

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

**Notes to the interim financial report for the period ended 30 June 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 2016, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 July 2014 :

- MFRS 14: Regulatory Deferral Accounts
- Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7: Financial Instruments - Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities - Applying the Consolidation Exception
- Amendments to MFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 12: Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative
- Amendments to MFRS 116: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116: Property, Plant and Equipment - Bearer Plants
- Amendments to MFRS 119: Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127: Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements
- Amendments to MFRS 128: Investment in Associates - Investment Entities:- Applying the Consolidation Exception
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 138: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 141: Agriculture - Bearer Plants

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 did not pay any dividend in the current quarter.

**7 Segmental Reporting**

**a. Business Segment:**

The business segments have been changed from Umami Segment, Food & Seasoning Segment and Others Segment to Consumer Business Segment and Industrial Business Segment in line with the revision in internal management reporting information to management. Consumer Business Segment consists of manufacture and distribution of consumer products including “AJI-NO-MOTO”, flavor seasoning “TUMIX”, menu seasoning “Seri Aji” and other seasonings. Industrial Business Segment consists of manufacture and distribution of Monosodium Glutamate (MSG) for industry-use, Industrial Seasonings and related products.

	<b>Consumer Business Segment RM'000</b>	<b>Industrial Business Segment RM'000</b>	<b>Total RM'000</b>
<b>3 months ended 30 Jun 2016</b>			
Revenue from external customers	71,864	26,851	98,715
Operating profit	10,180	5,892	16,072
<b>3 months ended 30 Jun 2015</b>			
Revenue from external customers	71,118	24,400	95,518
Operating profit	8,470	4,139	12,609

**b. Geographical Segment:**

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

<b>Revenue</b>	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
3 months ended 30 Jun 2016	61,830	11,612	24,325	948	98,715
3 months ended 30 Jun 2015	60,776	11,471	22,435	836	95,518

**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 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 30 June 2016 is as follows:

	<b>RM'000</b>
Approved and contracted for	1,210
Approved but not contracted for	18,357
	19,567

**12 Related Party Transactions**

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

	<b>3 months ended 30 Jun 2016 RM'000</b>	<b>3 months ended 30 Jun 2015 RM'000</b>
Commission income	(5)	(5)
Royalties payable	2,352	2,309
Sales	(23,539)	(20,125)
Purchases	28,724	33,777
Purchase of assets	50	131
IT shared services and maintenance	691	509
Other expenses	32	79
	32	79

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 RM98.7 million in the current quarter compared to RM95.5 million in the corresponding quarter last year, an increase of 3.3% and operating profit increased from RM12.6 million in the corresponding quarter last year to RM16.1 million in the current quarter mainly due to better gross profit margin in Consumer Business segment, increased in sales quantity in Industrial Business segment and lower operating expenses.

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

Revenue in the current quarter of RM98.7 million was lower than the revenue of RM110.2 million in the immediate preceding quarter. Operating profit for the current quarter was RM16.1 million, higher than the operating profit of RM9.2 million in the immediate preceding quarter.

The revenue in Consumer Business segment and Industrial Business segment for the current quarter decreased by 12.2% and 5.4% as compared against the respective revenue in the immediate preceding quarter. The reduction in revenue in the former was due to lower sales quantities while in the latter due to stronger Ringgit Malaysia against US Dollar that led to lower revenue.

**3 Commentary on Prospects**

The business environment is expected to remain challenging given the performance of the economy in the first half of year 2016. The biggest headwind our economy is facing is the global environment which could weigh on Malaysia's growth in the second half of year 2016. The Management will adopt appropriate strategies to remain competitive and maintain market share in order to sustain growth in revenue and profitability.

**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: -

	<b>3 months ended 30 Jun 2016 RM'000</b>	<b>3 months ended 30 Jun 2015 RM'000</b>
Malaysian income tax :		
Current year	4,007	3,382
Deferred tax :		
Current year	354	(6)
	4,361	3,376

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**

The Company announced on 18 May 2016 that a letter was received on 17 May 2016 pursuant to the Land Acquisition Act, 1960 on the Kuala Lumpur Land Administrator’s intention to hold a land inquiry pertaining to the Compulsory Acquisition for the purpose of “Projek Mass Rapid Transit (MRT) – Jajaran Sungai Buloh-Serdang-Putrajaya (MRT Jajaran 2)”.

The three (3) affected plots of land are located at:-

- (i) Lot 47088, Jalan Kuchai Lama, Petaling, 58200 Kuala Lumpur measuring approximately 250.70 sq metres;
- (ii) Lot 14298, Jalan Kuchai Lama, Petaling, 58200 Kuala Lumpur measuring approximately 148.61 sq metres; and
- (iii) Lot 58602, Jalan Kuchai Lama, Petaling, 58200 Kuala Lumpur measuring approximately 30,688.00 sq metres.

The affected plots of land comprise Hydrolysed Vegetable Protein Liquid facility and operation.

The Company will make further announcements on the updates in relation to the Compulsory Acquisition. There were no other 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 19 August 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 do not propose the payment of 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.

	<b>3 months ended 30 Jun 2016</b>	<b>3 months ended 30 Jun 2015</b>
Profit attributable to ordinary shareholders of the Company (RM’000)	12,956	10,297
Weighted average number of ordinary shares in issue (‘000)	60,799	60,799
Earnings per share attributable to equity holders of the company (sen)		
-Basic	21.31	16.94

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:

	<b>As at end of 30 Jun 2016 RM'000</b>	<b>As at end of 30 Jun 2015 RM'000</b>
Realised	259,719	228,941
Unrealised	(2,982)	(3,490)
Total retained profits as per statement of financial position	<u>256,737</u>	<u>225,451</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:

	<b>3 months ended 30 Jun 2016 RM'000</b>	<b>3 months ended 30 Jun 2015 RM'000</b>
(a) Interest income	(1,411)	(868)
(b) Other income – rental	(194)	(194)
(c) Depreciation and amortization	2,927	2,775
(d) Write off of inventories/(Reversal of inventories written off)	(29)	155
(e) Foreign exchange (gain)/loss – realized	617	139
(f) Foreign exchange (gain)/loss – unrealized	(1,020)	(292)
(g) (Gain)/loss on derivatives	<u>657</u>	<u>114</u>

*By Order of the Board*

Kuala Lumpur  
24th August 2016

Chua Siew Chuan  
Company Secretary