

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

Notes to the interim financial report for the period ended 31 March 2016

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 in the annual audited financial statements for the year ended 31 March 2015, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 July 2014 :

- Amendment to MFRS 2 : Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 3 : Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendment to MFRS 8 : Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 13 : Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
- Amendment to MFRS 116 : Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 119 : Employee Benefits – Defined Benefit Plans : Employee Contributions
- Amendment to MFRS 124 : Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 138 : Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 140 : Investment Property (Annual Improvements 2011-2013 Cycle)

The adoption of the above amendments and interpretation 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 paid a first and final single-tier dividend of 20.0 sen per ordinary share amounting to RM12,159,707 in respect of the financial year ended 31 March 2015 on 21 October 2015. 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 segment consists of products sold by the Company including trading goods such as industrial sweetener and frozen food as well as provision of services in relation to food industry.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 31 Mar 2016				
Revenue from external customers	74,724	34,938	578	110,240
Operating profit	5,381	3,709	81	9,171
3 months ended 31 Mar 2015				
Revenue from external customers	54,458	25,920	685	81,063
Operating profit	5,677	1,584	94	7,355
12 months ended 31 Mar 2016				
Revenue from external customers	268,795	129,065	2,341	400,201
Operating profit	32,881	17,537	473	50,891
12 months ended 31 Mar 2015				
Revenue from external customers	233,773	104,347	2,256	340,376
Operating profit	30,065	5,627	708	36,400

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 2016	67,918	15,984	24,754	1,584	110,240
3 months ended 31 Mar 2015	51,181	10,049	19,034	799	81,063
12 months ended 31 Mar 2016	248,739	55,073	91,346	5,043	400,201
12 months ended 31 Mar 2015	220,577	41,514	74,301	3,984	340,376

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 March 2016.

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 March 2016 is as follows:

	RM'000
Approved and contracted for	12,719
Approved but not contracted for	8,876
	21,595

12 Related Party Transactions

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

	3 months ended 31 Mar 2016 RM'000	3 months ended 31 Mar 2015 RM'000	12 months ended 31 Mar 2016 RM'000	12 months ended 31 Mar 2015 RM'000
Commission income	(4)	(4)	(17)	(10)
Royalties payable	2,681	1,958	9,667	8,229
Sales	(23,235)	(17,676)	(83,873)	(66,049)
Purchases	36,064	34,897	150,235	129,016
Purchase of assets	221	585	515	1,028
Promotion expenses	2	121	105	159
IT shared services and maintenance	583	489	2,303	1,953
Other expenses	274	192	656	615

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 RM110.2 million in the current quarter compared to RM81.1 million in the corresponding quarter last year, an increase of 36.0% and operating profit increased from RM7.4 million in the corresponding quarter last year to RM9.2 million in the current quarter. These increases were contributed by higher domestic sales in Umami and Food & Seasoning segments and better margins from export sales arising from the appreciation in USD. The domestic sales in corresponding quarter last year were exceptionally low due to market concerns on Goods and Services Tax implementation in Malaysia.

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

Revenue in the current quarter of RM110.2 million was higher than the revenue of RM100.5 million in the immediate preceding quarter. Operating profit for the current quarter was RM9.2 million, lower than the operating profit of RM14.9 million in the immediate preceding quarter.

The revenue in both Umami and Food & Seasoning segments for the current quarter increased by 12.9% and 3.7% which are more than the respective revenue in the immediate preceding quarter. The revenue hike in Umami segment was mainly due to higher sales quantities. Revenue increase in Food and Seasoning segment was contributed by better industrial product sales.

3 Commentary on Prospects

Given the current economic environment both locally and in the Region, the business and market conditions remain challenging. In addition, the recent change in Malaysia government's policy on foreign worker recruitment is expected to adversely impact the production workforce. The Management will reinforce sales and marketing activities and enhance staff retention efforts to remain competitive.

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 2016 RM'000	3 months ended 31 Mar 2015 RM'000	12 months ended 31 Mar 2016 RM'000	12 months ended 31 Mar 2015 RM'000
Malaysian income tax :				
Current year	2,718	2,823	13,409	10,693
Under/(over)provision in respect of prior year	-	2	(114)	(164)
Deferred tax :				
Current year	(752)	(350)	(85)	306
Under/(over)provision in respect of prior year	(165)	28	(56)	28
	1,801	2,503	13,154	10,863

The effective tax rate of the tax provision for the financial period 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 20 May 2016, 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 33.75 sen per ordinary share in respect of the financial year ended 31 March 2016. 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 2016	3 months ended 31 Mar 2015	12 months ended 31 Mar 2016	12 months ended 31 Mar 2015
Profit attributable to ordinary shareholders of the Company (RM'000)	6,593	5,686	40,787	29,733
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	10.84	9.35	67.09	48.90

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 2016 RM'000	As at end of 31 Mar 2015 RM'000
Realised	248,952	218,214
Unrealised	(5,171)	(3,060)
Total retained profits as per statement of financial position	<u>243,781</u>	<u>215,154</u>

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 2016 RM'000	3 months ended 31 Mar 2015 RM'000	12 months ended 31 Mar 2016 RM'000	12 months ended 31 Mar 2015 RM'000
(a) Interest income	(1,217)	(906)	(4,293)	(3,434)
(b) Other income – rental	(194)	(194)	(778)	(778)
(c) Depreciation and amortization	3,002	2,766	11,537	10,627
(d) Write off of inventories/(Reversal of inventories written off)	1,074	352	1,463	605
(e) Foreign exchange (gain)/loss – realized	434	63	447	309
(f) Foreign exchange (gain)/loss – unrealized	1,763	105	1,523	(729)
(g) (Gain)/loss on derivatives	(647)	(24)	(812)	392

By Order of the Board

Kuala Lumpur
24th May 2016

Chua Siew Chuan
Company Secretary