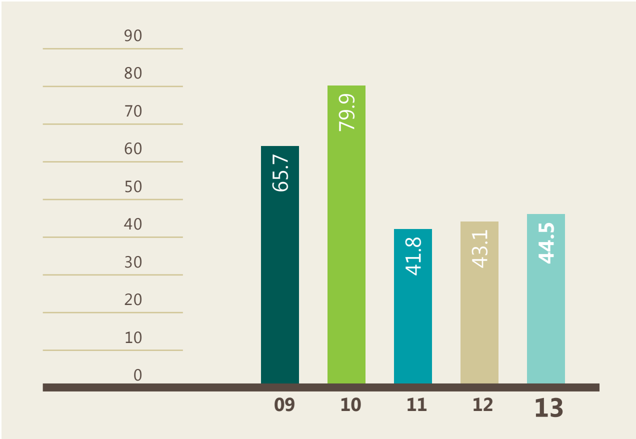
RETURN ON EQUITY
(%)



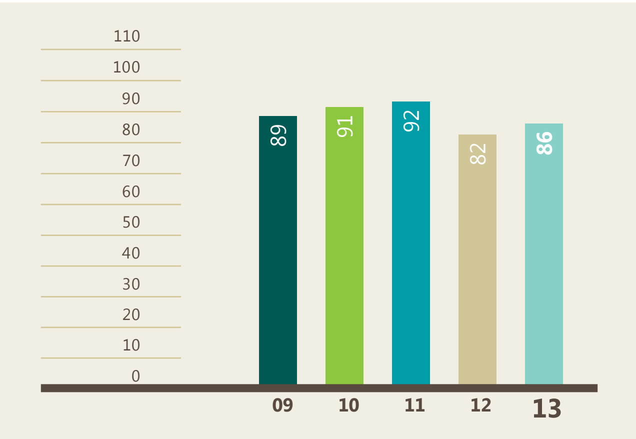
DIVIDEND PER SHARE
(RM sen)



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 description of the nature and extent of the Group's exposure to these risks. We strive to provide reasonable assurance to our stakeholders by incorporating sound management control into our daily operations, ensuring compliances with legal requirements, and safeguarding the integrity of the Group's financial reporting as well as related disclosures.

ECONOMIC RISKS

Changes in the economic conditions within and outside of Malaysia where the Group's main operations are based may have material adverse impact on the demand for the Group's products, consequently affecting the operations and financial performance of the Group. While the Group operates in a fairly defensive F&B industry, the Group is not completely shielded from the impact of world economic crisis.

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, liquid fresh milk, sugar, palm oil, vitamins, raw meat, flour and packaging material (such as 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. 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 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, goats, poultry 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 negative impact on our production processes and output.

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

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 acquisition, 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. 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 risk

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 risk 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 risk

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, United States Dollar, New Zealand Dollar, Australian Dollar and Indonesian Rupiah. 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 risk

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 risk

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 level 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 interest. In addition, while in the past our cash flows from our operations and financing activities had been sufficient to meet our payments obligations for borrowings and interest, there is however no assurance that we are able to do so in the future. In such event, we may be required to raise additional capital, debt or other forms of financing for our working capital. If any of the aforesaid events occur and we are unable for any reason to raise additional funds to meet our working capital requirements, our business, financial performance and position will be adversely affected.

GROUP STRUCTURE

ETIKA INTERNATIONAL HOLDINGS LIMITED

Dairies Division

• Etika Dairies Sdn Bhd	100%
• Etika Global Resources Sdn Bhd	100%
• Etika Foods Marketing Sdn Bhd	100%
• PT Vixon Indonesia	100%*
• Tan Viet Xuan Joint Stock Company	100%*
• Etika Vixumilk Pte Ltd	100%
• PT Etika Marketing	100%*
• Golden Difference Sdn Bhd	100%
• Susu Lembu Asli (Johore) Sdn Bhd	100%*
• Susu Lembu Asli Marketing Sdn Bhd	100%*
• Etika Foods (Singapore) Pte Ltd	100%
• Etika Foods (Vietnam) Co Ltd	100%*

Trading & Frozen Food Division

• Etika Foods (M) Sdn Bhd	100%
• Pok Brothers Sdn Bhd	100%*
• Pok Brothers (Selangor) Sdn Bhd	100%*
• Pok Brothers (Johor) Sdn Bhd	100%*
• Etika Consumer Sdn Bhd	100%*
• De-luxe Food Services Sdn Bhd	100%*
• Family Bakery Sdn Bhd	100%*
• Daily Fresh Bakery Sdn Bhd	100%*
• Hot Bun Food Industries Sdn Bhd	100%*

Nutrition Division

• Etika (NZ) Limited	100%
• Naturalac Nutrition Limited	100%*
• Naturalac Nutrition (UK) Limited	100%*
• Etika Dairies NZ Limited	63.4%*

Others Division

Packaging	
• Etika Industries Holdings Sdn Bhd	100%
• General Packaging Sdn Bhd	99.04%*
Beverage	
• Etika Beverages Sdn Bhd	100%
Noodles	
• PT Sentrafood Indonusa	100%*
Restaurant	
• Platinum Appreciation Sdn Bhd	100%
• Texas Chicken (Malaysia) Sdn Bhd	100%*
Unallocated Units	
• Etika Capital (Labuan) Inc	100%
• Eureka Capital Sdn Bhd	100%
• Etika Foods International Inc	100%
• Etika Brands Pte Ltd	100%
• Etika IT Services Sdn Bhd	100%
• PT Etika Indonesia	100%*
• PT Sentraboga Intiselera	100%*

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

CORPORATE INFORMATION

Board of Directors

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

GOI SENG HUI
(Non-Executive Vice-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)

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

COMPANY SECRETARIES
S SURENTHIRARAJ @ S SURESSH
KOK MOR KEAT, ACIS

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

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

INDEPENDENT AUDITORS
BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267
Partner-in-charge: Ng Kian Hui
(Appointed since the financial year ended 30 September 2012)

PRINCIPAL BANKERS
Maybank Islamic Berhad
Hong Leong Islamic Bank Berhad
AmIslamic Bank Berhad
DEG – Deutsche Investitions – und Entwicklungsgesellschaft mbH
Kuwait Finance House (Malaysia) Berhad
Bank Pertanian Malaysia Berhad
PT Bank Maybank Syariah Indonesia
National Australia Bank Limited
Asian Finance Bank Berhad
Alliance Islamic Bank Berhad

SOLICITORS
Stamford Law Corporation
Hutabarat Halim & Rekan
Luat Viet-Advocates & Solicitors

BOARD OF DIRECTORS

FROM LEFT TO RIGHT:

1. **DATO' JAYA J B TAN**
   Non-Executive Chairman
   Member of Audit Committee
   Member of Remuneration Committee
   Member of Nominating Committee

2. **GOI SENG HUI**
   Non-Executive Vice-Chairman

3. **DATO' KAMAL Y P TAN**
   Group Chief Executive Officer

4. **TEO CHEE SENG**
Independent Director
Chairman of Remuneration Committee
Chairman of Nominating Committee
Member of Audit Committee

5. **JOHN LYN HIAN WOON**
Independent Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

6. **MAH WENG CHOONG**
Group Chief Operating Officer

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

DATO' JAYA J B TAN
Non-Executive Chairman
Member of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

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

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

Dato' Jaya was last re-elected as Director at the Annual General Meeting ("AGM") held in January 2012. He will retire at the forthcoming AGM and will offer himself for re-election.

Dato' Jaya is the brother of Dato' Kamal Y P Tan.

GOI SENG HUI
Non-Executive Vice-Chairman

Mr Goi Seng Hui joined the Board of Etika International Holdings Limited as Vice-Chairman and Non-Executive Director on 9 January 2013. He is the Executive Chairman of Tee Yih Jia Group (a global food and beverage group with operations in Singapore, Malaysia, USA, Europe and China), and Yangzhou Junhe Real Estate Group (a growing property development company in China). Apart from these core businesses, Mr Goi has investments across a range of listed and private entities in numerous industries, such as food and beverage, consumer essentials, recycling, distribution and logistics. Mr Goi also serves on the board of four other Mainboard-listed companies – as Non-Executive Chairman of GSH Corporation Limited, Vice Chairman of Super Group Limited, Vice Chairman of JB Foods Limited, and Director of Tung Lok Restaurants (2000) Ltd.

Mr Goi is also Enterprise 50 Club's Honorary Past President and Vice Chairman of IE Singapore's "Network China" Steering Committee, Regional Representative IE Singapore's "Network China" for Fuzhou City and Fujian Province, council member of the Singapore-Zhejiang Economic & Trade Council, as well as Senior Consultant to Su-Tong Science & Technology Park. He is currently the Honorary Chairman for the International Federation of Fuqing Association, a member of the Singapore University of Technology and Design (SUTD) Board of Trustee, and Chairman of Dunman High School Advisory Committee and Ulu Pandan Citizens Consultative Committee.

Mr Goi was re-elected as Director of the Company at the AGM held in January 2013.

DATO' KAMAL Y P TAN
Group Chief Executive Officer

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

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

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

Dato' Kamal was re-elected as Director at the AGM held in January 2013.

Dato' Kamal is the brother of Dato' Jaya J B Tan.

TEO CHEE SENG
Independent Director
Chairman of Remuneration Committee
Chairman of Nominating Committee
Member of Audit Committee

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

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

Apart from the present directorship of the Company, Mr Teo is the Independent Director of Lasseters International Holdings Limited and Soilbuild Construction Group Ltd, companies listed on the Singapore Stock Exchange and United Overseas Australia Ltd, which is listed on both Singapore and Australia stock exchanges and UOA Development Bhd, a company listed on the KLSE.

Mr Teo was re-elected as Director of the Company at the AGM held in January 2013.

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 currently the Executive Director of Pine Forest Capital, a Boutique Fund Management Company, registered in Singapore. Mr Lyn is also the Chairman of Vietnam Asset Management, an associate company of UOB Kay Hian, which manages Public-listed Funds for Vietnam.

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

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

Mr Lyn was re-elected as Director of the Company at the AGM held in January 2011. He will retire at the forthcoming AGM and will offer himself for re-election.

MAH WENG CHOONG
Group Chief Operating Officer

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

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

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

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

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

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, sterilised and pasteurised products in plastic bottle and gable-top paper carton and can making plant. He joined Etika Dairies Sdn Bhd in 1996 as its Executive Director.

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

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

KEY MANAGEMENT

BILLY LIM YEW THOON
Chief Financial Officer

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

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

Prior to joining Etika, Mr Lim was a Director of a consulting firm which has been providing consultancy and internal audit services to a Malaysian listed company. He was also a sole proprietor of a firm of practising accountants.

RONNIE KWONG YUEN SENG
Chief Operating Officer – Sales & Marketing, Dairies & Beverage Division

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

LAWRENCE POK YORK KEAW
Chief Executive Officer – Frozen Food Division

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

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

NEIL MC GARVA
Chief Executive Officer, Etika Dairies NZ Ltd

Mr Neil Mc Garva studied food science at Massey University and went on to graduate in Public Health Inspection at Wellington Polytechnic. He worked for 10 years as a NZ Government food safety auditor.

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

Since 2006 he has worked on establishing New Zealand's first UHT Aseptic PET Bottling plant in Hawke's Bay. In March 2009, he merged this operation with Etika International Holdings Limited to form Etika Dairies NZ Ltd.

He is currently managing the Etika Dairies NZ plant in Hawke's Bay which commenced commercial production in 2012 contract manufacturing UHT shelf stable dairy and juice products in PET bottles for domestic and export markets.

OTHERS
DIVISION

CORPORATE GOVERNANCE

Etika International Holdings Limited ("Etika") is committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance 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 FY2013.

1. BOARD MATTERS

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

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

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

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

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

To facilitate effective execution of its function, the Board has delegated specific responsibilities to three committees. They are namely the Audit Committee, the Nominating Committee and the Remuneration Committee. Each of the committees has its own terms of reference setting out its role and has the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

Updates on corporate governance are circulated to all Board members by the Company Secretary on a regular basis. Directors are also provided with regular updates, particularly on relevant new laws, regulations, changing commercial risks and information of the industry. The Directors also have access to the advice and services of the Company Secretary and Management, and may in appropriate circumstances, seek independent professional advice concerning the Group's affairs. 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 FY2013	6	5	2	1
Name of Directors				
Dato' Jaya J B Tan	6	5	2	1
Goi Seng Hui[(1)]	4	n/a	n/a	n/a
Dato' Kamal Y P Tan	6	n/a	n/a	n/a
Mah Weng Choong (Alternate Director : Khor Sin Kok)	6	n/a	n/a	n/a
Teo Chee Seng	6	5	2	1
John Lyn Hian Woon	6	5	2	1

Note:

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

(1) Mr Goi Seng Hui was appointed as Non-Executive Vice-Chairman on 9 January 2013. He attended 4 out of the 5 Board meetings held since his appointment date to the end of the financial year.

(2) Mr Tan San Chuan (Alternate Director to Madam Tan Yet Meng), resigned on 18 December 2012.

(3) Madam Tan Yet Meng, resigned as Director on 1 July 2013.

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:-

Name	Age	Date of first appointment	Date of last re-election/ re-appointment	Designation
Dato' Jaya J B Tan	66	23.12.2003	18.01.2012	Chairman
Goi Seng Hui	67	09.01.2013	25.01.2013	Non-Executive Vice-Chairman
Dato' Kamal Y P Tan	61	23.12.2003	25.01.2013	Group Chief Executive Officer
Mah Weng Choong	75	03.08.2004	25.01.2013	Group Chief Operating Officer
Teo Chee Seng	59	03.08.2004	25.01.2013	Independent Director
John Lyn Hian Woon	55	03.08.2004	21.01.2011	Independent Director
Khor Sin Kok	57	03.08.2004	-	Deputy Group Chief Operating Officer and Alternate Director to Mah Weng Choong

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 performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with Management and standards of conduct of the Directors. The criteria for each Director's evaluation include his commitment of time for board and committee meetings and other duties, his other contribution to the Group and his standards of conduct.

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. The Board is of the view that the process for appointment of new Director(s) is adequate. For re-appointments, NC takes into account the individual director's past contributions and performance.

The NC has reviewed the independence of each director for FY2013 in accordance with the Code's definition of independence and is of the opinion that Mr. Teo Chee Seng and Mr John Lyn Hian Woon are independent.

Although the independent Directors hold directorships in other companies, the Board is of the view that such multiple Board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective.

The NC has recommended Dato' Jaya J B Tan and Mr John Lyn Hian Woon, who are retiring at this forthcoming Annual General Meeting, for re-election as Directors of the Company.

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 (in particular the SGX Listing Manual) 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	FY2012	FY2013
Below S$250,000	4	4
S$250,000 to S$499,999	1	1
S$500,000 to S$749,999	2	2
	7	7

b) A breakdown, showing the level and mix of each individual director's remuneration and fees of Etika for FY2013 is as follows:

Remuneration Bands & Names of Directors	Salary*	Directors' Fees	Performance-related income/ Bonus**	Total Remuneration
	%	%	%	%
S$500,000 to S$749,999				
Mah Weng Choong	59.9	-	40.1	100.0
Khor Sin Kok	44.9	-	55.1	100.0
S$250,000 to S$499,999				
Dato' Kamal Y P Tan	57.3	-	42.7	100.0

Remuneration Bands & Names of Directors	Salary*	Directors' Fees	Performance-related income/ Bonus**	Total Remuneration
	%	%	%	%
Below S$250,000				
Goi Seng Hui(1)	-	100.0	-	100.0
Dato' Jaya J B Tan	-	100.0	-	100.0
Teo Chee Seng	-	100.0	-	100.0
John Lyn Hian Woon	-	100.0	-	100.0

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

** Bonus - on receipt basis during FY2013.

(1) Subject to approval of the shareholders, director's fees for FY2013 payable to Mr Goi Seng Hui, who was appointed on 9 January 2013, is S$39,339.

(2) Subject to approval of the shareholders, director's fees for FY2013 payable to Madam Tan Yet Meng, who resigned as Director on 1 July 2013, is S$40,500.

The breakdown, showing the level and mix of each key executive's remuneration for FY2013, is as follows:-

Remuneration Bands & Name of Executive Officers	Salary*	Directors' Fees	Performance-related income/ Bonus**	Total Remuneration
	%	%	%	%
S$500,000 to S$749,999				
Kwong Yuen Seng	42.6	-	57.4	100.0
S$250,000 to S$499,999				
Richard Rowntree	100.0	-	-	100.0
Below S$250,000				
Billy Lim Yew Thoon	79.5	-	20.5	100.0
Pok York Keaw	88.4	-	11.6	100.0
Pok York Keng	88.5		11.5	100.0

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

** Bonus - on receipt basis during FY2013.

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 FY2013 save and except for Dato' Kamal Y P Tan who is related to Dato' Jaya J B Tan.

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 can be found on the Report by Directors in this Annual Report.

Accountability
Principle 10 : Accountability of the Board and management

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

Presently, the Management presents to the AC the 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 meets 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 discusses 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, if any, falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST on a quarterly basis;
- 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 undertakes 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.

For the year under review, the Group has accrued an aggregate amount of audit fees of RM1,082,607, comprising audit fees of RM319,815 paid to auditors of the Company; and RM604,799 and RM157,993 paid to other auditors for audit fees and non-audit service fees respectively. In compliance with Rule 1207(6) of the Listing Manual issued by Singapore Exchange Securities Trading Limited, the AC confirmed that it has undertaken a review of all non-audit services provided by the Auditors and they would not, in the AC's opinion, affect the independence of the Auditors.

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

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

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

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. Etika's auditors, BDO LLP, carry out, in the course of their statutory audit, a review of the effectiveness of Etika's material internal controls, annually to the extent of their scope laid out in their audit plan.

Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations, are reported to the AC members. For FY2013, the Board with the concurrence of the AC, is of the view that the system of internal controls that has been maintained by Etika's management throughout the financial year is adequate to meet the needs of Etika having addressed the financial, operational and compliance risks. In an effort to further enhance and improve the Group's system of internal controls and risk management policies, internal audit will be carried out on companies within the group identified by the AC and deemed necessary. The internal audit will be outsourced by the Company.

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)
	RM	RM
Perinsu (Broker Insurans) Sdn Bhd - Insurance premium	3,948,356 (or approximately S$1,572,925)	-
Sensational Success Sdn Bhd - Purchase of packing materials	1,399,125 (or approximately S$557,376)	-
Motif Etika Sdn Bhd - Rental of office premises	924,000 (or approximately S$368,098)	-

Based on average exchange rate for the year ended 30 September 2013 of S$1 = RM2.5102

Risk Management

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

Dealings in Securities

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

Etika has adopted and implemented an internal compliance of the Code which prohibits securities dealings by directors and employees while in possession of unpublished price-sensitive information. Officers are discouraged to deal in the Company's securities on short-term considerations.
Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of Etika prior to the announcement of a matter that involves material unpublished price-sensitive information. They are required to report on all their dealings in Etika securities to Etika. They are also prohibited from dealing in Etika's securities during the period commencing two weeks before the announcement of the Etika's results for each of the first three quarters of the financial year and during one month before the announcement of the Etika's full year results and ending on the date of the relevant announcement.

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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 2013 and the statement of financial position of the Company as at 30 September 2013 and statement of changes in equity of the Company for the financial year ended 30 September 2013.

1. DIRECTORS

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

Dato' Jaya J B Tan	(Non-Executive Chairman)
Goi Seng Hui	(Appointed as Non-Executive Vice-Chairman on 09.01.2013)
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)
Khor Sin Kok	(Deputy Group Chief Operating Officer and Alternate Director to Mah Weng Choong)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as described in paragraph 5 below, 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 21.10.2013	**Balance as at 30.09.2013**	**Balance as at 01.10.2012 or date of appointment, if later**	**Balance as at 21.10.2013**	**Balance as at 30.09.2013**	**Balance as at 01.10.2012 or date of appointment, if later**
The Company			**Number of ordinary shares**			
Dato' Jaya J B Tan	90,856,364	90,856,364	90,856,364	92,931,072	92,931,072	183,199,786
Goi Seng Hui	-	-	-	77,000,000	77,000,000	75,000,000
Dato' Kamal Y P Tan	90,481,072	90,481,072	90,481,072	93,306,364	93,306,364	183,575,078
Mah Weng Choong	28,347,224	28,347,224	28,347,224	-	-	-
John Lyn Hian Woon	86,000	86,000	186,000	-	-	-
Teo Chee Seng	150,000	150,000	150,000	-	-	-
Khor Sin Kok	27,400,224	27,400,224	27,400,224	-	-	-

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Shareholdings registered in the name of Directors and Nominees		
	Balance as at 21.10.2013	**Balance as at 30.09.2013**	**Balance as at 01.10.2012**
The Company	**Number of options pursuant to Employee Share Options Scheme to subscribe for ordinary shares**		
Dato' Jaya J B Tan	6,000,000	6,000,000	6,000,000
Dato' Kamal Y P Tan	8,000,000	8,000,000	8,000,000
Mah Weng Choong	4,000,000	4,000,000	4,000,000
Khor Sin Kok	4,000,000	4,000,000	4,000,000

By virtue of Section 7 of the Act, Dato' Jaya J B Tan and Dato' Kamal Y P Tan are deemed to have interests in the shares of all the subsidiaries, directly and indirectly 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 Singapore Exchange Securities Trading Limited ("SGX-ST") as well as to better clarify the terms and conditions of the ESOS.

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

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

5. SHARE OPTIONS (CONTINUED)

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

Date of grant	Balance at 01.10.2012	Adjustment/ Granted	Exercised	Lapsed/ Cancelled	Balance at 30.09.2013	Exercise price	Exercise period
10.02.2010	11,788,000	-	(3,766,000)**	(110,000)	7,912,000	S$0.164*	10.02.2012 to 09.02.2017
13.10.2010	27,230,000	-	-	(6,000,000)	21,230,000	S$0.400	13.10.2012 to 12.10.2017
	39,018,000	-	(3,766,000)**	(6,110,000)	29,142,000		

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

** 162,000 options were exercised towards the end of FY2013 and the shares were allotted at the beginning of the first quarter of FY2014.

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

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

Name	Options adjusted/ granted during financial year	Aggregate options granted since commencement of the plan to 30.09.2013	Aggregate options exercised since commencement of the plan to 30.09.2013	Aggregate options exercised since commencement of the plan to 30.09.2012
Directors who are also controlling shareholders				
Dato' Kamal Y P Tan	-	8,000,000	-	-
Dato' Jaya J B Tan	-	6,000,000	-	-
Directors				
Mah Weng Choong	-	4,000,000	-	-
Khor Sin Kok	-	4,000,000	-	-

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

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

6. AUDIT COMMITTEE

The Audit Committee ("AC") 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 AC 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 AC meets periodically to perform the following functions:

a. review with the independent auditors on the audit plan;

b. review the consolidated financial statements of the Group, statement of financial position and statement of changes in equity of the Company, and the independent auditor's 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 independent auditors;

d. consider the appointment and re-appointment of the 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 AC; 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 AC has recommended to the Board of Directors, the nomination of BDO LLP, for re-appointment as independent auditors of the Company at the forthcoming Annual General Meeting.

7. BOARD OPINION ON THE ADEQUACY OF INTERNAL CONTROLS ADDRESSING FINANCIAL, OPERATIONAL AND COMPLIANCE RISKS

A system of internal controls has been implemented for all companies within the Group. The controls are designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication is accurate and reliable.

During the financial year, the Board with the concurrence of AC, after carrying out a review, is of the opinion that the internal controls of the Group are adequate to address operational, financial and compliance risks. In arriving at the opinion, the Board is of the view that the internal controls of the Group have reasonable assurance about achieving the effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

While no system can provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities, the Management, in designing the controls, had taken into account the business risk, its likelihood of occurrence and the cost of protection.

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
6 December 2013

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 2013 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
6 December 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ETIKA INTERNATIONAL HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Etika International Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 57 to 128, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2013, 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 information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
6 December 2013

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Non-current assets					
Property, plant and equipment	4	334,510	308,559	18	20
Prepaid lease payment for land	5	36,549	31,639	-	-
Investments in subsidiaries	6	-	-	39,335	38,407
Trade receivables	11	151	257	-	-
Available-for-sale financial assets	7	233	235	-	-
Deferred tax assets	8	13,660	12,789	-	-
Intangible assets	9	113,138	112,126	93	124
		498,241	465,605	39,446	38,551
Current assets					
Inventories	10	137,877	132,072	-	-
Trade and other receivables	11	151,096	156,604	164,045	96,227
Derivative financial instruments	17	53	-	-	-
Tax recoverable		6,118	9,262	-	-
Fixed deposits	12	6,088	4,487	-	-
Cash and bank balances	13	66,692	40,697	2,907	2,415
		367,924	343,122	166,952	98,642
Less:					
Current liabilities					
Trade and other payables	14	110,834	115,966	25,343	31,506
Bank borrowings	15	207,287	202,676	-	-
Finance lease payables	16	3,374	3,081	-	-
Derivative financial instruments	17	470	14	-	-
Current income tax payable		2,596	3,790	62	-
		324,561	325,527	25,405	31,506
Net current assets		43,363	17,595	141,547	67,136

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Less:					
Non-current liabilities					
Other payables	14	2,295	2,748	-	-
Bank borrowings	15	236,354	224,697	-	-
Finance lease payables	16	6,985	5,202	-	-
Financial guarantee contracts	18	-	-	7,365	7,645
Deferred tax liabilities	19	22,378	19,687	-	-
		268,012	252,334	7,365	7,645
Net assets		273,592	230,866	173,628	98,042
Capital and reserves					
Share capital	20	98,470	57,064	98,470	57,064
Treasury shares	20	(183)	(183)	(183)	(183)
Foreign currency translation reserve	21	1,719	(3,636)	8,925	4,339
Fair value reserve	22	(453)	(541)	-	-
Share options reserve		9,507	9,507	9,507	9,507
Other reserve	23	(504)	-	-	-
Accumulated profits		164,470	165,659	56,909	27,315
Equity attributable to the owners of the Company		273,026	227,870	173,628	98,042
Non-controlling interests		566	2,996	-	-
Total equity		273,592	230,866	173,628	98,042

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 RM'000	2012 RM'000
Revenue	24	981,777	984,800
Cost of goods sold		(758,318)	(780,241)
Gross profit		223,459	204,559
Other operating income		4,381	4,197
Administrative expenses		(53,904)	(45,979)
Selling and marketing expenses		(71,041)	(59,289)
Warehouse and distribution expenses		(44,051)	(38,796)
Research and development expenses		(2,810)	(2,334)
Other operating expenses		(9,898)	(6,370)
Finance costs	25	(27,256)	(25,989)
Profit before income tax	26	18,880	29,999
Income tax expense	27	(13,780)	(9,403)
Profit after income tax		5,100	20,596
Other comprehensive income:			
Item that may never be reclassified subsequently to profit or loss:			
Actual gains/(losses) on defined benefit pension plans		86	(169)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		5,355	(1,477)
Available-for-sale financial assets		2	(30)
		5,357	(1,507)
Other comprehensive income		5,443	(1,676)
Total comprehensive income for the financial year		10,543	18,920
Profit attributable to:			
Owners of the Company		7,435	21,976
Non-controlling interests		(2,335)	(1,380)
		5,100	20,596
Total comprehensive income attributable to:			
Owners of the Company		12,878	20,234
Non-controlling interests		(2,335)	(1,314)
		10,543	18,920
Earnings per share attributable to owners of the Company	28		
Basic		1.26 sen	4.12 sen
Diluted		1.25 sen	4.08 sen

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

		Attributable to owners of the Company									
	Note	Share capital RM'000	Treasury shares RM'000	Other reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Accumulated profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
2013											
Balance at 1 October 2012		57,064	(183)	-	(3,636)	(541)	9,507	165,659	227,870	2,996	230,866
Profit/(loss) for the year		-	-	-	-	-	-	7,435	7,435	(2,335)	5,100
Other comprehensive income:											
Exchange differences on translating foreign operations		-	-	-	5,355	-	-	-	5,355	-	5,355
Actual gains on defined benefit pension plans		-	-	-	-	86	-	-	86	-	86
Available-for-sale financial assets		-	-	-	-	2	-	-	2	-	2
Total other comprehensive income		-	-	-	5,355	88	-	-	5,443	-	5,443
Total comprehensive income/(loss) for the financial year		-	-	-	5,355	88	-	7,435	12,878	(2,335)	10,543
Issuance of ordinary shares	20	41,406	-	-	-	-	-	-	41,406	-	41,406
Acquisition of non-controlling interests without a change in control		-	-	(250)	-	-	-	-	(250)	(1,021)	(1,271)
Acquisition of additional shares in a subsidiary without a change in control		-	-	(254)	-	-	-	-	(254)	-	(254)
Acquisition of additional shares in a subsidiary by non-controlling interests		-	-	-	-	-	-	-	-	926	926
Dividends paid	29	-	-	-	-	-	-	(8,624)	(8,624)	-	(8,624)
Balance at 30 September 2013		98,470	(183)	(504)	1,719	(453)	9,507	164,470	273,026	566	273,952

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

	Note	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Accumulated profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company								
Group										
2012										
Balance at 1 October 2011		56,412	(183)	(2,093)	(342)	5,259	159,355	218,408	4,310	222,718
Profit/(loss) for the year		-	-	-	-	-	21,976	21,976	(1,380)	20,596
Other comprehensive income:										
Exchange differences on translating foreign operations		-	-	(1,543)	-	-	-	(1,543)	66	(1,477)
Actual loss on defined benefit pension plans		-	-	-	(169)	-	-	(169)	-	(169)
Available-for-sale financial assets		-	-	-	(30)	-	-	(30)	-	(30)
Total other comprehensive income		-	-	(1,543)	(199)	-	-	(1,742)	66	(1,676)
Total comprehensive income for the financial year		-	-	(1,543)	(199)	-	21,976	20,234	(1,314)	18,920
Issuance of ordinary shares	20	652	-	-	-	-	-	652	-	652
Share options expense		-	-	-	-	4,248	-	4,248	-	4,248
Dividends paid	29	-	-	-	-	-	(15,672)	(15,672)	-	(15,672)
Balance at 30 September 2012		57,064	(183)	(3,636)	(541)	9,507	165,659	227,870	2,996	230,866

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Note	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Share options reserve RM'000	Accumulated profits RM'000	Total equity RM'000
Company							
2013							
Balance at 1 October 2012		57,064	(183)	4,339	9,507	27,315	98,042
Profit for the year		-	-	-	-	38,218	38,218
Other comprehensive income:							
Exchange differences on translating foreign operations		-	-	4,586	-	-	4,586
Total other comprehensive income		-	-	4,586	-	-	4,586
Total comprehensive income for the financial year		-	-	4,586	-	38,218	42,804
Issuance of ordinary shares	20	41,406	-	-	-	-	41,406
Dividends paid	29	-	-	-	-	(8,624)	(8,624)
Balance at 30 September 2013		98,470	(183)	8,925	9,507	56,909	173,628
2012							
Balance at 1 October 2011		56,412	(183)	3,184	5,259	31,464	96,136
Profit for the year		-	-	-	-	11,523	11,523
Other comprehensive income:							
Exchange differences on translating foreign operations		-	-	1,155	-	-	1,155
Total other comprehensive income		-	-	1,155	-	-	1,155
Total comprehensive income for the financial year		-	-	1,155	-	11,523	12,678
Issuance of ordinary shares	20	652	-	-	-	-	652
Share options expense		-	-	-	4,248	-	4,248
Dividends paid	29	-	-	-	-	(15,672)	(15,672)
Balance at 30 September 2012		57,064	(183)	4,339	9,507	27,315	98,042

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 RM'000	2012 RM'000
Cash flows from operating activities			
Profit before income tax		18,880	29,999
Adjustments for:			
Allowance for doubtful receivables		3,616	7,470
Allowance for doubtful receivables no longer required, now written back		(916)	(643)
Amortisation of prepaid lease payment for land		904	359
Amortisation of intangible assets		458	285
Depreciation of property, plant and equipment		28,273	22,061
Foreign currency exchange loss		3,361	2,941
Gain on disposal of property, plant and equipment		(351)	(190)
Fair value loss/(gain) arising from derivative financial instruments		403	(303)
Interest income		(499)	(419)
Finance costs		27,256	25,989
Inventories written off		4,190	2,377
Property, plant and equipment written off		6	97
Share options expense		-	4,248
Operating profit before working capital changes		85,581	94,271
Working capital changes:			
Inventories		(9,995)	12,559
Trade and other receivables		2,914	(7,475)
Trade and other payables		(5,495)	15,125
Cash generated from operations		73,005	114,480
Interest paid		(7,058)	(5,591)
Income tax paid, net		(11,026)	(10,501)
Net cash generated from operating activities		54,921	98,388

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 RM'000	2012 RM'000
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(51,026)	(71,997)
Payment of prepaid lease for land	5	(5,683)	(11,372)
Purchase of intangible assets	9	(1,022)	(1,404)
Proceeds from disposal of property, plant and equipment		1,303	535
Proceeds from disposal of intangible assets		-	66
Acquisition of non-controlling interests		(1,271)	-
Interest received		499	419
Net cash used in investing activities		(57,200)	(83,753)
Cash flows from financing activities			
Dividends paid to shareholders	29	(8,624)	(15,672)
Proceeds from issuance of ordinary shares	20	41,406	652
Proceeds from issuance of additional shares to non-controlling interests		671	-
Interest paid		(20,198)	(20,398)
Increase in fixed deposits pledged to banks		(200)	(16)
Proceeds from bank borrowings		459,291	519,830
Repayment of bank borrowings		(451,772)	(458,650)
Repayment of finance lease obligations		(3,412)	(3,287)
Net cash generated from financing activities		17,162	22,459
Net change in cash and cash equivalents		14,883	37,094
Cash and cash equivalents at beginning of the financial year		34,180	(3,081)
Effect of exchange rate changes		293	167
Cash and cash equivalents at end of the financial year	13	49,356	34,180

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

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

1. GENERAL CORPORATE INFORMATION

The statement of financial position and statement of changes in equity of Etika International Holdings Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2013 were authorised for issue in accordance with a Directors' resolution dated 6 December 2013.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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

The functional currency of the Company is Singapore Dollar. However, as the Group's significant operations are 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 ("RM").

All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

In the current financial year, the Group and the Company adopted all the new or revised FRS and 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 follows:

Amendments to FRS 1- Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time will be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, there will be no impact on the Group's financial position or performance on initial adoption of this standard in the financial year beginning on 1 October 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS which are potentially relevant to the Group and the Company that have been issued but not yet effective:-

		Effective date (annual periods beginning on or after)
FRS 19 (Revised)	: Employee benefits	1 January 2013
FRS 27 (Revised)	: Separate financial statements	1 January 2014
FRS 28 (Revised)	: Investments in associates and joint ventures	1 January 2014
FRS 32 (Amendments)	: Offsetting financial assets and financial liabilities	1 January 2014
FRS 36	: Recoverable amount disclosures for non-financial assets	1 January 2014
FRS 39	: Novation of derivatives and continuation of hedge accounting	1 January 2014
FRS 107 (Amendments)	: Offsetting financial assets and financial liabilities	1 January 2013
FRS 110	: Consolidated financial statements	1 January 2014
FRS 110, FRS 112 & FRS 27	: Amendments to FRS 110, FRS 112 and FRS 27: Investment entities	1 January 2014
FRS 111	: Joint arrangements	1 January 2014
FRS 112	: Disclosure of interests in other entities	1 January 2014
FRS 113	: Fair value measurement	1 January 2013

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

Management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption, except as disclosed below:

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to provide more extensive disclosures regarding the nature of any risks associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. As this is a disclosure standard, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 October 2014.

FRS 113 Fair Value Measurement

FRS 113 is a new standard that applies to both financial and non-financial items providing guidance on how to measure fair value in situations where fair value measurement is required by other FRSs. It provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, as well as disclosure requirements. FRS 113 will be effective prospectively from the annual period beginning on or after 1 January 2013.

The Group does not expect that the adoption of FRS 113 will have any impact on the financial position or financial performance of the Group, however there may be changes to disclosures in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12, Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110, management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the annual period beginning on or after 1 January 2014 with full retrospective application.

Management is in the process of assessing its impact on the Group's financial position or performance upon adoption of this standard.

FRS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 32 clarify the guidance on criteria that an entity currently has a legally enforceable right to set-off financial assets and financial liabilities; and criteria that an entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. These changes will take effect from the financial year beginning on or after 1 January 2014.

The Group does not expect the adoption of the amendments to result in changes to the situations in which financial assets and liabilities are currently offset and hence does not expect any impact on its financial position or financial performance.

FRS 107 (Amendments) Offsetting Financial Assets and Financial Liabilities

The amendments introduce additional disclosure requirements to include information that will enable users of the financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with recognised financial assets and liabilities, on financial position. As the amendments only affect disclosures, there will be no impact on the Group's financial position or performance on initial adoption of this standard in the financial year beginning on 1 October 2013.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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 so as to obtain benefits from their activities. 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 is transferred to the Group up to the effective date on which control ceases, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting date as the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

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

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 gain 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 of 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.

Investments in subsidiaries are stated at cost less any accumulated impairment loss that has been recognised in the statement of comprehensive income.

2.3 Business combination

Business combination on or after 1 October 2009

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The cost 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 the consolidated statement of comprehensive income as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combination (Continued)

Business combination on or after 1 October 2009 (continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of comprehensive income. Amounts arising from interests in the acquirer prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-Based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items from which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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.

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 (formerly known as minority interest).

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 sales proceeds and the carrying amount is recognised in the consolidated statement of comprehensive income.

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

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

Assets under construction represent property, plant and equipment under construction, which is stated at cost less any impairment loss and is not depreciated. Assets under construction are reclassified to appropriate categories 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.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

(i) Goodwill

Goodwill arising on the acquisition on subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

(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 loss.

(iii) Product licenses

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

(iv) Computer software

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

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

(v) Franchise fees

Franchise fees are initially capitalised at cost and subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost over their estimated useful lives of 10 to 20 years.

(vi) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if the assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value as at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets

Non-financial assets other than goodwill

The carrying amounts of the Group's and the Company's non-financial assets are reviewed at the end of each financial year to determine whether there is any indication of impairment loss 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 loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent of other assets and groups of assets. Impairment loss 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 loss 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 loss 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 loss 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 loss has been recognised. Reversals of impairment loss 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 loss 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 loss 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 loss recognised for goodwill is not reversed in a subsequent period.

2.7 Inventories

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

Cost of raw materials, packing materials and finished goods 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Inventories (Continued)

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow-moving and defective inventories.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances, fixed deposits less bank overdrafts and fixed deposits pledged.

2.9 Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment loss, if any.

The Group and the Company classify their financial assets as loans and receivables and available-for-sale financial assets and financial assets at fair value through profit or loss. 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 excluding prepayments and advances to suppliers", "fixed deposits" and "cash and bank balances" on the statements of financial position.

(ii) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income.

(iii) 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. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the end of the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

Derecognition

Financial assets are derecognised when the contractual 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 sale proceeds is recognised in the consolidated statement of comprehensive income. Where the sale relates to an available-for-sale financial asset, the cumulative gain or loss previously recognised in the fair value reserve is included in the consolidated statement of comprehensive income for the period.

Effective interest method

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

Impairment

The Group and the Company assess at the end of each financial year whether there is objective evidence that a financial asset or a group of financial assets other than financial assets at FVTPL, 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 loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss 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 loss previously recognised in the consolidated statement of comprehensive income, is transferred from other comprehensive income to the profit or loss. Reversal of impairment loss in respect of equity instruments classified as available-for-sale is recognised through equity. Reversal of impairment loss 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 loss was recognised in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities

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

(i) Trade and other payables

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

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

(ii) Financial guarantee contracts

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

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

(iii) Bank borrowings

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

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

(iv) Foreign currency forward contracts

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign currency forward contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. Fair value changes are recognised in the consolidated statement of comprehensive income when the changes arise. Derivative financial instruments are classified as a current asset or a current liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities (Continued)

Recognition and derecognition

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

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

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

2.11 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.

2.12 Provisions

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

2.13 Revenue recognition

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

Sale of goods

Revenue from sale of products is recognised when significant risks and rewards of ownership of goods have been transferred to the buyer upon passage of title to the customers, which generally coincides with their delivery and acceptance.

Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Revenue recognition (Continued)

Rental income

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

2.14 Research costs

Research costs are recognised as expenses when incurred.

2.15 Employment benefits

Defined contribution plan

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

Employee leave entitlement

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

2.16 Leases

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

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

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

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

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

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. Rentals payable 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

Prepaid lease payment

The Group leases property under operating leases and the leases run for a period of 25 to 84 years. The upfront lump-sum payments made under the leases are amortised to the consolidated statement of comprehensive income on a straight-line basis over the term of the leases. The amortisation amount is included in operating lease expenses.

2.17 Borrowing costs

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

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

2.18 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current income tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

<u>Deferred tax</u>

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Income tax (Continued)

Deferred tax (continued)

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

Current and deferred taxes are recognised as an expense or income in the consolidated statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

(i) when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of sales tax included.

2.19 Foreign currency transactions and translations

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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on acquisition of foreign operation are treated as assets and liabilities of the foreign operation, and translated at the closing exchange rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Dividends

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

2.21 Segment reporting

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

2.22 Share-based payment

The Company issues equity settled share-based payments to certain employees and directors.

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 consolidated statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

When the options are exercised and new ordinary shares issued, the proceeds received (net of any attributable transaction costs) 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.

2.23 Contingencies

A contingent liability is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Contingencies (Continued)

(ii) a present obligation that arises from past events but is not recognised because:

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
b. the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical judgements made in applying the accounting policies

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

(i) Impairment of investments 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 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 investments 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 investments in subsidiaries at 30 September 2013 was approximately RM39,335,000 (2012: RM38,407,000).

(ii) Patents and trademarks

Patents and trademarks are capitalised in accordance with the accounting policy in Note 2.5. 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

(iii) Determination of functional currency

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

3.2 Key sources of estimation uncertainty

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

(i) 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 2013 were approximately RM60,183,000 and RM50,512,000 (2012: RM59,741,000 and RM50,512,000), respectively.

More details on the impairment testing of goodwill and patents and trademarks are disclosed in Note 9 to the financial statements.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 30 September 2013 were approximately RM334,510,000 and RM18,000 (2012: RM308,559,000 and RM20,000). 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.

(iii) 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 (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(iii) Income taxes (Continued)

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 amounts of income tax payable for Group and Company as at 30 September 2013 were approximately RM2,596,000 and RM62,000 (2012: RM3,790,000 and Nil) and the carrying amounts of deferred tax assets, tax recoverable and deferred tax liabilities for Group as at 30 September 2013 are as disclosed in the statements of financial position.

(iv) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required.

The carrying amounts of the Group's and the Company's trade and other receivables excluding prepayments and advances to suppliers as at 30 September 2013 were approximately RM140,738,000 and RM164,045,000 (2012: RM149,019,000 and RM96,227,000), 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 2013 was approximately RM137,877,000 (2012: RM132,072,000).

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Cold room and freezer RM'000	Lab equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Computer system RM'000	Assets under construction RM'000	Total RM'000
Group												
Cost												
Balance at 1 October 2012	39,603	68,506	182,678	3,779	1,028	3,344	2,064	15,342	3,962	1,962	57,722	379,990
Additions	-	1,716	23,665	1,885	709	1,404	4,685	4,159	3,750	219	14,331	56,523
Currency realignment	-	(348)	217	-	4	32	(41)	(11)	(127)	52	(1,467)	(1,689)
Reclassification	-	18,914	36,817	338	154	387	5,582	(84)	32	-	(62,140)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	(3)	-	-	(3)
Disposals	(600)	-	(1,143)	(6)	-	(79)	-	(899)	(100)	-	-	(2,827)
Written off	-	-	(15)	(90)	(3)	(54)	-	(102)	(366)	-	-	(630)
Balance at 30 September 2013	39,003	88,788	242,219	5,906	1,892	5,034	12,290	18,405	7,148	2,233	8,446	431,364
Accumulated depreciation												
Balance at 1 October 2012	-	8,077	50,736	774	898	1,104	678	6,220	1,746	1,198	-	71,431
Depreciation for the financial year	-	2,809	19,639	539	200	587	409	3,101	839	150	-	28,273
Currency realignment	-	(242)	(170)	-	(7)	47	(17)	25	(21)	34	-	(351)
Reclassification	-	-	-	-	-	3	-	-	(3)	-	-	-
Disposals	-	-	(1,062)	(1)	-	(79)	-	(636)	(97)	-	-	(1,875)
Written off	-	-	(12)	(90)	(1)	(54)	-	(102)	(365)	-	-	(624)
Balance at 30 September 2013	-	10,644	69,131	1,222	1,090	1,608	1,070	8,608	2,099	1,382	-	96,854
Carrying amount												
Balance at 30 September 2013	39,003	78,144	173,088	4,684	802	3,426	11,220	9,797	5,049	851	8,446	334,510

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Cold room and freezer RM'000	Lab equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Computer system RM'000	Assets under construction RM'000	Total RM'000
Group												
Cost												
Balance at 1 October 2011	38,083	62,215	154,405	1,148	892	3,445	1,748	13,192	3,814	1,713	32,098	312,753
Additions	1,520	3,186	19,989	1,746	135	655	351	3,920	480	198	43,218	75,398
Currency realignment	-	(965)	(2,800)	-	1	(33)	(35)	(68)	(186)	63	(253)	(4,276)
Reclassification	-	4,070	11,949	1,120	-	35	-	165	2	-	(17,341)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(12)	-	(12)
Disposals	-	-	(703)	(13)	-	(6)	-	(1,706)	(67)	-	-	(2,495)
Written off	-	-	(162)	(222)	-	(752)	-	(161)	(81)	-	-	(1,378)
Balance at 30 September 2012	39,603	68,506	182,678	3,779	1,028	3,344	2,064	15,342	3,962	1,962	57,722	379,990
Accumulated depreciation												
Balance at 1 October 2011	-	5,835	37,046	623	683	1,347	481	4,686	1,305	1,010	-	53,016
Depreciation for the financial year	-	2,309	14,321	378	216	516	205	3,360	594	162	-	22,061
Currency realignment	-	(67)	(99)	-	(1)	(5)	(8)	(9)	(52)	29	-	(212)
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Disposals	-	-	(463)	(5)	-	(3)	-	(1,656)	(23)	-	-	(2,150)
Written off	-	-	(69)	(222)	-	(751)	-	(161)	(78)	-	-	(1,281)
Balance at 30 September 2012	-	8,077	50,736	774	898	1,104	678	6,220	1,746	1,198	-	71,431
Carrying amount												
Balance at 30 September 2012	39,603	60,429	131,942	3,005	130	2,240	1,386	9,122	2,216	764	57,722	308,559

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer system RM'000
Company	
2013	
Cost	
Balance at 1 October 2012	127
Additions	3
Currency realignment	2
Balance at 30 September 2013	132
Accumulated depreciation	
Balance at 1 October 2012	107
Depreciation for the financial year	5
Currency realignment	2
Balance at 30 September 2013	114
Carrying amount	
Balance at 30 September 2013	18
2012	
Cost	
Balance at 1 October 2011	119
Additions	8
Balance at 30 September 2012	127
Accumulated depreciation	
Balance at 1 October 2011	95
Depreciation for the financial year	13
Currency realignment	(1)
Balance at 30 September 2012	107
Carrying amount	
Balance at 30 September 2012	20

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

	2013 RM'000	2012 RM'000
Additions of property, plant and equipment	56,523	75,398
Acquired under finance lease	(5,497)	(3,401)
Cash payments made to acquire property, plant and equipment	51,026	71,997

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment of the Group with a carrying amount of approximately RM160,179,000 (2012: RM125,362,000) have been pledged to financial institutions for banking facilities granted to certain subsidiaries as disclosed in Note 15 to the financial statements.

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Carrying amount		
Plant and machinery	404	581
Motor vehicles	8,609	7,966
Office and factory equipment	680	-
Computer system	182	230
Renovation	1,714	-
	11,589	8,777

Assets under construction represent costs of the assets work-in-progress. Included in the additions are borrowing costs capitalised of approximately RM8,000 (2012: RM940,000), which was calculated at effective interest rate of 8.1% (2012: 5% to 8.1%).

As at 30 September 2013, information relating to the Group's freehold properties are as follows:

Location	**Description**	**Existing use**	**Gross land area (sq ft)**	**Gross floor area (sq ft)**
Dairies Division				
Lot LS-1, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	348,916	197,500
Lot LS-2, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	174,458	180,562
Lot LS-3, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	173,143	118,650
Lot LS-5, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	131,654	-
Lot LS-6, Persiaran Satu, Meru Industrial Park, Persiaran Hamzah Alang, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	172,773	-
Lot 1, Mukim Kapar, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	100,788	-

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Dairies Division (Continued)				
Lot 2, Mukim Kapar, 42200 Klang, Selangor Darul Ehsan, Malaysia	Industrial land	Vacant	100,913	-
Trading and Frozen Food Division				
Lot 55, Hicom Glenmarie Industrial Park, Selangor, Malaysia	Warehouse	Office, warehouse, cold room and processing factory	68,674	43,200
Lot 1-3-1, Sri Kerjaya Apartment, Shah Alam, Selangor, Malaysia	Apartment	Staff quarters	-	883
Lot 1-3-3, Sri Kerjaya Apartment, Shah Alam,Selangor, Malaysia	Apartment	Staff quarters	-	893
49, Lorong Wong Ah Jang, Kuantan, Pahang, Malaysia	Shop office	Cold room/ Office	1,560	2,976
Lot 1237 & 1238, Jalan Makloom, Penang, Malaysia	Industrial land	Office, warehouse, and cold room	12,202	16,860
3, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Johor, Malaysia	Industrial warehouse	Cold room/ Office	2,400	3,300
1, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Johor, Malaysia	Industrial warehouse	Cold room	4,690	3,200
7, Jalan Bertam 6, Taman Daya, 81100 Johor Bahru, Johor, Malaysia	Industrial warehouse	Cold room	2,400	2,400
Others Divisions				
Lot 17225, Jalan Haruan 6, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan, Malaysia	Industrial land	Factory building	64,810	29,550
PT 4974, Jalan Haruan 8, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan, Malaysia	Industrial land	Factory building	53,346	36,258

5. PREPAID LEASE PAYMENT FOR LAND

	Group	
	2013 RM'000	2012 RM'000
Cost		
Balance at 1 October	32,542	21,576
Addition	5,683	11,372
Currency realignment	142	(406)
Balance at 30 September	38,367	32,542
Accumulated amortisation		
Balance at 1 October	903	545
Amortisation for the financial year	904	359
Currency realignment	11	(1)
Balance at 30 September	1,818	903
Carrying amount		
Balance at 30 September	36,549	31,639

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

Prepaid lease payment for land of the Group with a carrying amount of approximately RM29,121,000 (2012: RM12,780,000) have been pledged to financial institutions for banking facilities granted to certain subsidiaries as disclosed in Note 15 to the financial statements.

As at 30 September 2013, information relating to the Group's leasehold properties are as follows:

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Dairies Division				
Lot 204531, Mukim Hulu Kinta, Daerah Kinta, Perak, Malaysia	Industrial land	Detached factory	7,363	5,396
Lot 31, Jalan 213, Section 51, 460505 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Industrial land	Industrial cum office building	22,596	28,602
PLO 169, Jalan Angkasa Mas 3, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor, Malaysia	Industrial land	Factory and office building	43,561	33,070
Hamlet 12, Tan Thanh Dong Commune, Cu Chi District, Ho Chi Minh City, Vietnam	Industrial land	Factory building	99,082	75,202
8 VSIP II-A, Street 19, Vietnam-Singapore Industrial Park II A, Tan Uyen District, Binh Duong Province, Vietnam	Industrial land	Vacant	861,123	-

5. PREPAID LEASE PAYMENT FOR LAND (CONTINUED)

Location	Description	Existing use	Gross land area (sq ft)	Gross floor area (sq ft)
Dairies Division (Continued)				
10 VSIP II-A, Street 19, Vietnam-Singapore Industrial Park II A, Tan Uyen District, Binh Duong Province, Vietnam	Industrial land	Vacant	490,834	-
Others Divisions				
Lot 3, Jalan 203, 74, Seksyen 20, Petaling Jaya, Selangor Darul Ehsan, Malaysia	Industrial land	Factory building	51,727	38,400
Jalan Industri, District of Klari, City of Karawang, Province of West Java, Indonesia	Industrial land	Factory building	515,376	125,378
Jalan Raya Gunung Gangsir, KM 4.5, Sub District of Randupitu, District of Gempol, City of Pasuruan, Province of East Java, Indonesia	Industrial land	Factory building	379,858	82,290

6. INVESTMENTS IN SUBSIDIARIES

6.1 Investments in subsidiaries comprise:

	Company	
	2013 RM'000	2012 RM'000
Unquoted equity shares in corporations, at cost	27,741	27,491
Issuance of financial guarantee contracts	7,717	7,997
Issuance of share options to Group's employees	3,877	2,919
	39,335	38,407

6.2 Particulars of subsidiaries

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2013 %	2012 %
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

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2013 %	2012 %
Held by the Company (Continued)			
Etika Capital (Labuan) Inc[2] (Malaysia)	Intra-group lending and investment holding	100	100
Etika Dairies Sdn Bhd[2] (Malaysia)	Manufacturing of dairy products	100	100
Etika Foods International 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 Foods (Singapore) Pte Ltd[1] (Singapore)	Investment holding	100	100
Etika Global Resources Sdn Bhd[2] (Malaysia)	Distribution of dairy products (export market)	100	100
Etika Industries Holdings Sdn Bhd[2] (Malaysia)	Investment holding	100	100
Etika IT Services Sdn Bhd[2] (Malaysia)	IT service	100	100
Etika (NZ) Limited[3] (New Zealand)	Investment holding	100	100
Etika Vixumilk Pte Ltd[1] (Singapore)	Investment holding	100	100
Eureka Capital Sdn Bhd[2] (Malaysia)	Providing management services	100	100
Golden Difference Sdn Bhd[2] (Malaysia)	Investment holding	100	100
Platinum Appreciation Sdn Bhd[2] (Malaysia)	Investment holding	100	100

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2013 %	Effective equity held by the Group 2012 %
Held by the Company (Continued)			
PT Etika Indonesia(4) (Indonesia)	Investment holding	100	100
PT Etika Marketing(4) (Indonesia)	Investment holding and manufacturing of dairy products	100	100
Held by subsidiaries			
- Etika Capital (Labuan) Inc			
PT Sentrafood Indonusa(4)(5) (Indonesia)	Manufacturing and distribution of instant noodle	100	100
- Etika Foods (M) Sdn Bhd			
Daily Fresh Bakery Sdn Bhd(2) (Malaysia)	Trading of cakes, breads, biscuits and confectioneries	100	100
Family Bakery Sdn Bhd(2) (Malaysia)	Manufacturing and trading of cakes, breads, biscuits and confectioneries	100	100
Hot Bun Food Industries Sdn Bhd(2) (Malaysia)	Dormant	100	100
Pok Brothers Sdn Bhd(2) (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	100
- Etika Foods (Singapore) Pte Ltd			
Etika Foods (Vietnam) Co., Ltd(7) (Vietnam)	Dormant	100	100
- Etika Industries Holdings Sdn Bhd			
General Packaging Sdn Bhd(2) (Malaysia)	Manufacturing and distribution of tin cans	99	99

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2013 %	Effective equity held by the Group 2012 %
Held by subsidiaries (Continued)			
- Etika (NZ) Limited			
Etika Dairies NZ Limited[3] (New Zealand)	Manufacturing of dairies and water based products	63.4	60.7
Naturalac Nutrition Limited[3] (New Zealand)	Marketing of branded sport nutrition and weight management foods	100	100
Naturalac Nutrition (UK) Limited[6] (United Kingdom)	Dormant	100	100
- Etika Vixumilk Pte Ltd			
Tan Viet Xuan Joint Stock Company[7] (Vietnam)	Manufacturing and distribution of dairy products	100	100
- Golden Difference Sdn Bhd			
Etika Consumer Sdn Bhd[2] (Malaysia)	Trading and distribution of fast moving consumer goods	100	100
Susu Lembu Asli (Johore) Sdn Bhd[2] (Malaysia)	Processing and distribution of pasteurised milk and related products	100	100
Susu Lembu Asli Marketing Sdn Bhd[2] (Malaysia)	Distribution and marketing of pasteurised milk and related products	100	100
- Pok Brothers Sdn Bhd			
De-luxe Food Services Sdn Bhd[2] (Malaysia)	Manufacturing of convenient value added frozen food	100	100
Pok Brothers (Johor) Sdn Bhd[2] (Malaysia)	Wholesalers of foodstuff, provision and frozen meat	100	81.8
Pok Brothers (Pahang) Sdn Bhd (Malaysia)	Dormant	-	100
Pok Brothers (Penang) Sdn Bhd (Malaysia)	Dormant	-	100

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.2 Particulars of subsidiaries (Continued)

Name of company (Country of incorporation/operation)	Principal activities	Effective equity held by the Group 2013 %	2012 %
Held by subsidiaries (Continued)			
- Pok Brothers Sdn Bhd (Continued)			
Pok Brothers (Selangor) Sdn Bhd[2] (Malaysia)	Dormant	100	100
- Platinum Appreciation Sdn Bhd			
Texas Chicken (Malaysia) Sdn Bhd[2] (formerly known as Elite Cafe Sdn Bhd) (Malaysia)	Quick service restaurant	100	100
- PT Etika Marketing			
PT Vixon Indonesia[4] (Indonesia)	Wholesale and distribution of imported foods and beverages	100	100
- PT Etika Indonesia			
PT Sentraboga Intiselera[4][8] (Indonesia)	Leasing of land to a related company	100	100

(1) Audited by BDO LLP, Singapore, a member firm of BDO International Limited.
(2) Audited by BDO, Malaysia, a member firm of BDO International Limited.
(3) Audited by BDO Auckland, New Zealand, a member firm of BDO International Limited.
(4) Audited by BDO KAP Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited.
(5) Etika Capital (Labuan) Inc, PT Etika Indonesia and PT Etika Marketing hold 68.0%, 31.7% and 0.3% respectively.
(6) Exempted from audit under Section 480 of the Companies Act 2006 (United Kingdom) relating to dormant company.
(7) Audited by BDO Audit Services Co. Ltd., Vietnam, a member firm of BDO International Limited.
(8) PT Etika Indonesia, Etika Capital (Labuan) Inc and PT Etika Marketing hold 56.2%, 43.2% and 0.6% respectively.

6.3 Additional investment in subsidiaries in financial year 2013

(i) On 18 January 2013, a wholly owned subsidiary, Etika (NZ) Ltd, which held 60.7% equity interest in Etika Dairies NZ Ltd ("EDNZ"), had subscribed for an additional 751,617 new ordinary shares in the share capital of EDNZ pursuant to a right issue exercise undertaken by EDNZ at an issue price of NZ$1 per share or a total subsription amount of approximately NZ$752,000 (equivalent to approximately RM1,903,000), thereby increasing the effective shareholding of the Group in EDNZ to 63.4%.

(ii) On 20 February 2013, the Group increased its investment in its wholly owned subsidiary, Golden Difference Sdn Bhd ("GDSB"), by subscribing to an additional 249,998 new ordinary shares in the capital of GDSB at an issue price of RM1 per share or a total subscription amount of RM249,998.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.3 Additional investment in subsidiaries in financial year 2013 (Continued)

(iii) On 25 March 2013, a wholly owned subsidiary, Pok Brothers Sdn Bhd, which held 81.8% equity interest in Pok Brothers (Johor) Sdn Bhd ("PBJ"), acquired 200,000 ordinary shares in PBJ from non-controlling interests for a total cash consideration of RM1,270,904, thereby increasing the effective shareholding of the Group in PBJ to 100%. The carrying amount of the non-controlling interests as at date of acquisition was RM1,020,882.

(iv) On 2 May 2013, a wholly owned subsidiary, Platinum Appreciation Sdn Bhd ("PASB") increased its investment in its wholly owned subsidiary, Texas Chicken (Malaysia) Sdn Bhd ("TCMSB") from RM500,000 to RM2,000,000 by the capitalisation of the loan amount of RM1,500,000 owing by TCMSB to PASB into 1,500,000 new ordinary shares in the share capital of TCMSB.

6.4 Dissolution of subsidiaries in financial year 2013

During the financial year 2013, the Group has struck-off Pok Brothers (Pahang) Sdn Bhd and Pok Brothers (Penang) Sdn Bhd.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	**2012**
	RM'000	**RM'000**
At fair value		
Balance at 1 October	235	265
Fair value loss recognised directly in other comprehensive income	(2)	(30)
Balance at 30 September	233	235

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

8. DEFERRED TAX ASSETS

	Group	
	2013	**2012**
	RM'000	**RM'000**
Balance at 1 October	12,789	14,892
Currency realignment	(1,033)	(1,163)
Recognised in consolidated statement of comprehensive income	1,904	(940)
Balance at 30 September	13,660	12,789

8. DEFERRED TAX ASSETS (CONTINUED)

The following are the deferred tax assets recognised by the Group and movements thereon during the financial year.

	Property, plant and equipment RM'000	Unutilised tax losses RM'000	Other deductible temporary differences RM'000	Total RM'000
Group				
Balance at 1 October 2011	1,213	11,295	2,384	14,892
Currency realignment	36	(1,132)	(67)	(1,163)
Recognised in consolidated statement of comprehensive income	(1,130)	1,149	(959)	(940)
Balance at 1 October 2012	119	11,312	1,358	12,789
Currency realignment	35	(719)	(349)	(1.033)
Recognised in consolidated statement of comprehensive income	418	1,045	441	1,904
Balance at 30 September 2013	572	11,638	1,450	13,660

Deferred tax assets not recognised

	Group 2013 RM'000	Group 2012 RM'000
Balance at 1 October	885	-
Deferred tax assets not recognised during the financial year	9,286	885
Balance at 30 September	10,171	885

At the end of the financial year, the above deferred tax assets not recognised comprises unutilised tax losses and other temporary differences of approximately RM36,224,000 (2012: RM1,774,000) and RM4,460,000 (2012: RM1,767,000) respectively and are available for set-off against future taxable profits. No deferred tax asset has been recognised in respect of these items due to the unpredictability of the profit streams. The unutilised tax losses are subject to agreement by relevant tax authorities. These deductible temporary differences do not expire under current tax legislation.

9. INTANGIBLE ASSETS

	Goodwill RM'000	Patents and trademarks RM'000	Product licences RM'000	Computer software RM'000	Franchise fees RM'000	Total RM'000
2013						
Group						
Cost						
Balance at 1 October 2012	59,741	50,512	8	1,745	982	112,988
Additions	-	-	-	128	894	1,022
Currency realignment	442	-	(1)	7	-	448
Write off	-	-	-	(7)	-	(7)
Transfer from property, plant and equipment	-	-	-	3	-	3
Balance at 30 September 2013	60,183	50,512	7	1,876	1,876	114,454
Accumulated amortisation						
Balance at 1 October 2012	-	-	8	836	18	862
Amortisation for the financial year	-	-	-	301	157	458
Currency realignment	-	-	(1)	4	-	3
Write off	-	-	-	(7)	-	(7)
Balance at 30 September 2013	-	-	7	1,134	175	1,316
Carrying amount						
Balance at 30 September 2013	60,183	50,512	-	742	1,701	113,138
2012						
Group						
Cost						
Balance at 1 October 2011	59,446	50,512	10	1,427	-	111,395
Additions	-	-	-	422	982	1,404
Currency realignment	295	-	(2)	12	-	305
Disposal	-	-	-	(128)	-	(128)
Transfer from property, plant and equipment	-	-	-	12	-	12
Balance at 30 September 2012	59,741	50,512	8	1,745	982	112,988
Accumulated amortisation						
Balance at 1 October 2011	-	-	9	620	-	629
Amortisation for the financial year	-	-	1	266	18	285
Currency realignment	-	-	(2)	9	-	7
Disposal	-	-	-	(62)	-	(62)
Transfer from property, plant and equipment	-	-	-	3	-	3
Balance at 30 September 2012	-	-	8	836	18	862
Carrying amount						
Balance at 30 September 2012	59,741	50,512	-	909	964	112,126

9. INTANGIBLE ASSETS (CONTINUED)

	Computer software 2013 RM'000	2012 RM'000
Company		
Cost		
Balance at 1 October	222	165
Currency realignment	7	6
Additions	-	51
Balance at 30 September	229	222
Accumulated amortisation		
Balance at 1 October	98	60
Amortisation for the financial year	33	33
Currency realignment	5	5
Balance at 30 September	136	98
Carrying amount		
Balance at 30 September	93	124

During the financial year, the Group through its subsidiary, had paid a franchise fee in relation to territory and new stores of RM609,000 (2012: RM982,000) and RM285,000 (2012: Nil) respectively, which is in accordance with the International Multiple Unit Franchise Agreement to develop and operate "Texas Chicken" restaurants over 10 to 20 years in Malaysia.

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

Patents and trademarks relate to various trademarks under the brand names of Horleys, Vixumilk, Goodday, Salam Mie and Daily Fresh acquired through business combinations in prior financial years.

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

Impairment testing of goodwill, patents and trademarks, and other intangible assets

Goodwill acquired in a business combination is allocated to the cash generating units ("CGUs") that are expected to benefit from that business combination.

For presentation purposes, the carrying amounts of goodwill, patents and trademarks and other intangible assets allocated to the respective CGUs have been grouped to the following segments:

(a) Dairies Division;
(b) Trading and Frozen Food Division;
(c) Nutrition Division; and
(d) Others Division.

9. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill, patents and trademarks, and other intangible assets (Continued)

	Dairies RM'000	Trading and Frozen Food RM'000	Nutrition RM'000	Others RM'000	Total RM'000
2013					
Carrying amount					
Goodwill	43,486	6,062	8,788	1,847	60,183
Patents and trademarks	29,350	10,588	8,111	2,463	50,512
Computer software	195	448	-	99	742
Franchise fees	-	-	-	1,701	1,701
	73,031	17,098	16,899	6,110	113,138
2012					
Carrying amount					
Goodwill	43,486	6,062	8,346	1,847	59,741
Patents and trademarks	29,350	10,588	8,111	2,463	50,512
Computer software	226	550	-	133	909
Franchise fees	-	-	-	964	964
	73,062	17,200	16,457	5,407	112,126

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 Directors for periods covering a 5-year period. The management has considered and determined the factors applied in the financial budgets which include budgeted gross margins, pre-tax discount rates and estimated growth rates. The budgeted gross margins are based on past performance and the average growth rates and discount rates used are based on management's best estimate. Key assumptions used for value in use calculations are as follows:

	Dairies %	Trading and Frozen Food %	Nutrition %	Others %
2013				
Gross margin(1)	18.07	20.17	39.00	42.66
Growth rate(2)	17.93	17.40	14.50	42.11
Discount rate(3)	8.73	7.66	13.50	9.52
2012				
Gross margin(1)	17.36	21.84	48.17	35.11
Growth rate(2)	18.34	17.18	5.45	33.50
Discount rate(3)	8.17	7.78	13.53	9.57

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

Sensitivity to changes in assumptions

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

10. INVENTORIES

	Group 2013 RM'000	Group 2012 RM'000
Finished goods	69,824	64,889
Raw materials	57,363	57,563
Packaging materials	6,189	5,091
Work in progress	216	3,957
Consumables	3,449	572
Goods-in-transit	836	-
	137,877	132,072

The cost of inventories recognised as an expense and included in "cost of goods sold" in the consolidated statement of comprehensive income amounted to RM758,318,000 (2012: RM780,241,000).

As at the end of the financial year, the Group's inventories with a carrying amount of approximately RM7,643,000 (2012: RM6,729,000) is subject to a floating charge for the banking facilities granted to a subsidiary (Note 15).

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current receivables				
Trade receivables	149,525	156,824	-	-
Allowance for doubtful trade receivables	(13,325)	(12,597)	-	-
	136,200	144,227	-	-
Other receivables	1,661	3,364	127	137
Allowance for doubtful other receivables	(316)	(113)	-	-
	1,345	3,251	127	137
Prepayments	8,454	3,815	-	-
Deposits	3,042	1,284	45	41
Advances to suppliers	2,055	4,027	-	-
Due from subsidiaries - non-trade	-	-	163,873	96,049
	13,551	9,126	163,918	96,090
	151,096	156,604	164,045	96,227
Non-current receivables				
Trade receivables	70	207	-	-
Deposit	81	50	-	-
	151	257	-	-
	151,247	156,861	164,045	96,227

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The trade amounts owing by third parties are repayable within the normal trade credit terms of 30 days to 120 days (2012: 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 2013 is adequate.

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

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

The non-current trade receivables pertaining to several third-party customers amounting to approximately RM70,000 (2012: RM254,000) are being paid through installments over periods of 2 to 10 years. The amortised cost recognised in the consolidated statement of comprehensive income amounted to approximately RM5,000 (2012: RM47,000).

Movements in allowance for doubtful trade receivables:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Balance at 1 October	12,597	7,459
Currency realignment	(337)	(82)
Allowance made during the financial year	3,418	7,470
Write back of allowance no longer required	(916)	(643)
Bad receivables written off against allowance	(1,437)	(1,607)
Balance at 30 September	13,325	12,597

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

Movements in allowance for doubtful other receivables:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Balance at 1 October	113	120
Currency alignment	5	(7)
Allowance made during the financial year	198	-
Balance at 30 September	316	113

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables excluding prepayments and advances to suppliers are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	105,258	105,417	51,704	6,849
Singapore Dollar	4,780	2,747	49,111	40,581
United States Dollar	14,708	17,773	36,736	28,642
Indonesian Rupiah	4,409	11,027	8,196	9,696
New Zealand Dollar	3,437	3,390	11,012	6,592
Australian Dollar	5,359	4,718	-	-
Euro	-	51	7,272	3,853
Vietnamese Dong	2,787	3,871	14	14
Swiss Franc	-	25	-	-
	140,738	149,019	164,045	96,227

12. FIXED DEPOSITS

Fixed deposits are placed for a period of 1 month to 12 months (2012: 1 month to 12 months) and the effective interest rates on the fixed deposits ranging from 1.2% to 6.9% (2012: 0.5% to 3.1%) per annum. As at the end of the financial year, fixed deposits of RM597,000 (2012: RM396,000) of the Group have been pledged as security for the banking facilities granted to its subsidiaries (Note 15).

Fixed deposits are denominated in the following currencies:

	Group	
	2013	2012
	RM'000	RM'000
Ringgit Malaysia	597	505
United States Dollar	2,438	3,033
Indonesian Rupiah	-	949
Vietnamese Dong	3,053	-
	6,088	4,487

13. CASH AND BANK BALANCES

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	55,043	26,425	454	445
Singapore Dollar	3,760	1,833	1,163	1,434
United States Dollar	3,935	5,758	-	-
New Zealand Dollar	1,037	1,908	1,290	536
Australian Dollar	444	774	-	-
Indonesian Rupiah	632	2,737	-	-
Vietnamese Dong	1,841	1,262	-	-
	66,692	40,697	2,907	2,415

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	66,692	40,697	2,907	2,415
Fixed deposits	6,088	4,487	-	-
Bank overdraft (Note 15)	(22,827)	(10,608)	-	-
	49,953	34,576	2,907	2,415
Pledged fixed deposits (Note 12)	(597)	(396)		
Cash and cash equivalents, per consolidated statement of cash flows	49,356	34,180		

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current liabilities				
Trade payables	64,219	71,166	-	-
Other payables	17,587	20,090	296	247
Customers' deposits	3,185	4,124	-	-
Accruals	25,843	20,586	2,479	2,407
Due to subsidiaries – non-trade	-	-	22,568	28,852
	110,834	115,966	25,343	31,506
Non-current liabilities				
Other payables	2,295	2,748	-	-
	113,129	118,714	25,343	31,506

The trade amounts are repayable within the normal trade credit terms of 7 days to 120 days (2012: 7 days to 90 days).

14. TRADE AND OTHER PAYABLES (CONTINUED)

Current portion of other payables comprise mainly other operating expenses payable, goods and service tax, and advances from non-controlling interest holders. Non-current other payables comprise long term employment benefits. In view of the insignificant effect of the long term employment benefits on the Group's financial position and results, the management did not separately disclose information as required by FRS 19 *Employee Benefits*.

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	75,178	85,107	8,936	24,972
Singapore Dollar	2,790	2,743	5,017	-
United States Dollar	10,942	6,570	7,643	3,715
British Pound	438	-	-	-
Australian Dollar	633	677	-	-
Euro	82	41	-	-
Swiss Franc	6	-	-	-
New Zealand Dollar	8,120	8,555	3,195	2,174
Indonesian Rupiah	11,842	10,811	552	645
Vietnamese Dong	3,095	4,210	-	-
Thai Baht	3	-	-	-
	113,129	118,714	25,343	31,506

15. BANK BORROWINGS

	Group	
	2013 RM'000	2012 RM'000
Current liabilities		
Secured:		
Bank overdrafts	22,827	10,608
Banker's acceptance	93,873	109,475
Short term revolving credit	5,782	9,458
Offshore foreign currency loans	26,950	23,308
Term loans	35,014	29,599
	184,446	182,448
Unsecured:		
Banker's acceptance	14,841	15,728
Short term revolving credit	8,000	4,500
	22,841	20,228
	207,287	202,676
Non-current liabilities		
Secured:		
Offshore foreign currency loans	53,538	41,404
Term loans	182,816	183,293
	236,354	224,697
	443,641	427,373

15. BANK BORROWINGS (CONTINUED)

The carrying amounts of bank borrowings approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Bank borrowings are denominated in the following currencies:

	Group	
	2013 RM'000	2012 RM'000
Ringgit Malaysia	338,015	339,868
United States Dollar	68,544	42,378
New Zealand Dollar	21,360	22,334
Indonesian Rupiah	15,722	22,793
	443,641	427,373

In financial year 2011, the Group entered into a syndicated facility of RM368,000,000 with a consortium of three leading Malaysian financial institutions, each on equal proportion. The facility was made available for utilisation by certain subsidiaries in Dairies, Trading and Frozen Food, and Others Divisions. The facility comprises RM363,000,000 Islamic financing and tradelines and RM5,000,000 conventional foreign exchange contract facility. Out of RM368,000,000, RM152,000,000 was used to redeem the existing bank borrowings in Malaysia, RM159,000,000 was used for trade working capital whilst the remaining balance is to fund the merger and acquisition plans, as well as capital expansion of the Group.

	Group	
	2013 RM'000	2012 RM'000
Offshore foreign currency loans and term loans analysed by division:		
Dairies Division		
Term loan repayable by 2 quarterly installments of RM3,892,857 each commencing July 2012 and followed by 26 quarterly installments of RM7,739,011 each commencing January 2013	178,367	197,604
Term loan acquired through business combination with remaining 31 monthly installments of RM40,314 each commenced in January 2011 via acquisition of a subsidiary	-	389
Term loan acquired through business combination with remaining 37 monthly installments of RM88,167 each commenced in January 2011 via acquisition of a subsidiary	347	1,338
Term loan repayable by 14 half yearly installments of USD714,285 equivalent to RM2,326,498 each commenced in June 2011	20,964	24,280
Term loan repayable by 8 half-yearly installments of USD500,000 equivalent to RM1,544,450 each commencing December 2013 and 4 half-yearly installments of USD1,500,000 equivalent to RM4,885,650 each commencing December 2017	31,934	18,098
Term loan repayable by 95 monthly installments of RM266,876 each commencing December 2013 and final installment of RM266,889 in November 2021	19,554	-

15. BANK BORROWINGS (CONTINUED)

	Group	
	2013 RM'000	2012 RM'000
Offshore foreign currency loans and term loans analysed by division: (Continued)		
Dairies Division (Continued)		
Term loan repayable by 13 quarterly installments of USD214,000 equivalent to RM697,019 each commencing January 2015 and final installment of USD208,000 equivalent to RM677,477 in April 2018	9,416	-
Trading and Frozen Food Division		
Term loan acquired through business combination with remaining 107 monthly installments of RM3,140 each commenced in September 2009 via acquisition of a subsidiary	205	227
Others Divisions		
Term loan repayable until the expiry date commenced in February 2007	1,081	1,026
Term loan repayable by 40 quarterly installments of NZD73,693 equivalent to RM199,141 each commenced in February 2007	2,788	3,404
Term loan repayable until the expiry date commenced in April 2010	10,269	9,753
Term loan repayable until the expiry date commenced in December 2010	4,053	3,850
Term loan repayable by 37 quarterly installments of NZD83,784 equivalent to RM226,410 commenced in February 2008	3,170	4,301
Term loan repayable by 90 monthly installments of IDR417,755,379 equivalent to RM115,461 each commenced in January 2012	7,938	10,648
Term loan repayable by 90 monthly installments of IDR105,397,070 equivalent to RM29,130 each commenced in January 2012	2,002	2,686
Term loan repayable by 23 quarterly installments of USD79,700 equivalent to RM259,591 each commencing September 2015 and final installment of USD79,900 equivalent to RM260,000 in June 2021	6,230	-
	298,318	277,604

	Group	
	2013 RM'000	2012 RM'000
Offshore foreign currency loans and term loans analysed into:		
Current	61,964	52,907
Non-current	236,354	224,697
	298,318	277,604

15. BANK BORROWINGS (CONTINUED)

	Group	
	2013	2012
	%	%
Effective interest rates		
Bank overdrafts	6.89 – 7.60	6.89 – 7.60
Banker's acceptance	2.99 – 4.85	2.99 – 4.84
Offshore foreign currency loans	3.85 – 6.39	3.80 – 7.10
Short term revolving credit	5.05 – 11.25	5.05 – 11.25
Term loans	5.10 – 12.00	6.95 – 11.25

Non-current bank borrowings are repayable as follows:

	Group	
	2013	2012
	RM'000	RM'000
After one year	45,180	39,512
Two to five years	142,567	116,777
After five years	48,607	68,408
	236,354	224,697

The secured bank borrowings are secured by:

(a) Various fixed charges over specific land and buildings of the Group as indicated in Notes 4 and 5;
(b) Various debentures incorporating fixed charges over specific plant and machinery of the Group as indicated in Note 4;
(c) Various security documents in respect of immovable properties or specific assets acquired and financed under the syndicated facility;
(d) Various memorandum of deposit incorporating legal charges over shares of certain companies acquired;
(e) Limited charge on Horley's brand name;
(f) Pledged of unquoted shares of certain subsidiaries;
(g) Pledged of inventories of a subsidiary as disclosed in Note 10; and
(h) Pledged of fixed deposits of certain subsidiaries as disclosed in Note 12.

All the above secured borrowings and unsecured borrowings, except for a secured term loan in Trading and Frozen Division of RM205,000 (2012: RM227,000) granted to a subsidiary, are guaranteed by the Company.

16. FINANCE LEASE PAYABLES

	Minimum lease payments RM'000	Future finance charges RM'000	Present value of lease payments RM'000
Group			
2013			
Current			
- within one year	3,895	(521)	3,374
Non-current			
- two to five years	7,531	(673)	6,858
- more than five years	130	(3)	127
	7,661	(676)	6,985
2012			
Current			
- within one year	3,499	(418)	3,081
Non-current			
- two to five years	5,571	(443)	5,128
- more than five years	75	(1)	74
	5,646	(444)	5,202

The effective interest rates range from 2.50% to 12.69% (2012: 2.25% to 12.69%) per annum.

The Group's obligations under finance leases are secured by the lessors' titles to the leased assets (Note 4).

Finance leases are denominated in the following currencies:

	Group	
	2013 RM'000	2012 RM'000
Ringgit Malaysia	10,256	8,212
Indonesian Rupiah	103	71
	10,359	8,283

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2013		2012	
	Contract/ Notional amount RM'000	Carrying amount RM'000	Contract/ Notional amount RM'000	Carrying amount RM'000
Group				
At fair value				
Foreign currency forward contracts				
- Assets	4,886	53	-	-
- Liabilities	(16,155)	(470)	(1,531)	(14)
Net liabilities	(11,269)	(417)	(1,531)	(14)

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

During the financial year, the Group recognised total loss of RM403,000 (2012: gain of RM303,000) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward foreign exchange and interest rates.

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

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

18. FINANCIAL GUARANTEE CONTRACTS

	Company	
	2013 RM'000	2012 RM'000
Balance at 1 October	7,645	7,645
Reversal of financial guarantee contracts during the year	(280)	-
Balance at 30 September	7,365	7,645

The balance as at 30 September 2013 of RM7,365,000 (2012: RM7,645,000) represents the fair value of financial guarantee contracts which was discounted at interest rates ranging from 3.3% to 11.25% (2012: 4.42% to 11.25%) for over 5 to 6 years.

19. DEFERRED TAX LIABILITIES

	Group	
	2013	2012
	RM'000	RM'000
Balance at 1 October	19,687	19,653
Currency realignment	12	(130)
Recognised in consolidated statement of comprehensive income	2,679	164
Balance at 30 September	22,378	19,687

The following are the deferred tax liabilities recognised by the Group and movements thereon during the financial year.

	Fair value adjustments on property, plant and equipment RM'000	Property, plant and equipment RM'000	Other taxable temporary differences RM'000	Total RM'000
Group				
Balance at 1 October 2011	10,512	7,424	1,717	19,653
Currency realignment	-	(7)	(123)	(130)
Recognised in consolidated statement of comprehensive income	(5,109)	6,677	(1,404)	164
Balance at 1 October 2012	5,403	14,094	190	19,687
Currency realignment	204	(195)	3	12
Recognised in consolidated statement of comprehensive income	273	2,212	194	2,679
Balance at 30 September 2013	5,880	16,111	387	22,378

20. SHARE CAPITAL

	Group and Company			
	2013		2012	
	S$'000	RM'000	S$'000	RM'000
Issued and fully paid:				
Balance at 1 October	24,930	57,064	24,666	56,412
Issuance of new ordinary shares	15,991	39,918	-	-
Issuance of ordinary shares arising from the exercise of share options	591	1,488	264	652
Balance at 30 September	41,512	98,470	24,930	57,064

The Company has only 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.

20. SHARE CAPITAL (CONTINUED)

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

Movements in number of shares issued:

	Group and Company Number of ordinary shares	
	2013 '000	**2012 '000**
Balance at 1 October	536,192	534,582
Issuance of new ordinary shares	75,000	-
Issuance of ordinary shares arising from the exercise of share options	3,604	1,610
Balance at 30 September	614,796	536,192

On 6 December 2012, the Company entered into a subscription agreement with Tee Yih Jia Food Manufacturing Pte Ltd for the issuance of 75,000,000 ordinary shares at an exercise price of S$0.21321 per share for cash at an aggregate consideration of S$15,990,750, equivalent to RM39,918,000, for capital expenditure and working capital purposes.

Treasury shares

Movement in treasury shares:

	Group and Company			
	Number of treasury shares		Amount	
	2013 '000	**2012 '000**	**2013 RM'000**	**2012 RM'000**
Balance at 30 September	1,210	1,210	183	183

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

Etika Employee Share Options Scheme ("ESOS")

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

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

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

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

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

(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.

20. SHARE CAPITAL (CONTINUED)

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

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

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

	2013		2012	
	Number of share options '000	Weighted average exercise price S$	Number of share options '000	Weighted average exercise price S$
Outstanding at 1 October	39,018	0.328	40,668	0.321
Exercised	(3,604)*	0.164	(1,610)	0.164
Lapsed/cancelled	(6,110)	0.164	(40)	0.164
Outstanding at 30 September	29,304	0.335	39,018	0.328
Exercisable as at 30 September	7,912	0.164	11,788	0.290

* did not include 162,000 options which were exercised towards the end of FY2013 but the shares were alloted at the beginning of the first quarter of FY2014.

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 and option life expected.

During the financial year, the total of 6,110,000 share options were cancelled and forfeited.

Volatility, measured as the standard deviation of expected share price returns, was based on the average 10-day volatility over one year observation period in accordance with convention laid down by Bank for International Settlements. The inputs to the model used are shown below.

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

* exercise price has been adjusted for a bonus issue of one for one on 12 October 2010.

21. FOREIGN CURRENCY TRANSLATION RESERVE

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

22. FAIR VALUE RESERVE

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

23. OTHER RESERVE

Other reserve represents the premium paid for the acquisition of non-controlling interests in certain subsidiaries. Movements in these reserve are set out in the statements of changes in equity.

24. REVENUE

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

25. FINANCE COSTS

	Group	
	2013	**2012**
	RM'000	**RM'000**
Interest expense		
- bank overdrafts	140	209
- banker's acceptance	6,570	5,292
- term loans	17,097	17,210
- offshore foreign currency loans	2,555	2,619
- finance lease	546	570
- others	348	89
	27,256	25,989

26. PROFIT BEFORE INCOME TAX

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

	Group	
	2013 RM'000	2012 RM'000
Advertising and promotion	28,961	20,194
Allowance for doubtful receivables	3,616	7,470
Non-audit fees paid to other auditors	158	106
Amortisation of intangible assets	458	285
Amortisation of prepaid lease payment for land	904	359
Depreciation of property, plant and equipment	28,273	22,061
Directors' remuneration		
- Directors of the Company	3,299	4,959
- Directors of the subsidiaries	3,559	4,901
Directors' fee		
- Directors of the Company	548	513
Inventories written off	4,190	2,377
Foreign currency exchange loss, net	9,283	1,865
Operating lease expense	5,839	5,092
Property, plant and equipment written off	6	97
Share options expense	-	4,248
Staff costs:		
- Salaries, bonuses and allowances	65,226	59,043
- Employer contributions to defined contribution plans	5,793	4,710
Allowance for doubtful receivables no longer required - trade	(916)	(643)
Bad debts recovered	(72)	(53)
Fair value loss/(gain) arising from derivative financial instruments	403	(303)
Gain on disposal of property, plant and equipment	(351)	(190)
Interest income from fixed deposits	(499)	(419)
Rental income	(34)	(39)

27. INCOME TAX EXPENSE

	Group	
	2013	2012
	RM'000	RM'000
Current tax:		
- current year	12,763	8,572
- under/(over) provision in prior years	242	(273)
	13,005	8,299
Deferred tax expense:		
- current year	856	1,777
- over provision in prior years	(81)	(673)
	775	1,104
	13,780	9,403

Reconciliation of effective income tax rate

	Group	
	2013	2012
	RM'000	RM'000
Profit before income tax	18,880	29,999
Income tax calculated at Malaysia statutory tax rate of 25% (2012: 25%)	4,720	7,500
Effect of different tax rates in other countries	(3,933)	2,826
Expenses not deductible for tax purposes	12,923	9,438
Income not subject to tax	(2,728)	(6,377)
Tax incentives	(7,615)	(6,593)
Current tax under/(over) provided in prior years	242	(273)
Deferred tax over provided in prior years	(81)	(673)
Expiration of unutilised tax losses and capital allowances	663	3,236
Utilisation of previously unrecognised deferred tax assets	-	(1,728)
Effect of deductible temporary differences not recognised	9,286	885
Withholding tax	902	1,516
Others	(599)	(354)
	13,780	9,403

28. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the Group's profit after income tax attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue, after adjusted for bonus issue on 12 October 2010, during the financial year.

	Group	
	2013	2012
Profit after income tax attributable to owners of the Company (RM'000)	7,435	21,976
Weighted average number of ordinary shares in issue during the financial year ('000)	591,129	533,942
Basic earnings per share	1.26 sen	4.12 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 employee share options into ordinary shares as at 30 September of the respective financial year.

	Group	
	2013	2012
Profit after income tax attributable to owners of the Company (RM'000)	7,435	21,976
Weighted average number of shares in issue ('000)	591,129	533,942
Adjustment for:		
- Employee share options ('000)	4,558	4,055
	595,687	537,997
Diluted earnings per share	1.25 sen	4.08 sen

29. DIVIDENDS

	Group and Company	
	2013 RM'000	2012 RM'000
Dividends paid:		
Final tax exempt 1-tier dividend of S$0.003 (2011: S$0.007) per share paid in respect of financial years ended 30 September 2012 and 2011, respectively	4,046	9,126
Interim tax exempt 1-tier dividend of S$0.003 (2012: S$0.005) paid in respect of financial years ended 30 September 2013 and 2012, respectively	4,578	6,546
	8,624	15,672

29. DIVIDENDS (CONTINUED)

The Directors of the Company propose that a final tax exempt 1-tier dividend of S$0.002 per share amounting to S$1,227,000 (equivalent to RM3,183,000) to be paid for the financial year ended 30 September 2013 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
With related parties:				
- Insurance premium paid to a related party	3,948	3,080	37	51
- Rental of premises paid to a related party	924	924	-	-
- Purchase of packing materials from related parties	1,399	1,494	-	-
- Rental of premises paid to a director of a subsidiary	32	26	-	-
- Sale of goods to a related party	(113)	-	-	-
With related companies:				
- Management fees	-	-	(4,052)	(7,429)
- Dividend income	-	-	(40,864)	(16,173)
- IT service fees charged by a subsidiary	-	-	-	25

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term employee benefits	7,637	6,748	4,381	3,621
Post-employment benefits	381	374	78	64
Share options expense	-	3,937	-	2,473
	8,018	11,059	4,459	6,158
Analysed into:				
- Directors of the Company	3,847	5,472	3,847	5,472
- Directors of the subsidiaries	3,559	4,901	-	-
- Other key management personnel	612	686	612	686
	8,018	11,059	4,459	6,158

During the financial years 2013 and 2012, certain directors and key management personnel were granted share options, in respect of their services to the Group and the Company, under the share options scheme of the Company, further details of which are set out in Note 20 to the financial statements. The fair value of such options which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current financial year is included in the above directors and key management personnel remuneration disclosures.

31. CONTINGENT LIABILITIES AND COMMITMENTS

31.1 Capital commitments

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

	Group	
	2013 RM'000	2012 RM'000
Purchase of property, plant and equipment	15,024	13,818

31.2 Operating lease commitments

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

	Group	
	2013 RM'000	2012 RM'000
Within one year	3,119	2,425
Two to five years	6,147	4,464
More than five years	5,758	6,223
	15,024	13,112

31. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

31.2 Operating lease commitments (Continued)

As at the end of the financial year, the Group leases office premises and other operating facilities under operating leases. Leases are negotiated and rentals are fixed for a period of 1 to 15 years with an option to renew at the prevailing market rates. There is no contingent rental.

31.3 Contingent liabilities - unsecured

Company

The Company has undertaken to provide financial support to certain subsidiaries, to enable them to operate as going concern and to meet their obligations for at least 12 months from the date of their respective directors' report relating to the financial statements for the financial year ended 30 September 2013. In the opinion of the Directors, no losses are expected to arise.

As at the end of the financial year, the contingent liabilities in respect of guarantees given by the Company to banks in connection with banking facilities granted to certain subsidiaries are:

	2013 RM'000	2012 RM'000
Facilities in Ringgit Malaysia	475,692	461,192
Facilities in United States Dollar	114,692	61,778
Facilities in New Zealand Dollar	28,670	27,229
Facilities in Indonesian Rupiah	21,305	24,385
	640,359	574,584

The amount of banking facilities not yet utilised as at 30 September 2013 amounted to RM135,418,000 (2012: RM127,838,000).

32. SEGMENT INFORMATION

Business segments

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

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

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

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

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.

32. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

The Group's core business segments were as follows:

- Dairies Division;
- Trading and Frozen Food Division – comprising frozen food trading, butchery and bakery sub-divisions and the distribution business;
- Nutrition Division; and
- Others Division – comprising packaging, beverage, noodles and restaurant businesses.

	Dairies RM'000	Trading and Frozen Food RM'000	Nutrition RM'000	Others RM'000	Unallocated RM'000	Total RM'000
2013						
Revenue						
External revenue	660,945	218,869	56,646	45,317	-	981,777
Results						
Segments results	54,707	9,322	(3,626)	(5,697)	(9,069)	45,637
Interest income	178	101	27	7	186	499
Finance costs	(14,839)	(6,364)	(1,162)	(4,838)	(53)	(27,256)
Profit/(Loss) before income tax	40,046	3,059	(4,761)	(10,528)	(8,936)	18,880
Income tax	(10,783)	(2,368)	2,646	(3,054)	(221)	(13,780)
Profit/(Loss) after income tax	29,263	691	(2,115)	(13,582)	(9,157)	5,100
Segment assets	508,779	164,197	55,571	111,090	6,750	846,387
Unallocated assets	4,621	1,980	5,421	7,752	4	19,778
Total assets	513,400	166,177	60,992	118,842	6,754	866,165
Segment liabilities	445,491	18,798	29,866	63,982	9,462	567,599
Unallocated liabilities	14,924	1,688	20	8,219	123	24,974
Total liabilities	460,415	20,486	29,886	72,201	9,585	592,573
Other information						
Capital expenditure	36,604	12,511	2,343	10,734	14	62,206
Depreciation and amortisation	14,629	5,799	2,773	6,394	40	29,635
Allowance for doubtful receivables	1,700	597	2	1,317	-	3,616
Inventories written off	3,404	432	-	354	-	4,190
Property, plant and equipment written off	6	-	-	-	-	6

32. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Dairies RM'000	Trading and Frozen Food RM'000	Nutrition RM'000	Others RM'000	Unallocated RM'000	Total RM'000
2012						
Revenue						
External revenue	705,680	196,098	54,748	28,274	-	984,800
Results						
Segments results	57,176	8,345	2,154	(233)	(11,873)	55,569
Interest income	269	93	22	29	6	419
Finance costs	(14,299)	(5,610)	(885)	(5,195)	-	(25,989)
Profit/(Loss) before income tax	43,146	2,828	1,291	(5,399)	(11,867)	29,999
Income tax	(6,612)	(2,259)	409	(765)	(176)	(9,403)
Profit/(Loss) after income tax	36,534	569	1,700	(6,164)	(12,043)	20,596
Segment assets	470,956	151,565	54,661	106,015	3,479	786,676
Unallocated assets	4,040	2,907	2,566	12,537	1	22,051
Total assets	474,996	154,472	57,227	118,552	3,480	808,727
Segment liabilities	439,227	15,400	31,500	65,419	2,838	554,384
Unallocated liabilities	13,632	1,136	19	8,632	58	23,477
Total liabilities	452,859	16,536	31,519	74,051	2,896	577,861
Other information						
Capital expenditure	39,816	22,069	3,548	9,957	8	75,398
Depreciation and amortisation	11,684	4,220	1,217	5,538	46	22,705
Allowance for doubtful receivables	4,914	1,108	-	1,448	-	7,470
Inventories written off	2,314	63	-	-	-	2,377
Property, plant and equipment written off	94	3	-	-	-	97

32. SEGMENT INFORMATION (CONTINUED)

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 and cash and bank balances. Capital expenditure comprises additions to property, plant and equipment and prepaid lease payment for land. Segment assets and capital expenditure are shown by geographical area in which the assets are located.

	Malaysia RM'000	Africa RM'000	Asean (excluding Malaysia) RM'000	Others RM'000	Total RM'000
2013					
Total revenue from external customers	596,479	72,603	218,919	93,776	981,777
Segment assets	656,348	4,895	135,549	49,595	846,387
Capital expenditure	44,349	-	15,515	2,342	62,206
Depreciation and amortisation	20,536	-	6,325	2,774	29,635
Allowance for doubtful receivables	2,010	-	1,604	2	3,616
Inventories written off	4,190	-	-	-	4,190
Property, plant and equipment written off	6	-	-	-	6
2012					
Total revenue from external customers	558,130	106,432	235,753	84,485	984,800
Segment assets	597,201	8,964	132,538	47,973	786,676
Capital expenditure	58,170	-	13,680	3,548	75,398
Depreciation and amortisation	16,298	-	5,190	1,217	22,705
Allowance for doubtful receivables	5,927	-	1,543	-	7,470
Inventories written off	2,377	-	-	-	2,377
Property, plant and equipment written off	85	-	12	-	97

33. FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

33. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

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

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

33.1 Credit risk

The Group and the Company have no significant concentration of credit risk 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 risk 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 age analysis of trade receivables of the Group which are past due but not impaired is as follows:

	Group	
	2013 RM'000	2012 RM'000
Past due 1 day to 3 months	45,264	44,519
Past due 3 to 6 months	3,805	8,329
Past due 6 to 12 months	2,755	4,385
Past due over 12 months	439	1,184
	52,263	58,417

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

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

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

33.2 Foreign currency risk

The Group and the Company incur foreign currency risk on transactions and balances that are denominated in currencies other than the entity's functional currency. The currencies giving rise to this risk are primarily Singapore Dollar, United States Dollar, New Zealand Dollar, Indonesian Rupiah 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 foreign exchange forward contracts is done where appropriate.

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

33. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.2 Foreign currency risk (Continued)

The notional amount and maturity date of the foreign exchange forward contracts outstanding as at 30 September 2013 were as follows:

Contract	Expiry dates	Contract amount USD'000	RM'000 equivalent
Foreign exchange forward contracts	11/05/2014	5,000	16,155
	19/03/2014	1,500	4,886

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 5% increase and decrease in the respective foreign currencies against the functional currency of the Group and the Company. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's net income.

If the respective foreign currency weakens by 5% (2012: 5%) against the functional currency, profit before income tax of the Group will increase/(decrease) by:

	Consolidated statement of comprehensive income	
	2013 RM'000	2012 RM'000
Group		
Singapore Dollar	(288)	1
United States Dollar	3,042	1,559
Australian Dollar	(259)	(202)
Indonesia Rupiah	1,162	1,129
New Zealand Dollar	1,250	1,375
	4,907	3,862

As at the end of the financial year, the Company is not exposed to foreign currency risk.

A 5% strengthening of the respective foreign currency against the functional currency would have an equal but opposite effect to the Group.

33. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.3 Interest rate risk

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% (2012: 3%) change in the interest rates from the end of the financial year, with all variables held constant.

If the interest rates increase by 3% (2012: 3%), profit before tax of the Group will decrease/(increase) by:

	Consolidated statement of comprehensive income	
	2013	**2012**
	RM'000	**RM'000**
Bank borrowings (excluding bank overdrafts)	12,624	12,503
Bank overdrafts	685	318
Fixed deposits	(183)	(135)
	13,126	12,686

A 3% decrease in the interest rates would have an equal but opposite effect to the Group.

The Company has no bank borrowings for financial years 2013 and 2012.

33.4 Liquidity risk

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.

33. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.4 Liquidity risk (Continued)

	Effective interest rate (%)	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group						
2013						
Bank borrowings (excluding bank overdrafts)	2.99 – 11.25	192,860	48,323	152,421	51,899	445,503
Bank overdrafts	6.89 – 7.60	24,561	-	-	-	24,561
Finance lease payables	2.50 – 12.69	3,895	2,847	4,684	130	11,556
Trade and other payables	-	110,834	-	-	2,295	113,129
		332,150	51,170	157,105	54,324	594,749
2012						
Bank borrowings (excluding bank overdrafts)	2.99 – 11.25	201,373	42,537	137,104	62,164	443,178
Bank overdrafts	6.89 – 7.60	11,414	-	-	-	11,414
Finance lease payables	2.25 – 12.69	3,499	2,668	2,903	75	9,145
Trade and other payables	-	115,966	-	-	2,748	118,714
		332,252	45,205	140,007	64,987	582,451

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

	Effective interest rate (%)	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Company						
2013						
Trade and other payables	-	25,343	-	-	-	25,343
Financial guarantee contracts	-	-	2,661	4,617	87	7,365
		25,343	2,661	4,617	87	32,708
2012						
Trade and other payables	-	31,506	-	-	-	31,506
Financial guarantee contracts	-	-	2,481	4,839	325	7,645
		31,506	2,481	4,839	325	39,151

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis.

33. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.5 Fair values of financial assets and financial liabilities

The carrying amount of cash and cash equivalents, trade and other current receivables excluding prepayments and advances to suppliers and payables approximate their respective 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 fair value of financial assets and financial liabilities are determined as follows:

(a) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy).

(b) in the absence of quoted market prices, the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active market, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).

(c) in the absence of observable inputs, the fair value of the remaining financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

(d) the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

The Group has carried its quoted investments that are classified as available-for-sale financial assets at their fair values. These financial assets belong to Level 1 of the fair value hierarchy. The derivative financial instruments are measured at fair value through profit or loss and belong to Level 2 of the fair value hierarchy.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial assets				
Loans and receivables	213,518	194,203	166,952	98,642
Derivative financial instruments	53	-	-	-
Available-for-sale financial assets	233	235	-	-
Financial liabilities				
Other financial liabilities at amortised cost	567,129	554,370	25,405	31,506
Derivative financial instruments	470	14	-	-

33.6 Capital management policies and objectives

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

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits as shown in the statements of financial position.

33. FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.6 Capital management policies and objectives (Continued)

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

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net debt/(cash)	381,220	390,472	(2,907)	(2,415)
Total equity	273,592	230,866	173,628	98,042
Total capital	654,812	621,338	170,721	95,627
Gearing ratio	58.2%	62.8%	(1.7%)	(2.5%)

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

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 September 2013 and 2012.

STATISTICS OF SHAREHOLDINGS

AS AT 9 DECEMBER 2013

Issued and fully paid-up capital	:	S$43,301,974.955
Number of ordinary shares in issue	:	621,416,528
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	:	620,206,528
Percentage of Treasury Shares	:	0.195%[1]

Note :

[1] Calculated based on 620,206,528 voting shares as at 9 December 2013.

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 9 December 2013 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	22	1.79	10,112	0.00
1,000 – 10,000	412	33.44	2,610,658	0.42
10,001 – 1,000,000	755	61.28	61,249,984	9.88
1,000,001 and above	43	3.49	556,335,774	89.70
TOTAL	1,232	100.00	620,206,528	100.00

STATISTICS OF SHAREHOLDINGS

AS AT 9 DECEMBER 2013

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	TEE YIH JIA FOOD MANUFACTURING PTE LTD	77,000,000	12.42
2.	CHENG CHIH KWONG @ THIE TJI KOANG	67,519,320	10.89
3.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	53,400,000	8.61
4.	HONG LEONG FINANCE NOMINEES PTE LTD	42,617,000	6.87
5.	HSBC (SINGAPORE) NOMINEES PTE LTD	39,759,000	6.41
6.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	36,389,000	5.87
7.	SBS NOMINEES PRIVATE LIMITED	29,000,000	4.68
8.	PHILLIP SECURITIES PTE LTD	28,098,494	4.53
9.	KWONG YUEN SENG	24,457,220	3.94
10.	MAH WENG CHOONG	20,347,224	3.28
11.	KHOR SIN KOK	19,100,224	3.08
12.	AMFRASER SECURITIES PTE. LTD.	17,338,000	2.80
13.	KAMAL Y P TAN	14,064,072	2.27
14.	POK YORK KEAW	10,000,000	1.61
15.	POK YOKE KUNG	7,049,000	1.14
16.	UOB KAY HIAN PRIVATE LIMITED	6,881,000	1.11
17.	PHANG MAH THIANG	6,141,000	0.99
18.	CHUNG CHEE FOOK	4,936,462	0.80
19.	HEW MARGARET WYE YOONG OR HEW LEONARD YOKE LEONG	4,100,000	0.66
20.	JAYA J B TAN	3,856,364	0.62
	TOTAL	512,053,380	82.58

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

	Name	Direct Interest	%	Deemed interest	%	Total Interest	%
(1)(2)	Dato' Jaya J B Tan	93,056,364	15.00	96,731,072	15.60	189,787,436	30.60
(1)(2)	Dato' Kamal Y P Tan	94,281,072	15.20	95,506,364	15.40	189,787,436	30.60
	Tee Yih Jia Food Manufacturing Pte Ltd	77,000,000	12.42	-	-	77,000,000	12.42
(3)	Goi Seng Hui	-	-	77,000,000	12.42	77,000,000	12.42
	Cheng Chih Kwong @ Thie Tji Koang	67,519,320	10.89	-	-	67,519,320	10.89

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

(2) Direct interest includes shares held through nominees.

(3) Deemed interested in shares held by Tee Yih Jia Food Manufacturing Pte Ltd by virtue of section 7 of the Companies Act, Cap. 50.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Etika International Holdings Limited will be held at Crystal Suite, Level 2, Holiday Inn Singapore Orchard City Centre, 11 Cavenagh Road, Singapore 229616 on Thursday, 23 January 2014 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 2013 and the Auditors' Report thereon. **(Resolution 1)**

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

   (i) Dato' Jaya J B Tan (Article 91) **(Resolution 2a)**
   (ii) Mr Lyn Hian Woon (Article 91) **(Resolution 2b)**

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

4. To approve the payment of Directors' fees of S$249,839 for the financial year ended 30 September 2013 (FY2012: S$216,000). **(Resolution 4)**

5. To approve the payment of a final tax exempt 1-tier dividend of 0.2 Singapore cents (S$0.002) per share for the financial year ended 30 September 2013. **(Resolution 5)**

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

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 7)**

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

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

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

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

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

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

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

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

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

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

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

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

9. **AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES** **(Resolution 8)**

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

BY ORDER OF THE BOARD

S Surenthiraraj @ S Suressh
Kok Mor Keat
Company Secretaries

Singapore
3 January 2014

Explanatory Notes on Special Business to be transacted

(a) Ordinary Resolution 7, 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 8, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options under the Etika Employee Share Option Scheme ("the Scheme") and to allot and issue shares in the Company of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time pursuant to the exercise of the options under the Scheme.

NOTES:-

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

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

3. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar at 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 12 February 2014 for the preparation of dividend warrants.

Duly completed registrable transfers of shares 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 11 February 2014 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 11 February 2014 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 23 January 2014, will be made on 28 February 2014.

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 2013 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 23 January 2014 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 2013				
2a	Re-election of Dato' Jaya J B Tan as Director				
2b	Re-election of Mr Lyn Hian Woon as Director				
3	Re-appointment of Mr Mah Weng Choong as Director				
4	Approval of payment of Directors' fees				
5	Approval of payment of final tax exempt 1-tier dividend				
6	Re-appointment of Messrs BDO LLP as auditors and authorize Directors to fix their Remuneration				
7	Authority to allot and issue new shares				
8	Authority to allot and issue shares under Etika Employee Share Option Scheme				

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

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

Dated this ____________ day of _______________ 2014.

Total Number of Shares held	
CDP Register	

Register of Members

IMPORTANT: PLEASE READ NOTES OVERLEAF

____

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

Notes :

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

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

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

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

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

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

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

General:

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

www.etika-intl.com

ETIKA INTERNATIONAL HOLDINGS LIMITED

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