

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

Notes to the interim financial report for the period ended 31 December 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 paid 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 on 19 October 2016.

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 31 Dec 2016			
Revenue from external customers	78,289	28,681	106,970
Operating profit	6,769	6,844	13,613
3 months ended 31 Dec 2015			
Revenue from external customers	74,117	26,351	100,468
Operating profit	7,395	7,510	14,905
9 months ended 31 Dec 2016			
Revenue from external customers	222,139	82,850	304,989
Operating profit	25,969	18,153	44,122
9 months ended 31 Dec 2015			
Revenue from external customers	215,939	74,022	289,961
Operating profit	25,010	16,710	41,720

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 31 Dec 2016	64,254	15,472	25,705	1,539	106,970
3 months ended 31 Dec 2015	62,176	13,848	22,846	1,598	100,468
9 months ended 31 Dec 2016	186,274	40,713	74,216	3,786	304,989
9 months ended 31 Dec 2015	180,821	39,089	66,592	3,459	289,961

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 December 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 December 2016 is as follows:

Approved and contracted for	RM'000 8,192
Approved but not contracted for	11,375
	<u>19,567</u>

12 Material Event

Subsequent to the announcement dated 18 May 2016 and 24 November 2016, the Company on 21 December 2016 announced that it had accepted the award of compensation from Pentadbir Tanah Wilayah Persekutuan (Land Administrator) of RM165,992,843.10 only in respect of the compulsory acquisition of land held under Lot 47088, Lot 14298 and Lot 58602, Mukim Kuala Lumpur, Daerah Kuala Lumpur. The property, plant and equipment involved is presented as non-current assets classified as held for sale. The Company announced on 17 February 2017 that the Company has received the Form K and the award of compensation of RM165,992,843.10. Nonetheless, the Company is entitled to remain on the land until 30 June 2017 by virtue of the annotation in Form H.

13 Related Party Transactions

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

	3 months ended 31 Dec 2016 RM'000	3 months ended 31 Dec 2015 RM'000	9 months ended 31 Dec 2016 RM'000	9 months ended 31 Dec 2015 RM'000
Commission income	(4)	(6)	(14)	(13)
Royalties payable	2,558	2,417	7,279	6,986
Sales	(23,814)	(21,501)	(70,569)	(60,638)
Purchases	48,644	42,705	134,016	114,171
Purchase of assets	825	20	1,370	294
Promotion expenses	4	14	4	103
IT shared services and maintenance	692	600	2,111	1,720
Other expenses	118	179	296	382

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 RM107.0 million in the current quarter compared to RM100.5 million in the corresponding quarter last year, an increase of 6.5% while operating profit was RM13.6 million as compared to RM14.9 million in the corresponding quarter last year. Increase in revenue was contributed by higher sales in both Consumer Business and Industrial Business segments. However decrease in operating profit was due to higher cost of a key raw material and 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 RM107.0 million was higher than the revenue of RM99.3million in the immediate preceding quarter. Operating profit amounting RM13.6 million for the current quarter was lower than the operating profit amounting RM14.4 million in the immediate preceding quarter mainly due to higher cost of a key raw material and selling expenses incurred in the current quarter.

3 Commentary on Prospects

The fluctuation in foreign currency exchange rates arising from the current uncertain global economic outlook and political developments is expected to continue. This will be a challenge to the business environment and impact on the imported raw materials and hence the cost of production. The Board will continue to implement effective cost controls and maintain the production efficiency to sustain its competitiveness in the market.

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 Dec 2016 RM'000	3 months ended 31 Dec 2015 RM'000	9 months ended 31 Dec 2016 RM'000	9 months ended 31 Dec 2015 RM'000
Malaysian income tax :				
Current year	3,893	3,227	11,780	10,691
Under/(over)provision in respect of prior year	69	(114)	69	(114)
Deferred tax :				
Current year	290	687	692	667
Under/(over)provision in respect of prior year	(651)	123	(651)	109
	<u>3,601</u>	<u>3,923</u>	<u>11,890</u>	<u>11,353</u>

The effective tax rate of the tax provision for the financial period under review is slightly lower than the statutory tax rate due to certain non-taxable income.

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 23 February 2017, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

There was no dividend payable as at the end of 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 31 Dec 2016	3 months ended 31 Dec 2015	9 months ended 31 Dec 2016	9 months ended 31 Dec 2015
Profit attributable to ordinary shareholders of the Company (RM'000)	13,538	11,515	38,507	34,194
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	22.27	18.94	63.34	56.24

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 Dec 2016 RM'000	As at end of 31 Dec 2015 RM'000
Realised	263,138	241,512
Unrealised	(1,370)	(4,324)
Total retained profits as per statement of financial position	261,768	237,188

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 Dec 2016 RM'000	3 months ended 31 Dec 2015 RM'000	9 months ended 31 Dec 2016 RM'000	9 months ended 31 Dec 2015 RM'000
(a) Interest income	(1,096)	(1,181)	(3,728)	(3,076)
(b) Other income – rental	(195)	(195)	(584)	(584)
(c) Depreciation and amortization	3,032	2,913	8,933	8,535
(d) Write off of inventories/(Reversal of inventories written off)	785	(10)	868	389
(e) Foreign exchange (gain)/loss – realized	201	424	1,011	13
(f) Foreign exchange (gain)/loss – unrealized	(907)	1,828	(2,319)	(240)
(g) (Gain)/loss on derivatives	(131)	(712)	656	(165)

By Order of the Board

Kuala Lumpur
27th February 2017

Chua Siew Chuan
Company Secretary