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Full Year 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 *	S SURENTHIRARAJ AND KOK MOR KEAT
Designation *	COMPANY SECRETARIES
Date & Time of Broadcast	29-Nov-2011 19:13:07
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2011
Description	PLEASE SEE ATTACHED.

Attachments	EIH_FY2011_Results.pdf EIH_FYE2011_Results_NR.pdf Total size = **259K** (2048K size limit recommended)

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ETIKA INTERNATIONAL HOLDINGS LIMITED
(Company Registration No: 200313131Z)

UNAUDITED FULL-YEAR RESULTS FOR FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

PART 1

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

	2011 RM '000	2010[1] RM'000	Change %
Revenue	**879,603**	**677,690**	**29.8**
Cost of goods sold	(699,109)	(503,536)	38.8
Gross profit	180,494	174,154	3.6
Other operating income	4,535	2,692	68.5
Negative goodwill	10,459	-	>100
Operating expenses			
Administrative expenses	(52,860)	(32,272)	63.8
Selling and marketing expenses	(44,100)	(28,679)	53.8
Warehouse and distribution expenses	(33,295)	(23,921)	39.2
Research and Development expenses	(1,669)	(1,046)	59.6
Other operating expenses	(8,266)	(2,838)	>100
	(140,190)	(88,756)	57.9
EBIT	**55,298**	**88,090**	**(37.2)**
Finance costs	(21,144)	(8,559)	>100
(Loss)/Profit before income tax	**34,154**	**79,531**	**(57.0)**
Income tax	(5,569)	(13,654)	(59.2)
(Loss)/Profit after income tax	**28,585**	**65,877**	**(56.6)**
(Loss)/Profit attributable to:			
Equity holders of the Company	28,823	66,119	(56.4)
Non-controlling interests	(238)	(242)	(1.6)
	28,585	**65,877**	

Footnote :
[1]Certain 2010 expenses have been reclassified to conform to the current year's presentation to better reflect the nature of the expenses.

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

	2011 RM '000	2010 RM '000	Increase/ (Decrease) %
Allowance for doubtful debts			
- Trade	1,766	2,037	(13.3)
- Write back of provision no longer required	(610)	(1,674)	(63.5)
Amortization of intangible assets	242	181	33.7
Amortization of prepaid lease payment for land	144	113	27.4
Depreciation of property, plant and equipment	20,661	11,107	86.0
Bad debt written off	(290)	-	>100
(Gain)/ Loss on foreign exchange	(889)	1,494	>100
Impairment loss	317	-	>100
Interest expense	21,144	8,559	>100
Interest income	(506)	(321)	43.3
Inventories written off	3,351	2,579	29.9
Intangible asset written off	56	-	>100
Negative goodwill	(10,459)	-	>100
(Gain)/ Loss on disposal of plant and equipment	(188)	(62)	>100
Property, plant and equipment written off	375	22	>100
Share option expenses	4,677	582	>100

1(b) Statement of Financial Positions

	Group		Company	
	As at 30.09.11 RM'000	As at 30.09.10 RM'000	As at 30.09.11 RM'000	As at 30.09.10 RM'000
Non-current assets				
Property, plant and equipment	274,014	190,351	24	24
Prepaid lease payment for land	6,755	6,900	-	-
Investment in subsidiaries	-	-	37,777	35,091
Trade receivables	131	453	-	-
Available-for-sale financial assets	265	245	-	-
Deferred tax assets	14,892	1,488	-	-
Intangible assets	110,766	30,347	104	132
	406,823	229,784	37,905	35,247
Current assets				
Inventories - at cost	147,008	102,932	-	-
Trade and other receivables	156,083	133,643	90,470	74,624
Tax recoverable	5,002	1,515	-	-
Fixed deposits	2,145	4,019	-	872
Cash and bank balances	29,147	26,194	1,084	2,029
	339,385	268,303	91,554	77,525
Current liabilities				
Trade and other payables	101,781	68,188	25,678	11,856
Current income tax payable	1,627	3,994	-	1
Finance leases	2,913	2,453	-	-
Bank borrowings	169,414	112,913	-	-
Derivative financial instruments	317	-	-	-
	276,052	187,548	25,678	11,857
Net current assets	63,333	80,755	65,876	65,668
Non-current liabilities				
Financial guarantee contracts	-	-	7,645	6,897
Other payables	1,640	121	-	-
Finance leases	5,268	2,079	-	-
Bank borrowings	220,877	83,762	-	-
Deferred tax liabilities	19,653	11,577	-	-
	247,438	97,539	7,645	6,897
Net assets	222,718	213,000	96,136	94,018
Share capital	56,412	56,412	56,412	56,412
Treasury shares	(183)	(183)	(183)	(183)
Foreign currency translation reserve	(2,094)	(1,473)	3,184	211
Fair value reserve	(341)	147	-	-
Share equity reserve	5,259	582	5,259	582
Accumulated profits	159,355	153,043	31,464	36,996
Equity attributable to equity holders of the Company	218,408	208,528	96,136	94,018
Non-controlling interests	4,310	4,472	-	-
Total equity	222,718	213,000	96,136	94,018

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

	As at 30.09.11		As at 30.09.10	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount payable within one year				
Bank borrowings	163,462	5,952	58,735	54,178
Finance leases	2,913	-	2,453	-
	166,375	5,952	61,188	54,178
Amount payable after one year				
Bank borrowings	220,877	-	83,762	-
Finance leases	5,268	-	2,079	-
	226,145	-	85,841	-
	392,520	5,952	147,029	54,178
Total	398,472		201,207	

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);
- ⇨ Fixed charge over the leasehold land and building in Petaling Jaya, Selangor (Packaging Division and Dairies Division), East Java, Indonesia (Instant Noodle Division); West Java, Indonesia (Instant Noodle Division);
- ⇨ Fixed charge over the machinery and equipment of Dairies, Frozen Food, Packaging Division and Instant Noodle Divisions;
- ⇨ Pledge of unquoted shares in Frozen Food and Dairies 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**

	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before income tax	34,154	79,531
Adjustments for:		
Allowance for doubtful receivables	1,766	2,037
Allowance for doubtful trade debts no longer required	(610)	(1,546)
Allowance for doubtful other receivables no longer required	-	(128)
Bad debts written off	(290)	-
Amortization of intangible assets	242	181
Amortization of prepaid lease payment for land	144	113
Depreciation of property, plant and equipment	20,661	11,107
Interest expense	21,144	8,559
Share option expense	4,677	582
Interest income	(506)	(321)
Inventories written off	3,351	2,579
Intangible asset written off	56	-
Impairment loss	317	-
(Gain)/ Loss on disposal of plant and equipment	(188)	(62)
(Gain)/ Loss on foreign exchange	(889)	1,494
Provision for employees' benefit	(469)	-
Negative goodwill	(10,459)	-
Property, plant and equipment written off	375	22
Operating profit before working capital changes	73,476	104,148
Working capital changes:		
Inventories	(43,348)	(36,494)
Trade and other receivables	4,926	(28,943)
Trade and other payables	5,238	(7,317)
Currency alignment	-	-
Cash (used)/generated from operations	40,292	31,394
Interest paid	(6,659)	(1,583)
Income tax paid	(13,644)	(11,967)
Net cash from operating activities	**19,989**	**17,844**
Cash flows from investing activities		
Interest received	506	321
Net cash outflow from acquisition of subsidiaries (Note 1(d)(ii))	(103,354)	(27,520)
Purchase of intangible assets	(1,246)	(556)
Purchase of property, plant and equipment	(30,798)	(22,573)
Proceeds from disposal of plant and equipment	456	476
Net cash used in investing activities	**(134,436)**	**(49,852)**

	2011 RM'000	2010 RM'000
Cash flows from financing activities		
Dividends paid to shareholders	(22,511)	(19,131)
Dividends paid to Minority Shareholders	-	(23)
Interest paid	(14,485)	(6,976)
(Increase)/Decrease in fixed deposits (pledged)	(1,000)	20
Proceeds from the issuance of shares	-	2,705
Payment of finance lease obligations	904	(3,049)
Repayment of borrowings	(336,041)	(267,950)
Drawdown of bank loans	457,478	331,084
Net cash (used in)/ generated from financing activities	**88,345**	**36,680**
Net change in cash and cash equivalents	(30,102)	4,672
Cash and cash equivalents at the beginning of financial period	25,333	23,434
Effect of exchange rate changes	41	(2,773)
Cash and cash equivalents at the end of financial period	**(4,728)**	**25,333**
Cash and cash equivalents comprise the following:		
Cash and bank balances	29,147	26,194
Unpledged fixed deposits	118	2,993
Bank overdrafts – secured	(33,993)	(3,854)
	(4,728)	**25,333**

1(d)(ii) Notes to Consolidated Cashflow 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:

Note A – Net cash outflow from acquisition of subsidiaries	**Fair value recognized on acquisition RM'000**	**Carrying account before combination RM'000**
Net identifiable assets and liabilities at fair value		
Property, plant and equipment	6,268	5,387
Intangible assets	9,488	-
Trade and other receivables	4,537	4,537
Inventories	645	645
Cash and bank balances	4,114	4,114
Trade and other payables	(4,330)	(4,330)
Borrowings	(3,164)	(3,164)
Deferred tax liabilities	(898)	(678)
Net identifiable assets acquired	16,660	6,511
Shares acquired	100%	
	16,660	
Goodwill arising on consolidation	2,020	
Total purchase consideration	18,680	
Less : Cash acquired	(4,114)	
Net cash outflow from acquisition	14,566	

(b) <u>Acquisition of subsidiaries – PT Sentrafood Indonusa and PT Sentraboga Intiselera (collectively known as "PTSF & PTSB")</u>

On 6 October 2010, the Group acquired 70% of the equity interest in PTSF and PTSI.

On 4 July 2011, the Group completed its 100% acquisition in PTSF and PTSB. The total purchase consideration is 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:

Note B – Net cash outflow from acquisition of subsidiaries	**Fair value recognized on acquisition RM'000**	**Carrying account before combination RM'000**
Net identifiable assets and liabilities at fair value		
Property, plant and equipment	27,376	13,637
Intangible assets	2,463	-
Deferred tax assets	10,070	17,170
Trade and other receivables	4,102	4,102
Inventories	1,953	1,953
Cash and bank balances	108	108
Trade and other payables	(4,695)	(65,429)
Borrowings	(18,435)	(18,435)
Employee benefits	(742)	(742)
Deferred tax liability	(3,435)	-
Net identifiable assets acquired	18,765	(47,636)
Shares acquired	100%	
	18,765	
Negative goodwill arising on consolidation	(10,459)	
Total purchase consideration	8,306	
Less : Cash acquired	(108)	
Net cash outflow from acquisition	8,198	

(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 RM87.1 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**
Net identifiable assets and liabilities at fair value		
Property, plant and equipment	21,761	5,086
Intangible assets	24,742	-
Trade and other receivables	17,234	17,234
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)
Deferred tax liability	(4,169)	-
Net identifiable assets acquired	47,163	9,915
Shares acquired	100%	
	47,163	
Goodwill arising on consolidation	39,948	
Total purchase consideration	87,111	
Less : Cash acquired	(6,521)	
Net cash outflow from acquisition	80,590	

1(d)(iii) Other comprehensive income

	2011 RM '000	**2010 RM '000**	**Change %**
Profit after income tax	**28,585**	**65,877**	**(56.6)**
Other comprehensive income:			
Exchange differences on translating foreign operations	(545)	(4,470)	(87.8)
Fair value movement	(488)	(18)	>100
Other comprehensive expense for the period, net of tax	(1,033)	(4,488)	(80.0)
Total comprehensive income for the financial period	27,552	61,389	(55.1)
Total comprehensive income attributable to:			
Equity holders of the Company	27,714	61,912	(55.2)
Non-controlling interest	(162)	(523)	(69.0)
	27,552	61,389	

1(e) Statement of Changes in Equity

Group	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Share equity reserve RM'000	Accumulated profits RM'000	Total attributable to equity holders of the Company RM'000	Non-controlling interest RM'000	Total equity 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	-	-	(621)	(488)	-	28,823	27,714	(162)	27,552
Share option expense	-	-	-	-	4,677	-	4,677	-	4,677
Issue of shares	-	-	-	-	-	-	-	-	-
Additional interest in subsidiary	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(22,511)	(22,511)	-	(22,511)
Balance at 30 Sept 2011	56,412	(183)	(2,094)	(341)	5,259	159,355	218,408	4,310	222,718
Balance at 1 October 2009	53,707	(183)	2,716	165	-	106,353	162,758	4,720	167,478
Net comprehensive income	-	-	(4,189)	(18)	-	66,119	61,912	(523)	61,389
Share option expense	-	-	-	-	582	-	582	-	582
Issue of shares	2,705	-	-	-	-	-	2,705	-	2,705
Additional interest in subsidiary	-	-	-	-	-	(298)	(298)	298	-
Dividend paid	-	-	-	-	-	(19,131)	(19,131)	(23)	(19,154)
Balance at 30 Sept 2010	56,412	(183)	(1,473)	147	582	153,043	208,528	4,472	213,000

Company	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Share equity reserve RM'000	Accumulated profits RM'000	Total attributable to equity holders of the Company RM'000	Non-controlling interest RM'000	Total equity RM'000
Balance at 1 October 2010	56,412	(183)	211	-	582	36,996	94,018	-	94,018
Issue of shares	-	-	-	-	-	-	-	-	-
Net comprehensive income	-	-	2,973	-	-	16,979	19,952	-	19,952
Share option expense	-	-	-	-	4,677	-	4,677	-	4,677
Dividend paid	-	-	-	-	-	(22,511)	(22,511)	-	(22,511)
Balance at 30 Sept 2011	56,412	(183)	3,184	-	5,259	31,464	96,136	-	96,136
Balance at 1 October 2009	53,707	(183)	2,725	-	-	20,588	76,837	-	76,837
Issue of shares	2,705	-	-	-	-	-	2,705	-	2,705
Net comprehensive income	-	-	(2,514)	-	-	35,539	33,025	-	33,025
Share option expense	-	-	-	-	582	-	582	-	582
Dividend paid	-	-	-	-	-	(19,131)	(19,131)	-	(19,131)
Balance at 30 Sept 2010	56,412	(183)	211	-	582	36,996	94,018	-	94,018

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 30 September 2011.

Share Capital	**COMPANY**		
	Number of shares	**S$'000**	**RM'000**
Balance at 30 September 2011			
Issued and fully paid-up ordinary shares as at 30 September 2011	534,581,528	24,666	56,412

Treasury Shares	**COMPANY**		
	Number of treasury shares	**S$'000**	**RM'000**
Balance at 30 September 2011			
As at 30 September 2011	(1,210,000)	(76)	(183)

There were no changes to the Company's share capital for the previous corresponding period as at 30 September 2010, except for the issuance of shares as follows:-.

Share Capital	**COMPANY**		
	Number of shares	**S$'000**	**RM'000**
Balance at 30 September 2010			
Issued and fully paid-up ordinary shares as at 1 October 2009	255,632,987	23,560	53,708
Exercise of warrants by issuance of ordinary shares	11,657,777	1,107	2,704
As at 30 September 2010	267,290,764	24,667	56,412

Treasury Shares	**COMPANY**		
	Number of treasury shares	**S$'000**	**RM'000**
Balance at 30 September 2010			
As at 30 September 2010	(605,000)	(76)	(183)

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 30 September 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 30 September 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.**

	Group	
	2011	**2010**
Net profit attributable to shareholders for the financial year (RM '000)	28,823	66,119
Weighted average number of ordinary shares		
- Basic	533,371,528	263,843,821
- Fully diluted	573,069,692	268,198,429
Earnings per share (EPS) (RM sen)		
- Basic	5.40	25.06
- Fully diluted	5.03	24.65

Footnote:
[2] For the purpose of calculating the diluted earnings per share, the weighted average 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 30.09.11 RM sen	As at 30.09.10 RM sen	As at 30.09.11 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	41.76	80.73	17.60	35.63

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 extend 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**

<u>Business Segments</u>

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 and Beverage Division

<u>Performance Review</u>

The Group achieved a higher turnover of RM880 million as compared to RM678 million for the financial year 2010, representing an increase of 30%. The increase in turnover was contributed mainly by the Dairies Division of RM98 million, RM16 million from the Frozen Food Division whilst the newly acquired subsidiaries which are involved in the manufacturing and distribution of fresh milk, bakery and instant noodles contributed RM85 million.

Cost of goods sold for the various divisions have been impacted by the significant increase in raw materials especially skimmed, buttermilk and whey milk powder, sugar, palm oil and flour. The increase in prices of key component raw materials has greatly impacted the dairies division which resulted in costs increase of 21% outpaced the increase of 15% in selling price, reflecting the time lag in price increase. This has resulted in the overall reduction of the Group gross margin to 21% from 26% in the previous financial year.

The Group's operating expenses increased by RM51 million, or 58% from RM89 million to RM140 million. The increase was mainly due to:

i) expenses of RM31 million incurred by the newly acquired subsidiaries which includes administrative expenses of RM14 million, selling and marketing expenses of RM14 million and warehouse and distribution expenses of RM3 million.

ii) expenses of RM20 million incurred by the existing subsidiaries which was mainly due to higher spending on advertising and promotion amounting to RM1 million, staff costs of RM3 million, syndication costs incurred on the syndication loan of RM8 million, depreciation charges of RM3 million and the fair value expense of the shares options granted to management staff of RM5 million.

Finance costs increased by RM13 million, or 147% from RM8 million to RM21 million. The increase in finance costs was mainly due to the higher utilization of trade facilities, increase in term loan interest due to higher capital expenditure and the finance costs of RM8 million from the newly acquired subsidiaries.

Earnings per share for FY2011 was RM0.054 as compared to FY2010 of RM0.2506 (RM0.1253 after adjustment of Bonus Issue).

Review on Statement of Financial Position and Cash Flows

Non-current assets increased by RM177 million which was mainly due to additions of property, plant and equipment of RM84 million of which RM52 million was generated from the acquisitions of the new subsidiaries. Intangible assets increased by RM80 million due mainly to the goodwill and brand valuation arising from the acquisitions of new subsidiaries amounting to RM41 million and RM34 million respectively. Deferred tax assets increased by RM13 million of which RM12 million was contributed by the acquisitions of the new subsidiaries.

Trade and other receivables increased by RM22 million due to increase in sales and additions from the new subsidiaries taken over. Inventories which comprises of finished goods, raw materials and packaging materials increased by RM44 million. The increase in the inventory was mainly due to stock up of certain raw materials in anticipation of price increase and shortage of supplies due to natural disasters.

Trade and other payables increased by RM33 million due to increase in pricing for commodities used as raw materials in the production and additions from the new subsidiaries taken over of approximately RM14 million.

The Group's net gearing position as at 30 September 2011 stood at 1.8x as compared to 0.9x as at 30 September 2010 due to increased borrowings of RM194 million. The increase in borrowings was mainly used to finance acquisition of new subsidiaries, increase in capital expenditure and working capital to finance operations.

Despite registering a lower profit before tax, the Group managed to generate net cash from operating activities of RM20 million, an increase of RM2 million or 12% as compared to preceding year.

Overall, the Group's cash and cash equivalent were reduced to negative balance of RM5 million from RM25 million, a reduction of RM30 million due to net cash outflow for the acquisition of subsidiaries, increase in capital expenditures and the increase in the working capital requirements.

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.

The current global economic slowdown may impact consumer sentiment while inflation, particularly in food prices, will reduce disposable incomes of consumers in key markets of the Group. However, the global dairy markets remain stable at this point. Local source materials except for sugar are trending down but stable.

The sales volume and revenue for both the domestic and export markets remains strong and encouraging. The Group is cautiously optimistic that a reasonable growth in sales revenue and volume can be achieved in this current global economic environment. The Dairies Division which is the main contributor sees a positive outlook for fresh milk and other liquid dairy products. The growth of the fresh milk industry in Malaysia is largely attributable to the growing awareness of the health benefits obtainable from the consumption of milk.

As for the Frozen Food Division, the Group is focusing on developing and expanding the instant noodle business in Indonesia and overseas market. The frozen food products were also not spared from the global economic crisis. Prices of almost all imported food items have increased substantially. Nevertheless, the Frozen Food Division is also foreseeing a positive outlook as the demand for its proprietary products are expected to increase in line with the opening up of more malls and hotels.

Sales for nutritional supplements have been relatively subdued during the recent period consistent with general trading world-wide conditions. The division has continued to hold its brand share in the New Zealand market during the last 12 months while enjoying some growth. In contrast some market share has been lost in Australia owing to the significant influx of US imported products on the back of the current weak US currency.

The division continues to focus on product offerings to meet the increase in consumer demand for pre-workout nutritional products as well as ready to consume products.

The new beverage plant in New Zealand is expected to commence commercial production in the second quarter of FY2012 and will pave way for the development of a comprehensive range of sports related nutritional drinks. This exciting development means the division will be strongly placed to retain and grow further in its leading position in the Australian and New Zealand markets.

The Group will continue to explore opportunities to build strong brand equity and meet consumers' needs.

11 If a decision regarding dividend has been made:-

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

Yes.

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

0.7 Singapore cents per share (RM0.017 per share based on exchange rate of RM2.4616 = S$1.00)

(ii) Previous corresponding period (RM sen)

1.25 Singapore cents per share (RM0.03 per share based on exchange rate of RM2.3470 = S$1.00)

(c) Books closure date

1 February 2012.

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

A final dividend has been recommended.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable as no IPT mandate has been obtained.

PART II
ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. **Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

SEGMENTAL RESULTS
For the year ended 30 September 2011

2011	**Dairies** RM '000	**Frozen Food** RM' 000	**Packaging** RM '000	**Others** RM '000	**Unallocated** RM '000	**Total** RM '000
Revenue						
External revenue	609,123	204,640	4,539	61,301	-	879,603
Results						
Segment results	43,551	1,894	8,497	7,120	(6,270)	54,792
Interest income	362	94	3	30	17	506
Finance costs	(11,687)	(6,293)	(1,690)	(498)	(976)	(21,144)
Profit/(loss) before tax	32,226	(4,305)	6,810	6,652	(7,229)	34,154
Income tax	(2,512)	444	(790)	(1,528)	(1,183)	(5,569)
Profit/(loss) after tax	29,714	(3,861)	6,020	5,124	(8,412)	28,585
Segment assets	432,260	170,393	55,738	54,981	12,942	726,314
Unallocated assets	2,994	14,174	1,529	1,191	6	19,894
Total assets	435,254	184,567	57,267	56,172	12,948	746,208
Segment liabilities	397,746	41,810	23,337	29,707	9,610	502,210
Unallocated liabilities	12,174	4,410	4,075	558	63	21,280
Total liabilities	409,920	46,220	27,412	30,265	9,673	523,490

Other information	**Dairies** RM '000	**Frozen Food** RM '000	**Packaging** RM '000	**Others** RM '000	**Unallocated** RM '000	**Total** RM '000
Capital expenditure	17,729	20,267	3,986	5,874	419	48,275
Depreciation and amortisation	11,475	6,929	1,946	515	182	21,047
Allowance for doubtful trade receivables	687	1,072	-	7	-	1,766
Inventories written off	3,351	-	-	-	-	3,351
Property, plant and equipment written off	361	13	-	1	-	375

The following table presents financial information regarding geographical segments:

2011	Malaysia RM '000	Africa RM '000	Asean RM '000	Others RM '000	Group RM '000
Total revenue from external customers	481,173	141,872	159,684	96,874	879,603
Segment assets	689,317	14,189	31,198	11,504	746,208
Capital expenditure	42,410	-	1,646	4,219	48,275
Depreciation and amortization	16,071	-	4,926	50	21,047
Allowance for doubtful other assets	-	-	-	-	-
Allowance for doubtful trade receivables	1,586	-	173	7	1,766
Inventories written off	2,715	-	636	-	3,351
Property, plant and equipment written off	375	-	-	-	375

SEGMENTAL RESULTS
For the year ended 30 September 2010

2010	Dairies RM '000	Frozen Food RM' 000	Packaging RM '000	Others RM '000	Unallocated RM '000	Total RM '000
Revenue						
External revenue	478,098	135,029	5,676	58,887	-	677,690
Results						
Segment results	64,939	10,643	9,959	9,715	(7,487)	87,769
Interest income	193	43	8	28	49	321
Finance costs	(3,464)	(2,151)	(1,381)	(880)	(683)	(8,559)
Profit/(loss) before tax	61,668	8,535	8,586	8,863	(8,121)	79,531
Income tax	(6,893)	(2,257)	(1,784)	(2,720)	-	(13,654)
Profit/(loss) after tax	54,775	6,278	6,802	6,143	(8,121)	65,877
Segment assets	290,781	96,727	45,130	47,719	14,728	495,085
Unallocated assets	520	979	694	809	1	3,003
Total assets	291,301	97,706	45,824	48,528	14,729	498,088
Segment liabilities	154,064	55,200	31,453	21,106	7,694	269,517
Unallocated liabilities	9,509	1,202	3,912	936	12	15,571
Total liabilities	163,573	56,402	35,365	22,042	7,706	285,088

Other information	Dairies RM '000	Frozen Food RM '000	Packaging RM '000	Others RM '000	Unallocated RM '000	Total RM '000
Capital expenditure	15,789	7,438	2,308	6,496	505	32,536
Depreciation and amortisation	7,684	1,247	1,883	457	130	11,401
Allowance for doubtful trade receivables	1,411	605	4	17	-	2,037
Inventories written off	2,579	-	-	-	-	2,579
Property, plant and equipment written off	21	-	-	1	-	22

The following table presents financial information regarding geographical segments:

2010	Malaysia RM '000	Africa RM '000	Asean RM '000	Others RM '000	Group RM '000
Total revenue from external customers	371,397	117,722	116,911	71,660	677,690
Segment assets	400,565	7,271	49,003	38,246	495,085
Capital expenditure	26,811	-	389	5,336	32,536
Depreciation and amortization	10,138	-	1,205	58	11,401
Allowance for doubtful other assets	-	-	-	-	-
Allowance for doubtful trade receivables	1,992	-	28	17	2,037
Inventories written off	2,462	-	117	-	2,579
Property, plant and equipment written off	22	-	-	-	22

15 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Review of performance by business segments

For the year under review, all the divisions posted positive growth with the Dairy division leading the way with an impressive growth rate of 27% over the preceding year. .

Dairies division remains the core business of the Group, accounting for 69% of the revenue, followed by the Frozen Food and Packaging Divisions of 23% and 1% respectively. The Other Division, comprising of Nutrition and Beverage accounted for the balance of 7%.

The Dairies division contributed 80% of the Group's profit after tax while both the Food and Packaging division collectively contributed 6% and the balance of 14% from Other division.

Dairies Division

Dairies Division continues to be the major contributor to the Group in terms of revenue and profit generated. The division delivered an impressive growth of 27% in revenue of RM609 million over the preceding year of RM478 million.

The revenue growth was mainly driven by sales in overseas market which registered a growth of 30% or RM74 million with the main markets from Vietnam and Africa whilst local sales increased by 25% or RM57 million. In the Dairies Division for Malaysia, both local and overseas market registered increase in sales volume and net selling price per carton.

Net profit reduced by 45% to RM30 million from RM55 million. The reduction is due mainly to higher costs of key component raw materials, especially sugar resulting from the selected withdrawal of sugar subsidy by the Malaysian authorities, which eroded the margin, lag time in price increase, the weakening of the United States Dollar ("USD") and overall higher operating expenditures and finance cost.

Lower income tax was recorded in the current year due to tax exempt income, tax incentives and recognition of deferred tax assets due to the capital expenditures.

Segmental assets grew significantly by 48% to RM432 million from RM291 million principally due to increase in capital expenditure, inventory and receivables and the addition of RM96 million from the newly acquired subsidiaries. Segmental liabilities increased by 158% to RM397 million principally due to the syndication loans raised during the year.

Frozen Food Division

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

The Frozen Food Division registered substantial revenue growth of 52% due mainly to increased sales in all its existing businesses together with the additional revenue from newly acquired subsidiaries, Family Bakery and PT Sentrafood. The growth in the frozen food and butchery trading is due mainly to opening up of more shopping malls and hotels and riding on growth in key consumer of the bakery division. Newly acquired subsidiaries contributed 26% of the growth.

The Division registered a loss after tax of RM4 million due mainly to losses recorded by PT Sentrafood and the FMGC distribution business.

Packaging Division

External sales decreased by 17% to RM5 million from RM6 million in FY2010 while inter-segment sales to the Dairies Division increased by RM1 million or 1.0% compared to FY 2010.

The bottom line of the Packaging Division registered a slight reduction of 14% to RM6 million from RM7 million in FY2010.

Other Division

The Group's other operating division comprises of the Nutrition and Beverage Divisions. Revenue was up marginally by 3% from RM59 million to RM61 million in FY2010. The Nutrition Division continues to be the main contributor to the total revenue of this division, accounting for 90% as compared to 93% in the previous financial year.

Profit after tax recorded a reduction of 17% to RM5 million from RM6 million in FY2010 reflecting the competitive environment the Nutrition Division experienced in the Australian market due to the significant influx of products from United States of America.

16 A breakdown of sales and net profit after taxation (before deducting non – controlling interests) are as follows:

	Group		
	30.09.11 RM '000	**30.09.10 RM '000**	**%increase/ (decrease)**
(a) Sales reported for first half year	427,478	316,601	35.0
(b) Operating profit/(loss) after tax before deducting non – controlling interests reported for first half year	29,800	30,441	(2.1)
(c) Sales reported for second half year	452,125	361,089	25.2
(d) Operating profit/(loss) after tax before deducting non – controlling interests reported for first half year	(1,215)	35,437	>100

17 A breakdown of the total annual dividend in (dollar value) for the issuer's latest full year and its previous full year as follows:

	30.09.11 S$ ' 000	**30.09.10 S$ '000**
Interim dividend[3]	2,667	2,665
Final dividend[4]	3,734	6,667
Total for the full-year in S$	6,401	9,332

[3]The interim dividend for FY 2010 was based on an issued share capital of 266,531,980 shares as compared to FY2011 which was based on an issued share capital of 533,371,528 shares.

[4]The final dividend shown for FY2011 is recommended by the Board of Directors subject to the approval of the shareholders during the coming Annual General Meeting.

18 Annual General Meeting

The Annual General Meeting of the Company will be held at Camellia Room, Level 3, Grand Hyatt Singapore, 10 Scotts Road, Singapore 228211 on Wednesday, 18 January 2012 at 10.00 a.m.

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Dato' Kamal Y P Tan	59	Brother of Dato' Jaya J B Tan, Chairman and substantial shareholder of the Company. Uncle of Tan San Chuan, Director of the Company. Brother- in-law of Tan Yet Meng, Director and substantial shareholder of the Company.	Executive Director of the Company from 23 December 2004 to 19 January 2009. Group Chief Executive Officer ("Group CEO") with effect from 20 January 2009.	Not applicable.
Tan San May	30	Daughter of Dato' Kamal Y P Tan, Group CEO and substantial shareholder of the Company. Niece of Dato' Jaya J B Tan and Ms Tan Yet Meng, Directors and substantial shareholders of the Company. Cousin of Tan San Chuan, Alternate Director of the Company.	Chief Operating Officer (Bakery Division) with effect from 1 March 2011.	Promoted from Assistant to Chief Executive Officer, Etika Foods (M) Sdn Bhd.

BY ORDER OF THE BOARD
ETIKA INTERNATIONAL HOLDINGS LIMITED

DATO' KAMAL Y P TAN
Group CEO

29 November 2011

ETIKA INTERNATIONAL HOLDINGS LIMITED
(Company Registration No: 200313131Z)

NEWS RELEASE

ETIKA'S FY2011 REVENUE INCREASES 30% TO RM880 MILLION

- ***Gross profit up 4% to RM180 million***
- ***Newly acquired subsidiaries in Malaysia and Indonesia contribute to revenue growth***
- ***Healthy gross profit margin of 21%***
- ***Board recommends tax-exempt (1-tier) dividend of 0.7 Singapore cents per share***

Singapore, November 29, 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 30% increase in revenue to RM880 million for the full year ended September 30, 2011 ("FY2011"), compared to RM678 million in the previous corresponding period ("FY2010"). Profit after tax for FY2011 was RM29 million compared to RM66 million in FY2010, mainly due to higher cost of key component raw materials, operating expenses and financing costs.

Etika's Group Chief Executive Officer, Dato' Kamal Tan, said, "Against a backdrop of an uncertain global economy and strong competition in our markets, we are very proud to achieve a 30% increase in revenue to RM880 million for FY2011. In FY2011, the Group has prudently executed its expansion plans, completing the acquisitions of the Family Bakery Group, PT. Sentrafood Indonusa and PT. Sentraboga Intiselera as well as the Susu Lembu Asli companies. The newly acquired subsidiaries in Malaysia and Indonesia have already begun to contribute to the Group's revenue and this is set to increase in the future.

"As the acquisitions have only been recently completed, a significant portion of the start-up costs were recognised in the FY2011 financials. With the integration process reaching steady state as we rationalise the organisational and operational processes across the Group, we can expect even stronger contributions from the new subsidiaries as they strengthen their foothold in their respective markets."

"Our new acquisitions create value-add for the Group in terms of scale benefits, where we can leverage our fixed costs and enjoy the economies of scale of a larger network. We continue to enjoy cost benefits from our enlarged network, managing to keep the Group's gross margin at a healthy level of 21%. The acquisitions have also added breadth to our value chain, in terms of a wider product scope as well as geographical expansion in both new and existing markets."

Dato' Jaya Tan, Group Chairman, said, "FY2011 marked several firsts for the Group. In September 2011, we celebrated the opening of New Zealand's first state-of-the-art UHT Aseptic PET bottling plant in Hawke's Bay by the Prime Minister of New Zealand, Mr John Key. This plant will enable the Group to undertake contract manufacturing for dairy, juice and water products for both the local and export markets. Etika also ventured into the instant noodle market with the acquisition of the Indonesian subsidiaries, PT. Sentrafood Indonusa and PT. Sentraboga Intiselera. We are committed to invest resources to support our expansion plans as we grow the Group's business both in terms of breadth and depth – venturing into new markets and expanding our product range."

Business Review

Group turnover for FY2011 was RM880 million, registering a 30% increase as compared to RM678 million in FY2010. The main drivers of the increase in turnover were the Dairies Division which contributed RM98 million, and the newly acquired subsidiaries, which manufacture and distribute fresh milk, bakery products and instant noodles, contributed RM85 million. RM16 million was from the Frozen Food Division.

In tandem with the increased turnover, cost of goods sold increased by 39%, driven by the higher prices of raw material inputs including skimmed, buttermilk and whey milk powder, sugar, palm oil and flour. In particular, the Dairies Division recorded a 21% increase in cost which outpaced the 15% increase in selling price, reflecting the time lag in price increase. This has resulted in the Group's lower gross margin of 21% in FY2011 as compared to 26% in FY2010.

Operating expenses increased by RM51 million or 58% to RM140 million in FY2011. The increase was mainly due to expenses of approximately RM31 million incurred by the newly acquired subsidiaries; comprising administrative expenses of RM14 million, selling and marketing expenses of RM14 million and warehouse and distribution expenses of RM3 million. The operating expenses of the existing subsidiaries rose by approximately RM20 million due to higher advertising and promotion expenses, staff costs, loan syndication costs, depreciation as well as share option expenses.

Finance costs increased by RM13 million or 147% due to higher utilisation of trade facilities, increase in term loan interest due to higher capital expenditure as well as finance costs related to the newly acquired subsidiaries amounting to approximately RM8 million. Consequently, profit before tax decreased 57% from RM80 million in FY2010 to RM34 million in FY2011.

The Group continues to invest resources to expand its production capacity, with non-current assets increasing by RM177 million due to additions to property, plant and equipment. Net cash generated from operating activities for FY2011 was RM20 million, up from RM18 million the previous corresponding period. Overall, the Group's cash and cash equivalents recorded a negative balance of RM5 million, down from RM25 million due to net cash outflow for the acquisition of the subsidiaries, increase in capital expenditure and higher working capital requirements.

Prospects and Growth Plans

The uncertain global economic outlook may dampen consumer sentiment and exert downward pressure on consumer prices. A mitigating factor is that notwithstanding the gloomy outlook, global dairy markets remain stable. Prices of local source materials, except for sugar, are stable and slowly trending down.

"We continue to see encouraging sales volumes for both domestic and export markets. We have an established brand and our customers recognise the high standards of quality of our products. We will continue to monitor market trends and consumer taste patterns closely and tailor our product offerings accordingly. We are cautiously optimistic that we will be able to achieve a reasonable growth in sales even in this current global economic environment," concluded Dato' Kamal Tan.

For its core Dairies Division, the Group has a positive outlook for the demand for fresh milk and other liquid dairy products. The growth in Malaysia's fresh milk industry is largely attributable to the growing awareness and health consciousness of consumers. The Frozen Food division will focus on developing and expanding the instant noodle business in Indonesia and other overseas markets. Although prices of imported food items have increased substantially, there is growing demand for its proprietary products with the opening up of more shopping malls and hotels generating new business opportunities. Sales of nutritional health supplements have been relatively subdued, in line with muted trading conditions world-wide. While we have maintained our market share in New Zealand, the significant influx of US-imported products on the back of the weakening US Dollar has eroded our market share in Australia. With the opening of the UHT Aseptic bottling plant in Hawke's Bay, New Zealand, the Group now has the capabilities to develop a comprehensive range of sports-related nutritional drinks. This will fortify our product range and grow our market share in both Australia and New Zealand.

The Board has recommended a final tax exempt (1-tier) dividend of 0.7 Singapore cents per share.

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"). In July 2011, Etika completed the acquisition of the remaining 30% interest in PT. Sentrafood Indonusa and PT. Sentraboga Intiselera.

In September 2011, Etika opened New Zealand's first state-of-the-art UHT Aseptic PET bottling plant in Hawke's Bay.

For more details, please visit the Group's corporate website at www.etika-intl.com.

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