

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

Notes to the interim financial report for the period ended 30 June 2013

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

These condensed consolidated interim financial reports, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 March 2013, except for the adoption of the following standards, where applicable :

- Amendments to MFRS 101 : Presentation of Financial Statements
(Annual Improvements 2009-2011 Cycle)
- MFRS 119 : Employee Benefits
- Amendments to MFRS 7 : Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
- Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards
(Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment
(Annual Improvements 2009-2011 Cycle)
- Amendment to MFRS 132 : Financial Instruments: Presentation
(Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134 : Interim Financial Reporting
(Annual Improvements 2009-2011 Cycle)

The adoption of the above standards does not have significant financial impact on the Company's financial statements.

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 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

Following a review of the life expectancy of the Company's plant & machinery, management has decided to revise the estimated useful lives of certain plant & machinery from 10 years to 15 years with effect from April 2013. The revision of the useful lives is applied prospectively and has the effect of increasing the Company's profit before tax for the interim quarter by RM500,000. There were no other 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 30 June 2013				
Revenue from external customers	61,767	25,816	188	87,771
Operating profit	7,620	3,371	6	10,997
3 months ended 30 June 2012				
Revenue from external customers	56,068	24,700	153	80,921
Operating profit	5,285	2,168	13	7,466

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 2013	59,809	9,916	17,246	800	87,771
3 months ended 30 June 2012	54,405	8,123	17,326	1,067	80,921

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 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 30 June 2013 is as follows:

	RM'000
Approved and contracted for	546
Approved but not contracted for	16,085
	16,631

12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 30 June 2013, are as follows:

	3 month ended 30 June 2013	3 month ended 30 June 2012
	RM'000	RM'000
Commission income	3	53
Royalties payable	2,098	1,956
Sales	14,552	15,208
Purchases	39,462	32,646
Purchase of assets	146	27
Promotion expenses	47	91
IT shared services and maintenance	483	603
Other expenses	6	62

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 RM87.8 million in the current quarter compared to RM80.9 million in the corresponding quarter last year. Operating profit increased from RM7.5 million in the corresponding period last year to RM11.0 million in the current quarter in line with the higher revenue and contributed by lower raw material and overhead costs, including lower depreciation cost.

The Umami segment recorded 10.2% higher revenue compared to the corresponding quarter last year due to higher sales to the industrial sector, whilst the Food & Seasoning segment recorded a 4.5% increase in revenue due mainly to higher sales of both Industrial and Consumer Seasoning products.

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

Revenue in the current quarter of RM87.8 million was 3.7% higher than the RM84.7 million recorded in the immediate preceding quarter. Operating profit increased from RM5.6 million to RM11.0 million.

The Umami segment recorded 4.5% higher revenue compared to the immediate preceding quarter due to higher sales to the industrial sector. Operating profit improved from RM4.9 million to RM7.6 million in line with the higher revenue as well as lower raw material and overhead costs, including lower depreciation cost.

Revenue of the Food & Seasoning segment remained substantially unchanged but operating profit improved from RM0.7 million to RM3.4 million due mainly to better sales mix, lower overhead costs and other expenses.

3 Commentary on Prospects

Raw material prices are expected to increase in the coming months. Additionally, the weakened Ringgit will have a direct impact on the costs of imported raw materials. In view of these challenging conditions, the Company will continue with its activities to improve production efficiency and introduce measures to increase sales and market share, locally and in the Company's foreign markets.

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 June 2013 RM'000	3 month ended 30 June 2012 RM'000
Malaysian income tax :		
Current tax expense	3,034	2,275
Deferred tax :		
Current year	118	-
	3,152	2,275

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 15 August 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 do not propose the payment of a dividend for the current quarter.

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.

	3 month ended 30 June 2013	3 month ended 30 June 2012
Profit attributable to ordinary shareholders of the Company (RM'000)	8,311	5,589
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	13.67	9.19

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 30 June 2013 RM'000	As at end of 30 June 2012 RM'000
Realised	190,567	179,268
Unrealised	(3,141)	(3,480)
Total retained profits as per statement of financial position	187,426	175,788

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:

	3 months ended 30 June 2013 RM'000	3 months ended 30 June 2012 RM'000
(a) interest income	(437)	(388)
(b) other income – rental	(147)	(147)
(c) depreciation and amortization	2,443	3,204
(d) provision for and write off of inventories	105	98
(e) foreign exchange (gain)/loss – realised	249	206
(f) foreign exchange (gain)/loss - unrealised	(547)	(158)
(g) (gain)/loss on derivatives	440	159

By Order of the Board

Kuala Lumpur
22nd August 2013

Chua Siew Chuan
Company Secretary