

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

Notes to the interim financial report for the period ended 30 June 2014

A EXPLANATORY NOTES

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 2014, except for the adoption of the following standards, where applicable :

- Amendment to MFRS 132 : Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136 : Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139 : Novation of Derivatives and Continuation Hedge Accounting
- IC Interpretation 21 : Levies
- Amendments to MFRS 2 : Share-based Payment Disclosures
(Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 8 : Operating Segments
(Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13 : Fair Value Measurement
(Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 116 : Property, Plant and Equipment
(Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119 : Defined Benefit Plans : Employee Contribution
- Amendments to MFRS 124 : Related Party Disclosures
(Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138 : Intangible Assets
(Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140 : Investment Property
(Annual Improvements 2011-2013 Cycle)
- MFRS 9 : Financial Instruments (2009)
- MFRS 9 : Financial Instruments (2010)
- MFRS 9 : Financial Instruments : Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139

The adoption of the above standards does not have significant 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

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 and frozen food.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 30 June 2014				
Revenue from external customers	58,799	26,914	473	86,186
Operating profit	7,729	2,332	346	10,407
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

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 30 June 2014	55,945	10,259	19,184	798	86,186
3 months ended 30 June 2013	59,809	9,916	17,246	800	87,771

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 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 30 June 2014 is as follows:

	RM'000
Approved and contracted for	1,702
Approved but not contracted for	16,248
	17,950

12 Related Party Transactions

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

	3 months ended 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000
Commission income	0	3
Royalties payable	2,086	2,098
Sales	17,526	14,552
Purchases	35,192	39,462
Purchase of assets	-	146
Promotion expenses	32	47
IT shared services and maintenance	506	483
Other expenses	23	6

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 RM86.2 million in the current quarter compared to RM87.8 million in the corresponding quarter last year. Operating profit was lower at RM10.4 million compared to RM11.0 million in the corresponding quarter last year due mainly to higher marketing expenses incurred in the current quarter.

Revenue of the Umami segment a decline of 4.8% due mainly to the loss of a major industrial customer in the current quarter, whilst the Food & Seasoning segment recorded 4.3% higher revenue due to higher sales of Industrial products.

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

Revenue in the current quarter of RM86.2 million is lower than the RM87.6 million recorded in the immediate preceding quarter. Operating profit was however higher at RM10.4 million from RM5.5 million in the immediate preceding quarter, due mainly to higher marketing expenses and costs incurred during the scheduled factory maintenance shut down in the immediate preceding quarter.

The Umami segment recorded 4.6% lower revenue compared to the immediate preceding quarter mainly due to lower consumer sales of "AJI-NO-MOTO". Revenue from the Food & Seasoning segment was 4.2% higher compared to the immediate preceding quarter due to higher sales of Industrial products.

3 Commentary on Prospects

The business environment is expected to remain challenging in the months ahead. Competition remains steep and production costs are not expected to reduce in the foreseeable future. Management will continue to explore and review strategies to meet the challenging environment and to better the performance of the Company for the current 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 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000
Malaysian income tax :		
Current year	2,818	3,034
Deferred tax :		
Current year	304	118
	<u>3,122</u>	<u>3,152</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 13 Aug 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 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 months ended 30 June 2014	3 months ended 30 June 2013
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>8,225</u>	<u>8,311</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>13.53</u>	<u>13.67</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 30 June 2014 RM'000	As at end of 30 June 2013 RM'000
Realised	213,087	190,567
Unrealised	(3,573)	(3,141)
Total retained profits as per statement of financial position	209,514	187,426

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 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000
(a) interest income	(765)	(437)
(b) other income – rental	(194)	(147)
(c) depreciation and amortization	2,575	2,443
(d) provision for and write off of inventories	15	105
(e) foreign exchange (gain)/loss – realised	209	249
(f) foreign exchange (gain)/loss - unrealised	(185)	(547)
(g) (gain)/loss on derivatives	39	440
	39	440

By Order of the Board

Kuala Lumpur
20th Aug 2014

Chua Siew Chuan
Company Secretary