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First 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

The details of the announcement start here ...

For the Financial Period Ended *	31-12-2010
Description	PLEASE SEE ATTACHED.

Attachments

-  [EIH_Q1FY2011_results.pdf](#)
-  [Etika_1QFY2011_Results_NR.pdf](#)

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ETIKA INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

APPENDIX 7.2 ANNOUNCEMENT

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2010

PART 1

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

	31.12.10 RM'000	31.12.09 RM'000	RM'000	Change %
Revenue	206,284	163,535	42,749	26.1
Cost of goods sold	(166,617)	(116,094)	(50,523)	43.5
Gross profit	39,667	47,441	(7,774)	(16.4)
Other operating income	3,718	618	3,100	501.6
Operating expenses				
Administrative expenses	(9,252)	(7,835)	(1,417)	18.1
Selling and marketing expenses	(9,578)	(7,042)	(2,536)	36.0
Warehouse and distribution expenses	(8,060)	(6,562)	(1,498)	22.8
Research and development expenses	(392)	(251)	(141)	56.2
Other operating expenses	(6,016)	(1,982)	(4,034)	203.5
	(33,298)	(23,672)	(9,626)	40.7
EBIT	10,087	24,387	(14,300)	(58.6)
Finance costs	(3,473)	(1,727)	(1,746)	101.1
Profit before income tax	6,614	22,660	(16,046)	(70.8)
Income tax	(3,273)	(5,086)	(1,813)	35.6
Profit after income tax	3,341	17,574	(14,233)	(81.0)
Profit attributable to:				
Equity holders of the Company	3,951	17,632	(13,681)	(77.6)
Non-controlling interests	(610)	(58)	(552)	951.7
	3,341	17,574	(14,233)	(81.0)

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

	31.12.10	31.12.09
	RM'000	RM'000
Allowance for doubtful debts		
- trade	431	136
- write back of provision no longer required	(76)	-
Amortization of intangible assets	53	1
Depreciation and amortization expenses	4,210	2,393
Bad debt written off	1	-
Foreign exchange gain	2,869	571
Foreign exchange loss	4,672	1,981
Interest expense	3,473	1,727
Interest income	(42)	(64)
Inventories written off	60	97
Property, plant and equipment written off	315	-
Share option expenses	1,431	-
Impairment of intangible assets	46	-

1(b) Statement of Financial Positions

	Group		Company	
	As at 31.12.10 RM'000	As at 30.09.10 RM'000	As at 31.12.10 RM'000	As at 30.09.10 RM'000
Non-current assets				
Property, plant and equipment	222,651	190,351	22	26
Prepaid lease payment for land	6,863	6,900	-	-
Investment in subsidiary	-	-	35,091	35,091
Trade receivables	281	453	-	-
Available-for-sale financial assets	335	245	-	-
Deferred tax assets	8,511	1,488	-	-
Intangible assets	73,839	30,347	126	132
	<u>312,480</u>	<u>229,784</u>	<u>35,239</u>	<u>35,249</u>
Current assets				
Inventories - at cost	102,937	102,932	-	-
Trade and other receivables	170,152	133,643	83,279	74,624
Tax recoverable	1,698	1,515	-	-
Fixed deposits	1,894	4,019	-	872
Cash and bank balances	28,583	26,194	3,412	2,029
	<u>305,265</u>	<u>268,303</u>	<u>86,691</u>	<u>77,525</u>
Current liabilities				
Trade and other payables	144,334	68,188	12,199	11,856
Current income tax payable	8,470	3,994	1	1
Finance leases	3,025	2,453	-	-
Bank borrowings	147,596	112,913	-	-
	<u>303,425</u>	<u>187,548</u>	<u>12,200</u>	<u>11,857</u>
Net current assets	1,840	80,755	74,491	65,668
Non-current liabilities				
Financial guarantee contracts	-	-	6,897	6,897
Other payable	1,310	121	-	-
Finance leases	4,046	2,079	-	-
Bank borrowings	90,823	83,762	-	-
Deferred tax liabilities	12,266	11,577	-	-
	<u>108,445</u>	<u>97,539</u>	<u>6,897</u>	<u>6,897</u>
Net assets	<u>205,875</u>	<u>213,000</u>	<u>102,833</u>	<u>94,020</u>
Share capital	56,412	56,412	56,412	56,412
Treasury shares	(183)	(183)	(183)	(183)
Foreign currency translation reserve	(1,398)	(1,473)	1,408	211
Fair value reserve	237	147	-	-
Share equity reserve	2,013	582	2,013	582
Accumulated profits	156,994	153,043	43,183	36,998
Equity attributable to equity holders of the Company	<u>214,075</u>	<u>208,528</u>	<u>102,833</u>	<u>94,020</u>
Non-controlling interests	(8,200)	4,472	-	-
Total Equity	<u>205,875</u>	<u>213,000</u>	<u>102,833</u>	<u>94,020</u>

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

	As at 31.12.10		As at 30.09.10	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount payable within one year				
Bank borrowings	83,156	64,440	73,947	38,966
Finance leases	3,025	-	2,453	-
	<u>86,181</u>	<u>64,440</u>	<u>76,400</u>	<u>38,966</u>
Amount payable after one year				
Bank borrowings	90,391	432	83,762	-
Finance leases	4,046	-	2,079	-
	<u>94,437</u>	<u>432</u>	<u>85,841</u>	<u>-</u>
	<u>180,618</u>	<u>64,872</u>	<u>162,241</u>	<u>38,966</u>
Total	<u>245,490</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);
- ⇒ 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 and Packaging Divisions, Dairies Division Vietnam and Other Division;
- ⇒ 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 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.

	31.12.10 RM'000	31.12.09 RM'000
Cashflows from operating activities		
Profit before income tax	6,614	22,660
Adjustments for:		
Allowance for doubtful receivables	431	136
Allowance for doubtful trade debts no longer required	(76)	-
Bad debt written off	1	-
Amortization of intangible assets	53	1
Amortization of prepaid lease payment for land	36	21
Depreciation of property, plant and equipment	4,174	2,372
Interest expense	3,473	1,727
Share option expense	1,431	-
Interest income	(42)	(64)
Impairment of intangible assets	46	-
Inventories written off	60	97
Property, plant and equipment written off	315	-
Operating profit before working capital changes	<u>16,516</u>	<u>26,950</u>
Working capital changes:		
Inventories	3,100	(9,052)
Trade and other receivables	(16,599)	(13,594)
Trade and other payables	634	313
Cash generated from operations	<u>3,651</u>	<u>4,617</u>
Interest paid	(37)	(551)
Income tax paid	(2,089)	(1,845)
Net cash from operating activities	<u>1,525</u>	<u>2,221</u>
Cash flows from investing activities		
Interest received	42	64
Net cash outflow from acquisition of subsidiary (Note 1(d)(ii))	(13,459)	-
Purchase of intangible assets	(215)	(201)
Purchase of property, plant and equipment	(4,804)	(8,515)
Net cash used in investing activities	<u>(18,436)</u>	<u>(8,652)</u>
Cash flow from financing activities		
Dividends paid to shareholders		(9)
Dividends paid to Minority Shareholders	-	(1,177)
Interest paid	(3,436)	-
Decrease in fixed deposits (pledged)	(101)	-
Proceeds from the issuance of shares	-	465
Proceeds from finance lease obligations	(563)	(799)
Repayment of bank borrowings	15,498	12,914
Net cash generated from financing activities	<u>11,398</u>	<u>11,394</u>
Net change in cash and cash equivalents	(5,513)	4,963
Cash and cash equivalents at the beginning of financial period	25,333	23,434
Effect of exchange rate changes	(1,318)	(653)
Cash and cash equivalents at the end of financial period	<u>18,502</u>	<u>27,744</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	28,583	39,237
Short-term deposits (unpledged)	767	8,189
Bank overdrafts – secured	(10,848)	(19,682)
	<u>18,502</u>	<u>27,744</u>

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 estimated to be 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 fair value		
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 & PTSI”)

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

The fair value of identifiable assets and liabilities of PTSF and PTSI 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 fair value		
Property, plant and equipment	25,713	13,638
Intangible assets	2,492	-
Deferred tax assets	7,045	7,045
Trade and other receivables	17,398	17,398
Inventories	2,332	2,332
Cash and bank balances	108	107,551
Trade and other payables	(77,253)	(77,253)
Borrowings	(18,435)	(18,435)
Net identifiable assets acquired	(40,600)	(52,276)
Shares acquired	70%	
	(28,420)	
Goodwill arising on consolidation	28,420	
Total purchase consideration	-	
Less : Deferred consideration	-	
Less : Cash acquired	(108)	
Net cash inflow from acquisition	(108)	

1(d)(iii) Other comprehensive income

	31.12.10 RM'000	31.12.09 RM'000	Change	
			RM'000	%
Profit after income tax	3,341	17,574	(14,223)	(81.0)
Other comprehensive income:				
Exchange differences on translating foreign operations	193	(829)	1,022	(123.3)
Net fair value changes on available-for-sale financial assets, net of tax	90	-	90	>100.0
Other comprehensive expense for the period, net of tax	283	(829)	1,112	(134.1)
Total comprehensive income for the financial period	3,624	16,745	(13,121)	(78.4)
Total comprehensive income attributable to:				
Equity holders of the Company	4,116	16,803	(12,687)	(75.5)
Non-controlling interest	(492)	(58)	(434)	748.3
	3,624	16,745	(13,121)	(78.4)

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	-	-	75	90	-	3,951	4,116	(492)	3,624
Share option expense	-	-	-	-	1,431	-	1,431	-	1,431
Additional interest in subsidiary	-	-	-	-	-	-	-	(12,180)	(12,180)
Dividend paid	-	-	-	-	-	-	-	-	-
Balance at 31 December 2010	56,412	(183)	(1,398)	237	2,013	156,994	214,075	(8,200)	205,875
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)	-	66,118	61,911	(523)	61,388
Share option expense	-	-	-	-	582	-	582	-	582
Additional interest in subsidiary	-	-	-	-	-	(298)	(298)	298	-
Issue of shares	2,705	-	-	-	-	-	2,705	-	2,705
Dividend paid	-	-	-	-	-	(19,130)	(19,130)	(23)	(19,153)
Balance at 30 September 2010	56,412	(183)	(1,473)	147	582	153,043	208,528	4,472	213,000

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	-	-	1,197	-	1,431	6,185	8,813	-	8,813
Dividend paid	-	-	-	-	-	-	-	-	-
Balance at 31 December 2010	56,412	(183)	1,408	-	2,013	43,183	102,833	-	102,833
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)	-	582	35,540	33,608	-	33,608
Dividend paid	-	-	-	-	-	(19,130)	(19,130)	-	(19,130)
Balance at 30 September 2010	56,412	(183)	211	-	582	36,998	94,020	-	94,020

- 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 except for the issuance of bonus shares as follows:

Share Capital	Number of shares	COMPANY	
		S\$'000	RM'000
Balance at 31 December 2010			
Issued and fully paid-up ordinary shares as at 1 October 2010	267,290,764	24,666	56,412
Issuance of bonus share ¹	267,290,764	-	-
As at 31 December 2010	534,581,528	24,666	56,412

Treasury Shares	Number of treasury shares	COMPANY	
		S\$'000	RM'000
Balance at 31 December 2010			
As at 1 October 2010	(605,000)	(76)	(183)
Issuance of bonus share ¹	(605,000)	-	-
As at 31 December 2010	(1,210,000)	(76)	(183)

Share Capital	Number of shares	COMPANY	
		S\$'000	RM'000
Balance at 30 September 2010			
Issued and fully paid-up ordinary shares as at 1 October 2009	255,632,987	23,559	53,707
Exercise of warrants by issuance of ordinary shares	11,657,777	1,107	2,705
As at 30 September 2010	267,290,764	24,666	56,412

Treasury Shares	Number of treasury shares	COMPANY	
		S\$'000	RM'000
Balance at 30 September 2010			
As at 1 October 2009	(605,000)	(76)	(183)
Purchase of treasury shares	-	-	-
As at 30 September 2010	(605,000)	(76)	(183)

Footnote:

¹ On 13 October 2010, the Company announced that 267,290,764 bonus shares have been allotted and issued on the basis of one bonus share for every one ordinary share in the Company held by shareholders.

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 December 2010, 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 December 2010.

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	
		2010	2009
Net profit attributable to shareholders for the financial period	RM'000	3,951	17,632
Weighted average number of ordinary shares			
- Basic		495,687,670	255,118,443
- Fully diluted ²		525,920,953	266,656,011
Earnings per share (EPS)			
- Basic	RM sen	0.80	6.91
- Fully diluted ²		0.75	6.61

Footnote:

² 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 bonus share issued on 13 October 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 31.12.10 RM sen	As at 30.09.10 RM sen	As at 31.12.10 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 year

38.6	79.9	19.3	35.3
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- 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

The Group posted a 81.0% drop in first-quarter profit after tax from RM17.6 million to RM3.3 million in Q1-2011. Net profit attributable to equity holders also lower by 77.6% from RM17.6 million to RM3.9 million

Despite the decrease in the profit after tax, the Group managed to achieve an increase in revenue of RM42.7 million or 26.1% compared to preceding corresponding period. The increase in revenue was mainly due to better sales performance of all divisions except for Packaging Division and also the inclusion of the newly acquired subsidiaries operating in Malaysia and Indonesia. The increase was mainly contributed by Dairies Division at RM16.8 million, Frozen Food Division of RM4.7 million and other divisions of RM0.8 million and newly acquired subsidiaries of RM20.4 million.

The incremental revenue was accompanied by the significant increase in cost of goods sold ("COGS") of RM50.5 million or 43.5% resulting lower gross profit. This was mainly due to the low gross profit margin from operation in Indonesia and Vietnam (PTSF, PTSI & TVX) and significant increase in milk powder, sugar and palm oil which resulted higher cost of production in Dairies Division and time lag in passing on the costs to the customers.

Other operating income saw an increased by RM3.1million. This was mainly attributable from the unrealized foreign exchange gain recorded in respect of USD borrowings to finance the acquisition of Tan Viet Xuan Joint Stock Company and the unrealized foreign exchange gain on the translation of payables owing to the strengthening of Ringgit against most major currencies in Frozen Food and other divisions.

Administrative expenses rose by RM1.4 million, or 18.1% to RM9.3 million from RM7.8 million in the preceding year. The increase was mainly due to higher staff costs and depreciation expenses on office equipment as a result from newly acquired subsidiaries.

Selling and marketing costs significantly increased by RM2.5 million, or 36.0% to RM9.6 million from RM7.0 million in Q1-2010, primarily due to higher spending on advertising activities for condensed milk and evaporated milk, juice milk and flavoured milk drink under the brand of "DAIRY CHAMP" mainly through medium such as electronic and print media and other promotional materials, staff costs and also costs incurred from our newly acquired subsidiary, PTSF and PTSI in Indonesia.

Warehouse and distribution expenses increased by RM1.5 million, or 22.8% to RM8.1 million from RM6.6 million in the preceding year. This was mainly due higher higher transportation and handling charges for the increased in local sales.

The Group other operating expenses increased by RM4.0 million, or 203.5% from RM2.0 million to RM6.0 million primarily due to share option expense on the Employee Share Option Scheme ("ESOS") and realised and unrealised losses on foreign exchange translation.

Finance costs increased by RM1.8 million, or 50.3% from RM1.7 million to RM3.5 million mainly from loan for our newly acquired subsidiaries, Family Bakery, Tan Viet Xuan Joint Stock Company and acquisition of PTSF and PTSI, increased in interest rate and also higher utilization of trade facilities.

Our Group effective tax rate stood higher at 49.5% as opposed to 22.4% in Q1-2010. This is mainly due to losses generated from our International Procurement Centre ("IPC") which is tax exempted.

Statement of Financial Position Review

Below is a review of material changes in key statement of financial position items over the 3 months ended 31 December 2010.

Non-current assets

Increased by RM82.7 million mainly due to:

- ⇨ Acquisition of new subsidiaries (Family Bakery Group and PTSF & PTSI), goodwill generated from the acquisition of Family Bakery, PTSF and PTSI and also brands valuation from the acquisition of PTSF and PTSI

Current assets

Increase by RM36.9 million mainly due to:

- ⇨ Higher trade and other receivables recorded in Dairies Division due to higher sales volume compared to corresponding period and also from the acquisition of new subsidiaries (Family Bakery Group and PTSF & PTSI) and deposit paid for the acquisition of Susu Lembu Asli (Johore) Sdn Bhd and Susu Lembu Asli Marketing Sdn Bhd.

Current liabilities

- ⇨ Increase by RM115.9 million mainly due to:
Acquisition of new subsidiaries (Family Bakery Group and PTSF & PTSI)

Non-current liabilities

- ⇨ Increase by RM10.9 million mainly due to
Acquisition of new subsidiaries (Family Bakery Group and PTSF & PTSI).

Cash Flow Position

For the period under review, the Group posted a lower operating cash flow for the period.

Net cash generated from operating activities was RM1.5 million for the first three months ended 31 December 2010, as compared to RM2.2 million in December 2009. The lower operating cash flow position was mainly attributed from lower profit before tax for the 3 months period and the acquisition of subsidiaries which resulted in higher trade and other receivables as at period end.

As at 31 December 2010, the Group's cash position at the end of the period was lower, at RM18.5 million as compared to RM27.7 million in the preceding corresponding period.

The Group's net gearing position for December 2010 was 1.0x as compared to 0.8x as at September 2010.

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 raw materials for Dairies Division such as skimmed milk powder, tin can, palm oil and refined sugar, which are commodities in nature, are expected to increase. The expected increase in prices can be attributable to various factors such as continuing adverse weather conditions affecting dairy producers, increasing tin can and palm oil demands as well as gradual reduction of sugar subsidy in Malaysia. These increasing costs may have further effect on the Groups profit margins. Notwithstanding, the Group will continue its efforts to build a strong brand equity and meeting customer needs while constantly reviewing its position on making price adjustments only as and when necessary to counter these increasing costs.

Given the current sales volume and revenue for both domestic and export markets which remains encouraging, together with the introduction of new range products, the Group is optimistic that a reasonable growth could still be achieved amidst a challenging commodity market environment.

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) Date payable

Not applicable.

(d) 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 31 December 2010.

13 Negative assurance confirmation on first 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 three months ended 31 December 2010 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 February 2011



ETIKA INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

NEWS RELEASE

ETIKA ACHIEVES 26.1% INCREASE IN Q1FY2011 REVENUE

- *Revenue increases by RM42.7 million to RM206.3 million*

Singapore, February 11, 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 26.1% increase in revenue to RM206.3 million for the first quarter ended December 31, 2010 (“Q1FY2011”), compared to the previous corresponding period, whilst profit attributable to equity holders dipped 77.6% to RM4.0 million.

Etika’s Group Chief Executive Officer, Dato’ Kamal Tan, said, “Amidst a challenging commodity market environment, we are pleased to have achieved a 26.1% increase in turnover to RM206.3 million for this quarter. This is testament to the Group’s strong brand equity and positioning in the market. Our expansion plans are on track and the current sales volume and revenue for both domestic and export markets remains encouraging. With the introduction of new product ranges, the Group is optimistic that we will be able to achieve reasonable growth going forward.”

“We will maximise the synergistic benefits from our various acquisitions with the aim of enhancing profitability through streamlined organisational processes and cost efficiencies.”

Dato’ Jaya Tan, Group Chairman, said, “In the coming year, the Group will focus on branding for growth. With our strong brand equity, together with the Group’s proven

track record, strong and experienced management team, we remain positive for reasonable growth ahead amidst a challenging commodity market environment.”

Business Review

Group turnover for Q1FY2011 was RM206.3 million, registering a RM42.7 million, or 26.1% increase over the previous corresponding period. The higher revenue was due mainly to improved sales performance across all the Group’s divisions except the Packaging Division, as well as the inclusion of new Malaysian and Indonesian subsidiaries [Family Bakery Group and PT Sentrafood Indonusa (“PTSF”) and PT Sentraboga Intiselera (“PTSI”)] in the bakery products and instant noodles segments.

The incremental revenue of RM42.7 million was mainly contributed by the Dairies Division at RM16.8 million, Frozen Food Division of RM4.7 million, other divisions of RM0.8 million and the newly acquired subsidiaries which contributed RM20.4 million.

Together with the increased turnover, cost of goods sold increased significantly by 43.5% to RM50.5 million. This was mainly due to increased costs of production in the Dairies Division arising from higher input prices of milk powder, sugar and palm oil and a time lag in passing on the costs to customers. Administrative, selling and marketing expenses increased significantly by RM3.9 million in Q1FY2011. The increase was mainly due to higher advertising spending, staff costs, depreciation expenses and costs incurred from the newly acquired Indonesian subsidiaries, PTSF and PTSI.

The Group’s other operating expenses increased by RM4.0 million, or 203.5%, from RM2.0 million to RM6.0 million. This is mainly due to the share option expense related to the Employee Share Option Scheme as well as realized and unrealized losses on foreign exchange translation.

The Group’s higher other operating income helped to offset the higher expenses. Other operating income rose by RM3.1 million mainly due to unrealized foreign

exchange gain in respect of USD borrowings and translation of payables owing to strengthening of Ringgit against most major currencies.

Overall, profit attributable to equity holders dipped by 77.6% to RM4.0 million, from RM17.6 million in Q1FY2010.

Prospects and Growth Plans

Prices of raw materials such as skimmed milk powder, tin cans, palm oil and refined sugar are expected to increase. The expected increase in commodity prices can be attributed to continuing adverse weather conditions which affect the commodity producers, increased demand for tin cans and palm oil, as well as the gradual reduction of sugar subsidies in Malaysia. 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 remain optimistic of capitalising on the range of growth opportunities in terms of both new product ranges as well as new markets. The full extent of these synergistic benefits are likely to flow through in the longer term after the acquisitions have been through the initial gestation period and market penetration efforts gain traction,” added Dato' Kamal Tan.

The Group's 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 and Beverages).

In March 2009, Etika announced that it had completed the JV terms via its newly-incorporated subsidiary in New Zealand, Etika Dairies NZ Limited ("EDNZ"), at an initial equity interest of 50.7%. Etika's equity stake increased to 60.7% in December 2009. This partnership will pioneer the setting up of a UHT Aseptic PET Bottling plant in New Zealand – the first-of-its-kind in the Australasia and the South-East Asian regions.

In September 2009, Etika completed the acquisition of PT. Vixon Indonesia, a distributor of consumer products in Indonesia that will serve as the main distributor of Etika Group's products in particular Dairy Champ. This acquisition is Etika's first step towards setting a stronger foothold in the Indonesian F&B market.

In April 2010, Etika completed the acquisition of 100% equity interest in Tan Viet Xuan Joint Stock Company ("TVX"). Etika is set to break into the Vietnamese F&B market for the first time. This will also solidify the Group's foray into ready-to-drink UHT liquid milk, following the Group's joint venture in March 2009.

In May 2010, Etika signed syndicated financing facilities of RM368 million with a consortium of three leading Malaysian financial institution groups, namely AmBank Group, EON Bank Group, Maybank Group and jointly lead arranged by AmInvestment Bank Group, Maybank Investment Bank Berhad and MIMB Investment Bank Berhad. Out of the RM368 million, RM159 million will be used for working capital whilst the remaining balance would be utilized to refinance existing bank borrowings in Malaysia as well as to fund future capital expansion and merger and acquisition plans of the Group.

In October 2010, Etika completed the acquisition of 100% equity interest in Family Bakery Sdn Bhd, Daily Fresh Bakery Sdn Bhd and Hot Bun Food Industries Sdn Bhd for a cash consideration of approximately RM18.7 million.

Also in October 2010, Etika completed the acquisition of 70% equity in PT. Sentrafood Indonusa ("PTSF") and PT. Sentraboga Intiselera ("PTSB"), an Indonesian instant noodle manufacturer and distributor, for an aggregate consideration of approximately Rp24.2 billion.

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 a cash consideration of RM89.5 million.

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

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