

Questions and Answers

The following questions from the Minority Shareholders Watch Group (“MSWG”), which were received on 20/10/2021, and the answers were expressed therein.

Q1: Apollo Group’s revenue and gross profit margin for the past five years are shown in the table below:

	<i>FY2017</i>	<i>FY2018</i>	<i>FY2019</i>	<i>FY2020</i>	<i>FY2021</i>
<i>Revenue (RM’mil)</i>	<i>208.9</i>	<i>190.8</i>	<i>188.8</i>	<i>174.9</i>	<i>190.4</i>
<i>Gross Profit (RM’mil)</i>	<i>42.5</i>	<i>40.3</i>	<i>46.7</i>	<i>45.9</i>	<i>44.6</i>
<i>Gross Profit Margin</i>	<i>20.3%</i>	<i>21.1%</i>	<i>24.7%</i>	<i>26.2%</i>	<i>23.4%</i>

(a) The Group’s revenue has been on the declining trend since FY2017. What contributed substantially to the increase in revenue for FY2021 and how sustainable will the increase be, going forward?

Board’s Response:

With the widespread infection of the Covid-19 since the beginning of 2020 leading to the imposition of the first Movement Control Order (“MCO”) in March 2020, there were disruptions in the supply chain coupled with the production capacity limitation and the economic uncertainty, there were lesser orders received from the customers which had resulted in a lower sales during financial year 2020.

With the relaxation of the movement controls from May 2020, the wholesalers had started to replenish their stocks and with the consistent orders received, the sales for the financial year 2021 had improved.

As the country progresses into the National Recovery Plan, the Board is optimistic of attaining the sales level to that of the pre-pandemic era.

- (b) ***Gross profit margin has declined from 26.2% in FY 2020 to 23.4% in FY 2021, what is the reason for the decline in margin? What are the measures taken to mitigate the impact from the increased input costs to protect the Group's gross profit margin in the coming years?***

Board's Response:

The main reason for the decline in gross profit margin was mainly due to the increase in raw material price and additional cost incurred in relation to Covid-19 prevention measure implemented by the Group for the welfare of our employees and business continuity.

To cushion the impacts from the increase in input cost, the Group is putting efforts to improve productivity to reduce production cost and to pass on some of the increase in cost with reasonable increase in the selling price.

- Q2: ***One of the risks that might affect the Group's profitability is the changes in consumer's preferences i.e. consumers nowadays prefer to consume healthier products with less sugar and sweetness (page 35 of Annual Report ("AR") 2021). Does the Company plan to introduce more healthier products to cater for health-conscious consumers? If yes, by when?***

Board's Response:

First of all, as a Company manufacturing safe and healthy food products, we placed utmost importance on food safety on our products and practice very tight food safety procedures in the storage and manufacturing process while ensuring the raw materials are sourced from reliable manufacturers having good food safety practices. Furthermore, the Group is continuously reducing the sugar content of its products. But such efforts are carried out with much care so as not to compromise on the product quality, the taste and the shelf life of our products.

While health-conscious products are important to supplement the current product mix of the Group, we will assess this carefully as it does not involve just changing the manufacturing process but also the sourcing of materials and serious marketing efforts.

- Q3. The various Movement Control Orders imposed by the Malaysian Government since March 2020 to curb the Covid-19 pandemic has impacted the operation and business of the Group as it affected the demand from local and overseas customers. The Group expects the forthcoming year will continue to be challenging (page 36 of AR 2021).**

Given that the market conditions are expected to remain challenging, especially with the on-going pandemic, how does the Company intend to increase its sales locally and overseas? What are some of the potential opportunities available to the Group in the next 12 months?

Board's Response:

With the infection spread of Covid-19 gradually being brought under controlled via encouraging vaccination rate in Malaysia and internationally, we expect the economic conditions to improve.

With the gradual increase in business transactions locally and overseas, the Board hopes to restore orders from both local and overseas markets and foray.

Stringent SOPs are put in place to prevent or minimize the spread of Covid-19 in our workplaces so as to ensure business continuity and confidence to our customers.

Corporate Governance Matters

- Q4. Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish a summary of the key matters discussed at the AGM onto the Company's website soon after the conclusion of the AGM. As of 20 October 2021, summary of the key matters discussed at the 26th AGM held on 28 October 2020 was not available on the Company website under the section, Investor Relations. Why was the summary of the key matters discussed not uploaded onto the corporate website?**

Board's Response:

We appreciate MSWG for highlighting this. The summary of the key matters discussed at the 26th AGM held on 28 October 2020 had been uploaded to the Company's website,

however it was not accessible due to some technical issues with the Company's website. This technical issue has since been resolved.

- Q5. *Apollo in its Corporate Governance ("CG") Report 2021 states that it has applied Practice 4.5 which requires the Board to disclose in its annual report the Company's policies on gender diversity, its targets and measures to meet those targets. Currently, the Company has one woman director on the board representing 20% of the total board members. The board has formulated a Gender Diversity Policy but there was no disclosure in its annual report on gender diversity targets and measures to meet those targets. Hence, the Company has not applied Practice 4.5.***

When does the Board plan to disclose in its annual report its targets and timeframe to meet those targets for its Gender Diversity Policy, as required by the Malaysian Code of Corporate Governance?

Board's Response:

We appreciate MSWG for highlighting this. On page 11 of the Annual Report 2021, the Company has disclosed that it had formalized a Gender Diversity Policy and the detail of the said policy is accessible through the Company's website. The same is disclosed in the Corporate Governance Report as well.

Based on the said Policy, the Company has targeted to ensure that there is at least one (1) female Director is appointed and serving on the Board. This target is achieved,

The Company is working towards to have more female Directors' participation on the Board if there is any opportunity arises.

As soon as Mr Liang Chiang Heng's ("Mr Liang") Internet connection was restored, Chairman handed the Chair to him and Mr Liang took over to answer Shareholders' questions.

Mr Liang first dealt with those pre-meeting questions as follows:

- Q6. *Mr Lee Kek Eng posed the following:***
As part of your CSR initiative, could the Board please accord your loyal shareholders vouchers to redeem Apollo goodies for mutual benefit, that is rewarding your

shareholders as well as to promote Apollo products organically. We are counting on you. You can make it happen. Thanks.

Q7. *Mr Wong Yoon Ying said, I would like to request the Company to consider giving door gifts in the form of e-vouchers to those shareholders who have taken the initiative to attend the Company's virtual AGM. Your kind gesture and show of appreciation will be very much appreciated during this trying time. Thank you.*

Q8. *Mr Leong Fook Sen @ Francis Leong's question - Mr Chairman, kindly provide e-vouchers to shareholders who attend RPV. I wish to request for a e-wallet 100.00. Thank you very much.*

[Since the contents of questions 6 to 8 are similar in character, Mr Liang responded simultaneously as follows:]

Board's Response:

Due to the Covid-19 pandemic, no door gifts and e-vouchers are provided.

Q9. *Mr Ho Chee Meng raised his question whether Apollo is launching new products such as instant coffee and waffle biscuits.*

Board's Response:

We appreciate this suggestion from the shareholder, and we will consider it.

Q10. *Mr Safwan Bin Johari in his question, he said, Good day. Would like to know what is the Management's view of dividend payment to be paid more than annual profit. Is it sustainable?*

Board's Response:

The Company has not formalized a dividend policy. In this manner, the dividend payment of the Company was made with the understanding that the Company has sufficient retained earnings. After each dividend payment, the Board of the Company shall confirm that the Company is still financially sound.

After answering the pre-meeting questions, Mr Liang then proceeded to answer the live questions received as follows:

Q11. Mr Lau Chuan Hooi enquired the following:

- (a) May I know, what is the Company's future outlook;**
- (b) How much was the impact of the Company due to the MCO;**
- (c) How much was the cost-saving of virtual AGM as compared to physical one; and**
- (d) Will the Board consider door gifts such as e-vouchers or e-wallets for those have participated in this AGM.**

Board's Response:

- (a) The Company is still studying new markets to explore for the Company's future.
- (b) The Company's response to MSWG's inquiry describes/explains the impact by MCO.
- (c) Due to the Covid-19 problem, the cost-saving of a virtual AGM is not significantly different from a physical meeting.
- (d) The Company has already responded to questions about door gifts under Q. 6 to 8 earlier.

Q12. Mr Chua Soon Gin had the following questions:

- (a) Going forward, what is the plan of Apollo to further strengthen and expand its market share in Malaysia and beyond.**
- (b) Will Apollo have plans to expand its product line beyond current chocolate waffle.**

Board's Response:

The Company is conducting R&D and creating additional items that are related to chocolate, such as chocolate waffles and layer cakes.

Q13. Mr Koh Chooi Peng asked:

- (a) The Gross Profit Margin of Apollo was 23.4% in FY2021 (page 67 of AR). The latest Quarterly Results for period ended 31 July 2021 reported a big drop in the Gross Profit Margin to 18%.**
- (b) What are the steps taken by Management to ensure that the profit margins will not drop further in the remaining quarters of FY2022?**

Board's Response:

Both factories were affected by the Covid-19 outbreak and had to shut down operations twice. Due to the SOP requirements, this has led to lower manufacturing productivity and, at the time, increased medical expenses.

Q14. Mr Koh Chooi Peng further enquired:

The Profit before Tax of the Group improved to RM23.383 million in FY2021 mainly due to the increase of "Other Income" amounting to RM7.318 million (page 67 of AR).

(a) Please provide the breakdown of the RM7.318 million; and

(b) 1st Quarter 2022 results "Other Income" was only RM449,000. What are the reasons for the big decrease in Other Income?

Board's Response:

The quoted share investment is referred to as "Other Income." The profitability of quoted shares being traded depends on market movement. Because there was no sale of quoted share investments, other income decreased in the first quarter of 2022. If necessary, Management can email additional information outlining the problem.

Q15. Questions from Mr Venkatachalam Alagappan, which states:

(a) Why do you want to maintain a high cash and bank balances (of around RM108 million) when your operating cashflow is very healthy and when you do not have large PPE commitments? Can that cash be better utilized by investing elsewhere to generate a better return than the 1.88% being derived from the fixed deposit interest; and

(b) Can you consider issuing bonus shares to increase liquidity of the Company shares in the market. Bonus issues would also reward long term shareholders of the Company.

Board's Response:

A strong cash and bank balance has been kept by the Company because of its plan to spend more in automation. The Covid-19 pandemic strikes just as the Company was finalising to sign up for the automation. Otherwise, the Company would face major issues with its funds due to the pandemic for more than two years until the present. The Company might be forced to suffer significant losses on down payments or deposits made to suppliers

who had also experienced severe financial hardships during the pandemic situation. Due to the decreased cash balance following the anticipated automation investment, bonus share issue is now not deemed feasible. The Company, however, might take it into consideration in the future after all automation upgrades are complete and the situation has stabilised.

Q16. *Inquiry received from Mr Koh Chooi Peng:*

There has been a big jump in the Purchase of Property, Plant & Equipment amount to RM8.511 million in FY2021 vs RM1.408 million in FY2020 (page 71 of AR).

(a) What are the reasons for the huge increase in PPE?

(b) The Capital Commitment provided for FY2021 was only RM931,000 (page 111 of AR), what will be the commitments expected for FY2022?

Board's Response:

The RM8.511 million was used to purchase new machinery for the waffle production line. The Company's current chocolate waffle production line is more than ten years old, so the decision to invest in a new machinery line in 2021 was made primarily to benefit from new technology's ability to save energy while also increasing output. Additionally, the existing line can be upgraded to the level of the most recent technology.

Q17. *Hairul Azim Bin Abdul Rashid raised the below questions:*

(a) Apollo recorded PAT margins of under 10% in recent years. What are the measures taken to improve Apollo's PAT margin to above 10% as could be seen prior to FY17.

(b) "To improve its stream of revenue, the Group will put more efforts in focusing and enhancing its brands recognition and products' varieties for new business opportunities." – page 36 of AR. Please elaborate.

(c) With regards to ESG, what are the measures taken to improve welfare of the workers, especially during this pandemic?

Board's Response:

The price of raw materials has a significant impact on PAT. About 40–50% of Apollo's sales are often exported at fixed prices. Unless there is a significant increase in the price of raw materials, the Company will not raise the prices of its products. The price of raw materials varies, and recently some prices have increased by a factor of two because of the record-

high price of palm oil. Due to these external influences, the Company must re-evaluate its costs and pass some price hikes forward to customers, albeit with very little adjustments. Almost every country that the Company sells to still uses the product brands that it has established. It is also advancing in step with market rivalry in terms of product variety and brand recognition. The Company is cautious about the importers' financial standing when supplying to foreign markets. One of the reasons the Company has never had a bad debt is due to this. The Company places a high priority on the wellness of its employees. Extra care has been taken to ensure the safety of the workforce throughout the pandemic, including regular site inspections and tight enforcement of SOP compliance among employees.

With no further questions from the shareholders, Mr Liang handed the Chair to Mr Johnson.