MINORITY SHAREHOLDERS WATCH GROUP ("MSWG")
<u>QUESTIONS AND ANSWERS</u>

The following questions from the MSWG, which were vide its letter dated 16 October 2024, and the answers were expressed therein.

<u>OPERATIONAL & FINANCIAL MATTERS</u>

Q1: ***Scoop Capital Sdn Bhd (SCSB) emerged as the controlling shareholder of Apollo Food late 2023 with an equity buyout from Keynote Capital Sdn Bhd. As of 1 August 2024, SCSB held a 74.78% stake in Apollo Food. Following the shareholding changes, Dato' Cheah See Yeong (who controlled SCSB) and Mr Cheah Jia Ming were appointed as Executive Chairman and Executive Director cum Managing Director on 31 January 2024.***

a) What is SCSB's long-term plan for Apollo Food?

b) SCSB is also the franchisee of Baskin-Robbins. What form of synergy is to be seen between SCSB and Apollo Food?

<u>Board's Response</u>:

a) Apollo was attractive to us as a unique company with established branding, healthy financial position and strong growth potential. We see opportunities to increase Apollo's market share and achieve deeper penetration in both the local and export markets. Our aspiration for Apollo Food is to become the leading snack and confectionery player, catering to all market segments to ensure long-term sustainability and profitability.

b) The Baskin Robbins franchise and Apollo Food business be operated separately and independently.

Q2: ***The Management has outlined the following focuses for FY2024:***

- ***Increasing efficiency and leveraging the Group's strong brand to develop new export market and customer segments.***
- ***Rationalizing manufacturing space, upscaling automation, and digitalization to optimize overall productivity and efficiency.***

- ***Improving distribution and marketing efforts to achieve deeper market penetration.***

a) What are the untapped export market the Company is eyeing? Please illustrate the potential and prospects of these markets?

b) As of 30 April 2024, Apollo Food has six factory buildings that serve as corporate office, cake and waffle production plants, and warehouses (page 110, AR2024).

i. Which are the plants earmarked for operation rationalization, automation and digitalization exercises? What is the current automation level (by percentage and processes) among the manufacturing plants?

ii. Would the exercise result in a significant reduction in the workforce required? To what extent has the Group embraced automation and technology to reduce its heavy reliance on manual labour?

iii. What is the estimated capex for the exercise? What are the measurable intended outcomes from these exercises?

Meanwhile, what are the common challenges the Group faces in product distribution and marketing efforts? How does the Group address these issues?

Board's Response:

a) We will be looking to replicate our success in Indonesia into the rest of ASEAN and China which will not be an overnight effort. The ASEAN region has a population of over 683mn people with a growing GDP per capita of US$6,201, presenting Apollo Food a tremendous opportunity to promote our products. If our efforts are successful, we can expect to see further contributions from the 26% export market currently.

b) Planned capex for CY2024-CY2026 is between RM100mn-RM120mn which will be used towards reconfiguration and streamlining of our wafer production line, increasing the capacity of our layer cake product, upgrading our warehousing capabilities and building a new centralized labour quarters. Current automation levels at our manufacturing plants is very low with only the primary packaging lines being fully automated. While we do not discount the fact that automation will naturally lead to some labour attrition, we remain committed to upskilling and re-skilling our workforce to other functions within the manufacturing line.

c) Despite Apollo Food's established branding, it has become less well known among younger generations due to minimal marketing initiatives in recent years. To address this, we are focusing on revitalizing our brand by implementing targeted marketing campaigns and introducing our products through modern trade channels. These efforts aim to reconnect with a wider audience, particularly younger consumers, and restore Apollo's strong presence in the market.

Q3. ***Despite marginally lower revenue of RM255.270 million in FY2024 compared to RM257 million in FY2023, Apollo Food's gross profit increased to RM72.86 million from RM64.56 million. Accordingly, gross profit margin also rose to 28.54% from 25.12% (page 66 of AR2024)***

a) The cost of sales has decreased more than the decline in revenue. Which element of cost of sales, e.g. raw materials, labour, logistics, is driving the decline?

b) Please elaborate on the reason behind the substantially improved gross profit margin and whether the improved margin is sustainable, particularly considering the current gradual appreciation of the Ringgit

Board's Response:

a) The decrease in cost of sales was mainly due to lower raw materials prices.

b) Raw Material price fluctuations are a key concern, and we are cautious on the outlook moving forward. We will continue our efforts and focus on building a solid foundation for the business to drive growth going forward. On our long-term sustainable margin, we do see that there is room for us to improve our margins to be more aligned with our peers in the confectionery space. But a key factor would be raw material price movements.

Q4. ***Local market accounted for 74.18% of Apollo Food's total revenue in FY2024, compared to 68.36% in FY2023. Meanwhile, revenue from the ASEAN region (excluding Malaysia) decreased by 18.72% y-o-y to RM61.53 million from RM75.71 million a year ago (page 88 of AR2024). The Others segment also recorded a lower revenue of RM4.36 million compared to RM5.58 million a year ago.***

a) Why was there a sharp decline in export revenue to the ASEAN region (excluding Malaysia) in FY2024? Was the decline a particular concern for the Group?

b) What are they key ASEAN countries Apollo Food exporting to? How does the gradual appreciation of Ringgit Malaysia against US Dollar pan out in trades with these countries? What is the outlook for the export revenue ASEAN region (excluding Malaysia) for FY2025?

c) Coupling with the responses provided for Question 2(a), how does the expansion to the new markets improve the overall export performance? Over the long run, what is the ideal ratio between local and export revenue?

<u>*Board's Response*</u>:

a) The decline in export revenue to ASEAN in FY2024 was attributed to weaker demand in our key export market, Indonesia. However, we remain optimistic about our growth potential in Indonesia and aim to replicate our success there across the rest of the ASEAN market and into China.

b) Indonesia remains our key market which contributes c.70% of our export sales. Our export growth strategy is explained in responses to question 2A and 4A. In FY2024, majority of our revenue and costs are in MYR, with less than 7% of both revenue and costs denominated in foreign currencies. As disclosed in the sensitivity analysis under Note 21 of our Audited Financial Statements, a 10% strengthening of the MYR against the USD would reduce FY2024 post-tax profits by approximately RM641,000, or less than 2% of core post-tax profit.

c) As part of our growth strategy, we aim to expand both domestic and export markets, and we expect both to contribute to Group revenue growth. Through our initiatives to drive export sales, we anticipate that revenue contributions from the export market will gradually increase from the current 26%.

Q5: Price fluctuation of key raw materials supply chain coupled with the weakened Malaysia Ringgit remains a key challenge for the Group (page 43 of AR 2024).

a) During FY2024, the Company sourced about 96% of its raw materials and packaging materials from 74 suppliers based in Malaysia. As most raw materials are locally sourced, how is a weakening ringgit a major challenge for the Group as the transactions are primarily denominated in ringgit?

b) Over the past two to three years, has the Company been able to pass on the rising cost of raw materials to its customers by increasing the selling prices of its products?

c) What has been the situation now with the gradual appreciation of the Ringgit?

Board's Response:

a) While we sourced 96% of our raw materials and packaging materials locally, the input costs for some of the key raw materials are in USD denomination as it is globally traded commodity. Hence, with the MYR depreciating against the USD by 7% during the financial year, some of our raw materials costs increased.

b) Previously, Apollo Food undertook ASP increase in December 2021 and March 2022. Recently, we have increased ASP slightly, effective from September 2024, to partially offset the rising raw material prices.

c) The majority of our revenue and costs are in MYR, with only <7% of revenue and costs denominated in foreign currencies. As disclosed in the sensitivity analysis under Note 21 of our Audited Financial Statements, a 10% strengthening of the MYR against USD will reduce FY2024 post-tax profits by approximately RM641K or less than 2% of core post tax profit.

Q6: As of 30 April 2024, Apollo Food's investments in quoted shares amounted to RM8.6 million (FY2023: RM7.56 million) (page 78 of AR2024).

a) Whare the PLCs and what is the investment size for each company? If the name of the PLCs cannot be disclosed, please share the business activities of these investee companies. On average, what is the market capitalization of these investees?

b) What is the objective of investing in these shares? What form of return has the Company received/sought to receive from these investments?

Board's Response:

These investments in quoted shares are part of our treasury management strategy. Majority of our investments are into reputable local financial institutions providing consistent dividend payment.

Q7: We also noticed that other payables and accrued expenses increased to RM9.92 million from RM6.05 million earlier (page 82 of AR2024). The amount for other payables and accrued expenses was higher than trade payables at RM3.6 million.

a) What is the business nature of these other payables to be repaid to suppliers?

Board's Response:

Other payables comprises mainly provisions, accruals and other creditors. These are mainly related to staff (e.g. bonus provision), statutory bodies and non-trade creditors.

Q8: Golden Scoop Sdn Bhd (GSSB), which is 100% owned by SCSB, the holding company of Apollo Food, provided management services to the Group with charges amounted to RM71,834 incurred in FY2024 (page 21, Recurrent Related Party Transactions, AR2024).

a) What were the services rendered by GSSB to Apollo Food? How did Apollo Food benefit from the services provided? Were the services provided recurring in nature?

Board's Response:

The management services provided by GSSB pertain to financial and treasury management, HR, IT and sales & marketing. These are support services which were not available in house and are therefore recurring until such support can be provided internally.

SUSTAINABILITY MATTERS

Q1: Despite an elaborated sustainability management process in place (pages 48-49 of AR2024), the Board has yet to undertake a formal material sustainability assessment to determine material sustainability matters that are important to the Group's internal and external stakeholders.

a) Materiality assessment is the preliminary process to identify and prioritize ESG issues most critical to an organization. Understanding material ESG issues is the foundation of building robust risk mitigation and contingency plans. Why has the Group not done the assessment? When does the Group expect to conduct and conclude the study?

b) In your opinion, how is the current level of sustainability disclosure compared to your peers? What are the key areas of improvement?

Board's Response:

With the new management coming on board earlier this year, Apollo Food is in the early stages of addressing sustainability matters and disclosures. The Board and the new management team recognize the importance of environmental, social, and governance (ESG) factors in delivering sustainable growth. We understand the significance of materiality assessments in building a robust risk mitigation and contingency plan. To support these initiatives, we are establishing a new team responsible for sustainability initiatives, including conducting sustainability assessments and reporting in future annual reports.

Q2: ***Bursa Malaysia Enhanced Sustainability Reporting Framework (ESRF) compels Main Market Listed Issuers to disclose their Scope 1, 2 and 3 emissions on or after 31 December 2024.***

Has the Company started the groundwork e.g., business/activities to be covered, collection and conversion of data, for the reporting of Scope 1, 2 and 3 emissions?

a) Does the Group have adequate and relevant resources to comply with these requirements? If not, how does the Group plan to obtain/allocate the resources required?

b) How well prepared is the Company to report the required information in the Sustainability Statements of the following annual report?

Board's Response:

Apollo Food is in the early stages of addressing sustainability matters and disclosures. The Board and the new management team recognize the importance of environmental, social, and governance (ESG) factors in delivering sustainable growth. We understand the significance of materiality assessments in building a robust risk mitigation and contingency plan. To support these initiatives, we are establishing a new team dedicated to sustainability efforts, aiming to enhance sustainability reporting in future annual reports. We will comply with the disclosure standards required by the regulators.

CORPORATE GOVERNANCE MATTERS

Q1: ***Proposed payment of directors' fees and benefits***

a) Ordinary Resolution 3, the proposed payment of Directors' Fees of RM525,000 for FY2025 represented a substantial increase of RM260,000 or 98.1% over the proposed payment of RM265,000 for FY2024, as stated in Ordinary Resolution 2.

i. Is there a plan to enlarge the board size?

ii. Should there be no plan to increase the board size, why is such a substantial quantum of adjustment proposed for shareholders' approval? What are the factors taken into consideration for such adjustment?

iii. ***What is the outcome of comparative analysis performed on directors' remuneration, if any? How does Apollo Food's director's remuneration fare vis-à-vis its peers? Please explain in terms of executive and non-executive directors' context.***

iv. ***Besides, the proposed payment of directors' benefits also increased substantially, by RM190,000 or 316.7% to RM250,000 from RM60,000 previously approved in the 29th AGM (Ordinary Resolution 4)***

v. ***Please explain the substantial increase in proposed directors' benefits and the estimated breakdown benefits by elements.***

Board's Response:

i. The Company is continually assessing the optimal board size and composition and will consider changes if there are tangible benefits of doing so in the future.

ii. The proposed increase in directors' fees are for independent non-executive directors and is based on the following:
   - The need to attract strong talent into the Board.
   - Based on benchmarking study with peers in the industry, Apollo's directors' fees were below most of its peers.

iii. There has been no increase in remuneration for executive directors after the change of shareholders. The increase in fees as explained above are only for non-executive directors.

iv. Directors' Benefits comprises meeting allowances as well as travelling and accommodation expenses. The increase in the cap is in line with the factors outlined above.

Q2: The Board will table three resolutions (Resolutions 11-13) to approve gratuity payments to three retired directors at this AGM. The gratuity payments are to be made to two former Executive Directors (EDs), namely Mr Liang Chiang Heng and Mr Liang Kim Poh, as well as a former independent director (ID) Encik Halid bin Hasbullah. The Board said the proposed payments are made in recognition and appreciation of their long services and contributions to the Company.

a) ***What is the Company's policy on gratuity payments and what are the criteria set, such as recipients, eligibility, tenure of service, and quantum of payment? Are new directors Dato' Cheah See Yeong and Mr Cheah Jia Ming entitled to gratuity as well?***

b) ***What are the considerations in deciding the size of gratuity payments to executive directors?.***

c) ***MSWG does not support gratuity payments to non-executive directors, especially IDs as their remunerations should be sufficient to compensate the services rendered. What was the basis for making gratuity payment of RM24,000 to Encik Halid?***

Board's Response:

a) The amounts proposed as gratuities for the previous ED and NED are in accordance with the policy previously approved and adopted.

b) However, the board has decided to revoke the policy for gratuity payment; as such, except for Ms Foo Swee Eng, who will receive a gratuity of RM24,000 upon completion of her tenure in office, the other existing and future directors (EDs and NEDs) will NOT be entitled to any gratuity payments.

Q3: Referring to executive directors' remuneration disclosed on page 17 of AR2024, please provide the breakdown of salaries, bonuses, and allowances paid to each of the four existing and former Eds in the form of a table.

Companies are encouraged to provide a detailed breakdown of remuneration for better transparency.

Board's Response:

The breakdown is disclosed on page 34 of the Corporate Governance Report which has been uploaded to the Bursa website together with the Annual Report.

Q4: Apollo Food departed from Practice 5.9 of the Malaysian Code on Corporate Governance (MCCG) which encourages boards to comprise at least 30% women directors (page 28 of CGR 2024). As of FY2024, there was only one woman director namely Ms Foo Swee Eng, sitting on the Board.

a) Does the Board intend to apply Practice 5.9 soon? What is the timeline set for applying Practice?

Board's Response:

While there are no immediate plans to enlarge the board, we remain committed to considering an expansion in the future, particularly with the aim of achieving at least 30% female representation in line with best practices. However, nothing concrete has been established at this time. The board will carefully evaluate the timing and ensure that any future appointments contribute meaningfully to the leadership and governance of the company.

Appendix A
(be formed part of the Minutes of Meeting)

QUERY BOX
QUESTIONS AND ANSWERS

The following questions from the shareholders, which were received during live session, and the answers were expressed therein.

Q1: LAU CHUAN HOOI posted the following questions:

a) ***May I know, what is the company's future outlook?***

b) ***Will The Board consider giving door gift such e-voucher or e-wallets for those participating in this Agm as a token of appreciation?***

Board's Response:

In terms of door gifts, we believe in rewarding all our shareholders equally and meaningfully. To achieve this, available funds will be channeled back to shareholders in terms of dividends. In FY2024, we rewarded shareholders with a total of 75 sen dividend per shares, representing a total payout ratio of 111%.

Q2: TEH PENG TIN posted the following question:

How much does the company spend on this virtual agm? Would the BOD kindly give voucher to redeem the company's products as a token of appreciation for attending this RPV I would like to request a printed hard copy of the company annual report What's the future outlook and prospects of the company's business? Please advise How is the acquisition of the other fnb business? Are they performing to expectations. Please explain

Board's Response:

The estimated cost of the AGM is around RM17,000. The replies for the gift and outlook has been previously answered. We have not undertaken any acquisition to-date. At present, our focus is on driving the growth of Apollo, streamlining operations, enhancing talents and achieving business efficiency.

Q3: PHAN SIAW FUN posted following question:

Everyone is talking about AI revolution, what and how Apollo tag AI technology in business process?

Board's Response:

Our business has not deployed AI technology. As presented earlier, we are focusing on product optimization by automating key manufacturing processes to improve efficiency and increase output.

Q4: KOW LIH SHI posted the following question:

2025. Can company do hybrid meeting for. More participants? Not only for physical .as sc rules ..?

Board's Response:

The Board will carefully consider and deliberate the decision on whether to hold a hybrid or physical AGM on next year. We will assess factors such as regulatory requirements, shareholder feedback, and technological advancements to determine the most appropriate format. Rest assured, transparency and effective communication with our shareholders remain our top priority.