

APOLLO FOOD HOLDINGS BERHAD (291471-M)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 APRIL 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
30 APRIL 2014****9 SEGMENT INFORMATION**

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

	Malaysia RM'000	Asia-Pacific RM'000	Others RM'000	Total RM'000
Revenue				
Total revenue	233,342	94,966	2,945	331,253
Inter-segment revenue	(110,747)	-	-	(110,747)
Revenue from external customers	<u>122,595</u>	<u>94,966</u>	<u>2,945</u>	<u>220,506</u>
Profit for reportable segments				<u>41,240</u>
Reconciliation of profit:				
Total profit for reportable segments				41,240
Other Income				3,111
Unallocated expenses				(746)
Profit before tax				<u>43,605</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 30 April 2014 is as follows :

	RM
AUTHORISED AND CONTRACTED	<u>647,347</u>
ANALYSED AS FOLLOWS:	
BUILDINGS WORK-IN-PROGRESS	635,902
TOOLS AND EQUIPMENTS	<u>11,445</u>
	<u>647,347</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 30 April 2014, the Group recorded a revenue of RM59.208 million, an increase of RM4.511 million as compared to RM54.697 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 30 April 2014 decreased by RM0.304 million to RM9.270 million from RM9.574 million in the quarter ended 30 April 2013, largely due to higher operating costs.

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

For the quarter ended 30 April 2014, the Group recorded a revenue of RM59.208 million, an increase of RM3.616 million as compared to RM55.592 million in the preceding quarter. The increase in revenue was due to higher sales in both the local and export markets.

The pre-tax profit was RM9.270 million, a decrease of RM2.553 million as compared to RM11.823 million in the preceding quarter. Higher operating cost had resulted in a decrease in the current quarter's pre-tax profit.

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 30/04/2014 RM'000	Preceding Year Quarter 30/04/2013 RM'000	Current Year To- Date 30/04/2014 RM'000	Preceding Year Corresponding Period 30/04/2013 RM'000
Income tax				
- Current period	2,424	2,408	11,158	10,711
- Prior period	9	-	10	(75)
	<u>2,433</u>	<u>2,408</u>	<u>11,168</u>	<u>10,636</u>
Deferred tax	(253)	34	(1,033)	(270)
	<u><u>2,180</u></u>	<u><u>2,442</u></u>	<u><u>10,135</u></u>	<u><u>10,366</u></u>

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21 ADDITIONAL DISCLOSURES

	Current Quarter Ended 30/04/2014 RM'000	Current Year To- Date Ended 30/04/2014 RM'000
Interest income	(718)	(2,308)
Rental income	(89)	(325)
Dividend received	(3)	(207)
Gain on disposal of investment	(204)	(228)
Gain on disposal of property, plant and equipment	-	(47)
Property, plant and equipment		
- Depreciation	2,446	9,557
Investment properties		
- Depreciation	53	214
Foreign exchange loss/(gain)		
- Realised	328	445
- Unrealised	278	(397)
Leasehold land use rights		
- Amortisation	29	115
	<u>29</u>	<u>115</u>

Other than the above items, there were no impairment of assets and exceptional items for the current financial period ended 30 April 2014.

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

	Current Quarter Ended 30/04/2014 RM'000	Preceding Quarter Ended 31/01/2014 RM'000
Total retained profits		
Realised	207,245	201,247
Unrealised	(13,518)	(14,604)
	<u>193,727</u>	<u>186,643</u>
Less: Consolidation adjustments	(34,598)	(34,604)
Total retained profits as per statement of financial position	<u>159,129</u>	<u>152,039</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 ("The Union") had brought a legal suit against Apollo Food Industries (M) Sdn. Bhd. ("AFI"), a wholly owned subsidiary, claiming for higher salaries adjustment for the Union members.

On 5 June 2014, the Johor Bahru Industrial Court ("JBIC") has requested AFI and the Union to file in "The 26 Articles Not In Dispute". AFI is currently awaiting the confirmation from the legal counsel for the Union to approve the draft copy of the Articles for the submission to JBIC.

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
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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 30/04/2014 RM'000	Preceding Year Quarter 30/04/2013 RM'000	Current Year To- Date 30/04/2014 RM'000	Preceding Year Corresponding Period 30/04/2013 RM'000
Profit attributable to shareholders	7,090	7,132	33,470	32,084
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)	8.86	8.92	41.84	40.11
(ii) Diluted				
Diluted earnings per share (sen)	8.86	8.92	41.84	40.11

By Order of the Board

WOO MIN FONG**YAP WAI BING**

Company Secretaries

Johor Bahru

25 June 2014