

Key Products:

- Amilyte
- Ana Range
- Anavite Range
- Anasol
- Zagromin Range
- Zagrosol Range
- Zagrovit Range
- Zymeyeast 100

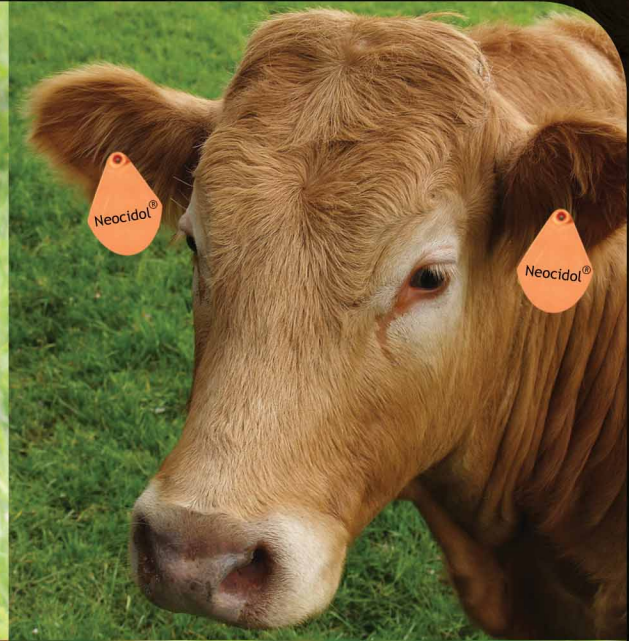
animal nutrition



Key Products:

- Haltox
- Loguard
- Neocidol®
- Pond Bact
- Steladone®
- Sutrimix Plus
- Tiazin
- Ultraxide

animal protection



crop nutrition

Key Products:

- Calboron
- Gold Star
- Mango Flower Inducer
- Mastermix
- Seapoint
- ZagroCel Range
- ZagroStar Range
- Zagrostim



crop protection

Key Products:

- Basudin®
- Bravo 10 SL / 20 SL
- Diacap® 300 CS
- Elike 20 WG
- Fezmet 40
- Manzeb 80 WP
- Pin Up 41 SL
- Unicide 50 EC

CONTENTS

Chairman's Statement	2
Financial Highlights	4
Board of Directors and Key Management	5
Corporate Information	6
Corporate Governance	7
Directors' Report	12
Statement of Directors	15
Independent Auditors' Report	16
Consolidated Statement of Comprehensive Income	17
Balance Sheets	18
Statement of Changes in Equity	19
Consolidated Cash Flow Statement	21
Notes to the Financial Statements	22
Statistic of Shareholdings	62
Group Addresses	64

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to report that Zagro has again delivered a creditable set of results in an environment of deteriorating global financial systems and extremely stressed marketplaces. Zagro has coped well in 2009 and continues to manage its business prudently and competently as the world struggles to recover in 2010.

Group revenue continued to exceed the S\$100 million mark. Net profit attributable to shareholders was at S\$6.1 million. Overall, the Group's profitability has grown steadily since 2006 with an exceptional profit year in 2008.

I am pleased to report that, for the first time, our Animal Health business segment wrestled the lead from Crop Care, Zagro's other major business segment and its historical profit leader, due to the fact that, although Crop Protection Division showed a strong performance, the Crop Nutrition Division was negatively impacted by lower market prices, an almost predictable aftermath of the historic highs of 2008.

Earnings per share at 2.36 cents were lower than the exceptional 3.00 cents in 2008 whilst the net asset value per share increased by 7% to 22.82 cents.

Dividends

It has been 13 years since your company's initial public offering in June 1996. Again, the Board is pleased to uphold an unbroken record of 13 years of dividend payment by recommending a first and final dividend payment of one cent per share, to be paid in respect of the year 2009.

Strong Balance Sheet

Credit was tight if not almost non-existent in the 2009 world economy. Notwithstanding this, the Group garnered a healthy net surplus fund position of \$8 million as at end of 2009. This was a tremendous improvement from the net bank borrowings of \$14.5 million at the end of the previous year. The key contributory factor to this turnaround in Group liquidity was the concerted and focused effort of your management to monetise the high inventory values accumulated as at end 2008.

Quality and Productivity

The growth in the Animal Health business segment dictated and expedited the need for improved quality and productivity. New production lines were added to cope with the demand. The work flow, health environment and safety of the facilities were continually studied and enhanced. All these inevitably contributed to higher productivity.

For more than a decade, Zagro is already an ISO 9001 certified Quality Management System. In early 2010 we are proud to announce a further endorsement as we will be awarded the ISO 22000 Certification for all our production facilities in Singapore and Malaysia. This makes us Asia's First Animal Premix Plant to receive the ISO 22000 Certification. This new quality certification will power further expansion of our Animal Health business segment into the global economy.

Our Pacific Laboratory is Singapore's only AVA-approved commercial laboratory that carries out Trans Fat analyses. First established to serve in-house needs, it has become so well-accredited and so well-respected by its growing base of customers from over 20 countries, that it logically finds itself now on the threshold of initial process towards obtaining the Good Laboratory Practice (GLP) certification. It occupies a top spot as a free and independent, reliable and respected Animal Health and Nutrition Laboratory in Asia.

Both our Production and Laboratory facilities are on exciting growth paths as more value is created for the sustainability of our business models.

Another Remarkable Year for Zagro's Registration Portfolio

Our Registration Portfolio has become more remarkable than that of the previous years. The Group now owns about 1,000 product registrations and 200 trademark and patent registrations worldwide. We are gearing up to double our portfolio in the years to come. With this stellar accomplishment, we are now able to sell and distribute our products in more than 50 countries either directly through our sales force or through our well-appointed and trusted distributors/agents. Our global animal health sales force has doubled over the past twelve months and there is a steady pool of potential distributors waiting to be tapped by us to sell and distribute Zagro Products in various territories.

Chairman's Statement (cont'd)

Delivering Through People

As always, the key prerequisite to achieving better growth for 2010 is building organizational capability and employee commitment. We depend on the active support and productivity of staff in all our offices worldwide. Many of our successes in 2009 are directly connected to our employees' output throughout the years.

For 2010 we shall continue to scout for people who have the talent, determination and dedication to succeed, not just on professional and personal levels, but on an even wider perspective - to ensure that Zagro achieve her goals in the years to come.

What Lies Ahead

It is difficult to forecast an exact growth number but we can safely say that barring any exceptional circumstance, we will perform better in 2010. Zagro continues to promote innovative and high performance products, constantly improving existing products whilst concomitantly developing new ones to feed its markets and satisfy its customers and distributors.

Appreciation and Closing

There has been a change in the Board of Directors in 2009. We are saddened by the demise of Mr. Noris Ong Chin Guan, who sat on the Board for a short period but has nevertheless contributed well in his role as Audit Chairman. We thank him for his advice and counsel and his family for his participation in the Board. At the same time, I take this opportunity to welcome Dr. Ngiam Tong Tau who joined our Board on 18 November 2009. Notwithstanding the changes, I would like to record my appreciation to the Board of Directors as together, we steered the Group through recent troubled times.

I would also like to thank all Zagro staff, customers, suppliers and business partners for a year of tremendous hard work and commitment. 2009 was a year of challenges overcome, opportunities grasped and successes delivered, despite miserable business climates. The achievements outlined in this report is a testimony of Zagro's ability and resilience in weathering the unprecedented storms of 2009 and its readiness in the face of future challenges.

Finally, the management remains steadfast and committed to its philosophy of delivering consistent dividends and value investments to its medium and long-term shareholders.

POH BENG SWEE
Chairman & CEO
Zagro Asia Limited

Financial Highlights

Summarised Profit and Loss Account (\$\$'000)
for the financial year ended 31 December

	2005	2006	2007	2008	2009
Turnover	85,188	97,309	109,700	121,483	116,538
Earnings before interest, taxation, depreciation and amortisation	6,070	7,863	11,413	12,744	9,431
Profit before taxation	3,960	5,859	7,881	10,122	7,004
Profit attributable to members of the Company	3,142	4,263	5,835	7,759	6,093

Summarised Balance Sheet (\$\$'000)
as at 31 December

	2005	2006	2007	2008	2009
Total assets	67,526	70,394	81,838	87,274	87,020
Total liabilities	22,445	22,298	30,667	31,948	28,002
Shareholders' funds	45,081	48,096	51,171	55,326	59,018
Cash and cash equivalents	4,153	10,240	5,773	4,285	18,689
Loans and cash borrowings	7,987	6,589	10,741	18,767	10,674

Shareholders' Value
as at 31 December

	2005	2006	2007	2008	2009
Net tangible assets backing per share (cents)	14.94	16.05	18.38	19.73	21.51
Earnings per share - Basic and Fully Diluted (cents)	1.25	1.68	2.26	3.00	2.36

Board of Directors and Key Management

Board of Directors

Mr Poh Beng Swee, 60, is Chairman of the Board and Chief Executive Officer of the Company and has held these positions since 1994. He was last re-elected on 28 April 2005. He graduated with a Bachelor of Business Administration (Hons) degree from the then University of Singapore in 1971 and had attended the Harvard Advanced Management Programme at Harvard Business School in 1989. Mr Poh, who has more than 30 years of experience in the agrisolutions business, is also a director of most of the subsidiaries of the Zagro Group.

Mr Soo Kam Beng @ Soo Man Kheng, 62, is the General Manager of the Group's Malaysia subsidiary (Zagro Chemicals Sdn Bhd). He holds a Bachelor of Science (Agriculture) degree from Punjab Agricultural University of India. He was appointed as an Executive Director in 1996 and was last re-elected on 28 April 2006. A veteran in the agrisolutions business, Mr Soo holds directorships in several subsidiaries of the Zagro Group.

Dr Thomas Stunzi Zuellig, 52, was appointed as a Non-Executive Director of the Board in 2003 and was last re-elected on 30 April 2007. He has years of experience in the agricultural and feeds industries, having held key positions in various Gold Coin and Zuellig Group companies. Dr Zuellig holds a doctorate in law from the University of Zurich, Switzerland. He is a director in various Zuellig and Gold Coin Group companies.

Mr Chan Ying Lock, 58, was appointed as an Independent Non-Executive Director on 1 September 2008. Mr Chan is an Accountancy graduate from the University of Singapore and a fellow of the Institute of Certified Public Accountants of Singapore. He also holds a MBA from the Nanyang Technological University, Singapore. Mr Chan has years of audit, financial management, investment, consultancy and senior management experience in various companies. He is the owner of Step-Up Business Consultancy, providing financial and management advisory services to SMEs.

Dr Ngiam Tong Tau, 66, was appointed as an independent Non-Executive Director on 18 November 2009. He has more than 35 years experience in the fields of veterinary medicine and public health, agriculture and aquaculture. He helmed the Agri-Food and Veterinary Authority of Singapore ("AVA") for 21 years during which time he spear-headed successful programmes in agrotechnology, aquaculture and food safety. He is recognised as the architect of modern farming and agrotechnology parks in Singapore and has been responsible for the transfer of farming technology to several countries in the region. He has also successfully established programmes to ensure food supply and food safety in Singapore through the formation of a highly trained and professional team in the AVA. He retired from AVA in August 2005. Dr Ngiam is also the chairman of the Genetic Modification Advisory Committee of Singapore and has been an Adjunct Professor at the National University of Singapore's Department of Biological Sciences for 14 years.

Dr Ngiam, a Colombo Plan Scholar, graduated from the University of Sydney with a Bachelor of Veterinary Science in 1968. He also obtained a degree of Doctor of Philosophy from Royal Veterinary College of the University of London in 1974.

Key Management

Ms Chow Siew Hwa is the Chief Financial Officer of the Group since 2004. She has years of audit, financial management and senior management experience in various companies. Ms Chow is a CPA with a Bachelor of Commerce (Accountancy - Gold Medal) degree from the Nanyang University, Singapore. She also holds a masters degree in Business Administration from the University of Hull, UK and she is a director of most of the subsidiaries of the Zagro Group.

Dr Somchai Theveethivarak is the General Manager of the Group's Thailand subsidiary. Prior to joining the Group in 1996, he held various management positions in companies engaged in agricultural and veterinary businesses. Dr Somchai graduated in Veterinary Medicine from Kasetsart University, Thailand. He was elected as the Vice President of Thai Crop Protection Association for 2008-2009.

Mr Ignacio H. Gabriel graduated with a Bachelor of Science in Business Administration with major in Management at Xavier University (Ateneo de Cagayan) Mindanao Philippines. Since 1983, he has been involved in sales of agricultural animal health and crop care products. He joined Zagro Corporation in 1995 and was appointed as the Vice President and Country Manager of the Group's Philippines subsidiary.

Corporate Information

Board of Directors	<p>Poh Beng Swee (Chairman & CEO)</p> <p>Soo Kam Beng @ Soo Man Kheng</p> <p>Dr Thomas Stunzi Zuellig</p> <p>Chan Ying Lock</p> <p>Dr Ngiam Tong Tau</p>
Audit Committee	<p>Chan Ying Lock</p> <p>Dr Thomas Stunzi Zuellig</p> <p>Dr Ngiam Tong Tau</p>
Registered Office	<p>Zagro Global Hub 5 Woodlands Terrace #06-00 Singapore 738430</p>
Solicitors	<p>Drew & Napier LLC</p> <p>Oliver Quek & Associates</p>
Auditors	<p>Ernst & Young LLP (Certified Public Accountants)</p> <p>Mr Vincent Toong (Audit Partner-in-charge since 2005)</p>
Share Registrar	<p>Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623</p>
Company Secretary	<p>Ms Madelyn Kwang Yeit Lam</p>
Principal Bankers	<p>The Hongkong & Shanghai Banking Corporation Limited</p> <p>Malayan Banking Berhad</p> <p>The Siam Commercial Bank</p>
Other Information	<p>Major leasehold property used as office cum factory at Zagro Global Hub.</p> <p>Zagro Global Hub is built on a leasehold land under a 60-year operating lease for the period from 23 November 1994 to 30 November 2054.</p>

Corporate Governance

The Company is committed to maximise long-term shareholders' value and protection of shareholders' interests through corporate performance and accountability.

When establishing its corporate governance framework, the Company evaluates the principles and guidelines of the Code of Corporate Governance (the Code) set by the Council on Corporate Disclosure and Governance. The Company adopts practices that are most suitable and effective to achieve the high standards of corporate governance desired.

The key mechanism behind the Company's corporate governance system is the Board of Directors. The composition of the Board and the formation of appropriate sub-committees enable it to carry out its functions effectively. This report describes the Company's corporate governance structure, processes and activities with specific references to the Code.

BOARD OF DIRECTORS (Principles 1, 2, 6 & 10)

As at 8 March 2010, the Board comprises 5 Directors, 2 of whom hold executive positions and 2 of whom are considered independent (as defined by the Code):

Executive Directors

Poh Beng Swee - Chairman and Chief Executive Officer of the Company
Soo Kam Beng @ Soo Man Kheng - General Manager of Zagro Chemicals Sdn Bhd, a subsidiary of the Company

Non-Executive Directors

Chan Ying Lock - Independent Director (*Chairman of Audit Committee)
Dr Thomas Stunzi Zuellig - Non-independent Director
**Dr Ngiam Tong Tau - Independent Director

* Appointed Audit Committee chairman with effect from 18 November 2009 (appointed director since 1 September 2008)

** Appointed with effect from 18 November 2009

The Board consists of respectable individuals of diverse backgrounds whose management and business skills and experiences are extensive and complementary. It consists of a balanced mix of executive and non-executive, independent and non-independent Directors. The Board as a whole exhibits core competencies required for performing its stewardship and governance roles. Details of the Directors' academic and professional qualifications and other appointments are set out on page 5 of the Annual Report.

The Board approves the Group's key business initiatives and major investment and funding decisions. It reviews and evaluates the Group's financial performances. From time to time, matters that require the Board's attention are circulated. The Board meets at least twice a year and oversees the affairs of the Group. The number of Board meetings held in 2009, as well as the attendance of each Board member at those meetings are as follows:

Directors	Number of meetings held in 2009	Number of meetings attended
Poh Beng Swee	2	2
Soo Kam Beng @ Soo Man Kheng	2	2
Dr Thomas Stunzi Zuellig	2	2
Chan Ying Lock	2	2
Ong Chin Guan (deceased) ⁽¹⁾	2	1
Dr Ngiam Tong Tau ⁽²⁾	-	-

⁽¹⁾ Deceased on 27 August 2009

⁽²⁾ Appointed with effect from 18 November 2009

The Management of the Company provides the Board with timely and complete information in the form of financial reports and explanatory notes of the business and performances prior to Board meetings. Upon request, the Management also supplies the Board with additional information covering wide range of issues, such as a specific accounting treatment, or the latest business circumstances and developments. New Directors appointed during the financial year are provided with background and financial information, in order to orientate them to the Group's structure and business.

Corporate Governance

All Directors have separate and independent access to Management and to the Company Secretary. The Company Secretary administers and attends Board meetings, prepares minutes of such meetings, assists the Chairman in ensuring applicable rules, regulations and the board procedures are followed, including the requirements of the Companies Act and the Singapore Exchange Securities Trading Limited, are complied with.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (Principle 3)

Mr Poh Beng Swee the Chairman of the Board and Chief Executive Officer of the Company is also the controlling shareholder of the Company. The scale of the business does not warrant a meaningful split of these positions.

Mr Poh discharges his duty as Chairman of the Board objectively with the help of his other Board members. As at 8 March 2010, the Board consists of 3 non-executive Directors, one of whom has in-depth knowledge of the industry. This combination ensures that the Board as a whole is independent in substance, and that the power and authority of the Board does not vest on only one person. The Board meetings are also attended by key Management other than the CEO, to represent the Management in accounting of Management's actions and the Company's performance to the Board.

Among his other duties, the Chairman's role is to schedule and chair the Board meetings, to prepare meeting agenda and to exercise control over quality, quantity and timeliness of the flow of information to the Board.

AUDIT COMMITTEE (AC), INTERNAL CONTROLS AND INTERNAL AUDIT (Principles 11, 12 & 13)

As at 8 March 2010, the AC comprises Mr Chan Ying Lock as the Chairman and Dr Thomas Stunzi Zuellig and Dr Ngiam Tong Tau as members. All three are non-executive Directors, and apart from Dr Zuellig, they are independent Directors.

The AC meets at least twice a year. The number of AC meetings held in 2009, as well as the attendance of each member at those meetings are as follows:

AC Members	Number of meetings held in 2009	Number of meetings attended
Chan Ying Lock (Chairman) ⁽¹⁾	2	2
Dr Thomas Stunzi Zuellig	2	2
Ong Chin Guan (Deceased) ⁽²⁾	2	1
Dr Ngiam Tong Tau ⁽³⁾	-	-

⁽¹⁾ Appointed AC chairman with effect from 18 November 2009 (appointed AC member since 1 September 2008)

⁽²⁾ Deceased on 27 August 2009

⁽³⁾ Appointed with effect from 18 November 2009

The AC, which has written terms of reference approved by the board, performs the following functions:

1. Review with the external auditors their audit plans;
2. Review with the external auditors their evaluation of internal financial controls together with Management's responses;
3. Review the level of assistance given by the Company's officers to the auditors;
4. Review the half year and full year financial results of the Company and the Group before submission to the Board and announcement;
5. Investigate any matters within the AC's terms of reference;
6. Approve the nomination of external auditors for re-appointment; and
7. Review interested person transactions in accordance with Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Company maintains a sound system of internal controls, with control features that can be found pervasively in all operations and processes. The external auditors of the Company carry out reviews on the internal financial control systems and report their findings to the AC. The current scale of operations does not warrant a formal internal audit function. This will be reviewed from time to time as the need arises.

Corporate Governance

The AC has full access to and cooperation from the Company's Management. It has also been given the resources required to discharge its functions properly and has full discretion to invite any Director or executive officer to attend its meetings. The external auditors have unrestricted access to the AC.

The AC has nominated Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. The AC has reviewed the non-audit services provided by Ernst & Young to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination.

ZAGRO EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

This Committee, which administers the Company's share option scheme for employees comprises 2 Directors. They are:

Executive Director

Poh Beng Swee

Non-Executive Directors

Dr Thomas Stunzi Zuellig

The Zagro Employees' Share Option Scheme ("Previous Scheme") was adopted in 1998. The Previous Scheme was terminated and replaced by the Zagro Employees' Share Option Scheme 2008 ("Scheme 2008") at an extraordinary general meeting held on 30 April 2008. The objective of the share option scheme is to give recognition to full time employees who have contributed significantly to the growth and development of the Group. This scheme rewards these employees with the opportunity to participate in the equity of the Company.

The role of the Committee is to select eligible employees for participation and to determine the number of shares and the subscription price of each offer. Details of the Zagro Employees' Share Option Schemes are found on pages 13 and 48 of the Annual Report.

NOMINATING COMMITTEE (NC)

(Principles 4 & 5)

The Company recognises that a formal and transparent process for appointment of Directors and assessment of Board effectiveness are two important aspects of good corporate governance. The Code recommends the formation of a NC to undertake the responsibility of administering such a process. The Company did not establish a NC during the financial year under review, as the Board itself can fulfill the role of NC. The size of the Board does not warrant having a sub-committee for the stated purposes.

Being a small-sized board, the contribution and performance of each Director (measured in terms of attendance, preparedness, participation, leadership and decision making) are apparent to the other Directors and the shareholders. All the Directors also submit themselves for re-nomination and re-election at regular intervals and at least once in every 3 years. At such time that the Board finds that it requires new members to improve its working and quality, the Board would make the recommendation. The independence of the Board is also being monitored and ensured, not only by the Board itself, but also by the Company and the Company Secretary. Thus the Company is satisfied that its current Board serves the Company and the shareholders effectively.

The Board will review the need for a NC annually, and will establish one should the need arise.

REMUNERATION COMMITTEE (RC)

(Principles 7 & 8)

The Company recognises that a formal and transparent process for fixing the remuneration of individual Directors is an aspect of good corporate governance. The Code recommends the formation of a RC to undertake the responsibility of administering such a process. The Company did not establish a RC during the financial year under review, as the Board itself can fulfill the role of a RC. The size of the Board does not warrant having a sub-committee for the stated purposes.

The Board will review the need for a RC annually, and will establish one should the need arise.

Corporate Governance

The remuneration policy of the Company is to pay competitively and adequately. This translates to remuneration that is attractive but yet non-excessive, that enables the Company to recruit capable Directors, Management and staff. While the initial remuneration set for an individual is based on qualification and relevant work experience, subsequent salary adjustments, bonus and other incentives are awarded based on the individual's effort and performance, and the Company's overall profitability. The remuneration policy seeks to align the interests of Directors and staff to those of shareholders.

DISCLOSURE ON REMUNERATION

(Principles 8 & 9)

The remunerations of Directors and top 5 executives for the year are as follows:

	Number of Directors and executives earning Below \$250,000	Number of Directors and executives earning remuneration in the range of: \$750,000 - \$999,999
Executive Directors	1	1
Non-executive Directors	4	0
Top 5 executives	5	0

The executive Director whose remuneration was above \$250,000 is Mr Poh Beng Swee. His remuneration comprised fixed salary (40.9%), bonus (55.1%), Director's fee (2.4%), and others (1.5%). Mr Soo Kam Beng @ Soo Man Kheng's remuneration comprised fixed salary (60.7%), bonus (20.2%) and Director's fee (19.1%). The non-executive Directors' remuneration comprised only Directors' fees. All Directors' fees were approved at last year's AGM.

The Company has an employee share option scheme that grants employees, including executive Directors and top executives, options to subscribe for shares of the Company. Details of the schemes can be found in the above paragraph on the Zagro Employees' Share Option Scheme Committee and on pages 13 and 48 of the Annual Report.

There are no employees in the Group who are immediate family members of any director or the CEO and whose remuneration exceeds S\$150,000 during the year.

COMMUNICATION WITH SHAREHOLDERS

(Principles 10, 14 & 15)

The Company releases timely, accurate and complete information in accordance with the Corporate Disclosure Policy of the Singapore Exchange Securities Trading Limited via SGXNET, news releases and the Group's website (www.zagro.com).

The Board, the Management and the external auditors of the Company are always present at annual and other general meetings, to explain the business and the performance of the Group to the shareholders, and to address the shareholders' concerns and queries. The Company welcomes and values the views of all shareholders.

RISK MANAGEMENT

(Listing Manual Rule 1207(4)(d))

Other than the financial risk management objectives and policies described on page 53 - 57 of the Annual Report, the main business risks that the Group faces when operating in the global market arise from unpredictable climate conditions and outbreak of diseases, changes in environmental laws, and intense competitions.

Climate conditions and diseases

The sales of the Group's veterinary and agro-chemical products are indirectly affected by outbreak of diseases and adverse climatic conditions which have significant impact on the businesses of our customers - the feed mills, livestock breeders, husbandry, aquaculture farmers, and cash-crops farmers.

Corporate Governance

The Group mitigates these risks with three strategies. Firstly, the Group has a wide customer base, with customers who engage in the breeding of different kinds of livestock and the cultivation of different crop products. The probability of a disease outbreak that attacks more than one kind of or all of livestock is low. Secondly, the Group's customers are located in different countries. Such geographical diversification confines the threats of these risks to only portions of the Group's business. Thirdly, the governments and regulatory agencies of the countries of the Group's customers are generally prompt in taking actions to contain diseases outbreaks and to help their farmers weather tough climatic conditions.

Environmental laws

The Group is vulnerable to changes in environmental laws in the countries in which it operates. Reacting to new findings on products or raw materials, the regulatory authorities may introduce laws or guidelines to prohibit or discourage the use of certain products. The Group follows closely the changes in environmental laws globally and has intimate knowledge of its products. The Group is therefore able to anticipate potential changes in legislation and will be in the position to replace banned products in a short period of time. New products could be brought in quickly when opportunity arises.

Competition

The Group faces competition from multi-national companies and smaller local manufacturers and distributors. The Group aims to achieve its competitive edge over its competitors through the following strengths:

1. Experienced and committed Management team;
2. Track record and reputation;
3. Comprehensive product range;
4. Wide distribution network;
5. Registration and know-hows;
6. In-house capabilities; and
7. Quality.

The Company has also implemented a Crisis Management plan. The plan is managed by the Crisis Management Team headed by the CEO. The plan includes recovery strategies for production, sales, finance, IT, regulatory and all other critical operations, as well as a maintenance programme for all these processes. In addition, the plan specifies a back up command cum back up centre at an alternative site.

SECURITIES TRANSACTIONS

(Listing Manual Rule 1207(18))

The Group has adopted an internal compliance code with respect to dealings in securities by Directors and officers in line with the guidelines on dealings in securities prescribed by the SGX-ST. Directors, Management and officers of the Group who have access to price sensitive and confidential information are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's annual or half yearly results and ending on the date of the announcement of such results, or when they are in possession of unpublished price sensitive information of the Group.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 920(1)(a))

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out procedures for review and approval of the Company's interested person transactions.

The general mandate for interested person transactions ("IPT Mandate") with the Gold Coin Group was last renewed at the Company's Fourteenth Annual General Meeting ("AGM") on 30 April 2009. The IPT Mandate will be put forth for renewal at the forthcoming AGM.

Interested person transactions pursuant to the Shareholders' Mandate obtained by the Group are 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)	Aggregate value of all interested person transactions during the financial year under review, conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Gold Coin Group	Nil	\$1,803,528

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Zagro Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2009.

Directors

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

Poh Beng Swee (Chairman and Chief Executive Officer)
 Soo Kam Beng @ Soo Man Kheng
 Dr Thomas Stunzi Zuellig
 Chan Ying Lock
 Dr Ngiam Tong Tau (Appointed on 18 November 2009)

Dr Thomas Stunzi Zuellig and Dr Ngiam Tong Tau retire and, being eligible, offer themselves for re-election in accordance with Articles 91 and 97 of the Company's Articles of Association respectively.

Arrangements to enable directors to acquire shares and debentures

Except under "The Zagro Employees' Share Option Scheme" as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below :-

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
<i>The Company</i>				
<i>Zagro Asia Limited</i>				
Ordinary shares				
Poh Beng Swee	79,718,000	79,718,000	29,595,000	31,348,000
Soo Kam Beng @ Soo Man Kheng	1,100,000	1,100,000	-	-
Options to subscribe for ordinary shares				
Soo Kam Beng @ Soo Man Kheng	200,000	200,000	-	-

Mr Poh Beng Swee ("Mr Poh") with shareholding as above, is deemed to have an interest in the shares of all the Company's subsidiaries in proportion to its interests in these subsidiaries by virtue of his interest in more than 20% of the issued capital of the Company.

There was no change in any above-mentioned interests between the end of the financial year and 21 January 2010.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' Report

Directors' contractual benefits

Except as disclosed in the financial statements, 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 the director is a member, or with a company in which the director has a substantial financial interest.

Share options

On 29 June 1998, the Company approved "The Zagro Employees' Share Option Scheme" ("Scheme 1998") which would enable selected full-time employees, including executive directors of the Company and the subsidiaries to subscribe for shares of \$0.05 each in the capital of the Company. The Scheme 1998 was amended with approval by the shareholders in an Extraordinary General Meeting held on 31 May 2001 to extend the option period from 5 years to 10 years and extend the exercise period for options offered at a discount from 1 year to 2 years.

The Scheme 1998 expired on 29 June 2008 and was replaced by "The Zagro Employees' Share Option Scheme 2008" ("Scheme 2008"). The adoption of Scheme 2008 was approved by the members of the Company at an Extraordinary General Meeting held on 30 April 2008. The expiry of the Scheme 1998 does not affect the rights of outstanding options granted under the Scheme 1998. Such options continue to be valid subject to the rules of the Scheme 1998.

The rules of Scheme 2008 are largely the same as those of the Scheme 1998. Further details are set out in the circular to shareholders dated 10 April 2008. No option was granted under Scheme 2008 during the year.

The members of the committee administering the Scheme 1998 and Scheme 2008 who are also directors of the Company are as follows :-

Poh Beng Swee
Dr Thomas Stunzi Zuellig

Details of all the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2009 are as follows :-

Expiry date	Exercise price (\$\$)	Number of options
<i>Scheme 1998</i>		
7 May 2010	0.212	375,000
15 February 2014	0.200	270,000
Total		645,000

Details of options granted to and exercised by a director of the Company are as follows :

Name	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options expired since commencement of plan to end of financial year	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
<i>Scheme 1998</i>					
Soo Kam Beng @ Soo Man Kheng	-	400,000	(100,000)	(100,000)	200,000

Directors' Report

Share options (cont'd)

Since the commencement of the Scheme 1998 and Scheme 2008 ("Schemes") till the end of the financial year:

- No participant has received 5% or more of the total number of options available under the Schemes
- No option has been granted to controlling shareholders of the Company and their associates
- The options granted by the Company and its subsidiaries do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share of any other corporation
- No unissued shares of the Company or its subsidiaries, other than those referred to above, are under option as at the date of this report
- No options have been granted at a discount

Audit committee

The audit committee performed the functions specified in the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors :

Poh Beng Swee
Chairman

Soo Kam Beng @ Soo Man Kheng
Director

Singapore
8 March 2010

Statement by Directors

We, Poh Beng Swee and Soo Kam Beng @ Soo Man Kheng, being two of the directors of Zagro Asia Limited, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Company and its subsidiaries (collectively the "Group") as at 31 December 2009 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and
- (ii) 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 :

Poh Beng Swee
Chairman

Soo Kam Beng @ Soo Man Kheng
Director

Singapore
8 March 2010

Independent Auditors' Report
For the financial year ended 31 December 2009

To the Members of Zagro Asia Limited

We have audited the accompanying financial statements of Zagro Asia Limited (the "Company") and of the Company and its subsidiaries (collectively, the "Group") set out on pages 17 to 61, which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
8 March 2010

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2009

	Note	2009 \$'000	Group 2008 \$'000
Turnover	4	116,538	121,483
Cost of sales		(96,672)	(89,680)
Gross profit		19,866	31,803
Other revenue		1,439	1,057
Selling and marketing expenses		(8,341)	(9,307)
Administrative expenses		(4,909)	(6,546)
Other operating expenses, net		(676)	(6,208)
Operating profit	5	7,379	10,799
Interest income	6	116	119
Interest expense	7	(491)	(795)
Share of results of associate		-	(1)
Profit before taxation		7,004	10,122
Taxation	8	(911)	(2,363)
Profit for the year		6,093	7,759
Other comprehensive income:			
Net gain/(loss) on available-for-sale financial assets		78	(63)
Foreign currency translation gain/(loss)		107	(955)
Other comprehensive income/(expense) for the year, net of tax		185	(1,018)
Total comprehensive income for the year		6,278	6,741
Attributable to :			
Equity holders of the Company		6,093	7,759
Earnings per share :			
Basic and diluted	9	2.36 cents	3.00 cents

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets as at 31 December 2009

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current assets					
Property, plant and equipment	10	18,028	18,026	-	-
Intangible assets	11	3,406	4,315	-	-
Investment in subsidiaries	12	-	-	20,616	17,937
Investment in an associate	13	12	12	-	-
Deferred tax assets	14	842	667	-	-
Current assets					
Other investment	15	2,074	1,996	-	-
Inventories	16	20,502	38,122	-	-
Related company balances	17	-	-	6,118	17,196
Trade and other receivables	18	23,243	19,598	8	3
Derivatives	19	-	251	-	-
Fixed deposits	20	11,500	87	6,000	-
Cash and bank balances	20	7,413	4,200	250	251
		64,732	64,254	12,376	17,450
Current liabilities					
Bank overdrafts	20	224	2	-	-
Derivatives	19	1	-	-	-
Trade and other payables	21	15,237	10,424	335	370
Loans and borrowings	22	9,680	18,767	-	-
Provision for taxation		1,399	2,437	95	208
		26,541	31,630	430	578
Net current assets		38,191	32,624	11,946	16,872
Non-current liabilities					
Deferred tax liabilities	14	467	318	-	-
Loans and borrowings	22	994	-	-	-
Net assets		59,018	55,326	32,562	34,809
Equity attributable to equity holders of the Company					
Share capital	25	29,956	29,956	29,956	29,956
Reserves		29,062	25,370	2,606	4,853
Total equity		59,018	55,326	32,562	34,809

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity for the financial year ended 31 December 2009

Group	Attributable to equity holders of the Company							Total equity \$'000
	Share capital \$'000 (Note 25)	Fair value adjustment reserve ⁽¹⁾ \$'000	Capital reserve \$'000	Employee share option reserve ⁽²⁾ \$'000	Foreign currency translation reserve ⁽³⁾ \$'000	Retained earnings \$'000	Total reserves \$'000	
2009								
At 1 January 2009	29,956	-	(297)	37	(1,138)	26,768	25,370	55,326
Profit for the year	-	-	-	-	-	6,093	6,093	6,093
Other comprehensive income for the year	-	78	-	-	107	-	185	185
Total comprehensive income for the year	-	78	-	-	107	6,093	6,278	6,278
Dividends on ordinary shares (Note 23)	-	-	-	-	-	(2,586)	(2,586)	(2,586)
At 31 December 2009	29,956	78	(297)	37	(1,031)	30,275	29,062	59,018
2008								
At 1 January 2008	29,956	63	(297)	37	(183)	21,595	21,215	51,171
Profit for the year	-	-	-	-	-	7,759	7,759	7,759
Other comprehensive income for the year	-	(63)	-	-	(955)	-	(1,018)	(1,018)
Total comprehensive income for the year	-	(63)	-	-	(955)	7,759	6,741	6,741
Dividends on ordinary shares (Note 23)	-	-	-	-	-	(2,586)	(2,586)	(2,586)
At 31 December 2008	29,956	-	(297)	37	(1,138)	26,768	25,370	55,326

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity for the financial year ended 31 December 2009

Company	Attributable to equity holders of the Company				
	Share Capital \$'000 (Note 25)	Employee share option reserve ⁽²⁾ \$'000	Retained earnings \$'000	Total reserve \$'000	Total equity \$'000
2009					
At 1 January 2009	29,956	37	4,816	4,853	34,809
Profit for the year	-	-	339	339	339
Total comprehensive income for the year	-	-	339	339	339
Dividend on ordinary shares (Note 23)	-	-	(2,586)	(2,586)	(2,586)
At 31 December 2009	29,956	37	2,569	2,606	32,562
2008					
At 1 January 2008	29,956	37	7,043	7,080	37,036
Profit for the year	-	-	359	359	359
Total comprehensive income for the year	-	-	359	359	359
Dividends on ordinary shares (Note 23)	-	-	(2,586)	(2,586)	(2,586)
At 31 December 2008	29,956	37	4,816	4,853	34,809

(1) Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

(2) Employee share option reserve represents the equity-settled share options granted to employees (Note 24). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

(3) Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement for the financial year ended 31 December 2009

	Note	Group	
		2009 \$'000	2008 \$'000
Cash flows from operating activities :			
Operating profit before taxation		7,004	10,122
Adjustments for :			
Amortisation of intangible assets	11	753	796
Bad debts written-off			
- non-trade		-	1
- trade		42	125
Depreciation of property, plant and equipment	10	1,043	971
Gain on disposal of property, plant and equipment		-	(55)
Net fair value gain on derivatives		222	(217)
Net fair value loss on available-for-sale financial assets		-	4
Interest income		(116)	(119)
Interest expense		491	795
Inventories written-down	16	9	2,345
Impairment loss on intangible asset	11	256	178
(Write-back)/impairment for doubtful debts	18		
- non trade		55	-
- trade		(314)	385
Reversal of write-down of inventories	16	(1,398)	(104)
Share of results of associate	13	-	1
Currency realignment		141	(837)
Operating profit before working capital changes		8,188	14,391
(Increase)/decrease in trade and other receivables		(3,421)	9,736
Decrease/(increase) in inventories		19,002	(11,062)
Increase/(decrease) in trade and other payables		4,789	(7,065)
Cash generated from operations		28,558	6,000
Interest income received		104	119
Interest expense paid		(467)	(785)
Income taxes paid		(1,975)	(2,205)
Net cash flows from operating activities		26,220	3,129
Cash flows from investing activities :			
Purchase of property, plant and equipment	10	(1,030)	(4,773)
Addition in intangible assets	11	(110)	(85)
Acquisition of a business unit	12	-	(5,285)
Proceeds from sale of property, plant and equipment		3	86
Net cash flows used in investing activities		(1,137)	(10,057)
Cash flows from financing activities :			
Net (repayment)/proceeds of loans and borrowings		(8,093)	8,026
Dividend paid on ordinary shares	23	(2,586)	(2,586)
Net cash flows (used in)/from financing activities		(10,679)	5,440
Net increase/(decrease) in cash and cash equivalents		14,404	(1,488)
Cash and cash equivalents at beginning of year	20	4,285	5,773
Cash and cash equivalents at end of year	20	18,689	4,285

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements - 31 December 2009

1. Corporate information

Zagro Asia Limited (the "Company") is a limited liability company, which is domiciled and incorporated in Singapore.

The registered office and principal place of business of the Company is Zagro Global Hub, 5 Woodlands Terrace, #06-00, Singapore 738430.

The principal activity of the Company is investment holding. The subsidiaries are primarily engaged in the manufacturing and distribution of crop care and animal health products. Two of the subsidiaries are engaged in e-commerce related activities. They own, operate and transact on B2B exchangeplus portal for crop care and animal health products. There have been no significant changes in the nature of these activities during the year.

Related companies in these financial statements refer to subsidiaries of the Group. Related parties in these financial statements refer to enterprises in which the directors and substantial corporate shareholders of the Group have beneficial interests.

2. Significant accounting policies**2.1 Basis of preparation**

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements - Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as one single statement.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 29 and Note 30 to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 32, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". This did not result in any change in the financial position.
- FRS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one - the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 27 Consolidated and Separate Financial Statements	1 July 2009
Amendments to FRS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Item	1 July 2009
Revised FRS 103 Business Combinations	1 July 2009
Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 117 Distributions of Non-cash Assets to Owners	1 July 2009
Improvements to FRSs issued in 2009:	
- Amendments to FRS 38 Intangible Assets	1 July 2009
- Amendments to FRS 102 Share-based Payment	1 July 2009
- Amendments to FRS 108 Operating Segments	1 July 2009
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives	1 July 2009
- Amendments to INT FRS 116 Hedges of a Net Investment in a Foreign Operation	1 July 2009
- Amendments to FRS 1 Presentation of Financial Statements	1 January 2010
- Amendments to FRS 7 Statement of Cash Flows	1 January 2010
- Amendments to FRS 17 Leases	1 January 2010
- Amendments to FRS 36 Impairment of Assets	1 January 2010
- FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
- Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
- Amendments to FRS 108 Operating Segments	1 January 2010

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.4 *Basis of consolidation (cont'd)*

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.9. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit or loss on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 *Foreign currency*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the subsidiary.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive incomes are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2.6 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.7 *Associates (cont'd)*

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

2.8 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. All items of property, plant and equipment are initially recorded at cost.

The initial cost of a property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	-	20 to 93 years
Plant and machineries	-	5 to 15 years
Office furniture, fixtures and equipment	-	3 to 10 years
Motor vehicles	-	5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.9 *Intangible assets*(a) *Goodwill*

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired. The accounting policy for impairment of assets is included in Note 2.13.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.9 *Intangible assets (cont'd)*

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(b) *Product registration*

Costs relating to product registration, which are acquired, are capitalised and amortised on a straight-line basis over the useful lives of between 3 - 10 years. Product registration is tested annually for impairment or more frequently, if the events or circumstances warrant it. The registration period and amortisation method are reviewed at each financial year-end.

(c) *Brand*

Costs relating to brand of product lines which are acquired, are capitalised and amortised at a rate which bears relation to the total projected sales generated from the brand as management believes there is foreseeable limit to the period over which the brand is expected to generate net cash flows for the Group. It is currently estimated that the assets would be amortised based on 15% external sales generated by the brand annually. Brand is tested annually for impairment or more frequently if the events or circumstances warrant it. Amortisation period and method are reviewed at each financial year-end.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

2.10 *Financial assets*

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in the profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) *Financial assets at fair value through profit or loss*

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling it in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.10 *Financial assets (cont'd)*(b) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) *Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses on monetary instruments, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.11 *Other investment*

Other investment is classified as available-for-sale financial assets and is accounted for in accordance with the policy stated in Note 2.10.

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 *Impairment of financial and non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An impairment loss is recognised in the profit or loss whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit or loss.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)**2.14 Inventories**

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials - purchase costs on weighted average basis;
- Finished goods and work-in-progress - costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. These costs are assigned on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Financial liabilities

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

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.16 Financial guarantee

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 as a liability at fair value, adjusted for transactions costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss 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 profit or loss.

2.17 Borrowing costs

Borrowing costs are recognised in the profit and loss as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying 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 ready for their intended use or sale.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

(c) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

2.20 Operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.20 *Operating leases (cont'd)*(a) *As lessee*

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(c).

2.21 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Rental income*

Rental income arising on commercial property sub-leases is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) *Dividends*

Dividend income is recognised when the Group's right to receive payment is established.

2.22 *Income taxes*(a) *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in profit or loss except that tax relating to items recognised directly in equity is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.22 *Income taxes (cont'd)*(b) *Deferred tax*

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled based on the tax rates enacted or substantively enacted at the balance sheet date.

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

Deferred tax assets are recognised for all deductible temporary differences, carrying-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

(c) *Sales tax*

Sales tax comprises goods and services tax and value-added tax.

Revenues, expenses and assets are recognised net of the amount of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 *Derivative financial instruments*

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss for the year.

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

2.24 *Segment reporting*

For management purposes, the Group is organised into business segment. A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The operating business segments are managed separately by the general managers in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements - 31 December 2009

2. Significant accounting policies (cont'd)

2.25 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 *Contingencies*

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities at the balance sheet date was \$1,399,000 (2008: \$2,437,000) and \$467,000 (2008: \$318,000) respectively.

3.2 *Key sources of estimation uncertainty*

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

(a) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and brand, are given in Note 11 to the financial statements.

(b) *Amortisation of brand*

The cost of brand is amortised in accordance with the policy stated at Note 2.9(c). The carrying amount of the Group's brand at 31 December 2009 was \$1,837,000 (2008: \$2,473,000). Changes in the expected sales generated by the brand could impact the economic useful life and the residual value of the brand, therefore future amortisation charges could be revised.

Notes to the Financial Statements - 31 December 2009

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(c) *Useful lives of plant and machinery*

The plant and machinery for the manufacturing activities are depreciated in accordance with the policy stated at Note 2.8. These are common life expectancies applied in the industry. The carrying amount of the Group's plant and machinery at 31 December 2009 was \$1,178,000 (2008: \$1,169,000). Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of these assets, therefore future depreciation charges could be revised.

(d) *Impairment of loans and receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 18 to the financial statements.

(e) *Impairment of inventory*

An impairment review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is record against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. As at 31 December 2009, the total allowances for inventory is \$1,750,000 (2008: \$3,242,000).

4. Turnover

Turnover represents invoiced trading sales after allowance for goods returned and trade discounts. It excludes dividends, interest income and, in respect of the Group, intra-group transactions.

	Group	
	2009 \$'000	2008 \$'000
Turnover is analysed as follows :-		
External parties	110,582	113,547
Related parties (Note 26)	5,956	7,936
	116,538	121,483
	116,538	121,483

Notes to the Financial Statements - 31 December 2009

5. Operating profit

Operating profit is stated after charging/(crediting) :-

	Group	
	2009	2008
	\$'000	\$'000
Salaries and employees' benefits	8,747	10,170
Depreciation of property, plant and equipment (Note 10)	1,043	971
Amortisation of intangible assets (Note 11)	753	796
Impairment loss on intangible asset (Note 11)	256	178
Impairment loss on doubtful receivables		
- non-trade (Note 18)	55	-
- trade (Note 18)	(314)	385
Bad debts written-off		
- non-trade (Note 18)	-	1
- trade (Note 18)	42	125
Non-audit fees paid to auditors of the Company		
- current year	18	44
- (over)/underprovision in respect of prior years	(51)	4
Gain on disposal of property, plant and equipment	-	(55)
Foreign currency (gain)/loss	(497)	1,187
Net fair value loss/(gain) on forward currency contracts	222	(217)
Net fair value loss on available-for-sale financial asset	-	4

Included in the salaries and employees' benefits of the Group is an amount of \$407,000 (2008: \$404,000) being contributions to the Central Provident Fund.

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (Scheme). The Scheme is for one and half year. Under this Scheme, the Group received a 12% cash grant on the first \$2,500 of each month's wages for each employee on their Central Provident Fund payroll in the first year. Subsequently, the Group will receive 6% and 3% for remaining 2 quarters respectively. The Group received grant income under this Scheme totalling \$150,000 (2008 : Nil) in four receipts in March, June, September and December 2009. The grant income is recognised under "Other revenue" line item in the consolidated statement of comprehensive income.

6. Interest income

	Group	
	2009	2008
	\$'000	\$'000
Interest income received from banks	33	36
Interest income from bonds	83	83
	116	119

7. Interest expense

	Group	
	2009	2008
	\$'000	\$'000
Interest expense on :		
Bank overdrafts	4	9
Bankers' acceptances	201	391
Term loans	286	395
	491	795

Notes to the Financial Statements - 31 December 2009

8. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2009 and 2008 are :-

	Group	
	2009 \$'000	2008 \$'000
Statement of comprehensive income:		
Current income tax :-		
- Current income taxation	1,213	2,991
- Overprovision in respect of previous years	(276)	(34)
	937	2,957
Deferred income tax :-		
- Origination and reversal of temporary differences, net	(27)	(594)
- Overprovision in respect of previous years	(8)	-
- Effect of reduction in tax rate	9	-
	(26)	(594)
Income tax expense recognised in profit or loss	911	2,363

A reconciliation of the statutory tax rate to the Group's effective tax rate for the years ended 31 December is as follows:-

	Group	
	2009 %	2008 %
Statutory tax rate	17.0	18.0
Non-taxable income	(0.6)	(1.2)
Non-deductible expenses	2.0	2.1
Tax effect on benefits arising from deductible temporary differences not recognised	0.1	3.4
Tax savings as a result of double tax deduction	(2.5)	(1.6)
Effect of changes in tax rate	0.1	0.2
Exempt profits	(1.0)	(0.9)
Overprovision of taxation in prior years	(4.0)	(0.3)
Difference in tax rates applicable to overseas subsidiaries	0.7	3.5
Others	1.2	0.1
Effective tax rate	13.0	23.3

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The changes in corporate tax for the various countries are as follows:

Singapore	- reduced from 18% to 17% for the year of assessment 2009 and onwards
Malaysia	- reduced from 27% to 26% and 25% for the year of assessment 2008 and the year of assessment 2009 onwards respectively
Indonesia	- reduced from 30% to 28% for the fiscal year 2009 and fiscal year 2010 onwards respectively
Philippines	- reduced from 35% to 30% for the fiscal year 2009 onwards

Notes to the Financial Statements - 31 December 2009

9. Earnings per share

Basic earnings per share is calculated based on the consolidated net profit for the year attributable to ordinary equity holders of the Company of \$6,093,000 and \$7,759,000 for the financial years ended 31 December 2009 and 2008, respectively, divided by the weighted average number of ordinary shares outstanding during the financial years of 31 December 2009 and 2008 of 258,572,238 shares and 258,572,238 shares, respectively.

Diluted earnings per share is calculated based on the consolidated net profit as stated above, divided by weighted average number of ordinary shares outstanding during the year, after adjusting for the effects of dilutive options, which amounted to 258,572,238 shares and 258,572,238 shares for financial years of 31 December 2009 and 2008, respectively.

645,000 (2008: 645,000) of share options granted to employees under the Scheme 1998 have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial years presented.

10. Property, plant and equipment

Group	Freehold land \$'000	Buildings \$'000	Plant and machineries \$'000	Office furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost						
At 1 January 2008	-	10,403	4,267	3,443	1,580	19,693
Currency realignment	(53)	(151)	(37)	(76)	(99)	(416)
Acquisition of business unit (Note 12)	2,166	1,467	58	-	-	3,691
Additions	2,722	737	367	461	486	4,773
Disposals	-	-	(75)	(63)	(128)	(266)
At 31 December 2008 and 1 January 2009	4,835	12,456	4,580	3,765	1,839	27,475
Currency realignment	31	(18)	7	(4)	5	21
Additions	-	275	382	165	208	1,030
Disposals	-	-	-	(6)	(12)	(18)
At 31 December 2009	4,866	12,713	4,969	3,920	2,040	28,508
Accumulated depreciation						
At 1 January 2008	-	1,489	3,142	3,088	1,209	8,928
Currency realignment	-	(26)	(34)	(70)	(85)	(215)
Charge for the year	-	252	359	182	178	971
Disposals	-	-	(56)	(62)	(117)	(235)
At 31 December 2008 and 1 January 2009	-	1,715	3,411	3,138	1,185	9,449
Currency realignment	-	1	6	(8)	4	3
Charge for the year	-	294	374	199	176	1,043
Disposals	-	-	-	(3)	(12)	(15)
At 31 December 2009	-	2,010	3,791	3,326	1,353	10,480
Net carrying value						
At 31 December 2008	4,835	10,741	1,169	627	654	18,026
At 31 December 2009	4,866	10,703	1,178	594	687	18,028

The Group's freehold land and buildings with a carrying value of \$2,301,000 are mortgaged to secure the Group's bank loans (Note 22).

Notes to the Financial Statements - 31 December 2009

11. Intangible assets

Group	Brand \$'000	Product registration \$'000	Goodwill \$'000	Total \$'000
Cost :				
At 1 January 2008	7,217	875	180	8,272
Currency realignment	-	(30)	(39)	(69)
Acquisition of business unit (Note 12)	-	-	1,594	1,594
Additions	-	85	-	85
At 31 December 2008 and 1 January 2009	7,217	930	1,735	9,882
Currency realignment	-	(9)	(11)	(20)
Additions	-	110	-	110
At 31 December 2009	7,217	1,031	1,724	9,972
Accumulated amortisation and impairment :				
At 1 January 2008	4,077	552	-	4,629
Currency realignment	-	(20)	(16)	(36)
Amortisation for the year	667	129	-	796
Impairment loss	-	-	178	178
At 31 December 2008 and 1 January 2009	4,744	661	162	5,567
Currency realignment	-	(6)	(4)	(10)
Amortisation for the year	636	117	-	753
Impairment loss	-	-	256	256
At 31 December 2009	5,380	772	414	6,566
Net carrying value :				
At 31 December 2008	2,473	269	1,573	4,315
At 31 December 2009	1,837	259	1,310	3,406

Amortisation expense

The amortisation of product registration and brand is included in the "other operating expenses, net" line item in the statement of comprehensive income.

Impairment testing of goodwill

The carrying amounts of the Group's goodwill are as follows:

	Group	
	2009 \$'000	2008 \$'000
Acquisition of subsidiary	180	180
Acquisition of business unit	1,130	1,393
	<u>1,310</u>	<u>1,573</u>

Notes to the Financial Statements - 31 December 2009

11. Intangible assets (cont'd)

The recoverable amounts for goodwill were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering one-year period and six-year period for the acquisition of subsidiary and business unit respectively.

The pre-tax discount rates applied to the cash flow projections, being the cost of financing for the Group's bank lending rate, and the forecasted growth rates used to extrapolate cash flows beyond the one year period are as follows:

	Acquisition of subsidiary		Acquisition of business unit	
	2009	2008	2009	2008
Growth rates	-	-	-	8%
Pre-tax discount rates	6%	6%	4%	4%

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of goodwill arising from the acquisition of the business unit. The impairment loss of \$256,000 (2008: \$178,000) has been recognised in the statement of comprehensive income under the line item "other operating expenses, net".

12. Investment in subsidiaries

	Company	
	2009 \$'000	2008 \$'000
Unquoted shares, at cost	24,229	21,550
Less: Impairment	(3,613)	(3,613)
Carrying amount of investments	20,616	17,937

Details of subsidiaries are as follows :-

Name	Principal activities	Country of incorporation and operations	Percentage of equity held by the Group		Cost of investment	
			2009 %	2008 %	2009 \$	2008 \$
Zagro Singapore Pte Ltd ⁽¹⁾	Manufacture and distribution of crop care and animal health products	Singapore	100	100	2,500,000	2,500,000
Zagro Animal Health Pte Ltd ^{(a) (1)}	Manufacture and distribution of animal health products	Singapore	100	100	-	-
Zagro Europe GmbH ^{(a) (6)}	Distribution of animal health products	Germany	100	100	-	-
PT Zagro Indonesia ^{(b) (6)}	Distribution of crop care and animal health products	Indonesia	100	100	-	-
AgroExchangePlus Pte Ltd ⁽⁶⁾	Dormant	Singapore	100	100	2,500,051	2,500,051

Notes to the Financial Statements - 31 December 2009

12. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and operations	Percentage of equity held by the Group		Cost of investment	
			2009 %	2008 %	2009 \$	2008 \$
Agsin Pte Ltd ^{(c) (1)}	Distribution of crop care products	Singapore	100	100	-	-
AgroConnect.com Pte Ltd ^{(c) (1)}	Owns, operates and transacts on B2B exchangeplus portal for crop care products	Singapore	100	100	-	-
Zagro Industries Pte Ltd (formerly known as Agbio Investment Pte Ltd) ⁽⁶⁾	Dormant	Singapore	100	100	2	2
Vetsquare.com Pte Ltd ^{(d) (1)}	Owns, operates and transacts on B2B exchange plus portal for animal health products	Singapore	100	100	-	-
Zagro Newco Pte Ltd ⁽⁶⁾	Investment holding	Singapore	100	100	2	2
Agri Nutrition Asia Pte Ltd ⁽⁶⁾	Dormant	Singapore	100	100	2	2
Zagro Chemicals Sdn Bhd (formerly known as Zuellig Chemicals Sdn Bhd) ⁽²⁾	Manufacture and distribution of crop care and animal health products	Malaysia	100	100	3,706,317	3,706,317
Zagro Corporation ⁽³⁾	Distribution of crop care and animal health products	Philippines	100	100	4,919,518	4,919,518
Zagro (Thailand) Limited (formerly known as Fezagro Company Limited) ⁽⁴⁾	Manufacture and distribution of crop care and animal health products	Thailand	100	100	4,592,000	4,592,000
Zagro NPC (Private) Limited ^{(e) (6)}	Dormant	Pakistan	100	100	-	-
Zagro Industries (India) Private Limited ^{(e) (6)}	Dormant	India	65	65	-	-
Zagro Africa (Pty) Ltd ^{(f) (6)}	Dormant	Africa	100	100	-	-

12. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and operations	Percentage of equity held by the Group		Cost of investment	
			2009 %	2008 %	2009 \$	2008 \$
Zagro Taiwan International Ltd ⁽⁵⁾	Manufacture and distribution of animal health products	Taiwan	100	100	4,453,001	1,774,429
Zagro Services Limited ⁽⁴⁾	Provide rental and warehousing services	Thailand	100	100	1,557,500	1,557,500
					24,228,393	21,549,821

(a) Subsidiaries of Zagro Singapore Pte Ltd. Costs of investment are not stated as subsidiaries are not directly held by the Company.

(b) 50% owned by Zagro Singapore Pte Ltd and 50% owned by Zagro Industries Pte Ltd. Cost of investment is not stated as subsidiary is not directly held by the Company.

(c) Subsidiaries of AgroExchangePlus Pte Ltd. Costs of investment are not stated as subsidiaries are not directly held by the Company.

(d) Subsidiary of Zagro Industries Pte Ltd. Cost of investment is not stated as subsidiary is not directly held by the Company.

(e) Subsidiaries of Zagro Newco Pte Ltd. Costs of investment are not stated as subsidiaries are not directly held by the Company.

(f) Subsidiary of Zagro Animal Health Pte Ltd. Cost of investment is not stated as subsidiary is not directly held by the Company.

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by Ernst & Young, Malaysia.

(3) Audited by Sycip Gorres Velayo & Co., member firm of Ernst & Young Global in the Philippines.

(4) Audited by Ernst & Young, Thailand.

(5) Audited by Ernst & Young, Taiwan.

(6) Not required to be audited by law in its country of incorporation.

Acquisition of business

On 18 December 2007, the Company entered into a Sale and Purchase Agreement with BASF Taiwan Ltd for the acquisition of the animal nutrition premix business (the "Business").

The fair value of the identifiable assets and liabilities of the Business as at the date of the acquisition were as follows :-

	Recognised on date of acquisition \$'000	Carrying amount before acquisition \$'000
Property, plant and equipment (Note 10)	3,691	3,691
Goodwill arising from acquisition (Note 11)	1,594	
Total purchase consideration settled in cash	5,285	

13. Investment in an associate

	Group	
	2009 \$'000	2008 \$'000
Unquoted shares, at cost	13	13
Share of post-acquisition reserves	(1)	(1)
	<u>12</u>	<u>12</u>

Details of an associate are as follows :-

Name	Principal activities	Country of incorporation and operations	Percentage of equity held by the Group	
			2009 %	2008 %
Agsin Sdn Bhd ⁽¹⁾	Distribution of crop care and animal health products	Malaysia	30	30

⁽¹⁾ Audited by Chuah Kim Seng & Co., Malaysia.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follow :-

	Group	
	2009 \$'000	2008 \$'000
<i>Assets and liabilities</i>		
Total assets	<u>34</u>	<u>36</u>
Total liabilities	<u>(1)</u>	<u>(1)</u>
<i>Results</i>		
Revenue	<u>-</u>	<u>-</u>
Loss for the year	<u>-</u>	<u>(1)</u>

14. Deferred tax

	Group	
	2009 \$'000	2008 \$'000
Deferred tax assets :-		
Balance at beginning of year	667	309
Credit to statement of comprehensive income (Note 8)	175	358
	<u>842</u>	<u>667</u>
Deferred tax liabilities :-		
Balance at beginning of year	(318)	(554)
(Charge)/credit to statement of comprehensive income (Note 8)	(149)	236
	<u>(467)</u>	<u>(318)</u>
Net deferred tax assets	<u>375</u>	<u>349</u>

Notes to the Financial Statements - 31 December 2009

14. Deferred tax (cont'd)

Deferred tax as at 31 December related to the following :-

	Group	
	2009 \$'000	2008 \$'000
Deferred tax assets :-		
Impairment of trade receivables	135	132
Impairment of inventories	336	615
Other temporal differences	603	480
Gross deferred tax assets	1,074	1,227
Deferred tax liabilities :-		
Differences in depreciation and amortisation	(699)	(878)
Gross deferred tax liabilities	(699)	(878)
Net deferred tax assets	375	349

15. Other investment

	Group	
	2009 \$'000	2008 \$'000
<i>Available-for-sale financial assets</i>		
<i>4.15% p.a. SGD bond, quoted</i>		
Balance at beginning of year	1,996	2,063
Fair value adjustment	78	(67)
Balance at end of year	2,074	1,996

The fixed rate bond has an effective interest rate of 4.15% (2008: 4.15%) per annum received semi-annually in arrears and matures on 19 December 2011.

16. Inventories

	Group	
	2009 \$'000	2008 \$'000
<i>Balance sheet</i>		
Raw materials :-		
At cost	5,097	10,123
At net realisable value	836	1,514
Finished products :-		
At cost	11,668	18,569
At net realisable value	2,901	7,916
Total inventories at lower of cost and net realisable value	20,502	38,122
<i>Statement of comprehensive income</i>		
Inventories recognised as an expense in cost of sales	94,827	84,642
(Reversal)/write-down of inventories recognised as an expense in other operating expenses, net	(1,389)	2,241
Inclusive of the following charge/(credit) :-		
- Inventories written-down	9	2,345
- Reversal of write-down of inventories	(1,398)	(104)

Notes to the Financial Statements - 31 December 2009

16. Inventories (cont'd)

The reversal of write-down of inventories was made when the related inventories were sold.

17. Related company balances

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Amounts receivable on current account :- Subsidiaries	-	-	6,118	17,196

Amounts receivable on current account are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

18. Trade and other receivables

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade :				
External parties	20,699	17,838	-	-
Related parties	1,300	1,594	-	-
Sundry debtors	1,261	654	-	-
Deposits	98	92	-	-
Prepayments	256	168	8	3
	23,614	20,346	8	3
Impairment of trade receivables :				
External parties	(371)	(748)	-	-
Total trade and other receivables	23,243	19,598	8	3
Add: Related company balances (Note 17)	-	-	6,118	17,196
Fixed deposits (Note 20)	11,500	87	6,000	-
Cash and bank balances (Note 20)	7,413	4,200	250	251
Less: Prepayments	(256)	(168)	(8)	(3)
Total loans and receivables	41,900	23,717	12,368	17,447

Trade receivables are non-interest bearing and are generally on 30 to 90 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At balance sheet date, trade receivables arising from export sales amounting to \$2,331,000 (2008 : \$2,657,000) are arranged to be settled via letter of credits and document upon acceptance terms issued by reputable banks in countries where customers are based.

Related parties receivables

Amounts due from related parties are non-interest bearing and are repayable on 30 to 90 days' terms. These amounts are unsecured and are to be settled in cash.

18. Trade and other receivables (cont'd)

Allowance for doubtful trade debts

For the year ended 31 December 2009, a write-back of impairment loss of (\$314,000) (2008: \$385,000) (Note 5) and impairment loss of \$55,000 (2008: \$NIL) was recognised in the statement of comprehensive income subsequent to a debt recovery assessment performed on trade receivables and non-trade receivable respectively as at 31 December 2009. For the Group, bad trade debts and bad non-trade debts written-off directly to the statement of comprehensive income amounted to \$42,000 (2008: \$125,000) and \$NIL (2008: \$1,000) respectively (Note 5).

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$3,668,000 (2008: \$6,481,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows :-

	Group	
	2009 \$'000	2008 \$'000
Trade receivables past due :		
Lesser than 30 days	2,714	3,399
30 to 60 days	571	1,855
61 to 90 days	137	747
More than 90 days	246	480
	3,668	6,481
	3,668	6,481

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows :

	Group	
	2009 \$'000	2008 \$'000
Trade receivables - nominal amounts	371	748
Less: Allowance for impairment	(371)	(748)
	-	-
	-	-
Movement in allowance accounts :		
At 1 January	748	1,017
(Write-back)/charge for the year (Note 5)	(314)	385
Written-off	(67)	(578)
Exchange differences	4	(76)
	371	748
At 31 December	371	748

Trade receivables are individually determined to be impaired at the balance sheet date and these receivables relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. Derivatives

	Group					
	2009			2008		
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Forward currency contracts	3,154	-	1	7,375	251	-
Total held for trading assets		-	1		251	-

Forward currency contracts are used to hedge the Group's purchases and related company loans denominated in USD, Euro and SGD for which firm commitments existed at the balance sheet date, extending to June 2010 (2008: April 2009) (Note 30(d)).

The Group does not apply hedge accounting.

20. Cash and cash equivalents

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fixed deposits	11,500	87	6,000	-
Cash and bank balances	7,413	4,200	250	251
Bank overdrafts	(224)	(2)	-	-
	<u>18,689</u>	<u>4,285</u>	<u>6,250</u>	<u>251</u>

For the purpose of the consolidated cash flow statement, cash and cash equivalents include bank overdrafts.

Fixed deposits are made for varying periods between four to six months depending on the immediate cash requirements of the Group, and earn interests at the respective fixed deposit rates.

Bank overdrafts amounting to \$15,000 (2008: Nil) with effective interest rate of 8.25% p.a. (2008: Nil%) is secured by corporate guarantee from the Company.

21. Trade and other payables

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade :				
External parties	10,002	4,819	-	-
Accruals	3,501	1,608	-	-
Sundry creditors	1,230	3,519	335	370
Accrued staff benefit expenses	154	128	-	-
Accrued product liability expenses	350	350	-	-
Total trade and other payables	<u>15,237</u>	<u>10,424</u>	<u>335</u>	<u>370</u>
Add: Loans and borrowings (Note 22)	10,674	18,767	-	-
Bank overdrafts (Note 20)	224	2	-	-
Total financial liabilities carried at amortised cost	<u>26,135</u>	<u>29,193</u>	<u>335</u>	<u>370</u>

Notes to the Financial Statements - 31 December 2009

21. Trade and other payables (cont'd)

Trade and other payables are non-interest bearing. Trade payables are normally settled on 30 day terms while other payables have an average term of three months.

22. Loans and borrowings

	Effective interest rate %	Maturities	Group	
			2009 \$'000	2008 \$'000
Current :				
Loan A: Ringgit fixed rate bankers' acceptances (unsecured)	2.69 - 3.52	January 2010 to April 2010	4,681	8,148
Loan B: Baht fixed rate bank loan (unsecured)	3.58	January 2010	804	7,197
Loan C: Baht fixed rate bank loan (secured)	3.58	January 2010	846	2,313
Loan D: Baht fixed rate bank loan (secured)	4.75 - 5.00	January 2010 to December 2010	254	-
Loan E: NTD fixed rate bank loan (unsecured)	2.60 - 3.60	January 2009 to February 2009	-	1,109
Loan F: NTD fixed rate bank loan (unsecured)	2.18 - 2.35	January 2010 to April 2010	3,095	-
			<u>9,680</u>	<u>18,767</u>
Non-current:				
Loan D: Baht fixed rate bank loan (secured)	5.00	January 2011 to November 2011	233	-
Loan D: Baht floating rate bank loan (secured)	Bank's Minimum Loan Rate ("MLR")	December 2011 to November 2014	761	-
			<u>994</u>	<u>-</u>
Total loans and borrowings			<u>10,674</u>	<u>18,767</u>

Loan C by subsidiary amounting to \$ 846,000 (2008: \$ 2,313,000) is secured by corporate guarantee from the Company. Loan D by a subsidiary amounting to S\$1,248,000 (2008: S\$NIL) is secured by a first mortgage over its freehold land and building.

23. Dividends

	Group and Company	
	2009 \$'000	2008 \$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- First and final exempt (one-tier) dividend for 2008: 1.00 cent (2007: 1.00 cent) per share	2,586	2,586
	<u>2,586</u>	<u>2,586</u>
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholder's approval at the AGM:		
- First and final exempt (one-tier) dividend for 2009: 1.00 cent (2008: 1.00 cent) per share	2,586	2,586
	<u>2,586</u>	<u>2,586</u>

24. Share options

The Company approved on 29 June 1998 "The Zagro Employees' Share Option Scheme" ("Scheme 1998") which would enable selected full-time employees, including executive directors of the Company and the subsidiaries to subscribe for shares in the capital of the Company. The Scheme was amended with approval by the shareholders in an Extraordinary General Meeting held on 31 May 2001 to extend the option period 5 years to 10 years and extend the exercise period for options offered at a discount from 1 year to 2 years. Options offered at market price shall be exercisable during the period commencing 1 year from the date the options are granted.

The Scheme 1998 expired on 29 June 2008 and was replaced by "The Zagro Employees' Share Option Scheme 2008" ("Scheme 2008"). The adoption of Scheme 2008 was approved by the members of the Company at an Extraordinary General Meeting held on 30 April 2008. The expiry of the Scheme 1998 does not affect the rights of outstanding options granted under the Scheme 1998. Such options continue to be exercisable in accordance with the rules of the Scheme 1998.

The rules of Scheme 2008 are largely the same as those of the Scheme 1998. Options offered at market price shall be exercisable during the period commencing 1 year from the date the options are granted and ending on tenth year from the date of grant. Options offered at a discount to market price to employees of the Company and its subsidiaries shall be exercisable during the period commencing 2 years from the date the options are granted and ending on tenth year from the date of grant. Options offered at a discount to market price to employees of associate of the Group shall be exercisable during the period commencing 2 years from the date the options are granted and ending on fifth year from the date of grant.

Movement of share options during the financial year

The following table details the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year :-

	2009		2008	
	Number of shares	WAEP	Number of shares	WAEP
<i>Scheme 1998</i>				
Outstanding at beginning of year	645,000	0.207	655,000	0.207
Forfeited	-	-	(10,000)	0.200
	<u>645,000</u>	<u>0.207</u>	<u>645,000</u>	<u>0.207</u>
Outstanding at end of year	645,000	0.207	645,000	0.207
	<u>645,000</u>	<u>0.207</u>	<u>645,000</u>	<u>0.207</u>
Exercisable at year end	645,000	0.207	645,000	0.207
	<u>645,000</u>	<u>0.207</u>	<u>645,000</u>	<u>0.207</u>

24. Share options (cont'd)

Movement of share options during the financial year (cont'd)

The range of exercise prices for options outstanding at the end of the year was \$0.20 to \$0.212 (2008: \$0.20 to \$0.212). The weighted average remaining contractual life for these options is 1.9 years (2008: 2.9 years).

No options were granted under Scheme 2008 during the financial year.

25. Share capital

	Group and Company	
	2009	2008
	\$'000	\$'000
Issued and fully paid :-		
Balance at beginning and end -		
258,572,238 (2008: 258,572,238) ordinary shares	29,956	29,956

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

26. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

(a) *Related party transactions*

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

	Group	
	2009	2008
	\$'000	\$'000
Related parties :-		
Sale of goods to related parties	5,956	7,936
Purchase of freehold land and building from a related party	-	3,432

(b) *Compensation of key management personnel*

	Group	
	2009	2008
	\$'000	\$'000
Short term employee benefits	1,630	2,538
Comprise amounts to :-		
Directors of the Company	1,011	1,569
Other key management personnel	619	969
	1,630	2,538

27. Commitments

(a) *Capital commitments*

Capital expenditure contracted for as at balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Construction of new building	169	-	-	-

(b) *Operating leases commitments - as lessor*

The Group entered into commercial property sub-leases on its surplus office and manufacturing buildings. These non-cancellable leases have remaining non-cancellable lease terms of between 1 to 2 years with renewal option for another 2 years included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Operating lease income recognised in the statement of comprehensive income during the year amount to \$393,466 (2008: \$470,326).

Future minimum sub-lease payments receivable under non-cancellable operating leases as at 31 December are as follows :-

	Group	
	2009 \$'000	2008 \$'000
Not later than one year	246	409
Later than one year but not later than five years	130	256
	<u>376</u>	<u>665</u>

(c) *Operating leases commitments - as lessee*

The Group entered into commercial property leases mainly for office and manufacturing buildings. These non-cancellable leases have remaining non-cancellable lease terms of up to 45 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. Operating lease payments recognised in the statement of comprehensive income during the year amount to \$781,594 (2008: \$888,869).

Future minimum lease payments under non-cancellable leases as at 31 December are as follows :-

	Group	
	2009 \$'000	2008 \$'000
Not later than one year	959	924
Later than one year but not later than five years	631	833
Later than five years	4,177	4,120
	<u>5,767</u>	<u>5,877</u>

28. Contingent liabilities

Legal claim

In 2006, the Group was involved in a dispute with a customer over product specifications. The case is finally concluded amicably by both parties under a Compromise Agreement (the "Agreement") which became effective on 8 October 2008. Under the Agreement, the parties have to perform certain sales-purchase obligations in return for mutual benefit over a period of one year from the date of the Agreement (the "Purchase Period"). As a result, a provision for probable loss of Peso 1,000,000 (\$\$31,000) was recognised in 2008.

In 2009, the dispute was successfully concluded with no cost to the Group. Accordingly, the provision for sale-price obligations of Peso 1,000,000 (\$\$31,000) was reversed.

Guarantees

The Company has provided a corporate guarantee to a bank for a \$846,000 (2008 : \$2,313,000) loan (Note 22) and \$15,000 (2008: Nil) bank overdrafts (Note 20) taken by a subsidiary.

29. Fair value of financial instruments

(a) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group 2009			
	Quoted prices in active markets for identical instruments \$'000 (Level 1)	Significant other observable inputs \$'000 (Level 2)	Significant unobservable inputs \$'000 (Level 3)	Total \$'000
Financial assets:				
Available-for-sale financial assets (Note 15)				
- 4.15% p.a. SGD bond due 19 December 2011 (quoted)	2,074	-	-	2,074
At 31 December 2009	2,074	-	-	2,074
Financial liabilities:				
Derivatives (Note 19)				
- Forward currency contracts	-	1	-	1
At 31 December 2009	-	1	-	1

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

29. Fair value of financial instruments (cont'd)

(a) *Fair value of financial instruments that are carried at fair value (cont'd)*

- Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value

Quoted equity instruments (Note 15): Fair value is determined directly by reference to their published market bid price at the balance sheet date.

Derivatives (Note 19): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The model incorporates various inputs including the foreign exchange spot and forward rates.

(b) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Current trade and other receivables and payables (Note 18 and 21), cash and cash equivalents (Note 20), related company balances (Note 17), loans and borrowings at floating rate (Note 22)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

Current loans and borrowings at fixed rate (Note 22)

The carrying amount of these financial liabilities are reasonable approximation of fair values estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing arrangements at the balance sheet date.

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial liability by classes that is not carried at fair value and whose carrying amount is not reasonable approximation of fair value is as follows:

	Group 2009		Company 2009	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Loans and borrowings (Note 22)				
- Loan D: Baht fixed rate bank loan (secured)	233	212	-	-
At 31 December 2009	233	212	-	-

Determination of fair value

The fair value as disclosed in the table above is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the balance sheet date.

30. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and
- a nominal amount of \$861,000 (2008: \$2,313,000) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank borrowings.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	2009		2008	
	\$'000	% of total	\$'000	% of total
By country:				
Malaysia	6,599	30.5	5,515	29.5
Thailand	7,182	33.2	4,718	25.3
Philippines	1,695	7.9	1,969	10.5
Indonesia	1,067	4.9	1,597	8.6
Taiwan	1,649	7.6	1,054	5.6
Other countries	3,436	15.9	3,831	20.5
	<u>21,628</u>	<u>100.0</u>	<u>18,684</u>	<u>100.0</u>
By industry sectors:				
Crop care	12,303	56.9	9,271	49.6
Animal health	8,813	40.7	8,832	47.3
Others	512	2.4	581	3.1
	<u>21,628</u>	<u>100.0</u>	<u>18,684</u>	<u>100.0</u>

30. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

At the balance sheet date, approximately 6% (2008: 8%) of the Group's trade and other receivables were due from related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, other investment and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with two different banks. At the balance sheet date, majority of the Group's loans and borrowings (Note 22) will mature in less than one year based on the carrying amount reflected in the financial statements.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	2009			2008		
	1 year or less \$'000	1 to 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
Group						
Financial assets:						
Other investment	-	2,074	2,074	-	1,996	1,996
Trade and other receivables	23,243	-	23,243	19,598	-	19,598
Derivatives	-	-	-	251	-	251
Fixed deposits	11,500	-	11,500	87	-	87
Cash and bank balances	7,413	-	7,413	4,200	-	4,200
Total undiscounted financial assets	42,156	2,074	44,230	24,136	1,996	26,132
Financial liabilities:						
Trade and other payables	15,237	-	15,237	10,424	-	10,424
Loans and borrowings	9,680	994	10,674	18,767	-	18,767
Bank overdraft	224	-	224	2	-	2
Derivatives	1	-	1	-	-	-
Total undiscounted financial liabilities	25,142	994	26,136	29,193	-	29,193
Total net undiscounted financial assets/(liabilities)	17,014	1,080	18,094	(5,057)	1,996	(3,061)

30. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk* (cont'd)

	2009			2008		
	1 year or less \$'000	1 to 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
Company						
Financial assets:						
Related company balances	6,118	-	6,118	17,196	-	17,196
Trade and other receivables	8	-	8	3	-	3
Fixed deposits	6,000	-	6,000	-	-	-
Cash and bank balances	250	-	250	251	-	251
Total undiscounted financial assets	12,376	-	12,376	17,450	-	17,450
Financial liabilities:						
Trade and other payables	335	-	335	370	-	370
Total net undiscounted financial assets/ (liabilities)	12,041	-	12,041	17,080	-	17,080

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2009				2008			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group								
Financial guarantees	4,712	-	-	4,712	4,664	-	-	4,664
Company								
Financial guarantees	4,712	-	-	4,712	4,664	-	-	4,664

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, bank overdrafts, fixed deposits and other investment. The Group does not hedge its investment in fixed rate debt securities as they have active secondary or resale markets to ensure liquidity.

30. Financial risk management objectives and policies (cont'd)

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

	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
2009			
Group			
Fixed rate			
4.15% p.a. SGD bond, quoted	-	2,074	2,074
Fixed deposits	11,500	-	11,500
Bank loans	(4,999)	(233)	(5,232)
Bankers' acceptances	(4,681)	-	(4,681)
<hr/>			
Floating rate			
Bank overdrafts	(224)	-	(224)
Bank loans	-	(761)	(761)
<hr/>			
Company			
Fixed rate			
Fixed deposits	6,000	-	6,000
<hr/>			
2008			
Group			
Fixed rate			
4.15% p.a. SGD bond, quoted	-	1,996	1,996
Fixed deposits	87	-	87
Bank loans	(10,619)	-	(10,619)
Bankers' acceptances	(8,148)	-	(8,148)
<hr/>			
Floating rate			
Bank overdrafts	(2)	-	(2)
<hr/>			

All the Group's and the Company's financial assets and financial liabilities at floating rates are contractually repriced at intervals of less than 6 months (2008: less than 6 months) from the balance sheet date.

Sensitivity analysis for interest rate risk

At the balance sheet date, if Ringgit, Baht and NTD interest rates had been 100 (2008: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$47,000, \$20,000 and \$23,000 (2008: \$67,000, \$78,000 and \$9,000) higher/ lower respectively, arising mainly as result of lower/ higher interest expenses on loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Malaysian Ringgit (Ringgit), Thailand Baht (Baht), Philippines Peso (Peso) and Taiwan dollar (NTD). The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD). Approximately 22% (2008: 17%) of the Group's sales are denominated in foreign currencies whilst almost 47% (2008: 70%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures. Included in trade receivables and trade payables of the Group is an amount of \$2,343,000 (2008: \$2,598,000) and \$5,166,000 (2008: \$1,906,000) denominated in USD respectively.

30. Financial risk management objectives and policies (cont'd)

(d) *Foreign currency risk (cont'd)*

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amount to \$1,758,000 (2008: \$1,373,000) and \$6,000 (2008: \$6,000) for the Group and the Company respectively.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2009, the Group had hedged 4% (2008: 16%) of its foreign currency denominated purchases respectively, for which firm commitments existed at the balance sheet date, extending to June 2010 (2008: March 2009).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Thailand, Philippines and Taiwan. The Group's net investments in Malaysia, Thailand, Philippines and Taiwan are not hedged as currency positions in Ringgit, Baht, Peso and NTD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD (against SGD), with all other variables held constant, of the Group's profit net of tax and equity.

		Group			
		2009		2008	
		Profit net of tax	Equity	Profit net of tax	Equity
		\$'000	\$'000	\$'000	\$'000
USD	- strengthened 6% (2008: 6%)	(48)	(48)	138	138
	- weakened 6% (2008: 6%)	48	48	(138)	(138)
		Company			
		2009		2008	
		Profit net of tax	Equity	Profit net of tax	Equity
		\$'000	\$'000	\$'000	\$'000
USD	- strengthened 6% (2008: 6%)	-	-	83	83
	- weakened 6% (2008: 6%)	-	-	(83)	(83)

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the fair value adjustment reserve.

The Group is in compliance with all borrowing covenants for the financial years ended 31 December 2009 and 31 December 2008.

31. Capital management (cont'd)

	Group	
	2009 \$'000	2008 \$'000
Loans and borrowings (Note 22)	10,674	18,767
Trade and other payables (Note 21)	15,237	10,424
Less: Cash and cash equivalents (Note 20)	(18,689)	(4,285)
Net debt	7,222	24,906
Equity attributable to the equity holders of the parent	59,018	55,326
Less: Fair value adjustment reserve	(78)	-
Total capital	58,940	55,326
Capital and net debt	66,162	80,232
Gearing ratio	11%	31%

32. Segment information

For management purposes, the Group is organised into business units based on their products as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The Group is organised on a worldwide basis into three main operating segments, namely:-

- Crop Care - manufactures and distributes seeds, fertilisers, fungicides, insecticides, herbicides and nutrition products for crops
- Animal Health - manufactures and distributes ectoparasiticides, antibiotics, anticoccidials, nutritional products in the growth of livestock, poultry and aquatic animals
- Corporate and Others - distributes generic pharmaceutical raw materials and specialty chemicals, analyses of nutrients and active ingredients, general management and administration

Geographical segments

Segment revenue by geographical segments are based on the location of customers regardless of where the goods are produced. The non-current assets are based on the location of those assets.

Allocation basis and transfer pricing

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

Segment accounting policies are the same as the policies of the Group as described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

32. Segment information (cont'd)

Allocation basis and transfer pricing (cont'd)(a) *Business segments*

The following table present revenue and results information regarding the Group's business segments for the years ended 31 December 2009 and 2008 and certain assets and liabilities information regarding business segments at 31 December 2009 and 2008.

	Crop Care		Animal Health		Corporate and Others		Eliminations		Notes	Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008		2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Segment revenue:											
Sales to external customers	61,080	71,158	53,006	47,480	2,452	2,845	–	–		116,538	121,483
Results:											
Segment results	2,779	8,461	4,901	4,510	(301)	(2,172)				7,379	10,799
Interest income										116	119
Interest expense										(491)	(795)
Share of results of associate										–	(1)
Profit before taxation										7,004	10,122
Taxation										(911)	(2,363)
Profit for the year										6,093	7,759
Assets and liabilities:											
Segment assets	27,368	37,930	24,639	27,955	13,172	14,176	21,841	7,213	(A)	87,020	87,274

32. Segment information (cont'd)

	Crop Care		Animal Health		Corporate and Others		Eliminations		Notes	Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000		2009 \$'000	2008 \$'000
Segment liabilities	7,170	5,062	4,513	2,086	3,554	3,276	12,765	21,524	(B)	28,002	31,948
Other segment information :											
Capital expenditure on intangible assets and property, plant and equipment (Write-back)/	146	133	457	5,472	538	4,538				1,141	10,143
impairment loss on doubtful trade receivables	(187)	203	(126)	181	(1)	1				(314)	385
Bad debts written-off (Reversal)/	6	-	36	109	-	17				42	126
write-down of inventories	(993)	1,581	(408)	748	12	(88)				(1,389)	2,241
Depreciation of property, plant and equipment	81	150	456	400	506	421				1,043	971
Amortisation of intangible assets	102	117	651	679	-	-				753	796
Impairment loss on intangible asset	-	-	256	178	-	-				256	178

32. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

A. The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	2009 \$'000	2008 \$'000
Investment in an associate	12	12
Deferred tax assets	842	667
Other investment	2,074	1,996
Derivatives	-	251
Fixed deposits	11,500	87
Cash and bank balances	7,413	4,200
	<u>21,841</u>	<u>7,213</u>

B. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

Loans and borrowings	10,674	18,767
Bank overdrafts	224	2
Provision for taxation	1,399	2,437
Deferred tax liabilities	467	318
Derivatives	1	-
	<u>12,765</u>	<u>21,524</u>

(b) *Geographical segments*

The following table present revenue and non-current assets information regarding the Group's geographical segments for the year ended 31 December 2009 and 2008.

	Revenue		Non-current assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Asia	107,262	113,783	21,434	22,338
Others	9,276	7,700	-	3
	<u>116,538</u>	<u>121,483</u>	<u>21,434</u>	<u>22,341</u>

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

33. Authorisation of financial statements

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 8 March 2010.

Statistic of Shareholdings
as at 1 March 2010

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS		NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	- 999	3	0.10	838	0.00
1,000	- 10,000	2,091	72.05	9,924,000	3.84
10,001	- 1,000,000	791	27.26	47,396,400	18.33
1,000,001	and above	17	0.59	201,251,000	77.83
TOTAL :		2,902	100.00	258,572,238	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	POH BENG SWEE	79,718,000	30.83
2.	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	63,904,000	24.71
3.	SOH DOLLY	16,348,000	6.32
4.	POHCONNECT HOLDINGS PTE LTD	15,000,000	5.80
5.	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,977,000	2.31
6.	NOMURA SINGAPORE LIMITED	3,451,000	1.33
7.	ALPHA SECURITIES PTE LTD	3,000,000	1.16
8.	DOMINIC RICHARD PEMBERTON	2,000,000	0.77
9.	TAN BENG YIAM	1,810,000	0.70
10.	LEE SOO YING	1,680,000	0.65
11.	DBS NOMINEES PTE LTD	1,661,000	0.64
12.	TEO JOO KIM	1,159,000	0.45
13.	UOB KAY HIAN PTE LTD	1,154,000	0.45
14.	WEE YEOW CHIN	1,134,000	0.44
15.	LEE WOON KIAT	1,108,000	0.43
16.	SOO KAM BENG @ SOO MAN KHENG	1,100,000	0.43
17.	TEH PENG HOOI	1,047,000	0.40
18.	CATHAY ORGANISATION PTE LTD	1,000,000	0.39
19.	TEO CHIANG CHAI	950,000	0.37
20.	SIN TIEN SENG PTE LTD	850,000	0.33
TOTAL :		204,051,000	78.91

SUBSTANTIAL SHAREHOLDERS
(as shown in the Company's Register of Substantial Shareholders)

NAME	Direct Interest	Indirect Interest	Total Interest	%
Poh Beng Swee	79,718,000	31,348,000	111,066,000	42.95
Skopini Limited	-	63,904,000	63,904,000	24.71
Soh Dolly	16,348,000	15,000,000	31,348,000	12.12
PohConnect Holdings Pte Ltd	15,000,000	-	15,000,000	5.80

Statistic of Shareholdings
as at 1 March 2010

SUBSTANTIAL SHAREHOLDERS (cont'd)
(as shown in the Company's Register of Substantial Shareholders)

Note:

- (1) Mr Poh Beng Swee is deemed to be interested in the 16,348,000 shares held by his spouse, Ms Soh Dolly, and in the 15,000,000 shares held by PohConnect Holdings Pte Ltd, a company in which he controls not less than 20% of the voting shares.
- (2) Ms Soh Dolly is deemed to be interested in the 15,000,000 shares held by PohConnect Holdings Pte Ltd, a company in which she controls not less than 20% of the voting shares.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

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 is at all times held by the public.

The Company has complied with Rule 723. As at 1 March 2010, approximately 31.84% of the Company's ordinary shares listed on the SGX-ST were held in the hands of the public (on the basis of information available to the Company).

Group Addresses

Zagro Asia Limited

Zagro Global Hub
5 Woodlands Terrace
Singapore 738430

Tel: +65 6759 1811 (10 lines)
Fax: +65 6759 1855
zagroasia@zagro.com
www.zagro.com

Agsin Pte Ltd

Zagro Global Hub
5 Woodlands Terrace, Singapore 738430

Tel: +65 6759 1811 (10 lines)
Fax: +65 6758 7118
agsin@zagro.com

Zagro Animal Health Pte Ltd

Zagro Global Hub
5 Woodlands Terrace
Singapore 738430

Tel: +65 6759 1811 (10 lines)
Fax: +65 6759 1855
zah@zagro.com

Vetsquare.com Pte Ltd

Bukit Timah P.O. Box 0102
Singapore 915804

Tel: +65 6753 9188
Fax: +65 6759 1866
admin@vetsquare.com
www.vetsquare.com

AgroExchangePlus Pte Ltd

Bukit Timah P.O. Box 0102
Singapore 915804

Tel: +65 6753 9188
Fax: +65 6759 1866
aep@zagro.com

AgroConnect.com Pte Ltd

Bukit Timah P.O. Box 0102
Singapore 915804

Tel: +65 6753 9188
Fax: +65 6759 1866
contact@agroconnect.com
www.agroconnect.com

Zagro Industries Pte Ltd

Bukit Timah P.O. Box 0102
Singapore 915804

Tel: +65 6753 9188
Fax: +65 6759 1866
zind@zagro.com

Zagro Singapore Pte Ltd

Zagro Global Hub
5 Woodlands Terrace
Singapore 738430

Tel: +65 6759 1811 (10 lines)
Fax: +65 6759 1855
zsingapore@zagro.com
www.zagro.com

Pacific Lab Services

(Division of Zagro Singapore Pte Ltd)
Zagro Global Hub
5 Woodlands Terrace, Singapore 738430

Tel: +65 6759 1811 (10 lines)
Fax: +65 6759 1855
paclab@zagro.com

Zagro Chemicals Sdn Bhd

27 Jalan PJS 3/34,
Taman Sri Manja, 46000 Petaling Jaya,
Selangor, Malaysia

Tel: +60 3 7783 0766 / 7783 3400
Fax: +60 3 7783 0772 / 7783 3015
zmalaysia@zagro.com

Agsin Sdn Bhd

27 Jalan PJS 3/34,
Taman Sri Manja, 46000 Petaling Jaya,
Selangor, Malaysia

Tel: +60 3 7783 0766 / 7783 3400
Fax: +60 3 7783 0772 / 7783 3015

Zagro Corporation

7th Floor, Rahu Sulayman Building,
108 Benavidez Street,
Legaspi Village, Makati City, Philippines

Tel: +63 2 8101 340 / 8101 417 / 8104 545
Fax: +63 2 8102 526
zphilippines@zagro.com

P.T. Zagro Indonesia

Karindra Building Lt.2,
Suite No. 4 - 6,
Jl. Palmerah Selatan No. 30A,
Jakarta Pusat 10270,
Indonesia

Tel: +65 6759 1811
Fax: +65 6759 1855
zindonesia@zagro.com

Zagro Singapore Pte Ltd

(Sri Lanka Liaison Office)
7 Mendis Place, Dehiwela
Sri Lanka

Tel: +94 1 7420 2856
Fax: +94 1 731 794 / 733 649
zsrilanka@zagro.com

Zagro (Thailand) Ltd

12th Floor, Ploenchit Center,
2 Sukhumvit Road, Kwaeng Klongtoey,
Khet Klongtoey, Bangkok 10110
Thailand

Tel: +662 656 8710 / 656 8754
Fax: +662 656 8758 / 656 8759
zthailand@zagro.com

Zagro Services Ltd

12th Floor, Ploenchit Center,
2 Sukhumvit Road, Kwaeng Klongtoey,
Khet Klongtoey, Bangkok 10110.
Thailand

Tel: +662 656 8710 / 656 8754
Fax: +662 656 8758 / 656 8759
zthailand@zagro.com

Zagro Taiwan International Ltd

No 332 Gongye Road,
Nantou City, Nantou County,
54065 Taiwan, R.O.C.

Tel: +886 49 225 4727
Fax: +886 49 225 4598
ztaiwan@zagro.com

Zagro Europe GmbH

Rheinstrasse 1,
D79618 Rheinfeldern, Germany

Tel: +49 7623 794 555
Fax: +49 7623 794 557
zeurope@zagro.com

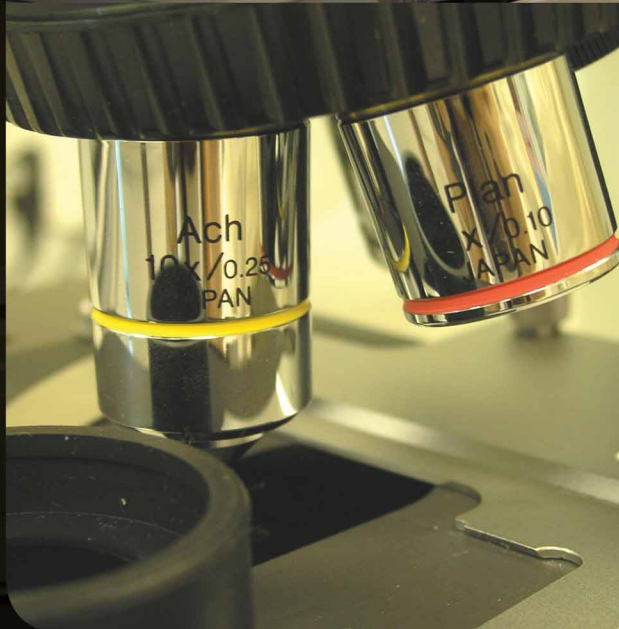
Zagro Africa (Pty) Ltd

88 Forrest Road,
Elm Street,
Inanda 2196

Tel: +65 6759 1811
Fax: +65 6759 1855
zafrica@zagro.com

Popular Tests:

- Amino Acid Tests
- Melamine Testing
- API Testing
- Mycotoxin Tests
- Enzyme Testing
- Nutrient Analysis
- Heavy Metal Detection



All products manufactured by Zagro are subjected to stringent quality testing by Pacific Lab Services. Led by a veteran leader, our chemists with diverse backgrounds and scientific expertise continually seek to improve and optimize our services in the pursuit of total customer satisfaction. Pacific Lab Services serves customers across a wide range of industries all over the world. We are trusted by our partners globally.

