

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

Notes to the interim financial report for the period ended 30 September 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.

	Consumer Business Segment RM'000	Industrial Business Segment RM'000	Total RM'000
3 months ended 30 Sep 2016			
Revenue from external customers	71,986	27,318	99,304
Operating profit	9,020	5,416	14,436
3 months ended 30 Sep 2015			
Revenue from external customers	70,704	23,271	93,975
Operating profit	9,145	5,061	14,206
6 months ended 30 Sep 2016			
Revenue from external customers	143,850	54,169	198,019
Operating profit	19,200	11,309	30,509
6 months ended 30 Sep 2015			
Revenue from external customers	141,822	47,671	189,493
Operating profit	17,615	9,200	26,815

7 Segmental Reporting (cont'd)

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 Sep 2016	60,190	13,629	24,186	1,299	99,304
3 months ended 30 Sep 2015	57,869	13,770	21,311	1,025	93,975
6 months ended 30 Sep 2016	122,020	25,241	48,511	2,247	198,019
6 months ended 30 Sep 2015	118,645	25,241	43,746	1,861	189,493

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 September 2016 except that the Company had on 19 October 2016 accepted the Unconditional Mandatory Take-Over Offer (“Offer”) from Taisei Lamick Co. Ltd., to dispose its entire shareholding of 2,102,140 ordinary shares of RM1.00 each in the capital of Malaysia Packaging Industry Berhad (“MPIB”), representing 5.00% of the total issued and paid-up share capital of MPIB, at an offer price of RM0.65 per share to Taisei Lamick Co., Ltd.. Subsequent to the disposal, the Company shall cease to be a shareholder of MPIB.

MPIB had on 31 October 2016 revised the share offer price under the Unconditional Mandatory Take-Over Offer from RM0.65 per share to RM1.00 per share. In addition, holders of the Offer Shares who have accepted the Offer and received payment of the original offer price of RM0.65 per share shall be entitled to receive the differential amount between the original offer price and the revised offer price of RM0.35 per share under the Revised Offer.

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 September 2016 is as follows:

Approved and contracted for	RM'000 5,082
Approved but not contracted for	14,485
	<u>19,567</u>

12 Related Party Transactions

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

	3 months ended 30 Sep 2016 RM'000	3 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2016 RM'000	6 months ended 30 Sep 2015 RM'000
Commission income	(5)	(2)	(10)	(7)
Royalties payable	2,369	2,260	4,721	4,569
Sales	(17,557)	(19,012)	(41,096)	(39,137)
Purchases	56,648	37,689	85,372	71,466
Purchase of assets	495	143	545	274
Promotion expenses	-	89	-	89
IT shared services and maintenance	728	611	1,419	1,120
Other expenses	147	124	179	203

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 RM99.3 million in the current quarter compared to RM94.0 million in the corresponding quarter last year, an increase of 5.6% and operating profit increased from RM14.2 million in the corresponding quarter last year to RM14.4 million in the current quarter. These increases were contributed by higher sales and better gross profit margin in both Consumer Business and Industrial Business segments.

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

Revenue in the current quarter of RM99.3 million was higher than the revenue of RM98.7 million in the immediate preceding quarter. Operating profit for the current quarter was RM14.4 million, lower than the operating profit of RM16.1 million in the immediate preceding quarter mainly due to higher cost incurred during the scheduled factory maintenance shut down in the current quarter.

3 Commentary on Prospects

The economic environment remains challenging. This will affect our currency vis-à-vis foreign currencies like the US Dollar which will impact on cost of our imported raw materials. Given these factors, our production cost will increase. The Board will continue to ensure that the Company remains competitive and its profitability maintained with appropriate sales strategies including expansion of export market and effective controls.

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 Sep 2016 RM'000	3 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2016 RM'000	6 months ended 30 Sep 2015 RM'000
Malaysian income tax :				
Current year	3,880	4,082	7,887	7,464
Deferred tax :				
Current year	48	(14)	402	(20)
Under/(over)provision in respect of prior year	-	(14)	-	(14)
	<u>3,928</u>	<u>4,054</u>	<u>8,289</u>	<u>7,430</u>

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 18 November 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

At the recently concluded 55th Annual General Meeting, the shareholders approved the payment of a first and final single-tier dividend of 33.75 sen per ordinary share amounting to RM20,519,505 in respect of the financial year ended 31 March 2016. The dividend was paid on 19 October 2016. 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.

	3 months ended 30 Sep 2016	3 months ended 30 Sep 2015	6 months ended 30 Sep 2016	6 months ended 30 Sep 2015
Profit attributable to ordinary shareholders of the Company (RM'000)	12,013	12,382	24,969	22,679
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	19.76	20.37	41.07	37.30

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 Sep 2016 RM'000	As at end of 30 Sep 2015 RM'000
Realised	250,868	227,358
Unrealised	(2,638)	(1,685)
Total retained profits as per statement of financial position	248,230	225,673

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 Sep 2016 RM'000	3 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2016 RM'000	6 months ended 30 Sep 2015 RM'000
(a) Interest income	(1,222)	(1,027)	(2,632)	(1,895)
(b) Other income – rental	(195)	(195)	(389)	(389)
(c) Depreciation and amortization	2,974	2,847	5,901	5,622
(d) Write off of inventories/(Reversal of inventories written off)	112	244	83	399
(e) Foreign exchange (gain)/loss – realized	193	298	810	437
(f) Foreign exchange (gain)/loss – unrealized	(392)	(1,776)	(1,412)	(2,068)
(g) (Gain)/loss on derivatives	130	433	787	547

By Order of the Board

Kuala Lumpur
23th November 2016

Chua Siew Chuan
Company Secretary