

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

Notes to the interim financial report for the period ended 31 December 2012

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

These condensed consolidated interim financial reports, for the period ended 31 December 2012, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial reports also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 Mar 2012, the Company prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial reports are the Company’s first MFRS condensed consolidated interim financial reports for part of the period covered by the company’s first MFRS annual financial statements for the year ending 31 Mar 2013. MRFS 1: First time adoption of Malaysian Financial Reporting Standards (“MRFS 1”) has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 April 2011 (which is also date of transition), the Company has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Company’s financial position is as set out below. These notes include reconciliations of equity for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

Property, plant and equipment

Freehold land and leasehold land were previously stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by qualified professional valuers. Land and buildings of the Company have not been revalued since they were last revalued in 1984. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of International Accounting Standards 16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board (“MASB”), these assets continue to be stated at their 1984 valuation less accumulated depreciation.

Upon transition to MFRS, the Company has elected to measure all its property, plant and equipment using the cost model under *MFRS 116 Property, Plant and Equipment*. At the date of transition to MFRS, the company elected to regard the revalued amount of freehold land as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods at the date of transition under MFRS are provided below:

i. Reconciliation of equity as at 1 April 2011

	FRS as at 1 April 2011 RM'000	Effects of adopting MFRS RM'000	MFRS as at 1 April 2011 RM'000
Revaluation reserve	6,533	(6,533)	-
Retained earnings	148,553	6,533	155,086

ii. Reconciliation of equity as at 31 Dec 2011

	FRS as at 31 Dec 2011 RM'000	Effects of adopting MFRS RM'000	MFRS as at 31 Dec 2011 RM'000
Revaluation reserve	6,533	(6,533)	-
Retained earnings	157,815	6,533	164,348

iii. Reconciliation of equity as at 31 March 2012

	FRS as at 31 March 2012 RM'000	Effects of adopting MFRS RM'000	MFRS as at 31 March 2012 RM'000
Revaluation reserve	6,411	(6,411)	-
Retained earnings	163,788	6,411	170,199

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 2012, except for the adoption of the above.

2 Seasonality or Cyclicalities 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 scheduled 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

During the current financial quarter, the Company paid the final dividend in respect of the year ended 31 March 2012 of 11% less 25% taxation and 9% tax exempt, amounting to RM10,487,749, which was approved by shareholders at the Annual General Meeting held on 10 September 2012.

7 Segmental Reporting

a. Business Segment:

The Company's business may be broadly categorized into two major segments - Umami Segment and Food & Seasoning Segment. Umami Segment consists of the manufacture and distribution of Monosodium Glutamate (MSG) and related products. The Food & Seasoning Segment consists of the manufacture and distribution of Industrial Seasonings, retail flavor seasoning ("TUMIX") and related seasonings. Other products sold by the Company include trading goods such as industrial sweetener, feed-use amino acids and frozen food.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 31 Dec 2012				
Revenue from external customers	59,453	21,104	170	80,727
Operating profit/(loss)	4,543	287	(15)	4,815
9 months ended 31 Dec 2012				
Revenue from external customers	174,668	73,177	395	248,240
Operating profit	15,630	4,967	15	20,612

7 Segmental Reporting (cont'd)

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 31 Dec 2011				
Revenue from external customers	52,298	27,869	124	80,291
Operating profit	6,382	2,877	10	9,269
9 months ended 31 Dec 2011				
Revenue from external customers	170,190	71,226	358	241,774
Operating profit	23,547	2,045	(100)	25,492

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					
9 months ended 31 Dec 2012	168,031	26,427	50,981	2,801	248,240
9 months ended 31 Dec 2011	165,829	21,856	51,825	2,264	241,771

2 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 31 Dec 2012.

3 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.

4 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.

5 Capital Commitments

The amount of commitments for the purchase of plant and equipment not provided for in the interim financial statement as at 31 Dec 2012 is are as follows:

	RM'000
Approved and contracted for	8,925
Approved but not contracted for	8,740
	<u>17,665</u>

6 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 31 Dec 2012, are as follows:

	3 month ended	9 month ended
	31/12/12	31/12/12
	RM'000	RM'000
Commission income	-	59
Royalties payable	1,944	5,977
Sales	10,326	42,876
Purchases	29,565	97,932
Purchase of assets	891	963
Promotion expenses	13	126
IT shared services and maintenance	538	1,726
Other expenses	-	106

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

Current Quarter vs Corresponding Quarter of last year

The Company recorded revenue of RM80.7 million in the current quarter compared to RM80.3 million in the corresponding quarter ended 31 Dec 2011. Operating profit however declined from RM9.3 million in the corresponding period last year to RM4.8 million in the current quarter. The lower operating profit was attributed to higher advertising and promotion expenses incurred in the current quarter as well as the company-wide scheduled factory maintenance shut-down in December during which certain fixed factory expenses were expensed off.

The revenue of the Umami segment increased by 13.7% compared to the corresponding quarter last year, mainly a result of promotional activities in the current quarter. Operating profit however declined due to lower margins incurred in the current quarter.

The Food & Seasoning segment recorded a 24.3% decline in sales revenue compared to corresponding quarter last year, due to lower sales of our Industrial Seasoning products. Operating profit was lower due to lesser sales of these high margins items.

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

Revenue in the current quarter of RM80.7 million was 6.8% lower than the RM86.6 million recorded in the immediate preceding quarter. Operating profit was also lower at RM4.8 million compared to RM8.3 million in the preceding quarter. The lower operating profit was attributed to higher advertising and promotion expenses incurred in the current quarter as well as the company-wide scheduled factory maintenance shut-down in December.

The Umami segment recorded marginally higher sales compared to the preceding quarter. Operating profit however declined due to lower margins.

The Food & Seasoning segment recorded 22.9% lower sales revenue compared to corresponding quarter last year, due to lower sales of our Industrial Seasoning products which resulted in lower operating profit.

3 Commentary on Prospects

The Company expects the trading environment in the fourth quarter of the current financial year to continue to be challenging.

Nevertheless, with the better sales targeted during the festive season and continuing promotion activities as well as the on-going cost saving activities, the Board expects the Company's performance to improve in the next quarter.

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 31 Dec 2012 RM'000	9 month ended 31 Dec 2012 RM'000	3 month ended 31 Dec 2011 RM'000	9 month ended 31 Dec 2011 RM'000
Malaysian income tax :				
Current tax expense	1,614	6,299	3,248	7,976
Under provision in respect of prior year	468	468	(380)	(380)
Deferred tax :				
Current year	(11)	(235)	-	-
Under provision in respect of prior year	489	489	-	-
	<u>2,560</u>	<u>7,021</u>	<u>2,868</u>	<u>7,596</u>

The effective tax rate of the tax provision for the financial year under review is higher than the statutory tax rate due to certain tax disallowed expenses incurred by the Company.

6 Status of Corporate Proposals

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

7 Borrowings and Debt Securities

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

8 Material Litigation

There are no material litigation as at 20th Feb 2013, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

No dividend was proposed or declared for the current financial period ended 31 Dec 2012.

10 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.

	9 month ended 31 Dec 2012	9 month ended 31 Dec 2011
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>14,969</u>	<u>19,750</u>
Weighted average number of ordinary shares in issue ('000)	<u>60,798</u>	<u>60,798</u>
Earnings per share attributable to equity holders of the company (sen)		
-Basic	<u>24.62</u>	<u>32.48</u>

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.

11 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 31 Dec 2012 RM'000	As at end of 31 Mar 2012 RM'000
Realised	178,584	162,151
Unrealised	<u>(3,904)</u>	<u>(4,375)</u>
Total retained profits as per statement of financial position	<u>174,680</u>	<u>157,776</u>

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.

12 Notes to the Condensed Statement of Comprehensive Income

Profit before tax is arrived at after charging/(crediting) the following items:

	9 months ended 31 Dec 2012 RM'000	9 months ended 31 Dec 2011 RM'000
(a) interest income	(1,403)	(1,181)
(b) other income – rental	(440)	(440)
(c) depreciation and amortization	9,876	11,212
(d) provision for and write off of inventories	131	600
(e) foreign exchange (gain)/loss	631	246
(f) (gain)/loss on derivatives	16	108
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By Order of the Board

Kuala Lumpur
27th February 2013

Chua Siew Chuan
Company Secretary