

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

**Notes to the interim financial report for the period ended 30 June 2018**

**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 2018, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 January 2018 :

- Amendments to MFRS 1: Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers, Clarification to MFRS 15
- Amendments to MFRS 128: Annual Improvements 2014-2016 Cycle
- Amendments to MFRS 140: Transfer of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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 2018</b>			
Revenue from external customers	70,279	24,949	95,228
Operating profit	7,908	4,402	12,310
<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. 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 2018	63,549	8,296	22,510	873	95,228
3 months ended 30 Jun 2017	62,208	9,258	23,915	1,042	96,423

## 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 2018.

## 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 2018 is as follows:

	<b>RM'000</b>
Approved and contracted for	66,082
Approved but not contracted for	16,604
	<u>82,686</u>

## 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 2018 RM'000</b>	<b>3 months ended 30 Jun 2017 RM'000</b>
Commission income	(5)	(6)
Royalties payable	2,155	2,195
Sales	(21,437)	(24,069)
Purchases	37,868	35,537
Purchase of assets	93	34
Promotion expenses	-	38
IT shared services and maintenance	583	590
Other expenses	90	194

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 RM95.2 million in the current quarter compared to RM96.4 million in the corresponding quarter last year while operating profit was RM12.3 million as compared to RM7.9 million in the corresponding quarter last year. Sales volume and revenue improved in Consumer Business segment. However, revenue in Industrial Business segment decreased mainly due to reduction in export sales volume and weaker USD against the Malaysian Ringgit in the current quarter as compared to the corresponding quarter.

Although revenue in the current quarter was almost similar to the revenue in the corresponding quarter last year, the operating profit increased from RM7.9 million to RM12.3 million in the current quarter. Higher operating profit was largely due to lower advertising and sales promotion expenses incurred in the current quarter mainly in Consumer Business segment.

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

Revenue in the current quarter of RM95.2 million was lower than the revenue of RM115.1 million in the immediate preceding quarter due to lower export sales volume in the current quarter in both Consumer Business and Industrial Business segments. This resulted in decrease in the operating profit in the current quarter of RM12.3 million compared with the operating profit of RM16.6 million in the immediate preceding quarter. The reduction in revenue was mitigated by lower production cost in the current quarter.

### **3 Commentary on Prospects**

In view of the implementation of the new Sales and Service Tax to replace the Goods and Services Tax (GST), which is expected on 1 September 2018, the operating expenses are expected to increase. In addition, the uncertainties and foreign currency fluctuations arising from the external trade tension may impact on costs of raw material imports which can adversely affect the Company's production costs. The Board will continue to review/implement appropriate marketing/sales strategies and improve production efficiency to grow sales and profit of the Company.

### **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 2018 RM'000</b>	<b>3 months ended 30 Jun 2017 RM'000</b>
Malaysian income tax :		
Current year	3,337	2,584
Deferred tax :		
Current year	105	(45)
	3,442	2,539

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 21 August 2018, 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 2018</b>	<b>3 months ended 30 Jun 2017</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	11,169	7,882
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	18.37	12.96

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 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 2018 RM'000</b>	<b>3 months ended 30 Jun 2017 RM'000</b>
(a) Finance income:		
Interest income	(891)	(682)
Distribution from investment securities	(1,543)	(1,401)
(b) Other income – rental	-	-
(c) Depreciation and amortization	3,971	3,068
(d) Write off of inventories/(Reversal of inventories written off)	(12)	102
(e) Foreign exchange loss/(gain) – realized	201	780
(f) Foreign exchange (gain)/loss – unrealized	(863)	445
(g) (Gain)/loss on disposal of property, plant and equipment	(6)	24
(h) Loss/(gain) on derivatives	145	(36)

## 12 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 August 2018

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries