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**Second Quarter Results \* Financial Statement And Related Announcement**

\* Asterisks denote mandatory information

Name of Announcer *	ETIKA INTERNATIONAL HLDGS LTD
Company Registration No.	200313131Z
Announcement submitted on behalf of	ETIKA INTERNATIONAL HLDGS LTD
Announcement is submitted with respect to *	ETIKA INTERNATIONAL HLDGS LTD
Announcement is submitted by *	JULIE KOH NGIN JOO AND KOK MOR KEAT
Designation *	COMPANY SECRETARIES
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**>> Announcement Details**

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For the Financial Period Ended *	31-03-2011
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# ETIKA INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

## ANNOUNCEMENT OF UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2011

### PART 1

#### 1(a)(i) Consolidated Statement of Comprehensive Income

	Q2 31.03.11 RM'000	Q2 31.03.10 RM'000	Increase/ (Decrease) %	HY 31.03.11 RM'000	HY 31.03.10 RM'000	Increase/ (Decrease) %
<b>Revenue</b>	<b>221,194</b>	<b>153,066</b>	<b>44.5</b>	<b>427,478</b>	<b>316,601</b>	<b>35.0</b>
Cost of goods sold	(171,992)	(116,948)	47.1	(338,610)	(233,042)	45.3
Gross profit	49,202	36,118	36.2	88,868	83,559	6.4
Other operating income	4,790	4,320	10.9	8,508	4,938	72.3
Negative goodwill	14,472	-	>100	14,472	-	>100
Operating expenses						
Administrative expenses	(9,156)	(7,017)	30.5	(18,408)	(14,852)	23.9
Selling and marketing expenses	(11,662)	(8,004)	45.7	(21,239)	(15,046)	41.1
Warehouse and distribution expenses	(8,133)	(7,279)	11.7	(16,192)	(13,841)	17.0
Research and development expenses	(408)	(273)	49.5	(800)	(524)	52.7
Other operating expenses	(5,455)	(479)	>100	(11,471)	(2,461)	>100
	(34,814)	(23,052)		(68,110)	(46,724)	
<b>EBIT</b>	<b>33,650</b>	<b>17,386</b>	<b>93.5</b>	<b>43,738</b>	<b>41,773</b>	<b>4.7</b>
Finance costs	(4,107)	(1,781)	>100	(7,581)	(3,508)	>100
<b>Profit before income tax</b>	<b>29,543</b>	<b>15,605</b>	<b>89.3</b>	<b>36,157</b>	<b>38,265</b>	<b>(5.5)</b>
Income tax	(3,083)	(2,738)	12.6	(6,357)	(7,824)	18.8
<b>Profit after income tax</b>	<b>26,460</b>	<b>12,867</b>	<b>&gt;100</b>	<b>29,800</b>	<b>30,441</b>	<b>(2.1)</b>
<b>Profit attributable to:</b>						
Equity holders of the Company	25,935	12,933	>100	29,886	30,565	(2.2)
Non-controlling interests	525	(66)	>100	(86)	(124)	(30.6)
	<b>26,460</b>	<b>12,867</b>		<b>29,800</b>	<b>30,441</b>	

1(a)(ii) Notes to consolidated Statement of Comprehensive Income

	Q2 31.03.11 RM'000	Q2 31.03.10 RM'000	Increase/ (Decrease) %	HY 31.03.11 RM'000	HY 31.03.10 RM'000	Increase/ (Decrease) %
Allowance for doubtful debts						
- Trade	230	1,136	(79.8)	662	1,272	(48.0)
- Write back of provision no longer required	(107)	(293)	(63.5)	(184)	(293)	(37.2)
Amortization of intangible assets	83	-	>100	136	1	>100
Depreciation and amortization expenses	4,620	2,611	76.9	8,830	5,004	76.5
Bad debt written off	27	19	42.1	28	19	47.4
Foreign exchange gain	(3,385)	(3,475)	(2.5)	(6,254)	(4,046)	54.6
Foreign exchange loss	3,329	397	>100	8,001	2,378	>100
Interest expense	4,107	1,781	>100	7,581	3,508	>100
Interest income	(82)	(130)	(36.9)	(124)	(194)	(36.1)
Inventories written off	406	166	>100	465	263	76.8
Negative goodwill	(14,472)	-	>100	(14,472)	-	>100
(Gain)/ Loss on disposal of plant and equipment	(1,344)	(62)	>100	(1,344)	(62)	>100
Property, plant and equipment written off	7	-	>100	322	-	>100
Share option expenses	8	145	(94.5)	1,439	145	>100

**1(b) Statement of Financial Positions**

	Group		Company	
	As at 31.03.11 RM'000	As at 30.09.10 RM'000	As at 31.03.11 RM'000	As at 30.09.10 RM'000
<b>Non-current assets</b>				
Property, plant and equipment	251,695	190,351	25	26
Prepaid lease payment for land	7,774	6,900	-	-
Investment in subsidiary	-	-	35,091	35,091
Trade receivables	192	453	-	-
Available-for-sale financial assets	408	245	-	-
Deferred tax assets	9,099	1,488	-	-
Intangible assets	106,054	30,347	118	132
	375,222	229,784	35,234	35,249
<b>Current assets</b>				
Inventories - at cost	108,866	102,932	-	-
Trade and other receivables	160,422	133,643	84,729	74,624
Tax recoverable	2,368	1,515	-	-
Fixed deposits	4,039	4,019	-	872
Cash and bank balances	38,331	26,194	2,591	2,029
	314,026	268,303	87,320	77,525
<b>Current liabilities</b>				
Trade and other payables	107,209	68,188	15,339	11,856
Current income tax payable	9,788	3,994	-	1
Finance leases	2,691	2,453	-	-
Bank borrowings	161,571	112,913	-	-
	281,259	187,548	15,339	11,857
<b>Net current assets</b>	32,767	80,755	71,981	65,668
<b>Non-current liabilities</b>				
Financial guarantee contracts	-	-	6,897	6,897
Other payable	761	121	-	-
Finance leases	4,031	2,079	-	-
Bank borrowings	162,363	83,762	-	-
Deferred tax liabilities	12,234	11,577	-	-
	179,389	97,539	6,897	6,897
<b>Net assets</b>	228,600	213,000	100,318	94,020
Share capital	56,412	56,412	56,412	56,412
Treasury shares	(183)	(183)	(183)	(183)
Foreign currency translation reserve	(1,324)	(1,473)	1,724	211
Fair value reserve	310	147	-	-
Share equity reserve	2,021	582	2,021	582
Accumulated profits	166,954	153,043	40,344	36,998
Equity attributable to equity holders of the Company	224,190	208,528	100,318	94,020
Non-controlling interests	4,410	4,472	-	-
Total Equity	228,600	213,000	100,318	94,020

**1(c) Aggregate amount of the Group's borrowings and debt securities.**

	As at 31.03.11		As at 30.09.10	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
<b>Amount payable within one year</b>				
Bank borrowings	71,512	90,059	73,947	38,966
Finance leases	2,691	-	2,453	-
	<u>74,203</u>	<u>90,059</u>	<u>76,400</u>	<u>38,966</u>
<b>Amount payable after one year</b>				
Bank borrowings	162,363	-	83,762	-
Finance leases	4,031	-	2,079	-
	<u>166,394</u>	<u>-</u>	<u>85,841</u>	<u>-</u>
	<u>240,597</u>	<u>90,059</u>	<u>162,241</u>	<u>38,966</u>
<b>Total</b>	<u>330,656</u>		<u>201,207</u>	

The Group's secured bank borrowings are against the following:

- ⇒ Fixed charge over the freehold land and buildings located in Meru Industrial Park, Klang (Dairies Division); Glenmarie Estate, Subang and Georgetown, Penang (Frozen Food Division); Oakland Industrial Park, Seremban (Beverage Division); West Java, Indonesia (Instant Noodle Division);
- ⇒ Fixed charge over the leasehold land in Petaling Jaya, Selangor (Packaging Division) and East Java, Indonesia (Instant Noodle Division);
- ⇒ Fixed charge over the machinery and equipment of Dairies, Frozen Food and Instant Noodle Divisions;
- ⇒ Debenture on the floating assets for Packaging Division;
- ⇒ Pledge of unquoted shares in Frozen Food, Packaging, Dairies and Other Divisions;
- ⇒ Joint and several guarantees by minority shareholders of one of the subsidiaries of Frozen Food Division;
- ⇒ Joint and several guarantees by Directors of one of the subsidiaries of Other Divisions;
- ⇒ Pledged of fixed deposits in Frozen Food, Dairies and Other Divisions;
- ⇒ Registered general security agreement over all present and future assets of Nutrition Division and
- ⇒ Pledge of Horleys trademark.

All the above secured bank borrowings and all other unsecured bank borrowings are supported by the Company's Corporate Guarantee.

Finance lease payables are secured by way of:

- ⇒ Charge against the respective machineries and vehicles under finance leases

**1(d)(i) Consolidated Cashflow Statement.**

	Q2 31.03.11 RM'000	Q2 31.03.10 RM'000	HY 31.03.11 RM'000	HY 31.03.10 RM'000
<b>Cashflows from operating activities</b>				
Profit before income tax	29,543	15,605	36,157	38,265
Adjustments for:				
Allowance for doubtful receivables	230	1,136	662	1,272
Allowance for doubtful trade debts no longer required	(107)	(293)	(184)	(293)
Bad debt written off	27	19	28	19
Amortization of intangible assets	83	-	136	1
Amortization of prepaid lease payment for land	34	20	70	41
Depreciation of property, plant and equipment	4,586	2,591	8,760	4,963
Interest expense	4,107	1,781	7,581	3,508
Share option expense	8	145	1,439	145
Interest income	(82)	(130)	(124)	(194)
Inventories written off	406	166	465	263
Impairment of intangible assets	(46)	-	-	-
(Gain)/ Loss on disposal of plant and equipment	(1,344)	(62)	(1,344)	(62)
(Gain)/ Loss on foreign exchange	843	(1,021)	1,103	(1,021)
Negative goodwill	(14,472)	-	(14,472)	-
Property, plant and equipment written off	7	-	322	-
Operating profit before working capital changes	23,823	19,957	40,599	46,907
Working capital changes:				
Inventories	(6,147)	(15,386)	(3,046)	(24,438)
Trade and other receivables	15,972	309	(880)	(13,285)
Trade and other payables	13,838	7,511	14,472	7,824
Cash generated from operations	47,486	12,391	51,145	17,008
Interest paid	(1,070)	-	(1,108)	(72)
Income tax paid	(4,186)	(1,762)	(6,274)	(3,607)
<b>Net cash from operating activities</b>	<b>42,230</b>	<b>10,629</b>	<b>43,763</b>	<b>13,329</b>
<b>Cash flows from investing activities</b>				
Addition of prepaid lease payment for land	(947)	-	(947)	-
Interest received	82	130	124	194
Net cash outflow from acquisition of subsidiary (Note 1(d)(ii))	(84,321)	-	(97,780)	-
Purchase of intangible assets	70	179	(145)	(22)
Purchase of property, plant and equipment	(14,307)	(3,437)	(14,307)	(11,952)
Proceeds from disposal of intangible assets	4,804	-	-	-
Proceeds from disposal of plant and equipment	34	86	34	86
<b>Net cash used in investing activities</b>	<b>(94,585)</b>	<b>(3,042)</b>	<b>(113,021)</b>	<b>(11,694)</b>

	Q2 31.03.11 RM'000	Q2 31.03.10 RM'000	HY 31.03.11 RM'000	HY 31.03.10 RM'000
<b>Cash flow from financing activities</b>				
Dividends paid to shareholders	(15,974)	(12,871)	(15,974)	(12,871)
Dividends paid to Minority Shareholders	-	(14)	-	(23)
Interest paid	(3,037)	(1,781)	(6,473)	(3,437)
Decrease in fixed deposits (pledged)	(3)	91	(104)	91
Proceeds from the issuance of shares	-	2,206	-	2,671
Proceeds from finance lease obligations	(342)	(3,573)	(906)	(4,372)
Drawdown of bank loans	69,316	11,553	84,813	24,467
<b>Net cash generated from financing activities</b>	<b>49,960</b>	<b>(4,389)</b>	<b>61,356</b>	<b>6,526</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,395)</b>	<b>3,198</b>	<b>(7,902)</b>	<b>8,161</b>
<b>Cash and cash equivalents at the beginning of financial period</b>	<b>18,502</b>	<b>27,744</b>	<b>25,333</b>	<b>23,434</b>
<b>Effect of exchange rate changes</b>	<b>2,067</b>	<b>(1,947)</b>	<b>743</b>	<b>(2,600)</b>
<b>Cash and cash equivalents at the end of financial period</b>	<b>18,174</b>	<b>28,995</b>	<b>18,174</b>	<b>28,995</b>
<b>Cash and cash equivalents comprise the following:</b>				
Cash and bank balances	38,331	22,620	38,331	22,620
Unpledged fixed deposits	2,909	8,180	2,909	8,180
Bank overdrafts – secured	(23,066)	(1,805)	(23,066)	(1,805)
	<b>18,174</b>	<b>28,995</b>	<b>18,174</b>	<b>28,995</b>

#### 1(d)(ii) Notes to consolidated cash flow statement

- (a) Acquisition of subsidiaries – Family Bakery Sdn Bhd, Hot Bun Food Industries Sdn Bhd and Daily Fresh Bakery Sdn Bhd (collectively known as “Family Bakery”).

On 1 October 2010, the Group acquired 100% of equity interest in Family Bakery. The purchase consideration is approximately RM18.7 million.

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

<b>Note A – Net cash outflow from acquisition of subsidiaries</b>	<b>Fair value Recognized on acquisition RM'000</b>	<b>Carrying account before combination RM'000</b>
<b>Net identifiable assets and liabilities fair value</b>		
Property, plant and equipment	5,387	5,387
Trade and other receivables	2,543	2,543
Inventories	645	645
Cash and bank balances	4,113	4,113
Trade and other payables	(2,337)	(2,337)
Borrowings	(3,164)	(3,164)
Deferred tax liabilities	(678)	(678)
Net identifiable assets acquired	6,509	6,509
Shares acquired	100%	
	6,509	
Goodwill arising on consolidation	12,171	
Total purchase consideration	18,680	
Less : Deferred consideration	(1,000)	
Less : Cash acquired	(4,113)	
Net cash outflow from acquisition	13,567	

(b) Acquisition of subsidiaries – PT Sentrafood Indonusa and PT Sentraboga Intiselera (collectively known as “PTSF & PTSB”)

In previous quarter, the Group had prepared the consolidation based on 70% of equity interest in PTSF & PTSB. The equity consideration of 70% equity is estimated to be Rp7,000 (approximately RM2.40). Etika has the option to acquire the balance 30% equity within twelve months for a nominal sum.

In this current quarter, the consolidation is prepared based on 100% acquisition of PTSF & PTSB with the total purchase consideration of Rp24,228.9 million (approximately RM8.3 million).

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

<b>Note B – Net cash outflow from acquisition of subsidiaries</b>	<b>Fair value Recognized on acquisition RM'000</b>	<b>Carrying account before combination RM'000</b>
<b>Net identifiable assets and liabilities fair value</b>		
Property, plant and equipment	27,376	13,637
Intangible assets	2,463	-
Deferred tax assets	7,537	7,537
Trade and other receivables	7,321	7,321
Inventories	1,953	1,953
Cash and bank balances	108	108
Trade and other payables	(5,545)	(60,834)
Borrowings	(18,435)	(18,435)
Net identifiable assets acquired	<u>22,778</u>	<u>(48,713)</u>
Shares acquired	100%	
	<u>22,778</u>	
Negative goodwill arising on consolidation	<u>(14,472)</u>	
Total purchase consideration	8,306	
Less : Deferred consideration	(4,878)	
Less : Cash acquired	<u>(108)</u>	
Net cash outflow from acquisition	<u>3,320</u>	

(c) Acquisition of subsidiaries – Susu Lembu Asli (Johore) Sdn Bhd and Susu Lembu Asli Marketing Sdn Bhd (collectively known as “Susu Lembu Group”)

On 4 January 2011, the Group acquired 100% of equity interest in Susu Lembu Group. The purchase consideration is RM87.4 million.

The fair value of identifiable assets and liabilities of Susu Lembu Group as at the date of acquisition were as follows:

Note C – Net cash outflow from acquisition of subsidiaries	Fair value Recognized on acquisition RM'000	Carrying account before combination RM'000
<b>Net identifiable assets and liabilities fair value</b>		
Property, plant and equipment	21,761	5,086
Intangible assets	18,600	-
Trade and other receivables	17,233	17,233
Inventories	1,036	1,036
Deferred tax assets	250	250
Cash and bank balances	6,521	6,521
Current tax asset	188	188
Trade and other payables	(16,366)	(16,366)
Borrowings	(4,034)	(4,034)
Net identifiable assets acquired	45,189	9,914
Shares acquired	100%	
	45,189	
Goodwill arising on consolidation	42,225	
Total purchase consideration	87,414	
Less : Cash acquired	(6,521)	
Net cash outflow from acquisition	80,893	

**1(d)(iii) Other comprehensive income**

	Q2 31.03.11 RM'000	Q2 31.03.10 RM'000	HY 31.03.11 RM'000	HY 31.03.10 RM'000
<b>Profit after income tax</b>	<b>26,460</b>	<b>12,867</b>	<b>29,800</b>	<b>30,441</b>
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations	(24)	(3,069)	170	(3,652)
Net fair value changes on available-for-sale financial assets, net of tax	73	-	163	-
Other comprehensive expense for the period, net of tax	49	(3,069)	333	(3,652)
<b>Total comprehensive income for the financial period</b>	<b>26,509</b>	<b>9,798</b>	<b>30,133</b>	<b>26,789</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	26,081	10,110	30,197	26,913
Non-controlling interest	428	(312)	(64)	(124)
	<b>26,509</b>	<b>9,798</b>	<b>30,133</b>	<b>26,789</b>

1(e) Statement of Changes in Equity

Group	Share capital	Treasury shares	Foreign currency translation reserve	Fair value reserve	Share equity reserve	Accumulated profits	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 October 2010	56,412	(183)	(1,473)	147	582	153,043	208,528	4,472	213,000
Net comprehensive income	-	-	149	163	-	29,885	30,197	(64)	30,133
Share option expense	-	-	-	-	1,439	-	1,439	-	1,439
Additional interest in subsidiary	-	-	-	-	-	-	-	2	2
Dividend paid	-	-	-	-	-	(15,974)	(15,974)	-	(15,974)
Balance at 31 March 2011	56,412	(183)	(1,324)	310	2,021	166,954	224,190	4,410	228,600
Balance at 1 October 2009	53,707	(183)	2,716	165	-	106,353	162,758	4,720	167,478
Net comprehensive income	-	-	(3,652)	-	-	30,565	26,913	(124)	26,789
Share option expense	-	-	-	-	145	-	145	-	145
Additional interest in subsidiary	-	-	-	-	-	-	-	303	303
Issue of shares	2,671	-	-	-	-	-	2,671	-	2,671
Dividend paid	-	-	-	-	-	(12,871)	(12,871)	(24)	(12,895)
Balance at 31 March 2010	56,378	(183)	(936)	165	145	124,047	179,616	4,875	184,491

Group	Share capital	Treasury shares	Foreign currency translation reserve	Fair value reserve	Share equity reserve	Accumulated profits	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 31 December 2010	56,412	(183)	(1,398)	237	2,013	156,994	214,075	(8,200)	205,875
Net comprehensive income	-	-	74	73	-	25,934	26,081	428	26,509
Share option expense	-	-	-	-	8	-	8	-	8
Additional interest in subsidiary	-	-	-	-	-	-	-	12,182	12,182
Dividend paid	-	-	-	-	-	(15,974)	(15,974)	-	(15,974)
Balance at 31 March 2011	56,412	(183)	(1,324)	310	2,021	166,954	224,190	4,410	228,600
Balance at 31 December 2009	54,171	(183)	1,887	165	-	123,985	180,025	4,908	184,932
Net comprehensive income	-	-	(2,823)	-	-	12,933	10,110	(312)	9,798
Share option expense	-	-	-	-	145	-	145	-	145
Additional interest in subsidiary	-	-	-	-	-	-	-	303	303
Issue of shares	2,207	-	-	-	-	-	2,207	-	2,207
Dividend paid	-	-	-	-	-	(12,871)	(12,871)	(24)	(12,895)
Balance at 31 March 2010	56,378	(183)	(936)	165	145	124,047	179,616	4,875	184,491

Company	Share capital	Treasury shares	Foreign currency translation reserve	Fair value reserve	Share equity reserve	Accumulated profits	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 October 2010	56,412	(183)	211	-	582	36,998	94,020	-	94,020
Issue of shares	-	-	-	-	-	-	-	-	-
Net comprehensive income	-	-	1,513	-	-	19,321	20,834	-	20,834
Share option expense	-	-	-	-	1,439	-	1,439	-	1,439
Dividend paid	-	-	-	-	-	(15,975)	(15,975)	-	(15,975)
Balance at 31 March 2011	56,412	(183)	1,724	-	2,021	40,344	100,318	-	100,318
Balance at 1 October 2009	53,707	(183)	2,725	-	-	20,588	76,837	-	76,837
Issue of shares	2,671	-	-	-	-	-	2,671	-	2,671
Net comprehensive income	-	-	(2,601)	-	-	13,113	10,512	-	10,512
Share option expense	-	-	-	-	145	-	145	-	145
Dividend paid	-	-	-	-	-	(12,871)	(12,871)	-	(12,871)
Balance at 31 March 2010	56,378	(183)	124	-	145	20,830	77,294	-	77,294

Company	Share capital	Treasury shares	Foreign currency translation reserve	Fair value reserve	Share equity reserve	Accumulated profits	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 31 December 2010	56,412	(183)	1,408	-	2,013	43,183	102,833	-	102,833
Issue of shares	-	-	-	-	-	-	-	-	-
Net comprehensive income	-	-	316	-	-	13,136	13,452	-	13,452
Share option expense	-	-	-	-	8	-	8	-	8
Dividend paid	-	-	-	-	-	(15,975)	(15,975)	-	(15,975)
Balance at 31 March 2011	56,412	(183)	1,724	-	2,021	40,344	100,318	-	100,318
Balance at 31 December 2009	54,171	(183)	2,341	-	-	20,960	77,289	-	77,289
Issue of shares	2,207	-	-	-	-	-	2,207	-	2,207
Net comprehensive income	-	-	(2,217)	-	-	12,741	10,524	-	10,524
Share option expense	-	-	-	-	145	-	145	-	145
Dividend paid	-	-	-	-	-	(12,871)	(12,871)	-	(12,871)
Balance at 31 March 2010	56,378	(183)	124	-	145	20,830	77,294	-	77,294

- 1(f)(i) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrant, conversion of other issues of equity securities, issue of shares for cash, or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the corresponding period of the immediately preceding financial year.

There were no changes to the Company's share capital for the current period as at 31 March 2011.

Share Capital	Number of shares	COMPANY	
		S\$'000	RM'000

**Balance at 31 March 2011**

Issued and fully paid-up ordinary shares as at 31 March 2011	534,581,528	24,666	56,412
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Treasury Shares	Number of treasury shares	COMPANY	
		S\$'000	RM'000

**Balance at 31 March 2011**

As at 31 March 2011	(1,210,000)	(76)	(183)
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There were no changes to the Company's share capital for the previous corresponding period as at 31 March 2010, except for the issuance of shares as follows:-

Share Capital	Number of shares	COMPANY	
		S\$'000	RM'000

**Balance at 31 March 2010**

Issued and fully paid-up ordinary shares as at 1 January 2010	262,012,938	24,165	55,204
Exercise of warrants by issuance of ordinary shares	5,124,042	487	1,174

As at 31 March 2010	267,136,980	24,652	56,378
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Treasury Shares	Number of treasury shares	COMPANY	
		S\$'000	RM'000

**Balance at 31 March 2010**

As at 31 March 2010	(605,000)	(76)	(183)
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- 1(f)(ii) To show the total number of issued shares excluding treasury shares as at the end of the financial period and as at the end of the immediately preceding year

As at 31 March 2011, the total number of issued shares less treasury shares of the Company was 533,371,528 shares. (30 September 2010: 266,685,764)

- 1(f)(iii) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31 March 2011.

- 2 **Whether the figures have been audited or reviewed, and in accordance with which standard (eg. the Singapore Standard on Auditing 910 Engagement to Review Financial Statements), or an equivalent standard.**

The figures have not been audited or reviewed.

- 3 **Where the figures had been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable.

- 4 **Whether the same accounting policies and method of computation as in the issuer's most recently audited financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computation in these financial statements as those used in preparing the audited annual financial statements for the financial year ended 30 September 2010. In addition, the Group also adopted various revisions to the Singapore Financial Reporting Standards ("FRS") which became effective beginning 1 October 2010.

- 5 **If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and effect, of the change.**

The adoption of the said revisions has no significant impact to these financial statements.

- 6 **Earnings per ordinary shares of the group for the current period reported on and the corresponding period of the immediately preceding financial year after deducting any provision for preference dividends.**

	Q2 31.03.11	Q2 31.03.10	HY 31.03.11	HY 31.03.10
Net profit attributable to shareholders for the financial period (RM'000)	25,935	12,933	29,886	30,565
Weighted average number of ordinary shares				
- Basic	533,371,528	261,023,869	533,371,528	261,023,869
- Fully diluted <sup>1</sup>	565,507,528	261,242,367	565,507,528	261,242,367
Earnings per share (EPS)				
- Basic (RM sen)	4.86	4.95	5.60	11.71
- Fully diluted <sup>1</sup>	4.59	4.95	5.28	11.70

Footnote:

<sup>1</sup> For the purpose of calculating the diluted earnings per share, the weighted average of number of ordinary shares in issue is adjusted to take into account the potential dilutive effect arising from the exercise of ESOS granted on 10 February 2010 and 13 October 2010, as well as the bonus shares issued on 12 October 2010 and the exercise of warrants into ordinary shares as at 31 March 2010.

- 7 **Net asset value (for issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	GROUP		COMPANY	
	As at 31.03.11 RM sen	As at 30.09.10 RM sen	As at 31.03.11 RM sen	As at 30.09.10 RM sen
Net asset value per ordinary share based on issued share capital at the end of the financial period/year	42.76	79.73	18.77	35.20

Note:

The drop in the net asset value per ordinary share based on issued share capital (for Company and Group) was due to the adjustment for 267,290,764 bonus share allotted and issued on the basis of one bonus share for every one ordinary share in the Company held by shareholders on 12 October 2010.

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) **any material factors that affected the cashflow, working capital, assets or liabilities of the group during the current financial period on Profit and loss review**

#### **Business Segments**

Etika's core business segments remained unchanged from previous reporting period as follows:-

- a) Dairies Division
- b) Frozen Food Division
- c) Packaging Division
- d) Other divisions – comprising Nutrition Division, Beverage Division and Instant Noodles Division

#### **Performance Review**

##### **Second Quarter (Q2-FY2011)**

The Group managed to achieve an increase in revenue of RM68.1 million or 44.5% compared to preceding corresponding quarter. The increase in revenue was mainly due to better sales performance of all divisions and also the inclusion of the newly acquired subsidiaries operating in Malaysia, and Indonesia. The increase was mainly contributed by Dairies Division at RM26.1 million, Frozen Food Division of RM5.2 million and newly acquired subsidiaries of RM27.5 million.

The increase in revenue was accompanied by the significant increase in cost of goods sold ("COGS") of RM55.0 million or 47.1% resulting in lower gross profit margin. This was mainly due to significant increase in pricing for milk powder, sugar and palm oil which resulted in higher cost of production in Dairies Division and time lag in passing on the costs to the customers.

The acquisition of PTSF and PTSE has resulted in a negative goodwill of RM14.5 million which has been credited to the income statement resulting in an overall increase in profit after tax by 100% to RM25.9 million in Q2-FY2011 from RM12.9 million in Q2-FY2010.

Operating expenses increased by RM11.8 million, or 51.0% to RM34.8 million from RM23.1 million in the preceding corresponding quarter. The increase was mainly attributable to the operating expenses of the newly acquired subsidiaries, and higher spending on advertising activities for our products and staff cost.

Depreciation and amortization expenses which increased by RM2.1 million, or 76.9% from RM2.6 million to RM4.6 million was due to the newly acquired subsidiaries.

Finance costs increased by RM2.3 million, or 130.6% from RM1.8 million to RM4.1 million mainly due to the newly acquired subsidiaries, increase in interest rates and also higher utilization of trade facilities.

Our Group effective tax rate is higher at 20.5% as opposed to 17.5% in Q2-FY2010. The higher effective tax rate is mainly due to non-taxable income generated.

First Half Year Ended 31 March 2011 (H1-FY2011)

The Group's revenue increased by RM110.9 million or 35.0% compared to preceding corresponding period. The increase in revenue was mainly due to better sales performance of all divisions and also the inclusion of the newly acquired subsidiaries operating in Malaysia, Indonesia and Vietnam. The increase was mainly contributed by Dairies Division at RM45.1 million, Frozen Food Division of RM6.6 million and newly acquired subsidiaries of RM59.2 million.

The increase in revenue was accompanied by the significant increase in COGS of RM105.6 million or 45.3% resulting in lower gross profit margin. The increase in COGS was mainly due to significant increase in pricing for milk powder, sugar and palm oil which resulted in higher cost of production in Dairies Division and time lag in passing on the costs to the customers.

For 1H-FY2011, the Group achieved a 35% increase in revenue to RM427.5 million whilst net profit dipped slightly by 2.1% to RM29.8 million.

The Group's operating expenses increased by RM21.4 million, or 45.8% from RM46.7 million to RM68.1 million. This was mainly attributable to the operating expenses of newly acquired subsidiaries, and higher spending on promoting our products and staff cost.

Depreciation and amortization expenses which increased by RM3.8 million, or 76.5% from RM5.0 million to RM8.8 million was due to the newly acquired subsidiaries.

Finance costs increased by RM4.1 million, or 116.1% from RM3.5 million to RM7.6 million mainly due to the newly acquired subsidiaries, increase in interest rates and also higher utilization of trade facilities.

Our Group effective tax rate is higher at 29.1% as opposed to 20.4% in H1-FY2010. This is mainly due to losses incurred by certain subsidiaries for which group relieve is not available.

**Review on Statement of Financial Position and Cash Flows**

Non-current assets increased by RM145.4 million due to addition of property, plant and equipment, goodwill and brands valuation generated from the acquisition of new subsidiaries.

Trade and other receivables increased by RM26.8 million due to increased in sales of all divisions and addition from the new subsidiaries.

Trade and other payables increased by RM39.0 million due to increase in pricing for commodities used as raw material in our production and addition from the new subsidiaries.

The Group's net gearing position as at 31 March 2011 stood at 1.4x as compared to 0.8x as at 31 March 2010 due to increased borrowings of RM129.4 million. The increase in borrowings was mainly used to finance acquisition of new subsidiaries, increased in capital expenditure and working capital to finance increased in sales.

Overall, the Group's cash and cash equivalent were reduced to RM18.2 million, a reduction of RM10.8 million due to net cash outflow from acquisition of subsidiaries, payment of dividend and capital expenditures.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Prices of commodities and raw materials are expected to escalate due to disruption in supply from adverse global climate and natural disaster affecting dairy producers, increasing tin can and palm oil demands. These increasing costs will exert pressure on our profit margins. Notwithstanding, the Group will continue its effort in promoting a strong brand equity and the Group will constantly review its position on making price adjustment.

Given the current sales volume and revenue for both domestic and export markets which remain strong and encouraging, together with the new range of products, the Group is optimistic that a reasonable growth in sales revenue and volume is still achievable in this challenging commodity market environment.

**11 If a decision regarding dividend has been made:-**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended)**

Yes, an interim dividend has been declared.

**(b) (i) Amount per share (RM sen)**

0.5 Singapore cents per share<sup>1</sup> (RM sen 2.39 per share based on exchange rate of RM2.3926 = S\$1.00).

**(ii) Previous corresponding period (RM sen)**

1.0 Singapore cents per share<sup>2</sup> (RM sen 2.34 per share based on exchange rate of RM2.3385 = S\$1.00).

Footnote:

<sup>1</sup> The current interim dividend of 0.5 Singapore cents per share is based on an issued share capital of 533,371,528 which was enlarged as a result of the bonus share allotted and issued on 12 October 2010.

<sup>2</sup> The interim dividend of 1.0 Singapore cents paid in the previous corresponding period was based on the issued share capital of 266,685,764.

**(c) Date payable**

The date payable for the interim dividend is 15 June 2011.

**(d) Books closure date**

2 June 2011.

**12 If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**13 Negative assurance confirmation on second quarter financial results pursuant to Rule 705(5) of the Listing Manual**

We, Dato' Kamal Y P Tan (Group CEO) and Dato' Jaya J B Tan (Chairman), being two directors of the Company, do hereby confirm on behalf of the board of directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the second quarter ended 31 March 2011 to be false or misleading in any material respect. A statement signed by us is on record.

**BY ORDER OF THE BOARD  
ETIKA INTERNATIONAL HOLDINGS LIMITED**

**DATO' KAMAL Y P TAN**  
Group CEO

9 May 2011



## **ETIKA INTERNATIONAL HOLDINGS LIMITED**

(Company Registration No: 200313131Z)

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### **NEWS RELEASE**

#### **ETIKA ACHIEVES 44.5% INCREASE IN REVENUE TO RM221.2 MILLION AND BOTTOMLINE SURGES BY MORE THAN 100% TO RM26.5 MILLION IN Q2FY2011**

- *Newly acquired subsidiaries in Malaysia and Indonesia contribute to revenue growth*
- *Board declares tax exempt (1-tier) interim dividend of 0.5<sup>(1)</sup> Singapore cents per share*

**Singapore, May 9, 2011** – Etika International Holdings Limited (“Etika” or the “Group”), one of the world’s largest manufacturers and distributors of sweetened condensed milk and a leading regional Food and Beverage (“F&B”) Group, today announced a 44.5% increase in revenue to RM221.2 million for the second quarter ended March 31, 2011 (“Q2FY2011”), compared to RM153.1 million in the previous corresponding period, whilst profit attributable to equity holders increased by more than 100% to RM25.9 million.

Etika’s Group Chief Executive Officer, Dato’ Kamal Tan, said, “We are pleased that our newly acquired businesses have continued to contribute to topline performance. This coupled with better sales performance from all four of our business segments, have led to the growth in revenue. With our recent acquisitions, operating expenses have increased, which have had some impact on our bottomline. However, we view these as investments that are necessary to support our future growth.

“We are working on deriving more synergies from our various operations to improve our profitability going forward. The quarter-on-quarter improvement in margins is a testament to our efforts.”

<sup>(1)</sup>Based on issued share capital of 533,371,528 shares which was enlarged as a result of the bonus shares allotted and issued on the basis of one bonus share for every one ordinary share on October 12, 2010

Dato' Jaya Tan, Group Chairman, said, "Indeed we are pleased that 40% of the Group's increase in revenue is attributable to contributions from our newly acquired subsidiaries, signaling that our efforts are starting to pay off. We will continue to be prudent on costs and vigilant in our streamlining efforts as we navigate the current challenging market conditions.

"To thank our loyal shareholders for standing by us, the Board of Directors is declaring a one-tier tax exempt interim dividend of 0.5 Singapore cents per share."

## **Business Review**

Group turnover for Q2FY2011 was RM221.2 million, registering a RM68.1 million, or 44.5% increase over the previous corresponding period. The higher revenue was due mainly to improved sales performance across all the Group's divisions, as well as the inclusion of the newly acquired Malaysian, Indonesian and Vietnamese subsidiaries. The Malaysian subsidiaries, Family Bakery Group and Susu Lembu Asli Group are in the bakery products and dairy products segments respectively, while the Indonesian subsidiaries, PT Sentrafood Indonusa ("PTSF") and PT Sentraboga Intiselera ("PTSB") are in instant noodles segment. In Vietnam, the Tan Viet Xuan Production Joint Stock Company is in the dairy segment.

The improvement in revenue was mainly contributed by the Dairies Division at RM26.1 million, Frozen Food Division of RM5.2 million and the newly acquired subsidiaries of RM27.5 million.

Together with the increased turnover, cost of goods sold increased significantly by 47.1% or RM55.0 million. This was mainly due to increased costs of production in the Dairies Division arising from higher pricing for milk powder, sugar and palm oil and a time lag in passing on the costs to customers.

Operating expenses increased significantly by RM11.8 million or 51% to RM34.8 million in Q2FY2011. The increase was mainly due to the operating expenses of

newly acquired subsidiaries, higher advertising spending, increased staff costs as well as depreciation expenses.

The acquisition of PTSF and PTSB has resulted in a negative goodwill of RM14.5 million which has been credited to the income statement resulting in an overall increase in profit attributable to equity holders by 100% to RM25.9 million in Q2FY2011 from RM12.9 million in Q2FY2010.

For 1HFY2011, the Group achieved a 35% increase in revenue to RM427.5 million whilst net profit dipped slightly by 2.1% to RM29.8 million.

### **Prospects and Growth Plans**

Prices of commodities and raw materials such as milk powder, tin cans, palm oil and sugar are expected to increase. The expected increase in commodity prices can be attributed to continuing adverse weather conditions which affect commodity producers, leading to reduced supply. Further, the time lag between input price increases and when these can be passed on to customers may impact the Group's profit margins.

“Notwithstanding cost increases, we will continue to build on our strong brand equity and market position, and review our position on making price adjustments. We are optimistic that as we grow our geographical footprint and volume, we will be able to achieve greater economies of scale,” concluded Dato' Kamal Tan.

The Group has recently extended its manufacturing and distribution network to Indonesia and Vietnam following recent acquisitions. These regions have large populations and growing economies and have tremendous market potential for the Group.

Given the current sales volume and revenue for both domestic and export markets which remain encouraging, together with the introduction of a new range of products,

the Group is optimistic that a reasonable growth could still be achieved amidst a challenging commodity market environment.

### **About Etika International Holdings Limited**

Listed on SGX Catalist (previously known as the SGX-SESDAQ) in 2004, and upgraded to the Mainboard in 2009, Etika International Holdings Limited is one of the world's largest manufacturers and distributors of sweetened condensed milk and a leading regional Food and Beverage ("F&B") Group. It also repacks and distributes complementary products such as full cream milk powder, instant coffee powder and tea dust. The Group's "DAIRY CHAMP" trademark brand has grown to become a well-regarded name and was awarded "Superbrand" status by the Malaysian Superbrands Council for two consecutive years in 2003/2004 and 2004/2005.

Established in 1997, the Group has an extensive distribution network where it sells and distributes directly to wholesalers, dealers, retailers and on-premise business operations. Its products are also distributed through hypermarkets such as Carrefour, Giant, Tesco, and Jaya Jusco (all under in-house brands as well as "DAIRY CHAMP" brand).

Today, the Group's products can be found in over 60 countries around the world, including ASEAN, East and West Africa, Central and South America, Middle East, and other Asia-Pacific countries. Etika exports products under its "DAIRY CHAMP" trademark, as well as other products manufactured by the Group under OEM arrangements.

To strengthen its position as a leading regional F&B Group, Etika has made acquisitions to expand into four key business segments: Dairies, Frozen Food, Packaging and Others (including Nutrition, Beverages and Instant Noodles).

In January 2011, Etika completed the acquisition of 100% equity interest in Susu Lembu Asli (Johore) Sdn. Bhd. ("SLAJ") and Susu Lembu Asli Marketing Sdn. Bhd. ("SLAM")

For more details, please visit the Group's corporate website at [www.etika-intl.com](http://www.etika-intl.com).

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May 9, 2011