



ETIKA INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

ANNOUNCEMENT OF UNAUDITED THIRD QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 2011

PART 1

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

	Q3 30.06.11 RM'000	Q3 30.06.10 RM'000	Increase/ (Decrease) %	9 months ended 30.06.11 RM'000	9 months ended 30.06.10 RM'000	Increase/ (Decrease) %
Revenue	215,219	177,216	21.4	642,697	493,817	30.1
Cost of goods sold	(166,322)	(129,266)	28.7	(504,932)	(362,308)	39.4
Gross profit	48,897	47,950	2.0	137,765	131,509	4.8
Other operating income	4,685	6,662	(29.7)	13,193	11,600	13.7
Negative goodwill	-	-	-	14,472	-	>100
Operating expenses						
Administrative expenses	(17,278)	(11,830)	46.1	(35,686)	(26,682)	33.7
Selling and marketing expenses	(10,767)	(6,208)	73.4	(32,006)	(21,254)	50.6
Warehouse and distribution expenses	(9,932)	(7,430)	33.7	(26,125)	(21,270)	22.8
Research and Development expenses	(463)	(302)	53.3	(1,263)	(826)	52.9
Other operating expenses	(4,571)	(3,588)	27.4	(16,042)	(6,049)	>100
	(43,011)	(29,358)	46.5	(111,122)	(76,081)	46.1
EBIT	10,571	25,254	(58.1)	54,308	67,028	(19.0)
Finance costs	(6,992)	(2,996)	>100	(14,572)	(6,504)	>100
Profit before income tax	3,579	22,258	(83.9)	39,736	60,524	(34.3)
Income tax	(822)	(4,275)	(80.8)	(7,179)	(12,100)	(40.7)
Profit after income tax	2,757	17,983	(84.7)	32,557	48,424	(32.8)
Profit attributable to:						
Equity holders of the Company	2,850	18,070	(84.2)	32,736	48,635	(32.7)
Non-controlling interests	(93)	(87)	6.9	(179)	(211)	(15.2)
	2,757	17,983		32,557	48,424	

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

	Q3 30.06.11 RM'000	Q3 30.06.10 RM'000	Increase/ (Decrease) %	9 months ended 30.06.11 RM'000	9 months ended 30.06.10 RM'000	Increase/ (Decrease) %
Allowance for doubtful debts						
- Trade	367	337	8.9	1,029	1,609	(36.0)
- Write back of provision no longer required	(73)	(120)	(39.2)	(229)	(413)	(44.3)
Amortization of intangible assets	47	5	>100	183	5	>100
Depreciation and amortization expenses	5,512	2,900	90.1	14,343	7,904	81.5
Bad debt written off	-	16	(>100)	-	34	(>100)
(Gain)/ Loss on foreign exchange	(1,279)	-	>100	761	(1,021)	(>100)
Interest expense	6,992	2,996	>100	14,572	6,504	>100
Interest income	(170)	(55)	>100	(293)	(249)	17.7
Inventories written off	662	1,316	(49.7)	1,126	1,579	(28.7)
Intangible asset written off	13	-	>100	13	-	>100
Negative goodwill	-	-	-	(14,472)	-	>100
(Gain)/ Loss on disposal of plant and equipment	2,537	(4)	>100	1,193	(65)	>100
Property, plant and equipment written off	58	-	>100	380	-	>100
Share option expenses	53	215	(75.3)	1,492	360	>100

1(b) Statement of Financial Positions

	Group		Company	
	As at 30.06.11 RM'000	As at 30.09.10 RM'000	As at 30.06.11 RM'000	As at 30.09.10 RM'000
Non-current assets				
Property, plant and equipment	259,004	190,351	28	26
Prepaid lease payment for land	6,792	6,900	-	-
Investment in subsidiaries	-	-	35,091	35,091
Trade receivables	152	453	-	-
Available-for-sale financial assets	362	245	-	-
Deferred tax assets	19,939	1,488	-	-
Intangible assets	106,304	30,347	113	132
	392,553	229,784	35,232	35,249
Current assets				
Inventories - at cost	138,453	102,932	-	-
Trade and other receivables	170,681	133,643	90,185	74,624
Tax recoverable	3,994	1,515	-	-
Fixed deposits	3,083	4,019	-	872
Cash and bank balances	20,238	26,194	386	2,029
	336,449	268,303	90,571	77,525
Current liabilities				
Trade and other payables	114,193	68,188	24,659	11,856
Current income tax payable	2,664	3,994	-	1
Finance leases	2,475	2,453	-	-
Bank borrowings	158,891	112,913	-	-
	278,223	187,548	24,659	11,857
Net current assets	58,226	80,755	65,912	65,668
Non-current liabilities				
Financial guarantee contracts	-	-	6,897	6,897
Other payables	126	121	-	-
Finance leases	4,133	2,079	-	-
Bank borrowings	208,626	83,762	-	-
Deferred tax liabilities	12,221	11,577	-	-
	225,106	97,539	6,897	6,897
Net assets	225,673	213,000	94,247	94,020
Share capital	56,412	56,412	56,412	56,412
Treasury shares	(183)	(183)	(183)	(183)
Foreign currency translation reserve	(716)	(1,473)	3,357	211
Fair value reserve	264	147	-	-
Share equity reserve	2,074	582	2,074	582
Accumulated profits	163,268	153,043	32,587	36,998
Equity attributable to equity holders of the Company	221,119	208,528	94,247	94,020
Non-controlling interests	4,554	4,472	-	-
Total equity	225,673	213,000	94,247	94,020

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

	As at 30.06.11		As at 30.09.10	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount payable within one year				
Bank borrowings	158,891	-	73,947	38,966
Finance leases	2,475	-	2,453	-
	<u>161,366</u>	<u>-</u>	<u>76,400</u>	<u>38,966</u>
Amount payable after one year				
Bank borrowings	208,626	-	83,762	-
Finance leases	4,133	-	2,079	-
	<u>212,759</u>	<u>-</u>	<u>85,841</u>	<u>-</u>
	<u>374,125</u>	<u>-</u>	<u>162,241</u>	<u>38,966</u>
Total	<u>374,125</u>	<u>-</u>	<u>201,207</u>	<u>-</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);
- ⇒ Fixed charge over the leasehold land 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

	Q3 30.06.11 RM'000	Q3 30.06.10 RM'000	9 months ended 30.06.11 RM'000	9 months ended 30.06.10 RM'000
Cash flows from operating activities				
Profit before income tax	3,579	22,258	39,736	60,524
Adjustments for:				
Allowance for doubtful receivables	367	337	1,029	1,609
Allowance for doubtful trade debts no longer required	(73)	(120)	(229)	(413)
Bad debts written off	-	16	-	34
Amortization of intangible assets	47	5	183	5
Amortization of prepaid lease payment for land	35	21	106	62
Depreciation of property, plant and equipment	5,477	2,879	14,237	7,842
Interest expense	6,991	2,996	14,572	6,504
Share option expense	53	215	1,492	360
Interest income	(170)	(55)	(293)	(249)
Inventories written off	661	1,316	1,126	1,579
Intangible asset written off	13	-	13	-
(Gain)/ Loss on disposal of plant and equipment	2,537	(4)	1,193	(65)
(Gain)/ Loss on foreign exchange	(342)	-	761	(1,021)
Negative goodwill	-	-	(14,472)	-
Property, plant and equipment written off	58	-	380	-
Operating profit before working capital changes	19,233	29,864	59,834	76,771
Working capital changes:				
Inventories	(29,612)	(13,967)	(32,659)	(38,405)
Trade and other receivables	(9,106)	4,769	(9,986)	(8,516)
Trade and other payables	(5,860)	(8,064)	8,612	(239)
Cash (used)/generated from operations	(25,345)	12,602	25,801	29,611
Interest paid	181	(1,511)	(927)	(1,583)
Income tax paid	(4,795)	(4,206)	(11,070)	(7,813)
Net cash from operating activities	(29,959)	6,885	13,804	20,215
Cash flows from investing activities				
Addition of prepaid lease payment for land	947	-	-	-
Interest received	170	55	293	249
Net cash outflow from acquisition of subsidiaries (Note 1(d)(ii))	(4,574)	(29,321)	(102,354)	(29,321)
Purchase of intangible assets	(1)	(44)	(147)	(66)
Purchase of property, plant and equipment	(13,930)	(717)	(28,237)	(12,669)
Proceeds from disposal of plant and equipment	163	26	198	112
Net cash used in investing activities	(17,225)	(30,001)	(130,247)	(41,695)

Cash flows from financing activities				
Dividends paid to shareholders	(6,536)	(6,260)	(22,511)	(19,131)
Dividends paid to Minority Shareholders	-	-	-	(23)
Interest paid	(7,172)	(1,484)	(13,645)	(4,921)
Decrease in fixed deposits (pledged)	527	(2)	423	89
Proceeds from the issuance of shares	-	522	-	3,193
Payment of finance lease obligations	(342)	(1,539)	(1,247)	(5,911)
Drawdown of bank loans	(682)	40,313	84,133	64,779
Net cash (used in)/ generated from financing activities	(14,205)	31,550	47,153	38,075
Net change in cash and cash equivalents				
	(61,389)	8,434	(69,290)	16,595
Cash and cash equivalents at the beginning of financial period				
	18,174	28,995	25,333	23,434
Effect of exchange rate changes				
	(92)	(3,010)	650	(5,610)
Cash and cash equivalents at the end of financial period	(43,307)	34,419	(43,307)	34,419
Cash and cash equivalents comprise the following:				
Cash and bank balances	20,238	34,895	20,238	34,895
Unpledged fixed deposits	2,480	8,351	2,480	8,351
Bank overdrafts – secured	(66,025)	(8,827)	(66,025)	(8,827)
	(43,307)	34,419	(43,307)	34,419

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:

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	5,387	5,387
Intangible assets	9,420	-
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	15,929	6,509
Shares acquired	100%	
	15,929	
Goodwill arising on consolidation	2,751	
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”)

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	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	22,778	(48,713)
Shares acquired	100%	
	22,778	
Negative goodwill arising on consolidation	(14,472)	
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 RM87.4 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
Net identifiable assets and liabilities at fair value		
Property, plant and equipment	21,761	5,086
Intangible assets	24,667	-
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	51,256	9,914
Shares acquired	100%	
	51,256	
Goodwill arising on consolidation	35,854	
Total purchase consideration	87,110	
Less : Cash acquired	(6,521)	
Net cash outflow from acquisition	80,589	

1(d)(iii) Other comprehensive income

	Q3 30.06.11 RM'000	Q3 30.06.10 RM'000	9 months ended 30.06.11 RM'000	9 months ended 30.06.10 RM'000
Profit after income tax	2,757	17,983	32,557	48,424
Other comprehensive income:				
Exchange differences on translating foreign operations	845	(2,279)	1,018	(5,652)
Net fair value changes on available-for-sale financial assets, net of tax	(46)	-	117	-
Other comprehensive expense for the period, net of tax	799	(2,279)	1,135	(5,652)
Total comprehensive income for the financial period	3,556	15,704	33,692	42,772
Total comprehensive income attributable to:				
Equity holders of the Company	3,412	16,098	33,610	43,011
Non-controlling interest	144	(394)	82	(239)
	3,556	15,704	33,692	42,772

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	-	-	757	117	-	32,736	33,610	82	33,692
Share option expense	-	-	-	-	1,492	-	1,492	-	1,492
Issue of shares	-	-	-	-	-	-	-	-	-
Additional interest in subsidiary	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(22,511)	(22,511)	-	(22,511)
Balance at 30 June 2011	56,412	(183)	(716)	264	2,074	163,268	221,119	4,554	225,673
Balance at 1 October 2009	53,707	(183)	2,716	165	-	106,353	162,758	4,720	167,478
Net comprehensive income	-	-	(5,624)	-	-	48,635	43,011	(239)	42,772
Share option expense	-	-	-	-	-	-	-	-	-
Issue of shares	2,705	-	-	-	-	-	2,705	-	2,705
Additional interest in subsidiary	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(19,131)	(19,131)	-	(19,131)
Balance at 30 June 2010	56,412	(183)	(2,908)	165	-	135,857	189,343	4,481	193,824

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 March 2011	56,412	(183)	(1,324)	310	2,021	166,954	224,190	4,410	228,600
Net comprehensive income	-	-	608	(46)	-	2,850	3,412	144	3,556
Share option expense	-	-	-	-	53	-	53	-	53
Issue of shares	-	-	-	-	-	-	-	-	-
Additional interest in subsidiary	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(6,536)	(6,536)	-	(6,536)
Balance at 30 June 2011	56,412	(183)	(716)	264	2,074	163,268	221,119	4,554	225,673
Balance at 31 March 2010	56,378	(183)	(936)	165	145	124,047	179,616	4,875	184,491
Net comprehensive income	-	-	(1,972)	-	-	18,070	16,098	(394)	15,704
Share option expense	-	-	-	-	(145)	-	(145)	-	(145)
Issue of shares	34	-	-	-	-	-	34	-	34
Additional interest in subsidiary	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(6,260)	(6,260)	-	(6,260)
Balance at 30 June 2010	56,412	(183)	(2,908)	165	-	135,857	189,343	4,481	193,824

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	-	-	3,146	-	-	18,100	21,246	-	21,246
Share option expense	-	-	-	-	1,492	-	1,492	-	1,492
Dividend paid	-	-	-	-	-	(22,511)	(22,511)	-	(22,511)
Balance at 30 June 2011	56,412	(183)	3,357	-	2,074	32,587	94,247	-	94,247
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	-	-	(2,935)	-	-	34,584	31,649	-	31,649
Share option expense	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(19,131)	(19,131)	-	(19,131)
Balance at 30 June 2010	56,412	(183)	(210)	-	-	36,041	92,060	-	92,060

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 March 2011	56,412	(183)	1,724	-	2,021	40,344	100,318	-	100,318
Issue of shares	-	-	-	-	-	-	-	-	-
Net comprehensive income	-	-	1,633	-	-	(1,221)	412	-	412
Share option expense	-	-	-	-	53	-	53	-	53
Dividend paid	-	-	-	-	-	(6,536)	(6,536)	-	(6,536)
Balance at 30 June 2011	56,412	(183)	3,357	-	2,074	32,587	94,247	-	94,247
Balance at 31 March 2010	56,378	(183)	124	-	145	20,830	77,294	-	77,294
Issue of shares	34	-	-	-	-	-	34	-	34
Net comprehensive income	-	-	(334)	-	(145)	21,471	20,992	-	20,992
Share option expense	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(6,260)	(6,260)	-	(6,260)
Balance at 30 June 2010	56,412	(183)	(210)	-	-	36,041	92,060	-	92,060

- 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 June 2011.

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

Balance at 30 June 2011

Issued and fully paid-up ordinary shares as at 30 June 2011	534,581,528	24,666	56,412
---	-------------	--------	--------

Treasury Shares	Number of treasury shares	COMPANY	
		S\$'000	RM'000

Balance at 30 June 2011

As at 30 June 2011	(1,210,000)	(76)	(183)
--------------------	-------------	------	-------

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

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

Balance at 30 June 2010

Issued and fully paid-up ordinary shares as at 1 April 2010	267,136,980	24,652	56,378
Exercise of warrants by issuance of ordinary shares	153,784	15	34

As at 30 June 2010	267,290,764	24,667	56,412
--------------------	-------------	--------	--------

Treasury Shares	Number of treasury shares	COMPANY	
		S\$'000	RM'000

Balance at 30 June 2010

As at 30 June 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 June 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 June 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.**

	Q3 30.06.11	Q3 30.06.10	9 months ended 30.06.11	9 months ended 30.06.10
Net profit attributable to shareholders for the financial period (RM'000)	2,850	18,070	32,736	48,635
Weighted average number of ordinary shares				
- Basic	533,371,528	266,685,764	533,371,528	266,685,764
- Fully diluted ¹	566,155,861	266,685,764	566,155,861	266,685,764
Earnings per share (EPS)				
- Basic (RM sen)	0.53	6.78	6.14	18.24
- Fully diluted ¹	0.50	6.78	5.78	18.24

Footnote:

¹ 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 30.06.11 RM sen	As at 30.09.10 RM sen	As at 30.06.11 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	42.31	79.87	17.67	35.25

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

Third Quarter (Q3-FY2011)

The Group managed to achieve an increase in revenue of RM38.0 million or 21.4% from RM177.2 million in the preceding corresponding quarter to RM215.2 million in the current quarter. The increase in revenue was mainly due to better sales performance and also the contribution from the newly acquired subsidiaries operating in Malaysia and Indonesia. The increase was mainly contributed by Dairies Division at RM13.6 million, Frozen Food Division at RM6.3 million and the newly acquired subsidiaries amounting to RM16.8 million. The selling prices for both the local and export markets have improved. But sales to export markets, which were mainly denominated in the United States Dollar (USD) currency, were impacted due to the weakening of USD vis-à-vis Ringgit.

The cost of goods sold increased significantly by RM37.0 million or 28.7% from RM129.3 million to RM166.3 million. This was due to the increase in the costs of commodities which had impacted the gross profit margin. Higher costs of commodities such as increase in pricing for milk powder, palm oil and the withdrawal of sugar subsidy by the Malaysian government resulted in higher costs of production in the Dairies Division. The increase in production costs in the Dairies Division amounted to RM21.1 million.

Operating expenses increased by RM13.7 million or 46.5% from RM29.4 million to RM43.0 million. The increase was mainly due to:

- i) expenses of RM10.9 million incurred by the newly acquired subsidiaries which includes administrative expenses of RM3.4 million, selling and marketing expenses of RM4.8 million and warehouse and distribution expenses of RM2.7 million.

- ii) expenses of RM 2.8 million incurred by the existing subsidiaries which was due to higher spending on advertising and promotion, staff costs, syndication costs incurred on the syndication loan and depreciation charges.

Finance costs increased by RM4.0 million or 133.4% from RM3.0 million to RM7 million. The increase in finance costs was mainly due to the higher utilization of trade facilities, increase in interest rates, increase in term loan interest due to higher capital expenditure and the finance costs of RM2.5 million from the newly acquired subsidiaries.

9 months ended 30 June 2011

The Group's revenue increased by RM148.9 million or 30.1% from RM493.8 million in the preceding corresponding quarter as compared to RM642.7 million in the current quarter. The increase in revenue was mainly due to better sales performance and also the inclusion of the newly acquired subsidiaries operating in Malaysia and Indonesia. The increase was mainly contributed by Dairies Division at RM82.2 million, Frozen Food Division of RM6.0 million and the newly acquired subsidiaries of RM60.5 million. The selling price for local markets has improved but the selling price for foreign markets which were mainly denominated in the United States Dollar (USD) currency was further weakened.

The costs of goods sold increased significantly by RM142.6 million or 39.4% from RM362.3 million to RM504.9 million. This was due to the increase in the costs of commodities which had impacted the gross profit margin. The increase in costs of goods sold was mainly due to higher costs of commodities such as increase in pricing for milk powder, palm oil and the withdrawal of sugar subsidy by the Malaysian government which resulted in higher costs of production in the Dairies Division. The increase in production costs in the Dairies Division amounted to RM99.4 million and the newly acquired subsidiaries amounted to RM38.3 million.

The Group's operating expenses increased by RM35.0 million, or 46.1% from RM76.1 million to RM111.1 million. The increase was mainly due to:

- i) expenses of RM20.9 million incurred by the newly acquired subsidiaries which includes administrative expenses of RM6.5 million, selling and marketing expenses of RM10.1 million and warehouse and distribution expenses of RM4.3 million.
- ii) expenses of RM14.1 million incurred by the existing subsidiaries which was due to higher spending on advertising and promotion, staff costs, syndication costs incurred on the syndication loan and depreciation charges.

Finance costs increased by RM8.1 million, or 124.0% from RM6.5 million to RM14.6 million. The increase in finance costs was mainly due to the higher utilization of trade facilities, increase in interest rates, increase in term loan interest due to higher capital expenditure and the finance costs of RM4.5 million from the newly acquired subsidiaries.

Review on Statement of Financial Position and Cash Flows

Non-current assets increased by RM162.8 million which was mainly due to additions of property, plant and equipment of RM68.6 million, goodwill and brands valuation of RM75.2 million and deferred tax assets of RM18.4 million that were generated from the acquisitions of the new subsidiaries.

Trade and other receivables increased by RM37.0 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 RM35.5 million.

Trade and other payables increased by RM46.0 million due to increase in pricing for commodities used as raw materials in the production and additions from the new subsidiaries taken over.

The Group's net gearing position as at 30 June 2011 stood at 1.6x as compared to 0.9x as at 30 September 2010 due to increased borrowings of RM170.8 million. The increase in borrowings was mainly used to finance acquisition of new subsidiaries, increase in capital expenditure and working capital to finance operations.

Overall, the Group's cash and cash equivalent were reduced to negative balance of RM43.3 million from RM34.4 million, a reduction of RM77.7 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 global market has seen a temporary relief as prices of commodities is taking a slight breather with less price volatility. Local source materials are trending down but stable except for sugar, which is under selective removal of subsidies by the authority. The Group will continue its efforts to build strong brand equity and meet consumers' needs.

The sales volume and revenue for both the domestic and export markets remains strong and encouraging. The Dairies Division which is the main contributor sees a positive outlook. With the completion of the additional mixing tanks for the sweetened condensed milk line, which increases the condensed milk capacity by 15%, the Group is able to accommodate to customers orders. As for the other divisions, the new range of products which are slowly gaining acceptance in the market is also expected to contribute positively to the growth in sales revenue and volume. The Group's subsidiary in New Zealand is working towards introducing a range of new products sometime within the next 12 months. The Group is optimistic that a reasonable growth level is achievable.

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

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

No.

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

Not applicable.

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

Not applicable.

- (c) **Books closure date**

Not applicable.

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

No dividend has been declared/recommended for the period ended 30 June 2011.

- 13 **Negative assurance confirmation on third 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 third quarter ended 30 June 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

11 August 2011