

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

**Notes to the interim financial report for the period ended 30 June 2017**

**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 2017, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 January 2017 :

- Annual Improvements to MFRSs 2014-2016 Cycle
- Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative
- Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

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 Company's business may be broadly categorized into two major segments – Consumer Business Segment and Industrial Business Segment. 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 as well as provision of services in relation to food industry. 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 2017</b>			
Revenue from external customers	68,755	27,668	96,423
Operating profit	2,076	5,826	7,902
<b>3 months ended 30 Jun 2016</b>			
Revenue from external customers	71,864	26,851	98,715
Operating profit	10,196	5,846	16,042

**b. Geographical Segment:**

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

	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
3 months ended 30 Jun 2017	62,208	9,258	23,915	1,042	96,423
3 months ended 30 Jun 2016	61,830	11,612	24,325	948	98,715

**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 2017.

**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 2017 is as follows:

	<b>RM'000</b>
Approved and contracted for	1,531
Approved but not contracted for	14,819
	16,350

**12 Material Event**

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 under review.

**13 Related Party Transactions**

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

	<b>3 months ended 30 Jun 2017 RM'000</b>	<b>3 months ended 30 Jun 2016 RM'000</b>
Commission income	(6)	(5)
Royalties payable	2,195	2,352
Sales	(24,069)	(23,539)
Purchases	35,537	28,724
Purchase of assets	34	50
Promotion expenses	38	-
IT shared services and maintenance	590	691
Other expenses	194	32

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 RM96.4 million in the current quarter compared to RM98.7 million in the corresponding quarter last year, a decrease of 2.3% while operating profit was RM7.9 million as compared to RM16.0 million in the corresponding quarter last year. Decrease in revenue was mainly due to reduction in export sales quantities in Consumer Business segment caused by high inventory level in Middle East market. Revenue in Industrial Business segment was also affected by slower sales quantity but its negative impact was mitigated by stronger USD exchange rate in the current quarter.

The operating profit decreased from RM16.0 million to RM7.9 million in the current quarter. The decrease was mainly from Consumer Business segment. The operating profit of Consumer Business segment reduced from RM10.2million in the corresponding quarter last year to RM2.1 million in the current quarter. This was mainly due to lower revenue, higher production cost arising from increased raw material costs, and higher advertising and sales promotion expenses incurred in the current quarter to promote the Consumer Business products in local and export markets. Industrial Business segment sustained its operating profit with controlled operating expenses in the current quarter.

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

Revenue in the current quarter of RM96.4 million was lower than the revenue of RM114.9million in the immediate preceding quarter due to lower export sales quantities and sales value caused by lower USD exchange rate in the current quarter in both Consumer Business and Industrial Business segments. Operating profit amounting to RM7.9 million for the current quarter was lower than the operating profit of RM159.4 million in the immediate preceding quarter mainly due to decreased in revenue and higher production cost arising from increased raw material costs in the current quarter. There was also the amount of RM145.0 million arising from the gain on disposal of property, plant and equipment in the immediate preceding quarter.

**3 Commentary on Prospects**

The business environment is expected to be challenging in view of foreign currency exchange rate fluctuations, which will impact on costs and price of raw materials. These will adversely affect the production costs. The Board will continue to implement effective sales strategies to improve sales performance and undertake further efficient cost control measures to improve the Company's performance.

**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 2017 RM'000</b>	<b>3 months ended 30 Jun 2016 RM'000</b>
Malaysian income tax :		
Current year	2,584	4,007
Deferred tax :		
Current year	(45)	354
	2,539	4,361

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 21 August 2017, 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 2017</b>	<b>3 months ended 30 Jun 2016</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	7,882	12,956
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	12.96	21.31

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 2017 RM'000</b>	<b>As at end of 30 Jun 2016 RM'000</b>
Realised	422,259	259,720
Unrealised	(3,652)	(2,982)
Total retained profits as per statement of financial position	418,607	256,738

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 2017 RM'000</b>	<b>3 months ended 30 Jun 2016 RM'000</b>
(a) Finance income:		
Interest income	(682)	(1,411)
Distribution from investment securities	(1,401)	-
(b) Other income – rental	-	(194)
(c) Depreciation and amortization	3,068	2,927
(d) Write off of inventories/(Reversal of inventories written off)	102	(29)
(e) Foreign exchange (gain)/loss – realized	780	617
(f) Foreign exchange (gain)/loss – unrealized	445	(1,020)
(g) (Gain)/loss on disposal of property, plant and equipment	24	132
(h) (Gain)/loss on derivatives	(36)	657

**13 Investment Securities**

Investment securities represent funds placed with licensed financial institutions which are highly liquid and allow prompt redemption at any time.

**14 Comparative Figures**

The following comparative figures have been reclassified to conform to the current year's presentation:

	<b>Preceding Year Corresponding Quarter 30 Jun 2016 (As restated) RM'000</b>	<b>Preceding Year Corresponding Quarter 30 Jun 2016 (As previously stated) RM'000</b>	<b>Preceding Year Corresponding Year-To-Date 30 Jun 2016 (As restated) RM'000</b>	<b>Preceding Year Corresponding Year-To-Date 30 Jun 2016 (As previously stated) RM'000</b>
Operating expenses	(82,673)	(82,643)	(82,673)	(82,643)
Operating profit	16,042	16,072	16,042	16,072
Other income/(expenses)	-	(166)	-	(166)
Other finance income/(expenses)	(136)	-	(136)	-

*By Order of the Board*

Kuala Lumpur  
24th August 2017

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries