

AJINOMOTO (MALAYSIA) BERHAD
(Company No. 4295-W)
(Incorporated in Malaysia)

Notes to the interim financial report for the period ended 30 June 2010

A EXPLANATORY NOTES PURSUANT TO FRS 134

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standard Board (MASB).

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 March 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 March 2010 and new and revised FRSs, IC Interpretations and Amendments which the Company adopted and which are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, Insurance Contracts, Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate, Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations, IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions and IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction which are not applicable to the Company.

The new and revised FRSs, IC Interpretations and Amendments adopted by the Company which are relevant to its operations and which have an impact on the Company's interim financial statements for the current and preceding year corresponding period, where applicable, are as follows:

- FRS 101(revised) - Presentation of Financial Statements
- FRS 139 - Financial Instruments : Recognition and Measurement
- FRS 7 - Financial Instruments : Disclosures
- FRS 8 - Operating Segments
- Amendment to FRS 117 - Leases

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

FRS 101 (revised), Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flow and notes to the financial statements.

FRS 139 Financial Instruments : Recognition and Measurement

With the adoption of FRS 139, the Company classified all its financial assets and financial liabilities recognized and unrecognized in the prior year into categories that would conform to the FRS. The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of FRS139 in the current quarter.

At initial recognition, all financial assets and financial liabilities are measured at their fair value plus transaction costs that are directly attributable to the acquisition or issue of financial asset or financial liability.

Subsequent to the initial recognition, the financial assets and liabilities are measured as follows:

	Category	Measurement Basis
1.	Financial Instruments at fair value through profit and loss	At fair value through profit and loss
2.	Held-to-maturity investments	At amortised cost using effective interest method
3.	Loans and Receivables	At amortised cost using effective interest method
4.	Available for sale Investments	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost.
5.	Loan and other financial liabilities	At amortised cost using effective interest method other than those categorized as fair value through profit and loss.

The Company has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognizing and re-measuring all financial assets and financial liabilities as at 1 April 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained earnings and fair value reserves as appropriate and the comparative figures are not restated.

Following the adoption of FRS 139, the Company's quoted/unquoted investments are now categorised as Available for Sale Investments. Accordingly the opening balance is stated and measured at its fair value as at 1 April 2010 and subsequent measurement of the fair value is reflected in equity through the other comprehensive income.

Effects from the application of the new FRS 139 are summarized as follow:

	At 1 April 2010, as previously stated	Effects of adopting FRS 139	At 1 April 2010, as restated
	RM'000	RM'000	RM'000
Retained Earnings	132,359	(221)	132,138
Trade receivables	23,908	125	24,033
Other receivables	3,222	(301)	2,921
Tax payable	151	(12)	139
Deferred Taxation	4,939	57	4,996

FRS 7 Financial Instruments : Disclosures

Prior to the adoption of FRS 7, the disclosures for financial instruments were based on the requirements of the original FRS 132, Financial Instruments : Disclosure and Presentation. With the adoption of FRS 7, financial assets and financial liabilities are disclosed in the statement of financial position based on their respective classifications.

FRS 8 Operating Segments

FRS 8 requires separate reporting of segmental information for operating segments. Operating segments reflect the Company's management structure and the way financial information is regularly reviewed by the Company's chief operating decision maker, which is defined as the Management Committee which comprised of all Executive Directors.

Amendment to FRS 117: Leases

The Company has adopted the Amendment to FRS 117. The Company has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not have any effect on reported profit or equity for the current and prior periods. The following comparative figures have been restated following the adoption of the amendment to FRS 117:

	As previously stated	31 March 2010 Effects of adopting FRS 117	As restated
	RM'000	RM'000	RM'000
Property, plant and equipment	62,662	40,104	102,766
Prepaid lease payments	40,104	(40,104)	-

2 Seasonality or Cyclical of Interim Operations

The results of the Company's operations are affected by festive seasons and economic cycles, whereas the manufacturing operations are affected by the planned maintenance shut-down in the early part of the relevant fiscal year.

3 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual or exceptional because of their nature, size or incidence during the financial period to date.

4 Material Changes in Estimates

There were no material changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current interim period.

5 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.

6 Dividends Paid

There was no dividend paid in the current financial period to date.

7 Segmental Reporting

a. Business Segment:

The Company is primarily engaged in two major areas of activity, Umami Segment and Food & Seasoning Segment. Umami Segment comprises of products that are derived from the fermentation process such as Monosodium Glutamate (MSG) & related products. The Food & Seasoning Segment consists of products derived from the extraction and mixing process such as Industrial Seasonings, TUMIX and related seasonings. Other products sold by the Company comprises of trading goods such as industrial sweetener, feed-use amino acids and frozen food.

	3 months ended 30 June 2010			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	57,744	24,313	70	82,127
Profit for segments	9,065	2,138	(15)	11,188
Interest income				256
Other income/(expenses)				(5)
Profit before taxation				11,439
Tax expense				(2,809)
Profit for the period				8,630

b. Geographical Segment:

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
Revenue					
3 months ended 30 June, 2010	55,795	7,215	17,167	1,950	82,127
3 months ended 30 June, 2009	46,840	7,272	15,312	1,859	71,283

8 Material Events Subsequent to the Balance Sheet Date

There was no material event subsequent to the end of the quarter as at the date of this announcement that will affect the results of the financial period ended 30 June 2010.

9 Effects of Changes in the Composition of the Group

Subsequent to the liquidation of the associated company in the last financial year, the Company has neither subsidiary nor associated company as at 30 June 2010.

10 Contingent Liabilities

As at the date of this report, there were no contingent liabilities which have become enforceable, or likely to become enforceable to the Company.

11 Capital Commitments

The amount of commitments for the purchase of plant and equipment not provided for in the interim financial statement as at 30 June 2010 is as follows:

	RM'000
Approved and contracted for	670
Approved but not contracted for	18,853
	<u>19,523</u>

12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 30 June 2010, are as follows:

	3 month ended
	30/06/10
	RM'000
Commission income	90
Royalties payable	1,332
Sales	15,021
Purchases	26,694
Purchase of assets	1,339
Promotion expenses	236
Other expenses	96

These transactions have been entered into the normal course of business and have been established under negotiated terms.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

1 Review of Performance

For the first financial quarter ended 30 June 2010, the Company recorded an increase of RM10.8 million or 15% growth in revenue as compared to the previous corresponding quarter. Improvement in sales from both domestic and export markets together with higher productivity and lower raw material prices have contributed significantly to improved earnings.

Correspondingly, net profit was higher at RM8.6 million as compared to RM7.0 million attained in the corresponding quarter of last year.

2 Material Changes in the Quarterly Profit Before Taxation Compared to the Results of the Preceding Quarter.

Compared against last quarter, revenue was higher by 14% representing an increase of RM10.2 million, as compared to RM71.9 million achieved in the preceding quarter as a result of improvement in both domestic and export sales. Profit before tax for the quarter under review was substantially higher than the preceding quarter by RM9.4 million, principally due to higher sales and lower selling expenses incurred in the current quarter as compared to the high expenses incurred from intensified selling and promotion activities during last quarter. Lower unrealized and realized foreign exchange losses was incurred in the current quarter, as compared to the preceding quarter which has also resulted in the higher profit before tax for the quarter under review.

3 Commentary on Prospects

The recent fuel and sugar price hike, and the Government's plan to reduce subsidies may have an impact on domestic consumer spending, though the move is seen by some to be positive in the long term. At the regional level, growth momentum seems to continue to be low as fiscal policy support diminishes. The remaining fiscal year will be challenging and the Company will continue to adopt innovative sales and marketing strategies, improve further the supply chain management and increase productivity to achieve cost efficiency and further enhance the value chain to protect and expand its market share.

4 Variance of Actual Profit from Forecast Profit

Not applicable as the Company did not publish any profit forecast.

5 Taxation

Tax expense comprises the following: -

	3 month ended 30/06/2010 RM'000	3 month ended 30/06/2009 RM'000
Current tax expense :		
Malaysian income tax	2,809	1,864
Foreign tax	-	10
	2,809	1,874
Deferred tax expense	-	-
	2,809	1,874

The effective tax rate of the tax provision for the quarter under review is slightly lower than the statutory tax rate, due to reinvestment allowances tax incentive enjoyed by the Company.

6 Profit/(loss) on sale of Unquoted Investment and/or Properties

There was no sale of unquoted investments and/or properties for the quarter under review and financial period to date.

7 Particulars of Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the quarter under review.

8 Status of Corporate Proposals

There were no corporate proposals that have been announced by the Company as at the date of this report.

9 Borrowings and Debt Securities

As at the end of the period under review, the Company has no borrowings nor issued any debt securities.

10 Off Balance Sheet Financial Instruments

The Company does not have any financial instruments with off balance sheet risk as at 27th August 2010 the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

11 Material Litigation

There are no material litigation as at 27th August 2010, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

12 Dividend Payable

No dividend was proposed or declared for the current financial period ended 30 June 2009

13 Basic Earnings Per Share

Basic earnings per share are calculated based on the net profit attributable to ordinary shareholders and the number of ordinary shares in issue during the financial year by the company.

	3 month ended 30 June 2010	3 month ended 30 June 2009
Profit attributable to ordinary shareholders of the Company (RM'000)	8,630	6,971
Weighted average number of ordinary shares in issue ('000)	60,798	60,798
Earnings per share attributable to equity holders of the company (sen)		
-Basic	14.19	11.47

Diluted earnings per share is not applicable, as the Company does not have any convertible financial instrument as at the end of the current quarter under review.

By Order of the Board

Kuala Lumpur
27th August 2010

Chua Siew Chuan
Company Secretary