

APOLLO FOOD HOLDINGS BERHAD (291471-M)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 JANUARY 2011

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, FRS 7: Financial Instrument : Disclosure and IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED) **31 JANUARY 2011**

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 114²⁰⁰⁴ 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 114²⁰⁰⁴. 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JANUARY 2011

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

(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.

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 Previously Stated	Effects of Amendment to FRS117	As Restated
As at 30 April			
Statement of Financial Position	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Property, plant and equipment	98,973	9,388	108,361
Leasehold land use rights	11,649	(7,337)	4,312
Deferred tax liabilities	14,760	806	15,566
Investment properties	13,206	1,172	14,378
Statement of Changes in Equity			
Reserves	9,779	2,401	12,180
Retained earnings	113,398	16	113,414

The initial application of the above standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
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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

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.

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED) **31 JANUARY 2011**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

(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 January 2011.

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 January 2011 and current financial year ending 30 April 2011:

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

FRS 1	First – time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based payment : Vesting Conditions and Cancellations
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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED) **31 JANUARY 2011**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

Effective for financial periods being on or after 31 December 2010

TR 3	Guidance on Disclosure of Transition to IFRSs
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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 – Additional Exemptions for first– time Adopters
Amendments to FRS 2	Group Cash –settled Share-based Payment Transactions
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
Amendment to FRSs contained in the document entitled “Improvement to FRS (2010)”	

Effective for financial periods being on or after 1 July 2011:

Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Effective for financial periods being on or after 1 January 2012:

FRS 124 (revised)	Related Party Disclosures
IC Interpretation 15	Agreements for the Construction of Real Estate

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.

6 CHANGES IN ESTIMATES

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JANUARY 2011**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

During the financial period ended 31 January 2011, the Company paid the following dividend:

On 12 January 2011, the Company paid a final dividend of 25 sen per ordinary share consisting of 23 sen less 25% tax and 2 sen under single tier system (tax exempt) amounting to RM15,400,000 in respect of the previous financial year.

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: -

	Local RM'000	Export RM'000	Total RM'000
<u>Revenue</u>			
Total revenue	72,014	124,816	196,830
Inter-segment revenue	-	(65,212)	(65,212)
Revenue from external customers	<u>72,014</u>	<u>59,604</u>	<u>131,618</u>
Profit for reportable segments	<u>3,471</u>	<u>14,421</u>	<u>17,892</u>

Reconciliation of profit:

Total profit for reportable segments	17,892
Other Income	1,567
Unallocated expenses	(344)
Profit before tax	<u><u>19,115</u></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 subsequent to the end of 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.

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31 JANUARY 2011**14 CAPITAL COMMITMENTS**

Capital expenditure not provided for in the interim financial statements as at 31 January 2011 is as follows :

	RM
AUTHORISED AND CONTRACTED	<u>161,019</u>
ANALYSED AS FOLLOWS:	
PLANT AND MACHINERY	<u>161,019</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 January 2011, the Group recorded a higher revenue of RM131.618 million (31 January 2010 – RM118.571 million) but with a lower pre-tax profit of RM19.115 million (31 January 2010 – RM25.681 million).

The increase in the prices of raw materials had resulted in a lower profit.

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

For the quarter ended 31 January 2011, the Group recorded a revenue of RM51.024 million, an increase of RM13.946 million compared to that of the preceding quarter of RM37.078 million, while the pre-tax profit was RM7.400 million, a increase of RM2.495 million, compared to RM4.905 million for the preceding quarter.

The higher turnover had contributed to the increase in current quarter's pre-tax profit.

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JANUARY 2011**20 INCOME TAX EXPENSE**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/01/2011 RM'000	Preceding Year Quarter 31/01/2010 RM'000	Current Year To-Date 31/01/2011 RM'000	Preceding Year Corresponding Period 31/01/2010 RM'000
Income tax				
- Current period	1,733	804	4,561	4,804
- Prior period	(185)	-	(184)	921
	<u>1,548</u>	<u>804</u>	<u>4,377</u>	<u>5,725</u>
Deferred tax	(534)	1,039	(1,102)	167
	<u>1,014</u>	<u>1,843</u>	<u>3,275</u>	<u>5,892</u>

The effective tax charge for the financial period ended 31 January 2011 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 was 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 January 2011 and profit arising therefrom are as below:

	Current Quarter 31/01/2011 RM	Current Year To-Date 31/01/2011 RM
Total purchase consideration of quoted securities acquired	-	-
Sales proceeds of quoted securities	<u>113,510</u>	<u>344,640</u>
Profit arising there from	<u>46,408</u>	<u>123,271</u>
Fair value (loss)/gain recognised in other comprehensive income	<u>(51,486)</u>	<u>35,566</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JANUARY 2011

22 QUOTED SECURITIES (CONTINUED)

Available for-sale-financial assets as at 31 January 2011:

	RM
At cost	749,318
At carrying value/book value	<u>1,037,316</u>
At market value	<u>1,037,316</u>

23 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES OF THE GROUP

	At end of current quarter 31 January 2011 <u>RM'000</u>	At end of preceding quarter 31 October 2010 <u>RM'000</u>
Realised profits	126,532	136,240
Unrealised losses	<u>(12,542)</u>	<u>(13,282)</u>
Total retained profits	<u>113,990</u>	<u>122,958</u>

24 CORPORATE PROPOSALS

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

25 GROUP BORROWINGS AND DEBT SECURITIES

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

26 DERIVATIVE FINANCIAL INSTRUMENTS

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

27 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.

28 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

29 MATERIAL LITIGATION

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

30 DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the financial quarter under review.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**31 JANUARY 2011****31 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 Year Quarter 31/01/2011 RM'000	Preceding Year Quarter 31/01/2010 RM'000	Current Year To-Date 31/01/2011 RM'000	Preceding Year Corresponding Period 31/01/2010 RM'000
Profit attributable to shareholders	6,386	6,759	15,840	19,789
Weighted average no. of Ordinary shares in issue during the interim period ('000)	80,000	80,000	80,000	80,000
(i) Basic				
Basic earnings per share (sen)	7.98	8.45	19.80	24.74
(ii) Diluted				
Diluted earnings per share (sen)	7.98	8.45	19.80	24.74

By Order of the Board

WOO MIN FONG**YAP WAI BING**

Company Secretaries

Johor Bahru

29 March 2011