

# **APOLLO FOOD HOLDINGS BERHAD** (291471-M)

(Incorporated in Malaysia)

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS 31 JULY 2010**

### **1 BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134 –“Interim Financial Reporting” and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa Securities Berhad (“Bursa”) Listing Requirements.

The interim financial statements should be read in conjunction with the Group’s annual audited financial statements for the year ended 30 April 2010.

### **2 CHANGES IN ACCOUNTING POLICIES**

The accounting policies and methods of computation used in the presentation of the interim financial statements are consistent with those applied in the latest audited annual financial statements ended 30 April 2010 except for the following:

#### **(i) Adoption of New and Revised FRSs , IC Interpretations and Amendments**

At the date of authorisation of these financial statements, the Group adopted the following new and revised FRSs and IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations:

|                       |  |
|-----------------------|--|
| FRS 7                 | Financial Instruments : Disclosures  |
| FRS 8                 | Operating Segments   |
| FRS 101               | Presentation of Financial Statements (revised 2009)  |
| FRS 139               | Financial Instruments : Recognition and Measurement  |
| Amendments to FRS 107 | Statement of Cash Flows  |
| Amendments to FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors  |
| Amendments to 110     | Events after the Reporting Period  |
| Amendments to FRS 116 | Property, Plant and Equipment  |
| Amendments to FRS 117 | Leases   |
| Amendments to FRS 118 | Revenue  |
| Amendments to FRS 119 | Employee Benefits  |
| Amendments to FRS 132 | Financial Instruments: Presentation  |
| Amendments to FRS 134 | Interim Financial Reporting  |
| Amendments to FRS 136 | Impairment of Assets   |
| Amendments to FRS 138 | Intangible Assets  |
| Amendments to FRS 139 | Financial Instruments : Recognition and Measurement,<br>FRS 7: Financial Instrument : Disclosure and IC<br>Interpretation 9: Reassessment of Embedded<br>Derivatives |
| IC Interpretation 9   | Reassessment of Embedded Derivatives   |
| IC Interpretation 10  | Interim Financial Reporting and<br>Impairment  |

# **APOLLO FOOD HOLDINGS BERHAD** (291471-M)

(Incorporated in Malaysia)

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)

### **2 CHANGES IN ACCOUNTING POLICIES** (CONTINUED)

#### **(i) Adoption of New and Revised FRSs , IC Interpretations and Amendments** (Continued)

The principal changes in accounting policies and their effects resulting from the adoption of FRSs, Amendments to FRSs and IC Interpretations are discussed below:

##### **(a) FRS 8: Operating Segments**

Prior to the adoption of FRS 8, the Group's segment reporting was based on a reporting format of geographical segments. FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to those segments and assess their performance. The group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the geographical segments previously identified under FRS 114<sub>2004</sub>. The Group had adopted FRS 8 retrospectively. These revised disclosures are shown in Note 9. As this is a disclosure standard, there will be no impact on the financial positions or results of the Group.

##### **(b) FRS 101: Presentation of Financial Statements (revised 2009)**

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements. All non-owners changes in equity previously presented in the consolidated statement of changes in equity are now presented as components in the statement of comprehensive income. This revised FRS does not have any impact on the financial position and results of the Group.

##### **(c) FRS 7: Financial Instruments: Disclosures**

The adoption of FRS 7 requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures had been made in these interim financial statements.

##### **(d) Amendment to FRS 117, Leases**

Prior to the adoption of the Amendment to FRS 117, leasehold land was treated as operating lease. The considerations paid were classified and presented as leasehold land use rights in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. Accordingly, the Group has reclassified certain leasehold land to property, plant and equipment and investment properties in the current quarter. This change in classification has no effect on the results of the Group. The reclassification has been accounted for retrospectively in accordance with the transitional provision and certain comparative balances have been restated. This reclassification is applied retrospectively. In applying the Amendment, the Group has also taken into consideration of the revaluation exercise carried out in April 2010 on the leasehold land and the resulting revaluation surplus net of tax is recognised retrospectively.

**APOLLO FOOD HOLDINGS BERHAD** (291471-M)  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)

**2 CHANGES IN ACCOUNTING POLICIES** (CONTINUED)

**(i) Adoption of New and Revised FRSs , IC Interpretations and Amendments** (Continued)

**(d) Amendment to FRS 117, Leases** (Continued)

The effects of the reclassification to the comparatives of the prior year's statement of financial position and statement of changes in equity are as follows:

|  | As<br>Previously<br>Stated | Effects of<br>Amendment to<br>FRS117 | As<br>Restated |
|--|----------------------------|--------------------------------------|----------------|
|  | <u>RM'000</u>              | <u>RM'000</u>                        | <u>RM'000</u>  |
| <b>As at 30 April</b>                  |                            |                                      |                |
| <b>Statement of Financial Position</b> |                            |                                      |                |
| Property, plant and equipment          | 98,973                     | 1,630                                | 100,603        |
| Leasehold land use rights              | 11,649                     | (2,358)                              | 9,291          |
| Deferred tax liabilities               | 14,760                     | 111                                  | 14,871         |
| Investment properties                  | 13,206                     | 1,172                                | 14,378         |
| <b>Statement of Changes in Equity</b>  |                            |                                      |                |
| Reserves                               | 9,779                      | 317                                  | 10,096         |
| Retained earnings                      | 113,398                    | 16                                   | 113,414        |

**(e) FRS 139 Financial Instruments – Recognition and Measurement**

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and commercial contracts to buy and sell non-financial items. The Group adopted FRS 139 prospectively on 1 May 2010 in accordance with the transitional provisions. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

**Available-for-sale (“AFS”) financial assets**

Prior to 1 May 2010, the Group classified its investments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon adoption of FRS 139, these investments are designated at 1 May 2010 as available-for-sale financial assets and accordingly are stated at fair value.

For those investments that do not have quoted market price in an active market and of which fair value cannot be reliably measured at 1 May 2010 shall continued to be carried at cost less impairment loss.

**Loans and receivables**

Prior to 1 May 2010, receivables which were measured at invoice amount and subject to impairment are now classified as loans and receivables. Under FRS 139 receivables are measured initially at fair value plus transaction costs and subsequently, at amortised cost using the effective interest method (EIR). Gain and losses arising from derecognition of receivables, EIR amortization and impairment losses are recognised in the statement of comprehensive income.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)

**2 CHANGES IN ACCOUNTING POLICIES** (CONTINUED)

**(i) Adoption of New and Revised FRSs , IC Interpretations and Amendments** (Continued)

**(e) FRS 139 Financial Instruments – Recognition and Measurement** (Continued)

**Impact on opening balances**

In accordance with the transitional provision of FRS 139, the above changes are applied prospectively and the comparatives as at 30 April 2010 are not restated. Instead, the changes have been accounted for by restating the following balances in the statement of financial position as at 1 May 2010.

|  | As<br>Previously<br>Stated<br><u>RM'000</u> | Effects of<br>Amendment to<br>FRS139<br><u>RM'000</u> | As<br>Restated<br><u>RM'000</u> |
|--|---|---|---------------------------------|
| <b>Statement of Financial Position</b>       |   |   |                                 |
| Other Investments                            | 972   | (972)   | -                               |
| Available-for-sale financial assets          | -   | 972   | 972                             |
| <b>Statement of Changes in Equity</b>        |   |   |                                 |
| Available-for-sale financial assets reserves | -   | 252   | 252                             |

**(f) IC Interpretation 10 - Interim Financial Reporting and Impairment**

Prior to the adoption of IC Interpretation 10, impairment losses for equity investments recognised in an earlier interim period were reversed in a later interim period when tests revealed that the losses have reversed. With the adoption of IC Interpretation 10 and FRS 139 on 1 May 2010, the policy has been changed to conform to the impairment requirements of FRS 139. Impairment losses recognised for available-for-sale equity investments in an interim period are not reversed in a subsequent interim period. This change in basis has no effect to the profit or loss of the current period ended 31 July 2010.

The adoption of the other new and revised FRSs, IC Interpretations and Amendments has no significant effect to the Group's consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.

**(ii) Standards and Interpretations issued and not yet effective**

The following revised FRSs, new IC interpretations and Amendments to FRSs have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2010 and 1 January 2011. They have yet to be adopted as they are not yet effective for the current quarter ended 31 July 2010 and current financial year ending 30 April 2011:

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)

**2 CHANGES IN ACCOUNTING POLICIES** (CONTINUED)

**(ii) Standards and Interpretations issued and not yet effective** (Continued)

**Effective for financial periods being on or after 1 July 2010:**

|                                   |  |
|-----------------------------------|--|
| FRS 1                             | First – time Adoption of Financial Reporting Standards       |
| FRS 3 (revised)                   | Business Combinations  |
| FRS 127 (revised)                 | Consolidated and Separate Financial Statements               |
| Amendments to FRS 2               | Share-based payment  |
| Amendments to FRS 5               | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 138             | Intangible Assets  |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives                         |
| IC Interpretation 12              | Service Concession Arrangement                               |
| IC Interpretation 15              | Agreements for the Construction of Real Estate               |
| IC Interpretation 16              | Hedges of a Net Investment in a Foreign Operation            |
| IC Interpretation 17              | Distribution of Non-cash Assets to Owner                     |

**Effective for financial periods being on or after 1 January 2011:**

|                      |  |
|----------------------|--|
| Amendments to FRS 1  | Limited Exemption from Comparative FRS 7 Disclosures for First – time Adopters |
| Amendments to FRS 2  | Group Cash –settled Share-based Payment Transaction                            |
| Amendments to FRS 7  | Improving Disclosures about Financial Instruments                              |
| TR i - 4             | Shariah Compliance Sale Contracts  |
| IC Interpretation 4  | Determining whether an Arrangement contains a Lease                            |
| IC Interpretation 18 | Transfers of Assets from Customers   |

The Group plan to adopt the above pronouncements when they become effective in the respective financial period. The adoption of these new Standards and IC Interpretations is not expected to result in any significant impact in the accounting policies of the Group.

**3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The preceding year's audit report for the year ended 30 April 2010 was unqualified.

**4 SEASONAL OR CYCLICAL FACTORS**

Seasonal or cyclical factors do not significantly affect the principal business operations of the Group.

**5 UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the period under review.

**APOLLO FOOD HOLDINGS BERHAD** (291471-M)  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)

**6 CHANGES IN ESTIMATES**

There were no material changes in the estimation methods in this interim reporting quarter which will have a material impact.

**7 DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period under review.

**8 DIVIDEND PAID**

There were no dividend paid during the period under review.

**9 SEGMENT INFORMATION**

Segment revenue and results for business segments are not provided as the Group's activities are primarily involved in the manufacturing and trading in compound chocolate confectionery products and cakes.

The segmental analysis by geographical segment is provided as follows: -

|                                       | <b>Local<br/>RM'000</b> | <b>Export<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---------------------------------------|-------------------------|--------------------------|-------------------------|
| <b><u>Revenue</u></b>                 |                         |                          |                         |
| Total revenue                         | 41,788                  | 21,576                   | 63,364                  |
| Inter-segment revenue                 | (19,847)                | -                        | (19,847)                |
| Revenue from external customers       | <u>21,941</u>           | <u>21,576</u>            | <u>43,517</u>           |
| <b>Profit for reportable segments</b> | <u>1,023</u>            | <u>5,485</u>             | <u>6,508</u>            |
| Reconciliation of profit:             |                         |                          |                         |
| Total profit for reportable segments  |                         |                          | 6,508                   |
| Other income                          |                         |                          | 378                     |
| Unallocated expenses                  |                         |                          | (76)                    |
| <b>Profit before tax</b>              |                         |                          | <u>6,810</u>            |

**10 VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There were no amendments to the valuations of property, plant and equipment brought forward.

**11 MATERIAL EVENTS SUBSEQUENT TO THE END OF INTERIM PERIOD**

There were no material events to the interim period that would substantially affect the interim financial statements.

**12 CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during this interim period.

**13 CONTINGENT LIABILITIES**

There were no material changes in contingent liabilities since the last annual balance sheet date as at 30 April 2010.

**APOLLO FOOD HOLDINGS BERHAD** (291471-M)  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)

**14 CAPITAL COMMITMENTS**

Capital expenditure not provided for in the nterim financial statements as at 31 July 2010 is as follows :

|                                  | <b>RM</b>      |
|----------------------------------|----------------|
| <b>AUTHORISED AND CONTRACTED</b> | <u>824,610</u> |
| <b>ANALYSED AS FOLLOWS:</b>      |                |
| <b>PLANT AND MACHINERY</b>       | 225,396        |
| <b>RENOVATIONS</b>               | <u>599,214</u> |
|                                  | <u>824,610</u> |

**15 SIGNIFICANT RELATED PARTY TRANSACTIONS**

There were no significant related party transactions during this interim period.

**16 REVIEW OF PERFORMANCE**

For the financial period ended 31 July 2010, the Group recorded a higher revenue of RM43.517 million (31 July 2009 – RM39.151 million) but with a lower pre-tax profit of RM6.810 million (31 July 2009 – RM8.913 million).

The lower pre tax profit was due to higher operating costs and lower gain on disposal of available-for-sale financial assets as compared with the preceding year corresponding quarter.

**17 MATERIAL CHANGE IN THE PROFIT BEFORE TAX FOR THE CURRENT QUARTER AS COMPARED TO THE IMMEDIATE PRECEDING QUARTER**

For the quarter ended 31 July 2010, the Group recorded a revenue of RM43.517 million, an increase of RM2.557 million compared to that of the preceding quarter of RM40.960 million, while the pre-tax profit was RM6.810 million, an increase of RM0.244 million, compared to RM6.566 million for the preceding quarter. Increase in pre-tax profit was due to lower operating costs in the current quarter.

**18 CURRENT YEAR PROSPECTS**

Despite the improvement in the global and domestic economy, the Group's operating environment is expected to remain challenging and competitive. Nevertheless, the Board anticipates the performance of the Group to remain profitable. The Group will strive to ensure that it continues to achieve satisfactory results by implementing prudent measures, improving operational efficiency while remaining focused on product and service quality.

**19 PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable.

**APOLLO FOOD HOLDINGS BERHAD** (291471-M)

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)**20 INCOME TAX EXPENSE**

|                  | Individual Quarter                              |   | Cumulative Quarter                              |   |
|------------------|---|---|---|---|
|                  | Current Year<br>Quarter<br>31/07/2010<br>RM'000 | Preceding Year<br>Quarter<br>31/07/2009<br>RM'000 | Current Year<br>To-Date<br>31/07/2010<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>31/07/2009<br>RM'000 |
| Income tax       |   |   |   |   |
| - Current period | 1,527   | 1,837   | 1,527   | 1,837   |
| Deferred tax     | (217)   | (194)   | (217)   | (194)   |
|                  | <u>1,310</u>                                    | <u>1,643</u>                                      | <u>1,310</u>                                    | <u>1,643</u>  |

The effective tax charge for the financial period ended 31 July 2010 is lower than the statutory rate due to reinvestment allowance claimed by a subsidiary.

**21 PROFITS ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sale of unquoted investments and/or properties during this interim period.

**22 QUOTED SECURITIES**

Investments in securities (quoted and unquoted) have been reclassified from other investments to available-for-sale financial assets upon adoption of FRS 139 on 1 May 2010.

Total purchase consideration and sales proceeds of quoted securities for the current quarter ended 31 July 2010 and profit arising therefrom are as below:

|  | Current<br>Quarter<br>31/07/2010<br>RM | Current<br>Year<br>To-Date<br>31/07/2010<br>RM |
|--|--|--|
| Total purchase consideration of quoted securities acquired | -                                      | -  |
| Sales proceeds of quoted securities                        | <u>58,569</u>                          | <u>58,569</u>                                  |
| Profit arising therefrom                                   | <u>13,834</u>                          | <u>13,834</u>                                  |
| Fair value gain recognised in other comprehensive income   | <u>66,510</u>                          | <u>66,510</u>                                  |

**Available for-sale-financial assets as at 31 July 2010:**

|                              | RM               |
|------------------------------|------------------|
| Quoted shares :              |                  |
| At cost                      | <u>925,953</u>   |
| At carrying value/book value | <u>1,244,895</u> |
| At market value              | <u>1,244,895</u> |

**23 CORPORATE PROPOSALS**

There were no corporate proposals announced but not completed as at the end of the reporting period.



**APOLLO FOOD HOLDINGS BERHAD** (291471-M)

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (CONTINUED)**24 GROUP BORROWINGS AND DEBT SECURITIES**

There were no group borrowings and debt securities as at the end of the reporting period.

**25 DERIVATIVE FINANCIAL INSTRUMENTS**

The Group does not have any outstanding derivative financial instruments as at the end of the quarter under review.

**26 GAINS/LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

There were no gains or losses arising from fair value changes of any financial liabilities during the quarter and financial period-to-date under review.

**27 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no financial instruments with off balance sheet risk as at date of this report.

**28 MATERIAL LITIGATION**

There were no material litigation as at date of this report.

**29 DIVIDEND**

In respect of the year ended 30 April, 2010, a final dividend of 25% per share consisting of 23% less 25% tax and 2% under single tier system (tax exempt) amounting to RM15,400,000 will be proposed for members' approval.

**30 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders by the weighted number of ordinary shares in issue for the following periods:-

|   | Individual Quarter                                 |  | Cumulative Quarter                                  |   |
|---|--|--|---|---|
|   | Current<br>Year<br>Quarter<br>31/07/2010<br>RM'000 | Preceding<br>Year<br>Quarter<br>31/07/2009<br>RM'000 | Current<br>Year To-<br>Date<br>31/07/2010<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>31/07/2009<br>RM'000 |
| Profit attributable to shareholders   | 5,500  | 7,270  | 5,500   | 7,270   |
| Weighted average no. of Ordinary shares in issue during the interim period ('000) | 80,000   | 80,000   | 80,000  | 80,000  |
| <b>(i) Basic</b>  |  |  |   |   |
| Basic earnings per share (sen)  | 6.88   | 9.09   | 6.88  | 9.09  |
| <b>(ii) Diluted</b>   |  |  |   |   |
| Diluted earnings per share (sen)  | 6.88   | 9.09   | 6.88  | 9.09  |

By Order of the Board

**WOO MIN FONG****YAP WAI BING**

Company Secretaries

Johor Bahru

30 September 2010