

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

Notes to the interim financial report for the period ended 30 September 2011

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 2011.

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 2011, except for the adoption of the following:

FRSs and Interpretations

FRS 1 First-time Adoption of Financial Reporting Standards (Revised)
FRS 3 Business Combinations (Revised)
FRS 127 Consolidated and Separate Financial Statements (Revised)
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 1 Additional Exemptions for First-time Adopters
Amendments to FRS 2 Share-based Payment
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7 Improving Disclosures about Financial Instruments
Amendments to FRS 132 Financial Instruments : Presentation
Amendments to FRS 138 Intangible Assets
Improvements to FRSs (2010)
IC Interpretation 4 Determining whether an Arrangement contains a Lease
IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 12 Services Concession Arrangements
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners
IC Interpretation 18 Transfer of Assets from Customers

The application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Company.

2 Seasonality or Cyclicity 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.

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 Monosodium Glutamate (MSG) and related products. The Food & Seasoning Segment consists of 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.

	6 months ended 30 September 2011			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	117,892	43,357	234	161,483
Profit for segments	17,164	(832)	(109)	16,223
Interest income				803
Other income/(expenses)				1,126
Profit before taxation				18,152
Tax expense				(4,728)
Profit for the period				13,424

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					
6 months ended 30 Sept, 2011	110,016	15,050	34,840	1,577	161,483
6 months ended 30 Sept, 2010	106,604	13,899	35,483	3,827	159,813

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 September 2011.

9 Effects of Changes in the Composition of the Company

The Company has neither subsidiary nor associated company as at the end of the quarter under review and there were no changes in the composition during the current quarter under review.

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 September 2011 is as follows:

	RM'000
Approved and contracted for	1,549
Approved but not contracted for	16,734
	<u>18,283</u>

12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 30 September 2011, are as follows:

	3 month ended	6 month ended
	30/09/11	30/09/11
	RM'000	RM'000
Commission income	68	209
Royalties payable	2,011	3,841
Sales	14,741	25,909
Purchases	27,668	61,288
Purchase of assets	1,038	1,598
Promotion expenses	7	59
Other expenses	71	88

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 quarter ended 30th September 2011, the Company registered revenue of RM84.0 million, an increase of RM6.3 million or 8.2% as compared with the corresponding period of last year. The increase in revenue was contributed by improvement in domestic sales and increase in exports to South East Asian countries and Middle East region. However, higher raw material and energy costs incurred in the quarter under review has eroded margins. Therefore, operating profit in the quarter under review saw a decline of RM0.6 million as compared with the same period last year. Nevertheless, profit before tax increase by RM0.7 million, mainly attributable to foreign exchange gains as compared to foreign exchange losses suffered in the previous year's quarter.

For the first six months of the current financial year, the Company attained revenue of RM161.5 million and profit before tax of RM18.2 million, an increase of 1.0% and a decline of 1.8% respectively against the corresponding period of last year. The increase in revenue was mainly due to higher selling price, whilst the lower profit before tax was primarily attributed to higher raw material costs, energy costs and expenses from the planned maintenance shut-down during the period under review.

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

Revenue saw an increase of 8.5% from the previous quarter, representing an increase of RM6.6 million, as compared to RM77.5 million recorded in the preceding quarter. However, profit before tax for the quarter under review was lower than the preceding quarter by RM2.5 million due to higher input and staff costs as well as higher planned selling and promotional expenses incurred.

3 Commentary on Prospects

Recent months saw the global growth momentum moderating, coupled with economic activity in the advanced economies being weighed down by heightened market volatility, weak labour market and rising uncertainties. These conditions may further persist as critical policy issues remain unresolved and pose further downside risks to global growth. In the Asian region, sustained domestic demand is projected to continue to support economic growth. Nevertheless, greater weakness in the external environment is expected to affect regional growth prospects.

Domestic demand will continue to be the anchor of growth, supported by private consumption and investment, reinforced by public sector spending and investment activity.

Increase in food prices, continues to remain a concern which may affect consumer sentiment and demand for the Company's products.

Under these circumstances, the remaining second half of the fiscal year will be challenging and the Company will continue to monitor these developments to focus on effective sales promotion and marketing strategies in order to ensure the Company's market share is sustained.

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 30/09/2011 RM'000	6 month ended 30/09/2011 RM'000	3 month ended 30/09/2010 RM'000	6 month ended 30/09/2010 RM'000
Current tax expense :				
Malaysian income tax	2,011	4,728	1,751	4,560

The effective tax rate of the tax provision for the financial year under review is slightly higher than the statutory tax rate, due to some tax disallowed expenses incurred 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 Financial Instruments - Derivatives

As at 30 September 2011, the outstanding derivative financial instrument, which have been entered into by the Company are as follows:

Foreign Currency Contracts	Contract Value RM'000	Fair Value RM'000	Changes in Fair Value RM'000
US Dollar – less than 1 year	17,227	16,791	(436)

The Company's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency sales and imports.

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value. The fair value of the foreign currency contracts is determined using a forward market rate at the end of report period and changes in the fair value are recognised in income statement.

Credit Risk

The above financial instruments were executed with creditworthy financial institutions in line with the Company's policy.

Cash Requirement

The Company will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

11 Material Litigation

There are no material litigation as at 30th November 2011, 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 September 2011.

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.

	6 month ended 30 September 2011	6 month ended 30 September 2010
Profit attributable to ordinary shareholders of the Company (RM'000)	13,424	13,924
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	22.08	22.90

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.

14 Disclosure of Realised And Unrealised Profits/(Losses)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The retained profits are analysed as follows:

	As at end of 30-9-2011 RM'000	As at end of 31-3-2011 RM'000
Realised	165,704	152,507
Unrealised	(3,726)	(3,954)
Total retained profits as per statement of financial position	161,978	148,553

The determination of realised and unrealised profits is based on the Guidedance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

By Order of the Board

Kuala Lumpur
30th November 2011

Chua Siew Chuan
Company Secretary