

**APOLLO FOOD HOLDINGS BERHAD**  
(Incorporated in Malaysia - Co. No. 291471-M)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-SECOND ANNUAL GENERAL MEETING (“22<sup>ND</sup> AGM”) HELD ON 26<sup>TH</sup> OCTOBER 2016 AT PUTERI PACIFIC HOTEL, DELIMA ROOM, LEVEL 2, JALAN ABDULLAH IBRAHIM, 80730 JOHOR BAHRU, JOHOR DARUL TAKZIM AT 10:00 AM.

**AGENDA 1**

**AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2016 TOGETHER WITH THE REPORTS OF DIRECTORS AND INDEPENDENT AUDITORS THEREON**

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The Audited Financial Statements for the financial year ended 30 April 2016 together with the Reports of directors and Independent Auditors thereon were tabled to the meeting.

The key matters raised by the shareholders on the results of the Company and the Group’s business and the responses from the Board/Management were as follows:-

	<b>Key Matters raised by the Shareholders</b>	<b>Responses from the Board/Management</b>
1.	Whilst the revenue is almost same for the past 5 years but the revenue for year FY2016 is lower than FY2015. How do you plan to improve the revenue?	The decrease in revenue in FY2016 was mainly due to the new regulations imposed by Indonesia which affected the sales to Indonesia. Besides that the Company also faced labour shortage which affected its revenue because the Company was unable to keep up with the market demand. Shipment orders which previously were delivered to the customers within a few days now faced delays up to two to three weeks. The Company faced difficulties in trying to hire new workers to replace the existing foreign workers who were leaving the Company gradually. This was because the Company had yet to receive any reply or approval from the authorities to its application to recruit foreign workers. It would be of great help if the foreign workers application is approved by authorities. In the meantime the Management would extend the working hours of existing workers to allow overtime including on Sunday.
2.	What actions have been taken to improve the production in terms of automation?	Management has always been in discussion to have a factory which is fully automated with robotics. However, due to some problems with land matters, the plan had to be postponed. Management is currently working to resolve the land matters and to move ahead with the plan to have a fully automated factory. The Company has reserved RM100 mil cash to be utilized when the automation plan is ready for execution. The Company believes that with the automation plan, human errors can be reduced and productivity increased.

	<b>Key Matters raised by the Shareholders</b>	<b>Responses from the Board/Management</b>
3.	What is the percentage (%) of export sales?	The export sales are more than 50% including officially and unofficially. Unofficially refers to the shipment to other places such as Indonesia, Thailand, Sarawak and Sabah which are exported through the border where no custom documents are received from the importers.
4.	What is the meaning of impairment loss on property, plant and equipment and reversal on impairment properties?	As any action on impairment or reversal was based on the accounting standard, Management felt that it would be best for the auditors to reply this query. The auditor replied that the Property, Plant and Equipment and Investment Properties were carried at cost model. At the end of each reporting period, the carrying amount of Property, Plant and Equipment and Investment Properties has to be assessed whether the value has changed (i.e. increase or decrease in the carrying value). Any change in the value has to be accounted for impairment/reversal and be recorded accordingly.
5.	Although the revenue is maintained at RM200 mil in FY2016, the net profit margin has increased by 14% which is very commendable. Which forex have contributed to the good gross profit margin despite the negative factors in FY2016?	The Company's profit is not solely affected by foreign exchange. The main factor affecting the profit is the price of raw materials which has increased especially in palm oil whose price has since not gone down. Sugar price has also increased. These increases had affected the profit and the cost of the Company. Despite the increase in the raw material prices, the Company is not increasing the product price because the products are meant for children. When the prices are increased, the demand would be lower which would cause lower profit. Foreign exchange is the additional factor affecting profits. As most of the Company's export goods are in USD the depreciation of the Ringgit against the US dollar has contributed to the receipt of good profit margins.
6.	The dividend rate of 30 sen per share is the highest when compared to the past years. So, are there any chances that the dividend rate would decline in future?	In FY 2017, the revenue is expected to decrease in which case the dividend rate would either decrease or remain the same. However, it would be based on Board of Directors recommendation depending on the Company's performance in FY2017. The Company is also looking into buying new machineries to replace the existing old machineries.

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	<b>Key Matters raised by the Shareholders</b>	<b>Responses from the Board/Management</b>
7.	How will the RM100 mil cash be utilized and what amount of capital expenditure would be set aside for future use?	The Company will invest the cash to utilize it to move into automation. However, it will only proceed to move into automation in various stages. The cash will also be used to purchase machineries to replace the old machineries.
8.	In the past year, it was mentioned that due to unresolved land matter, the new factory was not being used. Is the status still the same?	Due to the unresolved land matter, the status is still the same. However, recently the land authority had accepted the appeal from the Company to resolve this issue. Since the Management has not received any official letter to this effect it therefore cannot give an assurance that the land matter will be resolved soon.
9.	On page 108 of the Annual Report 2016, it is mentioned that there are 2 freehold lands vacant at Ulu Tiram. What are these lands?	In the past, when the Company was being listed, the Management has mentioned that it wanted to move to a bigger factory and therefore had bought the vacant land at Ulu Tiram. However, due to no water supply at the area, the Company could not shift to the new land. While waiting for the water supply matter to be resolved, it was noted that the neighboring factories to the Company's existing factory at the Larkin area started to move out. Hence, Management took the opportunity to start buying over those vacated pieces of lands with factory to expand the factory. Currently, 12 acres at Larkin Industrial Area belong to the Company. There are only 2 lots of land at Larkin Industrial Area neighbour which do not belong to the Company.
10.	Does the Company plan to move the existing factory to the vacant land at Ulu Tiram or only plan to use the said land as part of the business expansion? What is the capacity of the new factory?	The land is approximately 12000 square meters and it is not an empty land. There was already a building on the land when the Company bought over the land. Since the purchase of the land, the Company has spent a lot of money on building expansion. It will take 6 month for new machineries to arrive. Currently, the building has two outstanding work to be completed namely flooring and the purchase of machineries.
11.	On page 95 of the Annual Report 2016, it is shown that the revenue from Asean customers had decreased by 15% - 16%. How much of the Asean sales is part of Indonesia?	Majority of the Asean sales were from Indonesia, Vietnam and Cambodia. There are also some unofficial sales to Indonesia because there are no records of custom permit from customers.

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	<b>Key Matters raised by the Shareholders</b>	<b>Responses from the Board/Management</b>
12.	What are the sales strategies in Indonesia to increase the sales since the product price is cheaper in Indonesia as compared to Malaysia?	The product price of Apollo is not cheaper in Indonesia to compete against cheaper chocolate products locally manufactured in Indonesia.
13.	Was there a lot of money spends on advertising in Indonesia?	The Company does not intend to advertise in Indonesia as the costs of advertising there are much higher.
14.	On page 95 of the Annual Report 2016, the revenue from external customers shows that the revenue from a major customer in distributing imported product is about RM41 mil. Is this major customer Indonesia?	The major customer was Indonesia. In the past, there were few agents for distributorship in Indonesia but due to unhealthy competition, currently there is only one distributorship agent in Indonesia for Apollo.
15.	Does the Company have any estimates on the products which were distributed in terms of whether the products have reached the distributors point of sale and how much of the products were covered and how much were still uncovered to see the potential in Indonesia?	Based on the existing importer, Apollo product is the highest product being distributed and sold but in comparison to Indonesia as a whole, Apollo products are still far for comparison. Last year, Apollo has lost some sales to Indonesia due to unable to distribute the shipment on time resulting from labour shortage.
16.	In terms of distribution of products, there are compound chocolates and chocolate confectionary products. What is the sales mix of the products?	The sales mix is a mixture of all products as the market is quite stable.
17.	How much of the raw material prices account for the cost of goods sold?	The raw material prices account for more than 50% of the cost of goods sold.
18.	Referring to the labour shortage, how many workers are there in the existing factory?	Currently the existing factory has over 700 employees which is below what a manufacturing company which is under full production should have, namely at least 900 employees to meet the market demand. The Company has applied for more foreign workers and hope that the application will be approved soon.

	<b>Key Matters raised by the Shareholders</b>	<b>Responses from the Board/Management</b>
19.	What is the rough estimate of capital expenditure for the new factory which will be fully automated? How much would the capacity of the new factory?	The rough estimate of capital expenditure for the new factory for Phase 1 with 2 line production is about Euro 4 million. The actual capacity would be about half a million per day but the capacity would need to depend on the market demand. There will be more engineers and IT personnel required to monitor and maintain the automated machineries.
20.	In Vietnam, how long has Apollo been in the market?	Apollo has been in the Vietnam market since 1980s. Today, Vietnam has local products which are similar to Apollo products. Despite this Apollo still manages to get demand from Vietnam for its products.
21.	Since the Company intends to reserve the capital, would the Company consider for share option in future? Can the Company arrange for the shareholders to visit the factory to understand the manufacturing process?	<p>The share option scheme means an increase in share capital which requires a lot of fee. With the increase in share capital, would the Company be able to generate more profit. If the existing share capital is maintained, the returns could be maintained. Previously, the Company had proposed for Employee Share Option Scheme (ESOS), but the employees were not interested in the share option. Hence, the Company preferred to retain its existing share capital to generate higher returns based on the profit of the Company.</p> <p>Referring to factory visit by shareholders, the Company had already built the passage way for visitors view. However, due to the existing factory layout, the passage way is currently not safe for visitors viewing. Management will therefore build a safer passage way in the new factory for viewing by shareholders, consumers and visitors.</p>
22.	Why is Apollo so successful in Malaysia?	The success resulted from the contribution of many people from various departments including Board of Directors. The Board of Directors has always been supportive to the Company for a better future. The Company has old culture where there are no product advisers. All products are being created in house and any machineries maintenance is done in house.

	<b>Key Matters raised by the Shareholders</b>	<b>Responses from the Board/Management</b>
23.	Do Apollo products have “Halal” certification?	All products have to be certified “Halal” before the product label can be printed and the products are sold. The products can be exported to certain countries only with the “Halal” certification. However, for countries in the Middle East, no halal certification is required by them for Apollo chocolate products as the chocolate products are not made of animal parts.
24.	Referring to the new factory coming up soon, will the Company employ a new team to work there?	The Company will not employ a whole new team but will use the existing team for succession planning. However, some expertise in IT field and engineers will be employed to monitor and maintain the automated machineries.

**AGENDA 2**  
**ORDINARY RESOLUTION NO.1**  
**FIRST AND FINAL SINGLE TIER DIVIDEND**

The payment of first and final single tier dividend of 30 sen per share for the financial year ended 30 April 2016 was approved by shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 3**  
**ORDINARY RESOLUTION NO.2**  
**DIRECTORS’ FEE**

The payment of Directors’ fees of RM316,000-00 for the financial year ended 30 April 2016 was approved by shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 4**  
**ORDINARY RESOLUTION NO.3**  
**RE-APPOINTMENT OF DIRECTOR PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965**

The re-appointment of Datuk Venugopal a/l V.K.Menon as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 was approved by shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 5(i)**  
**ORDINARY RESOLUTION NO.4**  
**RE-ELECTION OF DATIN PADUKA HJH AMINAH BINTI HASHIM PURSUANT TO**  
**ARTICLE 116 OF THE ARTICLES OF ASSOCIATION**

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The re-election of Datin Paduka Hjh Aminah Binti Hashim as Director of the Company pursuant to Article 116 of the Company's Articles of Association was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 5(ii)**  
**ORDINARY RESOLUTION NO.5**  
**RE-ELECTION OF MR NG CHET CHIANG @ NG CHAT CHOON PURSUANT TO ARTICLE**  
**116 OF THE ARTICLES OF ASSOCIATION**

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The re-election of Mr Ng Chet Chiang @ Ng Chat Choon as Director of the Company pursuant to Article 116 of the Company's Articles of Association was approved by the shareholders.

**AGENDA 6**  
**ORDINARY RESOLUTION NO.6**  
**RE-APPOINTMENT OF AUDITORS**

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The re-appointment of Messrs BDO as Auditors of the company on remuneration to be determined by the Directors was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 7(i)**  
**ORDINARY RESOLUTION NO.7**  
**RETENTION OF MR NG CHET CHIANG @ NG CHAT CHOON TO CONTINUE IN OFFICE**  
**AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

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The retention of Mr Ng Chet Chiang @ Ng Chat Choon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years as an Independent Non-Executive Director of the Company pursuant to the recommendation by MCGG 2012 was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 7(ii)**  
**ORDINARY RESOLUTION NO.8**  
**RETENTION OF EN.ABDUL RAHIM BIN BUNYAMIN TO CONTINUE IN OFFICE AS**  
**INDEPENDENT NON-EXECUTIVE DIRECTORS**

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The retention of En. Abdul Rahim Bin Bunyamin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years as an Independent Non-Executive Director of the Company pursuant to the recommendation by MCGG 2012 was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 7(iii)**  
**ORDINARY RESOLUTION NO.9**  
**RETENTION OF EN.ABDUL RAHIM BIN BUNYAMIN TO CONTINUE IN OFFICE AS**  
**INDEPENDENT NON-EXECUTIVE DIRECTORS**

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The retention of Datin Paduka Hjh Aminah Binti Hashim who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years as an Independent Non-Executive Director of the Company pursuant to the recommendation by MCGG 2012 was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**AGENDA 8**  
**SPECIAL RESOLUTION NO.10**  
**PROPOSED AMENDMENTS OF ARTICLE 101, 158 AND 159 OF THE COMPANY'S**  
**ARTICLES OF ASSOCIATION**

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The proposed amendments of Article 101, 158 and 159 of the Company's Articles of Association as set out in Appendix 1 was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.