

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

Notes to the interim financial report for the period ended 31 March 2013

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

These condensed consolidated interim financial reports, for the period ended 31 March 2013, 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 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, save 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

The Company did not pay any dividends in the current quarter.

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 Mar 2013				
Revenue from external customers	59,093	25,438	137	84,668
Operating profit	4,892	712	7	5,611
12 months ended 31 Mar 2013				
Revenue from external customers	233,761	98,615	532	332,908
Operating profit	20,522	5,679	22	26,223

7 Segmental Reporting (cont'd)

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 31 Mar 2012				
Revenue from external customers	59,817	22,958	103	82,878
Operating profit	5,324	187	(37)	5,474
12 months ended 31 Mar 2012				
Revenue from external customers	230,007	94,184	461	324,652
Operating profit	28,870	2,232	(136)	30,966

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					
12 months ended 31 Mar 2013	225,546	34,628	69,437	3,297	332,908
12 months ended 31 Mar 2012	223,892	29,591	68,114	3,055	324,652

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 31 Mar 2013.

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 31 Mar 2013 is as follows:

Approved and contracted for	RM'000 16,631
Approved but not contracted for	-
	<u>16,631</u>

12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 31 Mar 2013, are as follows:

	3 month ended	12 month ended
	31/03/13	31/03/12
	RM'000	RM'000
Commission income	4	63
Royalties payable	2,023	8,000
Sales	15,118	57,994
Purchases	41,176	139,108
Purchase of assets	343	1,306
Promotion expenses	155	281
IT shared services and maintenance	498	2,224
Other expenses	62	168

These transactions have been entered into in 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 RM84.7 million in the current quarter compared to RM82.9 million in the corresponding quarter last year. Operating profit increased from RM5.5 million in the corresponding period last year to RM5.6 million in the current quarter in line with the increase in revenue.

The Umami segment recorded 1.2% lower revenue compared to the corresponding quarter last year, with corresponding decline in operating profit.

Revenue of the Food & Seasoning segment recorded a 10.9% increase in sales revenue, due mainly to higher sales of Industrial Seasoning products which also contributed to the higher operating profit.

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

Revenue in the current quarter of RM84.7 million was 4.9% higher than the RM80.7 million recorded in the immediate preceding quarter. Operating profit increased from RM4.8 million to RM5.6 million. The higher operating profit was partly contributed by the higher sales of Industrial Seasoning products which enjoyed better margins and the lower factory overhead costs in the current quarter compared to the immediate preceding quarter during which the scheduled factory maintenance was performed.

The Umami segment recorded marginally lower revenue compared to the immediate preceding quarter. Operating profit however improved from RM4.5 million to RM4.9 million due mainly to lower factory overhead costs incurred in the current quarter.

Revenue of the Food & Seasoning segment increased by 20.5%, due mainly to higher sales of Industrial Seasoning products which also contributed to the higher operating profit.

3 Commentary on Prospects

Going forward, the business environment is expected to remain challenging. The Company has various strategies in place to promote sales, maintain market share, as well as continue with its on-going cost saving activities.

The Board is confident that the Company will be able to improve on its performance in the forthcoming financial year.

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 Mar 2013 RM'000	12 month ended 31 Mar 2013 RM'000	3 month ended 31 Mar 2012 RM'000	12 month ended 31 Mar 2012 RM'000
Malaysian income tax :				
Current tax expense	1,736	8,035	983	8,959
Under provision in respect of prior year	-	468	-	(380)
Deferred tax :				
Current year	(75)	(310)	(660)	(660)
Under provision in respect of prior year	-	489	-	-
	<u>1,661</u>	<u>8,682</u>	<u>323</u>	<u>7,919</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 litigations as at 21 May 2013, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

The Directors propose a first and final dividend of 11% less 25% tax and 9% tax exempt in respect of the financial year ended 31 March 2013. This dividend is subject to approval by shareholders at the forthcoming Annual General Meeting. The book closure and payment dates for this dividend will be announced in due course.

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.

	12 month ended 31 Mar 2013	12 month ended 31 Mar 2012
Profit attributable to ordinary shareholders of the Company (RM'000)	19,404	25,601
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	31.92	42.11

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 Mar 2013 RM'000	As at end of 31 Mar 2012 RM'000
Realised	183,116	173,511
Unrealised	(4,001)	(3,312)
Total retained profits as per statement of financial position	179,115	170,199

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:

	12 months ended 31 Mar 2013 RM'000	12 months ended 31 Mar 2012 RM'000
(a) interest income	(1,881)	(1,568)
(b) other income – rental	(587)	(587)
(c) depreciation and amortization	13,445	13,728
(d) provision for and write off of inventories	768	434
(e) foreign exchange (gain)/loss – realised	361	265
(f) foreign exchange (gain)/loss - unrealised	288	(79)
(g) (gain)/loss on derivatives	60	61

By Order of the Board

Kuala Lumpur
28th May 2013

Chua Siew Chuan
Company Secretary