

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

(Incorporated in Malaysia)

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS 31 JANUARY 2014**

### **1 BASIS OF PREPARATION**

The condensed interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 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 2013 and the explanatory notes attached to the interim financial statements.

### **2 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the financial year ended 30 April 2013 except for the adoption of the following which are applicable to its financial statements and are relevant to its operation:

MFRS 3	Business Combinations
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 (2011)
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	First Time Adoption of MFRS - Government Loans
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Instruments: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendments to MFRS	Annual Improvement to IC Interpretations and MFRS 2009-2011 Cycle
IC Interpretation 20	Stripping Cost in the Production Phase of a Surface Mine

The adoption of the above standards and interpretations do not have significant financial impact on the Group’s consolidated financial statements of the current quarter.

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

At the date of authorisation of the interim financial statements, the following standards and interpretation were issued but not yet effective and have not been applied by the Group:

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

Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities
Amendments to MFRS 12	Disclosures of Interest in Other Entities : Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements : Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

**Deferred:**

Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures
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**3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The preceding year's audit report for the year ended 30 April 2013 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.

**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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS****31 JANUARY 2014****9 SEGMENT INFORMATION**

Segment information is presented in respect of the Group's geographical segments. The segmental analysis is provided as follows: -

	<b>Malaysia RM'000</b>	<b>Asia-Pacific RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Total revenue	173,079	67,870	2,424	243,373
Inter-segment revenue	(82,075)	-	-	(82,075)
Revenue from external customers	<u>91,004</u>	<u>67,870</u>	<u>2,424</u>	<u>161,298</u>
<b>Profit for reportable segments</b>				<u>32,159</u>
Reconciliation of profit:				
Total profit for reportable segments				32,159
Other Income				2,586
Unallocated expenses				(410)
<b>Profit before tax</b>				<u>34,335</u>

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

There was no revaluation carried out on property, plant and equipment during the period under review.

**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 date of the statement of financial position as at 30 April 2014.

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**14 CAPITAL COMMITMENTS**

Capital expenditure not provided for in the interim financial statements as at 31 January 2014 is as follows :

	<b>RM</b>
<b>AUTHORISED AND CONTRACTED</b>	<u>1,234,012</u>
<b>ANALYSED AS FOLLOWS:</b>	
<b>BUILDINGS WORK-IN-PROGRESS</b>	635,902
<b>PLANT AND MACHINERY</b>	<u>598,110</u>
	<u>1,234,012</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 January 2014, the Group recorded a revenue of RM55.592 million, a decrease of RM1.378 million as compared to RM56.970 million in the preceding year corresponding quarter. The decrease in revenue was due to lower sales in both the local and export markets.

The Group's pre-tax profit for the current quarter ended 31 January 2014 decreased by RM0.377 million to RM11.823 million from RM12.200 million in the quarter ended 31 January 2013. Lower demand contributed to this decrease in pre-tax profit.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS****31 JANUARY 2014****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 2014, the Group recorded a revenue of RM55.592 million, an increase of RM7.364 million as compared to RM48.228 million in the preceding quarter, while the pre-tax profit was RM11.823 million, a increase of RM3.231 million as compared to RM8.592 million in the preceding quarter.

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

**18 CURRENT YEAR PROSPECTS**

Despite a recent fall in the prices of certain raw materials, the prices of the key materials remained 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 31/01/2014 RM'000	Preceding Year Quarter 31/01/2013 RM'000	Current Year To- Date 31/01/2014 RM'000	Preceding Year Corresponding Period 31/01/2013 RM'000
Income tax				
- Current period	2,982	2,978	8,734	8,303
- Prior period	1	(75)	1	(75)
	<u>2,983</u>	<u>2,903</u>	<u>8,735</u>	<u>8,228</u>
Deferred tax	(230)	9	(780)	(304)
	<u>2,753</u>	<u>2,912</u>	<u>7,955</u>	<u>7,924</u>

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**21 ADDITIONAL DISCLOSURES**

	<b>Current Quarter Ended 31/01/2014 RM'000</b>	<b>Current Year To- Date Ended 31/01/2014 RM'000</b>
Interest income	(709)	(1,590)
Rental income	(89)	(237)
Dividend received	(10)	(183)
Gain on disposal of investment	-	24
Gain on disposal of property, plant and equipment	(49)	(47)
Property, plant and equipment		
- Depreciation	2,404	7,111
Investment properties		
- Depreciation	53	160
Foreign exchange loss/(gain)		
- Realised	(257)	118
- Unrealised	(336)	(676)
Leasehold land use rights		
- Amortisation	29	87
	<u>29</u>	<u>87</u>

Other than the above items, there were no impairment of assets and exceptional items for the current financial period ended 31 January 2014.

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

	<b>Current Quarter Ended 31/01/2014 RM'000</b>	<b>Preceding Quarter Ended 31/10/2013 RM'000</b>
Total retained profits		
Realised	201,247	212,745
Unrealised	(14,604)	(15,166)
	<u>186,643</u>	<u>197,579</u>
Less: Consolidation adjustments	(34,604)	(34,610)
Total retained profits as per statement of financial position	<u>152,039</u>	<u>162,969</u>

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**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.

**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 CHANGES IN MATERIAL LITIGATION**

Mahkamah Perusahaan Negeri Johor, Malaysia (Suit no: 16/2-1049/13)

Kesatuan Pekerja-Pekerja Perkilangan Perusahaan dan Makanan ("Union") Vs. Apollo Food Industries (M) Sdn. Bhd.

On 30 April 2013, solicitors for the Union had brought a legal suit against Apollo Food Industries (M) Sdn. Bhd., a wholly owned subsidiary, claiming for higher salaries adjustment for the Union members.

The Johor Bharu Industrial Court has fixed the case for trial on 6 May 2014.

**28 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****31 JANUARY 2014****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 31/01/2014 RM'000	Preceding Year Quarter 31/01/2013 RM'000	Current Year To- Date 31/01/2014 RM'000	Preceding Year Corresponding Period 31/01/2013 RM'000
Profit attributable to shareholders	9,070	9,288	26,380	24,952
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)	11.34	11.61	32.98	31.19
<b>(ii) Diluted</b>				
Diluted earnings per share (sen)	11.34	11.61	32.98	31.19

By Order of the Board

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

Company Secretaries

Johor Bahru

28 March 2014