

14 September, 2011

Y.Bhg. Mr.Chong Chee Fern

General Manager

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

Tingkat 11, Bangunan KWSP,

No.3, Changkat Raja Chulan, Off Jalan Raja Chulan,

50200 Kuala Lumpur.

Dear Sir,

Thank you for your letter dated 12 September 2011, please find below the answers to your queries in the sequence of your questions raised:

Strategy/Financials

1) In relation to the Chairman's Statement :

- i) With regards to passing the increase in raw material prices to the customers, the Company and industry in general experienced higher input costs pressure that has affected raw and packaging material cost severely. Management has been relentless in its quest to source for cheaper raw and packaging materials without jeopardizing the quality of the Company's products as an ongoing effort to reduce cost and continue to improve the efficiency of our production in order to minimize the increase in the selling price to be pass on to the consumer, whom already have to dealt with tighter household budget with soaring inflation. Inevitable, a certain extend of the price increase has been pass on to the customers which have contributed to higher sales and profits.
- ii) After we have introduced the "Eat Well, Live Well" concept in our communication and promotion since last year, the Company's image as well as perception of our products has improved and it has indirectly contributed to higher sales.
- iii) We plan to accelerate our oversea business, especially in Asia and Middle East region. We are progressively, introducing new value added products such as flavor seasonings and process food to meet the local customers' requirement via our current distribution channels.

- 2) In regards to the segment revenue, sales derived from China, India and Indonesia are included under "Other Asian Countries". The total contribution of these countries amounted to 7% of the total revenue of the Company.
- 3) Pertaining to the consideration of bonus issue based on the substantial amount of retained earnings and reserves amassed. The management feels that the present capital structure of RM60.798 million is sufficient in view of the size of our operations, otherwise, it will not be efficient.
- 4) In relation to higher dividend payout, the Company would like to maintain a sustainable growth for its dividend payout policy by gradually increasing it in tandem with performance of the Company. Therefore, the Company adopts the dividend policy of Ajinomoto Co., Inc., the Head Office of the Ajinomoto Group of Companies, which states that 40% of net income will be distributed as dividends to the shareholders. In fact, we have declared an additional special dividend of 2 sen per share less tax to commemorate our 50th Anniversary on top of the normal dividend, a 9.5% increase in net dividend as compared to previous year.

On the high cash holding, in addition to Capital Expenditure to be committed (Note 26) of RM27.761 million for expansion of production capacity in several product lines that are to be internally funded, the cash balance are also retained for working capital financing as business activity increase as evident in the increase of Trade and other payables and current tax payable to RM38.239 million and RM1.589 million respectively.

- 5) We shall include the additional information on return on equity (ROE), return of assets (ROA) and dividend rate and payout ratio of the Company in future publication of the our Annual Report.

Corporate Governance

- 1) In line with the Corporate Governance Blueprint 2011, the Company recognises the importance of maintaining high standards of corporate governance in the balance of independent and non-independent directors within the Board as well as ensuring the competence and independence of its directors, as this would contribute to corporate sustainability and promote good governance.

Currently, there are two (2) independent directors who had served on the Board for more than nine (9) years. Both directors fully understand their operations and are active in meetings by raising relevant questions during meetings. They provide a good check and balance within the Board.

The Company will consider the formalisation of a succession planning policy and setting of a maximum tenure for independent directors in the near future to further improve the governance of the Board as a whole.

- 2) On the recently announced Government policy of 30% women directors at the decision-making level in corporate sectors by 2016. The Company at the moment have no women directors on the Board of Directors of the Company. However, the Company will be looking into developing a policy to bring about gender diversity on the Board as one of the methods in maintaining high levels of corporate governance.
- 3) The Company acknowledges the importance of an effective Whistle Blowing Policy. The subject was deliberated extensively at various Board meetings with active participation from Independent Non-Executive Directors.

The Company had developed a Whistle Blowing Policy which had been approved by the Board of Directors at its Board of Directors' Meeting held on 28 June 2011.

- 4) The Company adopts the dividend policy of Ajinomoto Co., Inc., the Head Office of the Ajinomoto Group of Companies, which states that 40% of net income will be distributed as dividends to the shareholders.

Trust the above answers your questions raised to us, should you require further clarification, please do not hesitate to contact us and we hope to see you at our coming 50th Annual General Meeting to be held at Bukit Jalil Golf Resort & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on the coming Monday, 19th September.

Yours faithfully,



HIROSHI AMANO

Managing Director/ Chief Executive Officer