

APOLLO FOOD HOLDINGS BERHAD (291471-M)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS 31 JULY 2012

1 BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These financial statements also comply with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 30 April 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 30 April 2013. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") have been applied.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 April 2012.

In preparing its opening MFRS Statement of Financial Position as at 1 May 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. The impact of the transition from FRS to MFRS is described in Note 2 below.

2 SIGNIFICANT ACCOUNTING POLICIES

(i) Adoption of MFRS 1

The audited financial statements of the Group for the year ended 30 April 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 30 April 2012 except as discussed below:

(a) Property, plant and equipment

The Group has previously recorded its land and buildings which is the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(i) Adoption of MFRS 1 (Continued)****(a) Property, plant and equipment (Continued)**

Upon transition to MFRS, the Group has elected to apply the optional exemption and measure all its property, plant and equipment at cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group uses previous revaluation at or before the date of transition as deemed cost as these amounts were broadly comparable to fair value at that date. Accordingly, the revaluation surplus has been transferred to retained earnings.

The reconciliations of Condensed Consolidated Statements of Financial Position for comparative periods and of Condensed Consolidated Statements of Financial Position at the date of transition reported under FRS to those reported for those periods at the date of transition under MFRS are provided below:

Condensed Consolidated Statements of Financial Position

Reconciliation as at 1 May 2011

	FRS as at 01.05.2011	Effect of transition to MFRS	MFRS as at 01.05.2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Reserves attributable to capital	12,014	(7,450)	4,564
Retained earnings	116,464	7,450	123,914

Reconciliation as at 31 July 2011

	FRS as at 31.07.2011	Effect of transition to MFRS	MFRS as at 31.07.2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Reserves attributable to capital	11,949	(7,414)	4,535
Retained earnings	119,691	7,414	127,105

Reconciliation as at 30 April 2012

	FRS as at 30.04.2012	Effect of transition to MFRS	MFRS as at 30.04.2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Property, plant and equipment	118,106	(1,227)	116,879
Reserves attributable to capital	12,768	(8,130)	4,638
Retained earnings	122,365	7,210	129,575
Deferred tax	16,291	(307)	15,984

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(i) Adoption of MFRS 1 (Continued)****(a) Property, plant and equipment (Continued)**Condensed Consolidated Statements of Comprehensive Income

Reconciliation for the year ended 30 April 2012

	FRS for the year ended 30.04.2012 <u>RM'000</u>	Effect of transition to MFRS <u>RM'000</u>	MFRS for the year ended 30.04.2012 <u>RM'000</u>
Cost of sales	(155,455)	3	(155,452)
Profit before tax	28,593	3	28,596
Tax expenses	(6,852)	-	(6,852)
Profit after tax	21,741	3	21,744

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Standards and Interpretations issued and not yet effective

At the date of authorisation of the interim financial statements, the followings MFRSs, Amendments to MFRSs and IC interpretation were issued but not yet effective and have not been applied by the Group:

Effective for financial periods beginning on or after 1 July 2012:

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
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Effective for financial periods beginning on or after 1 January 2013:

MFRS 1	Government Loans
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS128	Investment in Associates and Joint Ventures
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Effective for financial periods beginning on or after 1 January 2014:

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
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Effective for financial periods beginning on or after 1 January 2015:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)
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3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding year's audit report for the year ended 30 April 2012 was unqualified.

4 SEASONAL OR CYCLICAL FACTORS

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012**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.

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 was no dividend paid during the quarter under review.

9 SEGMENT INFORMATION

The segmental analysis is provided as follows: -

1st Quarter

	Local RM'000	Export RM'000	Total RM'000
<u>Revenue</u>			
Total revenue	29,704	56,007	85,711
Inter-segment revenue	-	(26,907)	(26,907)
Revenue from external customers	<u>29,704</u>	<u>29,100</u>	<u>58,804</u>
Profit for reportable segments	<u><u>1,655</u></u>	<u><u>8,315</u></u>	<u><u>9,970</u></u>

Reconciliation of profit:

Total profit for reportable segments	9,970
Other Income	590
Unallocated expenses	(111)
Profit before tax	<u><u>10,449</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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012

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 2012.

14 CAPITAL COMMITMENTS

Capital expenditure not provided for in the interim financial statements as at 31 July 2012 is as follows :

	RM
AUTHORISED AND CONTRACTED	<u>3,234,657</u>
ANALYSED AS FOLLOWS:	
BUILDINGS WORK-IN-PROGRESS	785,902
PLANT AND MACHINERY	<u>2,448,755</u>
	<u>3,234,657</u>

15 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

16 REVIEW OF PERFORMANCE

For the current quarter ended 31 July 2012, the Group recorded a revenue of RM58.804 million, an increase of RM9.515 million as compared to RM49.289 million in the preceding year corresponding quarter. The increase in revenue was due to higher sales in both the local and export markets.

The Group's pre-tax profit for the current quarter ended 31 July 2012 has increased by RM5.851 million to RM10.449 million from RM4.598 million in the quarter ended 31 July 2011. The higher sales and the lower operating costs had contributed to the increase in profit.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012**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 2012, the Group recorded a revenue of RM58.804 million, an increase of RM2.611 million as compared to RM56.193 million in the preceding quarter, while the pre-tax profit was RM10.449 million, an increase of RM0.961 million as compared to RM9.488 million in the preceding quarter.

Increase in demand from both local and export markets had contributed to a higher sales.

The higher revenue had contributed to the increase in the current quarter's profit.

18 CURRENT YEAR PROSPECTS

Despite a recent fall in the prices of certain raw materials, the prices of the key materials remain high which will affect the input cost. The Group's operating environment is therefore expected to remain challenging and competitive.

Nevertheless, the Board is optimistic that the performance of the Group will continue 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.

20 INCOME TAX EXPENSE

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/07/2012 RM'000	Preceding Year Quarter 31/07/2011 RM'000	Current Year To- Date 31/07/2012 RM'000	Preceding Year Corresponding Period 31/07/2011 RM'000
Income tax				
- Current period	2,958	1,168	2,958	1,168
- Prior period	-	-	-	-
	<hr/> 2,958	<hr/> 1,168	<hr/> 2,958	<hr/> 1,168
Deferred tax	(525)	239	(525)	239
	<hr/> 2,433	<hr/> 1,407	<hr/> 2,433	<hr/> 1,407

The effective tax rate of the Group for the financial period under review was lower than the statutory tax rate of 25% due to tax incentives claimed by a subsidiary.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012**21 ADDITIONAL DISCLOSURES**

	Current Quarter Ended 31/07/2012 RM'000	Current Year To- Date Ended 31/07/2012 RM'000
Interest income	(296)	(296)
Rental income	(79)	(79)
Dividend received	(78)	(78)
Property, plant and equipment		
- Depreciation	2,204	2,204
Investment properties		
- Depreciation	53	53
Foreign exchange loss/(gain)		
- Realised	462	462
- Unrealised	(369)	(369)
Leasehold land use rights		
- Amortisation	41	41
	<u>41</u>	<u>41</u>

Other than the above items, there were no impairment of assets and exceptional items for the current financial period to date ended 31 July 2012.

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

	Current Quarter Ended 31/07/2012 RM'000	Preceding Quarter Ended 30/04/2012 RM'000
Total retained profits		
Realised	187,672	177,182
Unrealised	(15,453)	(13,625)
	<u>172,219</u>	<u>163,557</u>
Less: Consolidation adjustments	(34,628)	(33,982)
Total retained profits as per statement of financial position	<u>137,591</u>	<u>129,575</u>

23 CORPORATE PROPOSALS

There were no corporate proposals announced as at the end of the reporting period.

24 GROUP BORROWINGS AND DEBT SECURITIES

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
31 JULY 2012**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 MATERIAL LITIGATION

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

28 DIVIDEND

In respect of the financial year ended 30 April 2012, a single tier final dividend of 20% amounting to RM 16,000,000 will be proposed for members' approval.

29 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 31/07/2012 RM'000	Preceding Year Quarter 31/07/2011 RM'000	Current Year To-Date 31/07/2012 RM'000	Preceding Year Corresponding Period 31/07/2011 RM'000
Profit attributable to shareholders	8,016	3,191	8,016	3,191
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)	10.02	3.99	10.02	3.99
(ii) Diluted				
Diluted earnings per share (sen)	10.02	3.99	10.02	3.99

By Order of the Board

WOO MIN FONG**YAP WAI BING**

Company Secretaries

Johor Bahru

28 September 2012