

APOLLO FOOD HOLDINGS BERHAD (291471-M)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 OCTOBER 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 2014 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 2014 except for the adoption of the following which are applicable to its financial statements and are relevant to its operation:

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 119	Defined Benefit Plans: Employee Contributions
IC Interpretation 20	Stripping Cost in the Production Phase of a Surface Mine
Amendments to MFRSs	Annual Improvements 2010 – 2012 Cycle
Amendments to MFRSs	Annual Improvements 2011 – 2013 Cycle

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 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRSs	Annual Improvements to MFRSs 2012 – 2014 Cycle

Effective for financial periods beginning on or after 1 January 2017:

MFRS 15	Revenue from Contracts with Customers
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Effective for financial periods beginning on or after 1 January 2018:

MFRS 9	Financial Instruments
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3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding year's audit report for the year ended 30 April 2014 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.

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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

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

	Investment holding RM'000	Manufacturing RM'000	Marketing and Distribution RM'000	Total RM'000
<u>Revenue</u>				
Total revenue	179	97,414	57,334	154,927
Inter-segment revenue	(120)	(51,813)	-	(51,933)
Revenue from external customers	<u>59</u>	<u>45,601</u>	<u>57,334</u>	<u>102,994</u>
Profit for reportable segments				<u><u>10,527</u></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 October 2014 is as follows :

	RM
AUTHORISED AND CONTRACTED	<u>1,250,766</u>
ANALYSED AS FOLLOWS:	
BUILDINGS WORK-IN-PROGRESS	<u>1,250,766</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 October 2014, the Group recorded a revenue of RM51.384 million, an increase of RM3.156 million as compared to RM48.228 million in the preceding year corresponding quarter. The increase in revenue was due to increase demand from both export and local markets.

The Group's pre-tax profit for the current quarter ended 31 October 2014 has decreased by RM1.569 million to RM7.023 million from RM8.592 million in the quarter ended 31 October 2013, mainly due to higher cost of materials.

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

For the quarter ended 31 October 2014, the Group recorded a revenue of RM51.384 million, a decrease of RM0.226 million as compared to RM51.610 million in the immediate preceding quarter, while the pre-tax profit was RM7.023 million, a decrease of RM1.262 million as compared to RM8.285 million in the immediate preceding quarter.

Increase in cost of materials had contributed to lower profits.

18 CURRENT YEAR PROSPECTS

The Group's operating environment is therefore expected to remain challenging and competitive. 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.

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20 TAX EXPENSE

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/10/2014 RM'000	Preceding Year Corresponding Quarter 31/10/2013 RM'000	Current Year To- Date 31/10/2014 RM'000	Preceding Year Corresponding Period 31/10/2013 RM'000
Income tax				
- Current period	1,805	2,465	4,186	5,752
- Prior period	(95)	(1)	(95)	(1)
	<u>1,710</u>	<u>2,464</u>	<u>4,091</u>	<u>5,751</u>
Deferred tax	502	(469)	690	(549)
	<u>2,212</u>	<u>1,995</u>	<u>4,781</u>	<u>5,202</u>

21 ADDITIONAL DISCLOSURES

	Current Year Quarter Ended 31/10/2014 RM'000	Current Year To- Date Ended 31/10/2014 RM'000
Interest income	(541)	(942)
Rental income	(89)	(177)
Dividends income	(1)	(1)
Depreciation of:		
- property, plant and equipment	2,622	5,197
- investment properties	53	106
Amortisation of prepaid lease payments for land	29	58
Loss on foreign exchange		
- realised	241	1,154
- unrealised	771	837

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

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

	Current Quarter Ended 31/10/2014 RM'000	Preceding Quarter Ended 31/07/2014 RM'000
Total retained profits		
Realised	218,514	212,556
Unrealised	(14,274)	(13,123)
	<u>204,240</u>	<u>199,433</u>
Less: Consolidation adjustments	(34,584)	(34,588)
Total retained profits as per statement of financial position	<u><u>169,656</u></u>	<u><u>164,845</u></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.

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 2 July 2014, the Johor Bahru Industrial Court ("JBIC") has requested AFI to increase in salaries of the employees and it applies to the terms of employment of the employees for the period of 1 October 2012 to 30 September 2015.

On 15.10.2014, the Company obtained the leave/permission from the High Court to proceed with its application for judicial review.

At present, the High Court has directed that lawyers for both parties must attend the High Court on 6.1.2015 to file their legal submissions. The hearing date of the Company's application for that judicial review will be fixed later by the High Court.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
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The Board of Directors do not recommend the payment of an interim dividend for the financial quarter under review.

29 EARNINGS PER SHARE

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/10/2014 RM'000	Preceding Year Quarter 31/10/2013 RM'000	Current Year To-Date 31/10/2014 RM'000	Preceding Year Corresponding Period 31/10/2013 RM'000
Profit attributable to owners of the parent	4,811	6,597	10,527	17,310
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)	6.01	8.25	13.16	21.64
(ii) Diluted				
Diluted earnings per share (sen)	6.01	8.25	13.16	21.64

By Order of the Board

WOO MIN FONG
SANTHI A/P SAMINATHAN
Company Secretaries
Johor Bahru
22 December 2014