

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

Notes to the interim financial report for the period ended 30 June 2019

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 2019, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 January 2019 :

- Amendments to MFRS 119: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 9: Financial Instruments – Prepayment Features with Negative Compensation
- MFRS 16: Leases
- Amendments to MFRS 128: Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- Amendments to MFRS 11: Joint Arrangements (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- Amendments to MFRS 123: Borrowing Costs (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- IC Interpretation 23: Uncertainty over Income Tax Treatments

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® and RASA SIFU™, 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.

	Consumer Business Segment RM'000	Industrial Business Segment RM'000	Total RM'000
3 months ended 30 Jun 2019			
Revenue from external customers	69,760	30,844	100,604
Operating profit	8,364	7,173	15,537
3 months ended 30 Jun 2018			
Revenue from external customers	70,279	24,949	95,228
Operating profit	7,908	4,402	12,310

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 Jun 2019	58,358	12,868	27,868	1,510	100,604
3 months ended 30 Jun 2018	63,549	8,296	22,510	873	95,228

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 2019.

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 property, plant and equipment not provided for in the interim financial statement as at 30 June 2019 is as follows:

	RM'000
Approved and contracted for	26,656
Approved but not contracted for	10,614
	<u>37,270</u>

12 Related Party Transactions

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

	3 months ended 30 Jun 2019 RM'000	3 months ended 30 Jun 2018 RM'000
Commission income	(5)	(5)
Royalties payable	2,236	2,155
Sales	(25,013)	(21,437)
Purchases	46,414	37,868
Purchase of assets	361	93
IT shared services and maintenance	694	583
Other expenses	257	90

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 higher revenue of RM100.6 million in the current quarter compared to RM95.2 million in the corresponding quarter last year. Consumer Business segment revenue of RM69.8 million in the current quarter was slightly lower than the revenue of RM70.3 million in the corresponding quarter last year attributed to lower sales volume of “Aji-no-moto” Retail. Industrial Business segment revenue grew by 23.7% from RM24.9 million to RM30.8 million contributed by higher sales volume and export sales value benefited from stronger US Dollar against Ringgit Malaysia.

The operating profit was RM15.5 million in the current quarter as compared to RM12.3 million in the corresponding quarter last year. The increase in the current quarter’s operating profit was mainly due to higher sales revenue and lower production cost led by reduced cost of a key raw material. However, the cost saving was partially offset by higher operational cost.

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

Revenue in the current quarter was RM100.6 million as compared to RM119.4 million in the immediate preceding quarter mainly due to lower sales volume in Consumer Business segment.

However, the operating profit of RM15.5 million in the current quarter was higher than the operating profit of RM12.9 million in the immediate preceding quarter by 20.2% mainly due to lower advertising and sales promotion expenses incurred during the current quarter.

3 Commentary on Prospects

Uncertainties in the global economic outlook and the ongoing drawn out trade war between USA and China are causes for concern. Other factors that can impact on the performance of the Company are domestic consumer spending and the volatility in the foreign exchange rates which will directly affect the costs of our imported materials. In view of the challenging business environment ahead, management will continue its effort to implement effective sales strategies and improve operational efficiency to grow 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: -

	3 months ended 30 Jun 2019 RM'000	3 months ended 30 Jun 2018 RM'000
Malaysian income tax :		
Current year	3,931	3,337
Deferred tax :		
Current year	177	105
	4,108	3,442

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 was no material litigation as at 16th August 2019, 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.

	3 months ended 30 Jun 2019	3 months ended 30 Jun 2018
Profit attributable to ordinary shareholders of the Company (RM'000)	13,717	11,169
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	22.56	18.37

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:

	3 months ended 30 Jun 2019 RM'000	3 months ended 30 Jun 2018 RM'000
(a) Finance income:		
Interest income	(692)	(891)
Distribution from investment securities	(1,758)	(1,543)
(b) Depreciation of property, plant and equipment	4,344	3,971
(c) Depreciation of right-of-use assets	126	-
(d) Write off of inventories/(reversal of inventories written off)	67	(12)
(e) Foreign exchange loss – realized	152	201
(f) Foreign exchange gain – unrealized	(116)	(863)
(g) Gain on disposal of property, plant and equipment	(45)	(6)
(h) Property, plant and equipment written off	83	1
(i) (Gain)/loss on derivatives	(34)	145

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
22nd August 2019

Chua Siew Chuan
Yeow Sze Min
Company Secretaries