

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

**Notes to the interim financial report for the period ended 30 September 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 paid a first and final single-tier dividend of 42.00 sen per ordinary share amounting to RM25,535,384 in respect of the financial year ended 31 March 2017 on 20 September 2017.

The Company paid a special one-off single-tier dividend of 113.00 sen per ordinary share amounting to RM68,702,343 in respect of the financial year ended 31 March 2017 on 20 September 2017.

**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 Sep 2017</b>			
Revenue from external customers	82,009	33,411	115,420
Operating profit	9,729	8,469	18,198
<b>3 months ended 30 Sep 2016</b>			
Revenue from external customers	71,986	27,318	99,304
Operating profit	9,354	5,491	14,845
<b>6 months ended 30 Sep 2017</b>			
Revenue from external customers	150,764	61,079	211,843
Operating profit	11,805	14,295	26,100
<b>6 months ended 30 Sep 2016</b>			
Revenue from external customers	143,850	54,169	198,019
Operating profit	19,550	11,337	30,887

**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 Sep 2017	67,449	16,405	30,077	1,489	115,420
3 months ended 30 Sep 2016	60,190	13,629	24,186	1,299	99,304
6 months ended 30 Sep 2017	129,657	25,663	53,992	2,531	211,843
6 months ended 30 Sep 2016	122,020	25,241	48,511	2,247	198,019

**7 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 2017.

**8 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.

**9 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.

**10 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 2017 is as follows:

	<b>RM'000</b>
Approved and contracted for	4,102
Approved but not contracted for	12,248
	16,350
	16,350

**11 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.

**12 Related Party Transactions**

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

	<b>3 months ended 30 Sep 2017 RM'000</b>	<b>3 months ended 30 Sep 2016 RM'000</b>	<b>6 months ended 30 Sep 2017 RM'000</b>	<b>6 months ended 30 Sep 2016 RM'000</b>
Commission income	(4)	(5)	(10)	(10)
Royalties payable	2,519	2,369	4,714	4,721
Sales	(29,170)	(17,557)	(53,239)	(41,096)
Purchases	45,889	56,648	81,426	85,372
Purchase of assets	30	495	64	545
Promotion expenses	-	-	38	-
IT shared services and maintenance	574	728	1,164	1,419
Other expenses	187	147	381	179
	187	147	381	179

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 RM115.4 million in the current quarter compared to RM99.3 million in the corresponding quarter last year, an increase of 16.2% while operating profit was RM18.2 million as compared to RM14.8 million in the corresponding quarter last year. Increase in revenue was mainly contributed by higher sales quantities in both Consumer Business segment and Industrial Business segment. Stronger USD exchange rate in the current quarter was beneficial to export sales. Higher revenue and within controlled production cost and operating expenses resulted in the increase in operating profit.

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

Revenue in the current quarter of RM115.4 million was higher than the revenue of RM96.4 million in the immediate preceding quarter. Operating profit amounting to RM18.2 million for the current quarter was also higher than the operating profit of RM7.9 million in the immediate preceding quarter mainly due to increased sales quantities in both Consumer Business segment and Industrial Business segment. Export sales in Consumer Business segment improved in the current quarter as a result of stock replenishment by customers in Middle East. Revenue growth and cost control by the management had led to higher operating profit in the current quarter.

**3 Commentary on Prospects**

The economic environment and market conditions remain challenging. The USD rate against the Ringgit although strengthened slightly but it is still not in our favour and will continue to impact on the costs of our imported raw materials and packaging materials. Managing our production costs and maintaining market share in the competitive domestic and export markets will be the management's focus. The Management and Directors will continue to take appropriate measures to target growth in revenue and profit.

**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 Sep 2017 RM'000</b>	<b>3 months ended 30 Sep 2016 RM'000</b>	<b>6 months ended 30 Sep 2017 RM'000</b>	<b>6 months ended 30 Sep 2016 RM'000</b>
Malaysian income tax :				
Current year	4,673	3,880	7,257	7,887
Under/(over)provision in respect of prior year	-	-	-	-
Deferred tax :				
Current year	(398)	48	(443)	402
Under/(over)provision in respect of prior year	-	-	-	-
	4,275	3,928	6,814	8,289

The effective tax rate of the tax provision for the financial period under review is 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 17 November 2017, 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 56<sup>th</sup> Annual General Meeting on 28 August 2017, the shareholders approved the payment of a first and final single-tier dividend of 42.00 sen per ordinary share amounting to RM25,535,384 in respect of the financial year ended 31 March 2017. The dividend was paid on 20 September 2017.

At the recently concluded Extraordinary General Meeting on 28 August 2017, the shareholders approved the payment of a special one-off single-tier dividend of 113.00 sen per ordinary share amounting to RM68,702,343 in respect of the financial year ended 31 March 2017. The special one-off single-tier dividend was paid on 20 September 2017.

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 Sep 2017</b>	<b>3 months ended 30 Sep 2016</b>	<b>6 months ended 30 Sep 2017</b>	<b>6 months ended 30 Sep 2016</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	16,522	12,013	24,404	24,969
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	27.17	19.76	40.14	41.07

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 Sep 2017 RM'000</b>	<b>As at end of 30 Sep 2016 RM'000</b>
Realised	344,510	250,869
Unrealised	(3,619)	(2,638)
Total retained profits as per statement of financial position	<u>340,891</u>	<u>248,231</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 Sep 2017 RM'000</b>	<b>3 months ended 30 Sep 2016 RM'000</b>	<b>6 months ended 30 Sep 2017 RM'000</b>	<b>6 months ended 30 Sep 2016 RM'000</b>
(a) Finance income:				
Interest income	(863)	(1,221)	(1,545)	(2,632)
Distribution from investment securities	(1,839)	-	(3,240)	-
(b) Other income – rental	-	(195)	-	(389)
(c) Depreciation and amortization	3,075	2,974	6,143	5,901
(d) Write off of inventories/(Reversal of inventories written off)	26	112	128	83
(e) Foreign exchange loss/(gain) – realized	192	193	972	810
(f) Foreign exchange loss/(gain) – unrealized	366	(392)	811	(1,412)
(g) Loss/(gain) on disposal of property, plant and equipment	1	11	25	143
(h) (Gain)/loss on derivatives	(107)	130	(143)	787

### 13 Investment Securities

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

*By Order of the Board*

Kuala Lumpur  
23rd November 2017

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries