

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

Notes to the interim financial report for the period ended 31 Mar 2014

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 current quarter by RM809,000 and cumulative YTD of RM2,959,000. 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 paid a first and final dividend of 11% less 25% taxation and 9% tax exempt in respect of the financial year ended 31 March 2013, amounting to RM10,487,747 on 22 October 2013. There was no dividend paid in the current quarter under review.

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 and frozen food.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 31 Mar 2014				
Revenue from external customers	61,661	25,821	109	87,591
Operating profit	4,603	953	(16)	5,540
12 months ended 31 Mar 2014				
Revenue from external customers	241,119	103,670	562	345,351
Operating profit	22,877	12,044	(4)	34,917
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

b. Geographical Segment:

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Revenue	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
3 months ended 31 Mar 2014	60,075	10,835	15,793	888	87,591
12 months ended 31 Mar 2014	235,109	37,383	69,579	3,280	345,351
3 months ended 31 Mar 2013	57,515	8,201	18,456	496	84,668
12 months ended 31 Mar 2013	225,546	34,628	69,437	3,297	332,908

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 2014.

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 2014 is as follows:

	RM'000
Approved and contracted for	11,660
Approved but not contracted for	4,971
	16,631

12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries are as follows:

	3 months ended 31 Mar 2014 RM'000	12 months ended 31 Mar 2014 RM'000	3 months ended 31 Mar 2013 RM'000	12 months ended 31 Mar 2013 RM'000
Commission income	9	14	4	63
Royalties payable	2,098	8,280	2,023	8,000
Sales	13,867	59,237	15,118	57,994
Purchases	33,793	129,920	41,176	139,108
Purchase of assets	670	1,746	343	1,306
Promotion expenses	349	470	155	281
IT shared services and maintenance	476	1,916	498	2,224
Other expenses	143	232	62	168
	143	232	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 RM87.6 million in the current quarter compared to RM84.7 million in the corresponding quarter last year. Operating profit was marginally lower at RM5.5 million compared to RM 5.6 million in the corresponding quarter last year due mainly to higher marketing expenses and higher costs incurred during the scheduled factory maintenance shut down in the current quarter.

The Umami segment recorded 4.3% higher revenue compared to the corresponding quarter last year mainly due to higher consumer sales of “AJI-NO-MOTO”, whilst the Food & Seasoning segment recorded 1.5% higher revenue due to higher sales of Consumer products.

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

Revenue in the current quarter of RM87.6 million is higher than the RM81.5 million recorded in the immediate preceding quarter. Operating profit however decreased from RM7.6 million to RM5.5 million, due mainly to higher marketing expenses and higher costs incurred during the scheduled factory maintenance shut down in the current quarter.

The Umami segment recorded 11.4% higher revenue compared to the immediate preceding quarter mainly due to higher consumer sales of “AJI-NO-MOTO”. Revenue from the Food & Seasoning segment was marginally down compared to the immediate preceding quarter due to lower sales of Industrial products.

3 Commentary on Prospects

Going forward, the business environment is expected to remain challenging, with increased competition and upward pressure on production costs. The Company will launch a new product, “TUMIX Penambah Rasa Kuah”, in the first quarter of the new financial year which is expected to boost sales. In addition, the Company will continue with its on-going cost savings efforts. Overall, management will endeavour to further improve on the Company’s performance in the new 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 months ended 31 Mar 2014 RM'000	12 months ended 31 Mar 2014 RM'000	3 months ended 31 Mar 2013 RM'000	21 months ended 31 Mar 2013 RM'000
Malaysian income tax :				
Current year	1,629	9,750	1,736	8,035
Underprovision in respect of prior year	-	(79)	-	468
Deferred tax :				
Current year	(130)	125	(75)	(310)
Underprovision in respect of prior year	(391)	(241)	-	489
	<u>1,108</u>	<u>9,555</u>	<u>1,661</u>	<u>8,682</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 were no material litigation as at 21 May 2014, 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 single-tier dividend of 18.5 sen per ordinary share in respect of the financial year ended 31 March 2014. 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.

	3 months ended 31 Mar 2014	12 months ended 31 Mar 2014	3 months ended 31 Mar 2013	12 months ended 31 Mar 2013
Profit attributable to ordinary shareholders of the Company (RM'000)	5,282	28,041	4,435	19,405
Weighted average number of ordinary shares in issue ('000)	60,799	60,799	60,799	60,799
Earnings per share attributable to equity holders of the company (sen)				
-Basic	8.69	46.12	7.29	31.92

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 2014 RM'000	As at end of 31 Mar 2013 RM'000
Realised	200,283	182,973
Unrealised	(3,614)	(3,858)
Total retained profits as per statement of financial position	196,669	179,115

The determination of realised and unrealised profits is based on the Guidance 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 31 Mar 2014 RM'000	12 months ended 31 Mar 2014 RM'000	3 months ended 31 Mar 2013 RM'000	12 months ended 31 Mar 2013 RM'000
(a) interest income	(682)	(2,564)	(478)	(1,881)
(b) other income – rental	(211)	(651)	(147)	(587)
(c) depreciation and amortization	2,710	10,198	3,569	13,445
(d) provision for and write off of inventories	112	475	637	768
(e) foreign exchange (gain)/loss – realised	164	629	(11)	361
(f) foreign exchange (gain)/loss - unrealised	442	296	29	288
(g) (gain)/loss on derivatives	(387)	(146)	44	60

By Order of the Board

Kuala Lumpur
28th May 2014

Chua Siew Chuan
Company Secretary