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AJINOMOTO (MALAYSIA) BERHAD Incorporated In Malaysia (4295-W)

*Annual Report 2015*

*2015年度报告*

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# CORPORATE INFORMATION

DIRECTORS	General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim Bin Mohd. Ali (Rtd) (Chairman) Tan Sri Dato' (Dr.) Teo Chiang Liang Keiji Kaneko (Managing Director/Chief Executive Officer) Katsuhide Shirai Koay Kah Ee Dominic Aw Kian-Wee Dato' Setia Ramli bin Mahmud Kamarudin bin Rasid Azharudin bin Ab. Ghani Motohiro Komase Dr. Masata Mitsuiki
BANKERS	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad Citibank Berhad Malayan Banking Berhad Standard Chartered Bank Malaysia Berhad
AUDITORS	Hanafiah Raslan & Mohamad
SOLICITORS	Lee, Ling & Partners
SECRETARY	Chua Siew Chuan (F) (MAICSA 0777689)
REGISTERED OFFICE	Lot 5710, Jalan Kuchai Lama, Petaling, 58200 Kuala Lumpur Tel: 603-7980 6958 Fax: 603-7981 1731
SHARE REGISTRAR	Securities Services (Holdings) Sdn Bhd Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur Tel: 603-2084 9000 Fax: 603-2094 9940
STOCK EXCHANGE LISTING	Main Market of the Bursa Malaysia Securities Berhad



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have great pleasure to present the Annual Report of Ajinomoto (Malaysia) Berhad for the financial year ended 31 March 2015.

### RESULTS/PERFORMANCE

The business environment for the Company remained challenging during the year in view of increasing competitive pressure and uncertainties over the implementation of Goods and Services Tax in Malaysia. The sales revenue for the year ended 31 March 2015 was RM340.4 million, slightly lower by 1.4% against the RM345.4 million generated in the preceding year. The Umami segment underperformed in the lack of a one-off sale in the preceding year and deferment of purchasing activities from customers prior to the implementation of Goods and Services Tax. However, the decrease was mitigated by sustainable sales in the Food and Seasoning segment and additional revenue from the provision of services related to food industry. In spite of the lower revenue, the Company managed to achieve better profit before tax of RM40.6 million, 8.0% higher than the RM37.6 million in the preceding year mainly due to price stability in a key raw material and savings in production costs.

During the financial year, the Company continued the advertising and promotions on its new flavour seasoning product "TUMIX Penambah Rasa Kuah" which was launched in the first quarter to create product awareness amongst consumers in addition to in-store promotions and sales campaigns in food service outlets for sales creation. The Company has participated in a range of Corporate Social Responsibility (CSR) activities which are in line with "Ajinomoto Shared Value" of the Ajinomoto Group in 2014, including the new collaboration with Ministry of Health, Malaysia on Low Sodium Diet Education Activity, Umami Workshop for professional chefs to further promote the strength of Umami Seasonings and Living Skill Development Program aiming to develop the cooking skill of target orphans for their future career development through a series of Ajinomoto products' application classes.

### PROSPECTS

The domestic economic growth is expected to be slower in the year ahead looking at the volatility in global economy, depreciation of Ringgit Malaysia against US Dollar and the concerns arising from the Goods and Services Tax in Malaysia. The Company is anticipated to encounter the pressures from rising raw material costs and keen market competition due to slower consumer spending. The Company will focus on expanding the number of new retail outlets in domestic market and strengthening sales force to generate stable sales growth in addition to the cost saving efforts to mitigate the increasing production costs.

### DIVIDENDS

The Board of Directors aims to maintain a policy of stable dividend payout to shareholders. The Directors have proposed a first and final single-tier dividend of 20.0 sen per ordinary share. This dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting.

### APPRECIATION

Since the last Annual General Meeting, Mr. Ryoichi Ebata and Mr. Ryuji Ito have resigned from the Board. The Board wishes to record its appreciation to them for their invaluable contributions and guidance to the Company.

On behalf of the Board, I would like to express my deepest appreciation to the management and staff for their strong dedication, commitment and contributions, to our suppliers for their commitment to deliver services and goods meeting our standards, and to our loyal distributors and customers for their continued support to our products and the Company. I would also wish to put on record my sincere gratitude to my fellow Directors for their counsel and support.

## DIRECTOR'S PROFILE



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**General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim Bin Mohd. Ali ( Rtd )**  
*Chairman, Independent Non-Executive Director*  
80 years of age – Malaysian

General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim Bin Mohd. Ali (Rtd) was appointed Chairman of Ajinomoto (Malaysia) Berhad on 5 September 1995. He resigned as the Chairman of the Audit Committee on 1 November 2002 but remained as a Committee member. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee. He attended all five Board meetings held in the financial year.

He holds a Diploma In Advance Business Management from the Harvard Business School. He was conferred the Honorary Doctorate by the University of Salford, United Kingdom in January 1999 and the Honorary Doctorate by the Malaysian National Defence University in October 2012. He is also a member of the Selangor Royal Court (Ahli Dewan DiRaja Selangor) since 1 January 2005.

Prior to his entry into the corporate world, General Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd Ali (Rtd) was the Chief of the Defence Forces in the Malaysian Armed Forces where he chalked up 40 years of dedicated service. During his tenure in the Malaysian Armed Forces, he had initiated the re-organisation and modernization of the Army.

He is the Chairman of Country Heights Holdings Berhad and Datasonic Group Berhad. He is currently the Chairman of the Southeast Asian Association of Glutamate Science ("SEAAGS"). The member countries are Thailand, Indonesia, Philippines, Vietnam and Malaysia. He also sits on the Board of Institute of Strategic and International Studies (ISIS Malaysia), Borneo Highlands Hornbill Golf & Jungle Club Berhad, Mines Resort Berhad, Mines Excellence Golf Resort Berhad as well as some other private companies.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.

## Director's Profile (cont'd.)



***Tan Sri Dato' (Dr.) Teo Chiang Liang***  
*Independent Non-Executive Director*  
64 years of age – Malaysian

Tan Sri Teo was appointed to the Board of Ajinomoto (Malaysia) Berhad on 28 June 2001. He was appointed as the Chairman of the Audit Committee on 1 November 2002. He is also a member of the Nomination Committee and the Remuneration Committee. He attended all five Board meetings held in the financial year.

Graduated with a Bachelor of Arts (Honours) degree in Business Studies and M.Sc in Management & Administration from the United Kingdom, Tan Sri Teo obtained his training from The Chartered Bank and Pillar Naco Ltd in UK. Since 1975, he joined and served the See Hoy Chan Holdings Group, a well diversified group of companies, in different levels of management. In 1990 he was awarded the Certificate in General Insurance by The Malaysian Insurance Institute.

Tan Sri Teo was elected Secretary General of the Malaysian Association of Private Colleges & Universities from 1997 to March 2003 and is currently its Vice President.

He was appointed a member of the MSC Education Advisory Panel in 1998. He is also a Life Member of the Malaysian Red Crescent Society. In 1998, The Nottingham Trent University in UK appointed Tan Sri Teo as Visiting Professor of the University and awarded an honorary degree of Doctor of Business Administration to him in 2001. In 2006, Tan Sri Teo was elected as an Exco member of the Malaysian Crime Prevention Foundation. Tan Sri Teo's other directorships in public companies include RHB Capital Berhad and RHB Insurance Berhad.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.



***Keiji Kaneko***  
*Managing Director/Chief Executive Officer*  
52 years of age – Japanese

Mr. Kaneko was appointed as Managing Director/ Chief Executive Officer on 1 July 2015. He is a member of the Remuneration Committee.

Mr. Kaneko graduated from Kansai Gaidai University with a Bachelor Degree in English Language in September 1986 and obtained a Master Degree in Business Administration (MBA) at the University of Wisconsin at Eau Claire in December 1998.

He joined Ajinomoto Co., Inc Japan in 1989, began his career with the Tokyo Branch and has held various positions in Japan and overseas within the Ajinomoto Group of Companies.

Mr. Kaneko also sits on the Board of Malaysia Packaging Industry Berhad.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.



## Director's Profile (cont'd.)



**Katsuhide Shirai**  
*Executive Director*  
43 years of age – Japanese

Mr. Shirai was appointed to the Board of Ajinomoto (Malaysia) Berhad on 1 July 2011. He attended all five Board meetings held in the financial year.

He graduated from the Department of Political Science and Economics, Waseda University, Japan in 1995.

He joined Ajinomoto Co., Inc Japan in 2002 and began his career in Head Quarters, Finance Department Accounting Affairs and had served in various capacities in Head Office.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.



**Koay Kah Ee**  
*Senior Independent Non-Executive Director*  
56 years of age – Malaysian

Mr. Koay was appointed to the Board of Ajinomoto (Malaysia) Berhad on 15 November 2007. He is a member of the Audit Committee. He was appointed as Chairman of the Nomination Committee and Senior Independent Non-Executive Director on 28 May 2013. He attended all five Board meetings held in the financial year.

He graduated with a Master in Business Administration from University of Strathclyde, UK. He is a Fellow of Chartered Institute of Management Accountants (FCMA), UK, Fellow of the Australian Society of Certified Practising Accountants (FCPA), Chartered Accountant (CA) of the Malaysia Institute of Accountants, member of the CIMA (UK) Global Panel of Membership Assessors and member of the Employer panel of Industrial Court Malaysia.

He is currently the Group Finance Director of Prestar Resources Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He also sits on the Board of JF Technology Berhad, a company listed on the ACE Market of Bursa Securities.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.

## Director's Profile (cont'd.)



***Dominic Aw Kian-Wee***  
*Independent Non-Executive Director*  
44 years of age – Malaysian

Mr. Aw was appointed to the Board of Ajinomoto (Malaysia) Berhad on 10 August 2010. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He attended all five Board meetings held in the financial year.

Mr. Aw holds a Bachelor of Law (Hons) degree from the University of Hull, North Humberside, England and a Barrister-at-Law (Middle Temple) from the University of Westminster, London, England.

He is a partner of Mazlan & Associates since 2003 and has over 18 years of working experience as an advocate and solicitor.

He also sits on the Board of Dolomite Corporation Berhad.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.



***Dato' Setia Ramli Bin Mahmud***  
*Independent Non-Executive Director*  
61 years of age – Malaysian

Dato' Setia Ramli was appointed to the Board of Ajinomoto (Malaysia) Berhad on 1 April 2011. He is a member of the Audit Committee and Nomination Committee. He attended all five Board meetings held in the financial year.

Graduated with a Bachelor of Arts (Honours) degree from University Malaya in 1978 and Diploma from National Institute of Public Administration in Public Management, Certificate in Local Government Finance from University of Birmingham, UK., MBA from University of Stirling Scotland, UK., Chevening Fellowship program in Public Sector Reform from University of Bradford, UK.

He had served the Malaysian Government for over thirty years. He began his civil service career in Ministry of Home Affairs and held various positions in the Federal and Selangor State Governments. He also served as a Director of Malaysia External Trade Development (MATRADE) in Tokyo, District Officer of Gombak District, President of Majlis Perbandaran Ampang Jaya and Mayor of Shah Alam. He held the position of the Selangor State Secretary. He is currently the Chairman of Perbadanan Wakaf Selangor.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.



## Director's Profile (cont'd.)



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**Kamarudin Bin Rasid**  
*Executive Director*  
54 years of age - Malaysian

En. Kamarudin Bin Rasid was appointed to the Board of Ajinomoto (Malaysia) Berhad on 1 June 2012. He attended all five Board meetings held in the financial year.

En. Kamarudin graduated with a Degree in Food Science and Technology from University Putra of Malaysia in 1986.

He joined the Technical Department of Ajinomoto (Malaysia) Berhad in 1987. Over the years he moved up the corporate ladder and served under various capacities.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.



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**Azharudin Bin Ab Ghani**  
*Executive Director*  
51 years of age – Malaysian

En. Azharudin Bin Ab Ghani was appointed to the Board of Ajinomoto (Malaysia) Berhad on 1 Jun 2013. He attended all five Board meetings held in the financial year.

En. Azharudin graduated from the National University of Malaysia with a Bachelor of Science (Microbiology) in 1985.

He joined the Production Department of Ajinomoto (Malaysia) Berhad in 1985. Over the years he moved up the corporate ladder and served under various capacities.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.

## Director's Profile (cont'd.)



**Motohiro Komase**  
*Executive Director*  
44 years of age – Japanese.

Mr. Komase was appointed to the Board of Ajinomoto (Malaysia) Berhad on 1 July 2014. He attended all three Board meetings held since his appointment to the board.

Mr. Komase graduated from the Department of Economics, Nagoya University, Japan in 1993.

He joined Ajinomoto Co., Inc Japan in 1993 and began his career in Head Quarters, International Department and has held various positions in Japan and overseas within the Ajinomoto Group of Companies.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.



**Dr. Masata Mitsuiki**  
*Executive Director*  
52 years of age – Japanese

Dr. Mitsuiki was appointed to the Board of Ajinomoto (Malaysia) Berhad on 1 July 2015.

He graduated from the School of Agriculture, Japan in 1986 and obtained M.S. and Ph.D. in agriculture from Kyushu University, Japan in year 1988 and 1999 respectively.

He joined Ajinomoto Co., Inc. Japan in 1988 and began his career in Research & Development Centre of Food Sciences & Technologies and has held various positions in Japan and overseas within the Ajinomoto Group of Companies. He then joined Ajinomoto (Malaysia) Berhad from 1 July 2014 as one of the Chief Officers.

He has no conflict of interest with the Company or any family relationship with any other Director or shareholder of the Company. He has also not been convicted for any offences within the past ten years other than for traffic offences, if any.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company ("**the Board**") recognises the importance of maintaining high standards of corporate governance within the Company as this would serve to protect shareholders' value as well as enhance the financial performance of the Company.

The Board is committed to its policy of managing the affairs of the Company with transparency, integrity and accountability by ensuring that a sound framework of best corporate governance practices is in place and thus discharging its responsibility towards protecting and enhancing long-term shareholders' value and investors' interest.

The application of the Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**") to the Company's particular circumstances, having regard to the Recommendations stated under each Principle of the MCCG 2012, is reported hereunder. Where the Company has not followed any Recommendation, intends to take steps or has taken steps to follow such Recommendation, or intends to establish or has established an alternative approach, a statement to that effect, together with the reasons, where applicable, is also reported hereunder.

## 1. Establish clear roles and responsibilities

### 1.1 Establish clear functions reserved for the Board and those delegated to management

The Board has established clear functions reserved for the Board and those delegated to management. The respective roles and responsibilities of the Board and management are clearly set out in the Board Charter and understood to ensure accountability of both parties. This allocation of responsibilities reflects the dynamic nature of the relationship necessary for the Company to adapt to changing circumstances. Key matters such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board, while a capable and experienced management team is put in charge to oversee the day-to-day operations of the Company.

The descriptions for the respective functions of the Board and the Managing Director/Chief Executive Officer, as well as the Company's corporate objectives to be met by the Managing Director/Chief Executive Officer, are developed by the Board together with the Managing Director/Chief Executive Officer. The Board had adopted a formal Board Charter, which is available for reference at the Company Secretary's office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur during normal business hours, and will conduct a regular review of the division of responsibilities as stated in the Board Charter as and when required to ensure that the needs of the Company are consistently met, and to reflect the dynamic nature of the relationship necessary for the Company to adapt to changing circumstances.

### 1.2 Establish clear roles and responsibilities in discharging the Board's fiduciary and leadership functions

- **Review and adopt a strategic plan for the Company**

The Board undertakes to play an active role in reviewing and adopting the Company's strategic plans by reviewing, discussing at length, and approving any of the management's proposal on a strategic plan for the Company when the same is presented by the management.

The Board comprises highly respectable and professional persons and represents a diverse background of knowledge, expertise and experience. With their combined experience and knowledge, they provide sound advice and judgement for the benefit of the Company and its shareholders.

In addition, as the non-executive board members are not involved in the day-to-day management of the Company's business, the Board as a whole is able to bring about objective judgements and advice drawing from their respective knowledge, expertise and experience, and ensure that the management has taken into account all appropriate considerations in establishing any strategic plans for the Company.

Responsibility is vested in the non-executive directors of the Company to ensure that the policies and strategies proposed by management are fully discussed and critically examined, not only against the best long-term interests of shareholders, but also to ensure that management takes proper account of the interests of employees, customers, suppliers and the communities within which the Company is represented. The presence of the non-executive directors is essential to provide unbiased and independent views, advice and judgement, as well as to safeguard the interest of all stakeholders.

In February of every year, the Board will discuss and approve the budget for the ensuing financial year at a Board Meeting.

# Corporate Governance Statement

(cont'd.)

## 1. Establish clear roles and responsibilities (continued)

### 1.2 Establish clear roles and responsibilities in discharging the Board's fiduciary and leadership functions (continued)

- **Oversee the conduct of the Company's business**

The Board ensures it oversees the performance of management to determine whether the business is being properly managed. The Managing Director/Chief Executive Officer is tasked with the responsibility to keep the Board informed on all matters which may materially affect the Company and its business. As the Managing Director/Chief Executive Officer is accountable to the Board for the achievement of the Company's goals and the observance of management's limitations, the Managing Director/Chief Executive Officer periodically reports to the Board on all operational matters necessary.

- **Identify principal risks and ensure implementation of appropriate internal controls and mitigation measures**

The Board recognises the importance of managing risks and maintaining a sound system of internal controls which cover risk management, financial, organisational, operational and compliance controls. The Board has delegated the implementation and monitoring of the internal control system to the management and has appointed independent consultants to carry out the internal audit functions. The Audit Committee ("AC") assists the Board in overseeing this function.

- **Succession planning**

The Nomination Committee ("NC") is delegated with the responsibility to review Board and senior management succession plans. With this, the NC assesses and recommends to the Board candidates for directorships and nominees to fill the seats on Board Committees in line with the Terms of Reference ("TOR") of the NC. Where there are key management positions to be filled, the Board will also discuss on the same to ensure that the candidates appointed or employed are of sufficient calibre.

Some of the candidates for key senior management / Executive director positions are nominated by Ajinomoto Co. Inc. ("AjiCo") being the major shareholder and head office, and hence, there is an orderly succession of most key senior management positions. Although AjiCo nominates candidates to hold such positions on a rotational basis every few years, the NC and the Board will also review and discuss to ensure that the candidates are of sufficient calibre, providing advice and suggestions, if required.

- **Oversee development and implementation of a shareholder communication policy for the Company**

The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. It ensures that timely releases of the quarterly financial results, circulars, press releases, corporate announcements and annual reports are made to its shareholders and investors.

Shareholders, investors and the general public can also obtain information on the Company by accessing the Company's website at <http://www.ajinomoto.com.my>. Shareholders and investors are also able to access the latest corporate, financial and market information of the Company via Bursa Malaysia's website at <http://www.bursamalaysia.com>.

- **Review adequacy and integrity of the management information and internal controls system of the Company**

The Board acknowledges its responsibility and accountability for reviewing the adequacy and integrity of the management information and internal controls systems. Information on the Company's internal control system is presented in the Statement on Risk Management and Internal Control of this Annual Report.

# Corporate Governance Statement (cont'd.)

## 1. Establish clear roles and responsibilities (continued)

### 1.3 Formalise ethical standards through a code of conduct and ensure its compliance

The Board is committed in maintaining a corporate culture which engenders ethical conduct. Ethical standards are formalised through the Company's Code of Conduct, which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The summarised Code of Conduct is available for reference at the Company Secretary's office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur during normal business hours.

The Board also has a separate Whistleblowing Policy stating the appropriate communication and feedback channels to facilitate whistleblowing.

### 1.4 Ensure that the Company's strategies promote sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business which underpin sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhancing investor perception and public trust. Disclosures on corporate responsibility are presented under 'Corporate Responsibility' of this Annual Report and also published on the Company's website at <http://www.ajinomoto.com.my>.

### 1.5 Have procedures to allow Board members access to information and advice

The Board has unrestricted access to all information within the Company, whether as a full Board or in their individual capacity, as supplied by the management in a timely manner in order for the Board to discharge its responsibilities. The agenda for the Board meetings, together with appropriate reports and information on the Company's business operations, and proposal papers for the Board's consideration are circulated to all the Directors prior to the meetings in sufficient time. During the meetings, the management provides further detailed information and clarification on issues raised by members of the Board.

The Board may also obtain independent professional advice at the Company's expense in furtherance of its duties. Wherever necessary, consultants and experts are invited to brief the Board on their areas of expertise or their reports.

### 1.6 Ensure the Board is supported by a suitably qualified and competent company secretary

The Board has access to the advice and services of the Company Secretary who is suitably qualified under Section 139A of the Companies Act 1965 ("the Act"), and competent. The Board is satisfied with the performance and support rendered by the Company Secretary, who plays a vital role in advising the Board concerning all corporate governance matters. The Company Secretary is also responsible to ensure that Board meeting procedures are followed, and the applicable statutory and regulatory requirements are complied with.

The Company Secretary ensures that all Board and Board Committee deliberations and resolutions are properly and accurately minuted and will update the Board regularly on any regulatory changes and developments in corporate governance.

### 1.7 Formalise, periodically review and make public the Board Charter

The Board Charter adopted by the Board sets out the Board's strategic intent and outlines the Board's roles and responsibilities, providing insights and guidance to the Board and the management concerning their division of responsibilities, and processes and procedures for convening Board meetings.

The Board will periodically review the Board Charter to ensure its relevance.

# Corporate Governance Statement

(cont'd.)

## 2. Strengthen composition

### 2.1 Establish a NC which should comprise exclusively of non-executive directors, a majority of whom must be independent

The NC was established with clearly defined TOR, and comprised five (5) non-executive directors, all of whom are independent, during the financial year ended 31 March 2015 as follows:-

- |  |   |
|--|---|
| • Mr. Koay Kah Ee  | (Chairman, Senior Independent Non-Executive Director) |
| • General Tan Sri (Dr) Dato' Paduka<br>Mohamed Hashim Bin Mohd Ali (Rtd) | (Independent Non-Executive Director)                  |
| • Tan Sri Dato' (Dr) Teo Chiang Liang                                    | (Independent Non-Executive Director)                  |
| • Mr. Dominic Aw Kian-Wee  | (Independent Non-Executive Director)                  |
| • Dato' Setia Ramli Bin Mahmud   | (Independent Non-Executive Director)                  |

The NC had two (2) meetings during the financial year ended 31 March 2015.

The NC is charged with the responsibility to assess new candidates to the Board, if necessary, and to review the structure, size and composition of the Board. The NC is satisfied with the size of the Company's Board and that there is appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board during the financial year ended 31 March 2015.

The Chairman of the NC is Mr. Koay Kah Ee, who is also the Senior Independent Non-Executive Director identified by the Board to whom concerns may be conveyed by shareholders and the general public.

The activities of the NC in the discharge of its duties during the financial year ended 31 March 2015 are as follows:-

- a. Reviewed the profile and nomination of new Board member;
- b. Assessed the independence of independent directors;
- c. Reviewed the contribution and performance of each individual director, the Board as a whole and Board Committees;
- d. Reviewed and recommended the re-election and re-appointment of directors to the Board for recommendation to the shareholders for approval;
- e. Reviewed and recommended the retention of independent directors to the Board for recommendation to the shareholders for approval; and
- f. Reviewed the procedures and forms on annual assessments.

### 2.2 Develop, maintain and review the criteria for recruitment and annual assessment of Directors

The NC also assesses the performance of the Board, the Committees of the Board and the Directors of the Company, as well as the training needs of the Board and each Director annually. The assessments are based on criteria developed, maintained and periodically reviewed by the NC.

All new members to the Board are nominated and elected based on the profile and curriculum vitae and the matching of skills and expertise against the needs of the Company. All new members appointed will be given an induction and the appropriate orientation and training necessary for the discharge of their duties.

Any director appointed during the year is required under the Company's Articles of Association ("AA") to retire and seek re-election by shareholders at the following Annual General Meeting ("AGM") immediately after his appointment. As Mr. Keiji Kaneko and Dr. Masata Mitsuiki were appointed after the preceding year's AGM, they will be retiring from office at the forthcoming Fifty-Fourth AGM.

The AA also provides that one third (1/3) of the Directors shall retire by rotation at each AGM provided always that all Directors shall retire from office at least once in every three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders. In this respect, the Directors to retire by rotation from office at the forthcoming Fifty-Fourth AGM are Tan Sri Dato' (Dr) Teo Chiang Liang, Encik Kamarudin Bin Rasid and Mr. Dominic Aw Kian-Wee.



# Corporate Governance Statement (cont'd.)

## 2. Strengthen composition (continued)

### 2.2 Develop, maintain and review the criteria for recruitment and annual assessment of Directors

In addition, in accordance with Section 129 of the Act, General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim Bin Mohd Ali (Rtd) who is over the age of 70 years will be seeking for re-appointment at the forthcoming Fifty-Fourth AGM.

The Board is taking steps to develop a formal policy on its boardroom and gender diversity through the NC and will ensure that women candidates are sought as part of its recruitment exercise. To-date, the NC and the Board are still looking for suitable women candidates to be considered for appointment to the Board.

### 2.3 Establish formal and transparent remuneration policies and procedures to attract and retain directors

The RC was set up with clearly defined TOR, and comprised one (1) executive director and three (3) non-executive directors during the financial year ended 31 March 2015, as follows:-

- General Tan Sri (Dr) Dato' Paduka (Chairman, Independent Non-Executive Director)  
 Mohamed Hashim Bin Mohd Ali (Rtd)
- Tan Sri Dato' (Dr) Teo Chiang Liang (Independent Non-Executive Director)
- Mr. Dominic Aw Kian-Wee (Independent Non-Executive Director)

The Board has adopted Ajinomoto's Group Remuneration Policy and AjiCo's recommendations to set the remuneration of its executive directors. The compensation system takes into account the performance of each executive director and the competitive environment in which the Group operates. The executive directors take no part in deciding their own remuneration.

The primary function of the RC is to set up the policy framework and to recommend to the Board the remuneration of the executive directors to ensure the remuneration is sufficiently attractive to retain and motivate the executive directors to run the Company successfully. The determination of the remuneration for the non-executive directors will be a matter of the Board as a whole with the director concerned abstaining from all deliberations and voting in respect of his individual remuneration.

The RC may meet at least once a year or more frequently as deemed necessary. The RC had two (2) meetings during the financial year ended 31 March 2015.

The aggregate remuneration of the Directors for the financial year ended 31 March 2015 is as follows:-

	<b>Executive Directors RM'000</b>	<b>Non-Executive Directors RM'000</b>
Salaries and other emoluments	2,462	118
Fees	150	210
Bonus	337	-
Gratuity	60	84
Defined contribution plan	68	-
Benefit-in-kind	376	-

# Corporate Governance Statement

(cont'd.)

## 2. Strengthen composition (continued)

### 2.3 Establish formal and transparent remuneration policies and procedures to attract and retain directors (continued)

The number of directors of the Company whose total remuneration during the financial year ended 31 March 2015 fall within the following bands are as follows:-

Band of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 - RM100,000	-	4
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	2	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	-
RM450,001 - RM500,000	-	-
RM500,001 - RM550,000	1	-
RM550,001 - RM600,000	-	-
RM600,001 - RM650,000	1	-
RM650,001 - RM700,000	1	-
RM700,001 - RM750,000	-	-
RM750,001 - RM800,000	1	-

## 3. Reinforce independence

### 3.1 Undertake and assessment of independent directors annually

The Board is committed in undertaking an assessment of its independent directors annually and assesses the independence of its independent directors based on the criteria developed by the NC, which focuses beyond the independent director's background, economic and family relationships, and applies these criteria upon admission, annually and when any new interest or relationship develops.

### 3.2 Re-designate an independent director of more than nine (9) years as a non-independent director

The Board is aware that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board as a non-independent director. In the event the Board wishes to retain such director as an independent director, the Board will justify and seek shareholders' approval.

### 3.3 Justify and seek shareholders' approval to retain an independent director of more than nine (9) years in the same capacity

General Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd. Ali (Rtd) and Tan Sri Dato' (Dr) Teo Chiang Liang are the two (2) independent directors who had served on the Board for more than nine (9) years and accordingly, the Board had sought shareholders' approval at the preceding AGM held on 29 September 2014 to retain them as independent directors. The shareholders had approved the retention.

The Board, with the assessment of the NC, is recommending to the shareholders again at the forthcoming Fifty-Fourth AGM to approve the retention of General Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd. Ali (Rtd) and Tan Sri Dato' (Dr) Teo Chiang Liang as independent directors for the ensuing year. Details of the assessment are disclosed in the Notice of the Fifty-Fourth AGM enclosed in this Annual Report.

# Corporate Governance Statement (cont'd.)

## 3. Reinforce independence (continued)

### 3.4 Positions of the Chairman of the Board and Managing Director/Chief Executive Officer should be held by different individuals

The roles of the Chairman of the Board and Managing Director/Chief Executive Officer are separate and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority to promote accountability. The Chairman is responsible for ensuring Board effectiveness and conduct, leading the Board in the oversight of management, whilst the Managing Director/Chief Executive Officer has overall responsibilities over the Company's operating units, organisational effectiveness and implementation of Board policies and decisions on a day-to-day basis.

### 3.5 Board Composition

The Board currently comprises six (6) Executive Directors and five (5) Independent Non-Executive Directors. The composition of the Board complies with Paragraph 15.02 of Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**MainLR**"), which stipulates that the Company must ensure that at least two (2) directors or 1/3 of the Board, whichever is the higher, are independent directors. Further, as the Chairman of the Board is independent, the Chairman can provide strong leadership by being able to marshal the Board's priorities more objectively.

## 4. Foster commitment

### 4.1 Set out expectations on time commitment and protocols for accepting new directorships

Each member of the Board is expected to devote sufficient time and attention to the affairs of the Company. Any Director is, while holding office, at liberty to accept other Board appointment(s) in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his duty as a Director of the Company. Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman of the Board and/or Company Secretary, where applicable.

Prior the acceptance of new Board appointment(s) in other companies, the Directors are to notify the Chairman of the Board and/or the Company Secretary in writing. The said notification should include an indication of time that will be spent on the new appointment.

The Board meets at least four (4) times, and as and when required, during the financial year to, amongst others, review and approve the quarterly financial statements and the annual audited financial statements.

The number of Board meetings held during the financial year ended 31 March 2015 and each Director's attendance at the meetings were as follows:-

Directors	No. of Meetings Attended by the Directors in respect of the Financial Year Ended 31 March 2015*	Attendance (%)
<b>Executive Directors</b>		
Mr. Ryoichi Ebata (Managing Director/Chief Executive Officer) (Resigned w.e.f. 30 June 2015)	5/5	100
Mr. Katsuhide Shirai (Chief Finance Officer)	5/5	100
Encik Kamarudin Bin Rasid	5/5	100
Encik Azharudin Bin Ab Ghani	5/5	100
Mr. Daisuke Kon (Resigned w.e.f 30 June 2014)	2/2	100
Mr. Motohiro Komase (Appointed w.e.f 1 July 2014)	3/3	100
Mr. Ryuji Ito (Resigned w.e.f. 30 June 2015)	5/5	100
Mr. Keiji Kaneko (Managing Director/Chief Executive Officer) (Appointed w.e.f 1 July 2015)	N/A	N/A
Dr. Masata Mitsuiki (Appointed w.e.f 1 July 2015)	N/A	N/A

# Corporate Governance Statement (cont'd.)

## 4. Foster commitment (continued)

### 4.1 Set out expectations on time commitment and protocols for accepting new directorships (continued)

Directors	No. of Meetings Attended by the Directors in respect of the Financial Year Ended 31 March 2015*	Attendance (%)
<b>Non-Executive Directors</b>		
General Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd Ali (Rtd) ( <i>Chairman</i> )	5/5	100
Tan Sri Dato' (Dr) Teo Chiang Liang	5/5	100
Mr. Koay Kah Ee	5/5	100
Mr. Dominic Aw Kian-Wee	5/5	100
Dato' Setia Ramli Bin Mahmud	5/5	100

#### Note

\* There were five (5) Board meetings held during the financial year ended 31 March 2015. The meetings were held on 28 May 2014, 25 June 2014, 25 August 2014, 17 November 2014 and 16 February 2015.

Board meetings for each calendar year are scheduled well ahead so that the Directors can plan accordingly and fit the Board meetings into their respective schedules.

### 4.2 Ensure Board members have access to appropriate continuing education programmes

All the Directors of the Company as at 31 March 2015 have attended the Mandatory Accreditation Programme prescribed by Bursa Securities for directors of public listed companies. In addition, all the Directors as at 31 March 2015 have attended trainings during the financial year ended 31 March 2015 as part of their continuous training in compliance with Paragraph 15.08 of the MainLR.

The trainings/programmes include:-

- Land Related Laws in Property Development, 15 April 2014
- Goods and Services Tax ("GST") Training, 5 May 2014
- GST Implementation workshop, 14 May 2014
- Advocacy Session on Corporate Disclosure for Directors, 2 July 2014
- Financial Year 2015 Malaysian Budget Seminar, 20 October 2014
- Budget 2015 – Tax Seminar, 28 October 2014
- ASEAN Economic Community 2015 and The Transformation from Local to Regional Corporate Governance Champion, 5 November 2014
- Transfer Pricing Seminar, 10 December 2014
- Price Control & Anti-profiteering Seminar, 23 March 2015
- GST : Costly Mistakes to avoid, 24 March 2015
- How To Read Non-Verbal Gestures, Detect Deception & Analyse The Truth, 25 March 2015

In addition, the Board is briefed at every Board meeting on any significant changes in laws and regulations that are relevant by the Company Secretary.

The members of the Board will attend various professional programmes necessary to ensure that they are kept abreast on various issues on the changing business environment within which the Company operates. In addition, the Board encourages its Directors to attend talks, workshops, seminars and conferences to update and enhance their skills and to assist them in discharging their responsibilities towards corporate governance, operational and regulatory issues.

# Corporate Governance Statement (cont'd.)

## 5. Uphold integrity in financial reporting

### 5.1 Ensure financial statements comply with applicable financial reporting standards

The Board is responsible for ensuring that the quarterly and annual audited financial statements of the Company present a fair and balance view and assessment of the Company's financial position, performance and prospects and comply with applicable financial reporting standards.

The AC assists the Board in reviewing and scrutinising the information in terms of accuracy, adequacy and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards. Mr. Koay Kah Ee, who is a member of the Malaysian Institute of Accountants, together with the other AC members, reviewed the quarterly and annual audited financial statements of the Company prior to recommendation of the same to the Board for approval and submission to Bursa Securities and/or shareholders.

Mr. Katsuhide Shirai, the Chief Finance Officer, had also presented to the AC and the Board detailed presentations on the financial results, including performance against targets/budget.

### 5.2 Have policies and procedures to assess the suitability and independence of external auditors

The Company's independent external auditors fill an essential role by enhancing the reliability of the Company's annual audited financial statements and giving assurance to stakeholders of the reliability of the annual audited financial statements.

The external auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the Management; and if necessary, to the AC and the Board.

The AC without the presence of executive Board members and management also meets with the external auditors at least twice during each financial year to exchange free and honest views on issues which the external auditors may wish to discuss in relation to their audit and findings.

Policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors are established by the AC. The AC also monitors the independence and qualification of external auditors and obtains written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The suitability and independence of external auditors are assessed annually in order for the AC to recommend to the Board to recommend to the shareholders the re-appointment of the external auditors for the ensuing year.

## 6. Recognise and manage risks

### 6.1 Establish a sound framework to manage risks

The Board is committed to determine the Company's level of risk tolerance and to actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets by monitoring the internal controls in place with the assistance of the AC, the external auditors and the internal auditors, who will report on the effectiveness and efficiency of the internal control processes and procedures periodically to ensure that the system is viable and robust.

Information on the Company's risk management framework and internal control system is presented in the Statement on Risk Management and Internal Control of this Annual Report.

### 6.2 Establish an internal audit function which reports directly to the AC

The internal audit function is outsourced to a professional firm and reports directly to the AC. The head of the internal audit function or his representative attends the AC meetings quarterly to report to the AC on their findings of the effectiveness of the governance, risk management and internal control processes within the Company.

# Corporate Governance Statement

(cont'd.)

## 7. Ensure timely and high quality disclosure

### 7.1 Ensure the Company has appropriate corporate disclosure policies and procedures

The Board ensures that all material information and corporate disclosures are discussed with the management prior to dissemination to ensure compliance with the MainLR. In deciding on the necessary disclosures and announcements, the Board is also guided by Bursa Malaysia's corporate disclosure guides as published by Bursa Malaysia from time to time.

### 7.2 Encourage the Company to leverage on information technology for effective dissemination of information

The Board acknowledges the use of information technology to communicate with its stakeholders. Timely announcements are made through Bursa Link online with regard to the Company's quarterly results, corporate proposals and other required announcements, and the same are also available on the Company's website at <http://www.ajinomoto.com.my>, to ensure effective dissemination of information relating to the Company and that accurate information are provided to the public at large.

## 8. Strengthen relationship between company and stakeholders

### 8.1 Take reasonable steps to encourage shareholder participation at general meetings

Notice of the AGM, annual reports and circulars are sent out with sufficient notice before the date of the meeting to enable the shareholders to have full information about the meeting to facilitate informed decision-making. The explanatory notes on the proposed resolutions under Special Business are given to help the shareholders vote on the resolutions.

All Notices of general meetings are served within the minimum prescribed notice period as the Board is of the view that serving of such notices earlier than the minimum notice period does not tantamount to encouragement of shareholder participation.

Also, the Board is of the view that given the circumstances and technology surrounding electronic voting currently, the adoption of electronic voting may not facilitate greater shareholder participation as it is not user-friendly and most shareholders may not be familiar with using such a system. Nonetheless, the Board is committed to disclose all relevant information to shareholders in the Notices and during the meetings to enable them to exercise their rights.

### 8.2 Encourage poll voting

The Chairman informs shareholders of their right to demand a poll vote at the commencement of general meetings. However, the Board is of the view that given the circumstances and technology surrounding electronic voting currently, the adoption of electronic means of poll voting may not also facilitate greater shareholder participation as it is not user-friendly and most shareholders may not be familiar with using such a system.

### 8.3 Promote effective communication and proactive engagements with shareholders

The AGM remains the principal forum for dialogue with shareholders where they may seek clarifications on the Company's business and reports. During the AGM, the Managing Director/Chief Executive Officer will present the financial results and the Company's business strategy for the financial year, and the Chairman will open the floor to questions shareholders may have for the Board before receiving the annual audited financial statements. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. The Board will respond to any questions raised during general meetings and also share with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group, if any.

This Statement is made in compliance with Paragraphs 15.25 and 15.08A of the MainLR and approved by the Board on 25 June 2015.



# ADDITIONAL COMPLIANCE INFORMATION

## 1. Utilisation of Proceeds

Not Applicable

## 2. Share Buy-Back

The Company did not enter into any share buy-back transactions during the financial year.

## 3. Options or Convertible Securities

The Company has neither granted any options nor issued any convertible securities during the financial year.

## 4. Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year.

## 5. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company, or its directors or Management by any regulatory bodies during the financial year.

## 6. Non-Audit Fees

During the financial year, the amount of non-audit fees paid by the Company to the external auditors amounted to RM43,700.

## 7. Variation in Results

There were no material variations between the audited results for the financial year ended 31 March 2015 against the unaudited results for the year ended 31 March 2015 released by the Company previously.

## 8. Profit Guarantee

The Company did not provide any profit guarantee during the financial year.

## 9. Material Contracts

There are no material contracts entered into by the Company (not being contracts entered into in the ordinary course of business) involving Directors' and major shareholders' interests which were still subsisting, since the end of the previous financial year.

## 10. Recurrent Related Party Transactions of Revenue or Trading Nature

The details of the transactions with related parties undertaken by the Company during the financial year are disclosed in the Related Party Disclosures of the Financial Statements.

## 11. Profit Estimate, Forecast of Projection

The Company did not make any release on the profit estimate, forecast or projections for the financial year ended 31 March 2015.

## 12. Conflict of Interest

None of the Directors or major shareholders of the Company has any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiaries and which is not quoted on a stock exchange. There is no conflict between the Company and its Adviser, Reporting Accountants and Solicitors. The Adviser, Reporting Accountants and Solicitors are paid a fee for their services.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

### In Relation To The Financial Statements

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its result and cash flow for the year then ended.

The Directors consider that in preparing the financial statements,

- the Company has used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates have been made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## For The Financial Year Ended 31 March 2015

### INTRODUCTION

The Board of Directors ("**the Board**") of Ajinomoto (Malaysia) Berhad is pleased to present its Statement on Risk Management And Internal Control for the financial year ended 31 March 2015, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**Main LR**") and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("**the Guidelines**"). The statement below outlines the nature and scope of risk management and internal control of the Company during the financial year under review.

### BOARD RESPONSIBILITY

The Board acknowledges its responsibility and re-affirms its commitment in maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets as well as reviewing the adequacy and integrity of the system of internal control. The responsibility of reviewing the adequacy and integrity of the Company's system of internal control is delegated to the Audit Committee, which is empowered by its terms of reference to seek assurance on the adequacy and integrity of the internal control system through independent reviews carried out by the internal audit function.

However, as there are inherent limitations in any system of internal control, such system put into effect by Management can only reduce but cannot eliminate all risks that may impede the achievement of the Company's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

### KEY FEATURES OF THE COMPANY'S INTERNAL CONTROL SYSTEM

#### 1. CONTROL ENVIRONMENT

- **Organisation Structure & Authorisation Procedures**

The Company maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Company's Senior Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Company's various operations.

- **Periodic and Annual Budget**

The Company has a comprehensive budgeting and forecasting system. The annual business plan and budget are approved by the Board and the holding Company. Budgetary control is in place for every operation of the Company, where actual performance is closely monitored against budgets to identify and to address significant variances.

- **Company Policies and Procedures**

The Company has documented policies and procedures that are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Company's business activities at all times as the Company continues to grow.

- **Human Resource Policy**

Comprehensive and rigorous guidelines on employment, performance appraisal, training and retention of employees are in place to ensure that employees of the Company are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

# Statement On Risk Management And Internal Control (cont'd.)

## For The Financial Year Ended 31 March 2015

### KEY FEATURES OF THE COMPANY'S INTERNAL CONTROL SYSTEM (continued)

#### 1. CONTROL ENVIRONMENT (continued)

- **Quality of Product**

Quality of product is of prime importance to the Board. Compliance to procedures outlined in ISO9001:2008 and "Hazard Analysis and Critical Control Point" (HACCP) accreditation to underpin quality assurance and control are strictly adhered to via regular internal and external quality audits.

- **Regular Operational and Management Meetings**

Monthly operational meetings are conducted among senior management to discuss and review the business plans, budgets, financial and operational performances of the Company. Weekly meetings of Department Heads are also held to monitor performances. The quarterly financial statements containing key financial results and comparisons are tabled to the Board for their review.

#### 2. RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Company's business activities involve some degree of risks and key management staff and Heads of Department are responsible for managing identified risks within defined parameters and standards.

The Risk Management Committee which adopts the risk framework from the parent company's Risk Management Guideline System is chaired by the Managing Director/Chief Executive Officer and includes other key management staff. Identifying, evaluating and managing the significant risks faced by the Company is an ongoing process which is undertaken at each department. During the year under review, this process was carried out through periodic management meetings held to communicate and deliberate key issues and risks amongst Management team members and where appropriate, controls are devised and implemented. Significant risks identified are escalated to the Board for their attention by the Managing Director/Chief Executive Officer.

The abovementioned practices / initiatives by the Management serves as the ongoing process used to identify, assess and manage key business, operation and financial risks faced by the Company.

#### 3. INTERNAL AUDIT FUNCTION

The Company's internal audit function, which is outsourced to a professional service firm, assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Company's internal control system. The Internal Auditor reports directly to the Audit Committee and internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage.

On a quarterly basis, the results of the internal audit reviews and the recommendations for improvement are presented to the Audit Committee. In addition, the status of the implementation of corrective actions to address control weaknesses is also followed up by the internal auditors to ensure that these actions have been satisfactorily implemented. Senior Management will continue to ensure that appropriate actions are taken to enhance and strengthen the internal control environment.

Based on the internal audit reviews carried out, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

The costs incurred in maintaining the outsourced internal audit function for the financial year ended 31 March 2015 amounted to RM65,094 (financial year ended 31 March 2014: RM65,941).

#### 4. INFORMATION AND COMMUNICATION

Information critical to the achievement of the Company's business objectives are communicated through established reporting lines across the Company. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

## Statement On Risk Management And Internal Control (cont'd.) For The Financial Year Ended 31 March 2015

### 5. REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the Main LR, the External Auditors have reviewed this Statement for inclusion in the 2015 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

### 6. CONCLUSION

The Board is pleased to report that the Managing Director/Chief Executive Officer and Chief Finance Officer have given their assurance to the Board that the Company's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Company. There was no material control failure that would have any material adverse effect on the financial results of the Company for the year under review and up to the date of issuance of the financial statements.

Moving forward, the Company will continue to enhance the existing systems of risk management and internal controls, taking into consideration the changing business environment.

The Board is of the view that the Company's system of internal control is adequate to safeguard shareholders' investments and the Company's assets. However, the Board is also cognisant of the fact that the Company's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control.

This statement was approved by the Board of Directors on 25 June 2015.

# AUDIT COMMITTEE REPORT

## INTRODUCTION

The Board of Directors of the Company is pleased to present the report of the Audit Committee for the financial year ended 31 March 2015.

## PURPOSE

The Audit Committee assists the Board in carrying out its responsibilities and meeting the Corporate Governance requirements. It reviews the quarterly financial information before recommending to the Board for adoption and release to Bursa Malaysia Securities Berhad, the Securities Commission and shareholders. In addition to this, the Audit Committee reviews the systems of internal controls which management and the Board of Directors have established, and makes recommendations to management on actions to be taken, if any, based on the reports of the independent Internal and External Auditors.

## COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDANCE OF MEMBERS AT MEETINGS

The composition of the Audit Committee and the attendance of the respective members at each Audit Committee Meeting during the financial year ended 31 March 2015 are as follows:-

Names	Designation	Directorship	Attendance*
Tan Sri Dato' (Dr) Teo Chiang Liang	Chairman	Independent Non-Executive Director	5/5
General Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd Ali (Rtd)	Member	Independent Non-Executive Director	5/5
Koay Kah Ee	Member	Senior Independent Non-Executive Director	5/5
Dominic Aw Kian-Wee	Member	Independent Non-Executive Director	5/5
Dato' Setia Ramli Bin Mahmud	Member	Independent Non-Executive Director	5/5

\* There were five (5) Audit Committee Meetings held during the financial year ended 31 March 2015. The meetings were held on 28 May 2014, 25 June 2014, 25 August 2014, 17 November 2014 and 16 February 2015.

## TERMS OF REFERENCE

### 1. Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee:-

- (a) must be a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) must fulfil such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated above, the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.



# Audit Committee Report

(cont'd.)

## 2. Chairman

The members of the Audit Committee shall elect a Chairman from amongst their members who shall be an independent director.

## 3. Secretary

The Company Secretary shall be the Secretary of the Audit Committee.

## 4. Meetings

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Managing Director/ Chief Executive Officer, the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer and a representative of the internal and external auditors respectively should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

## 5. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

## 6. Quorum

The quorum for the Audit Committee meeting shall be a majority of members present who must be independent directors.

## 7. Objectives

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. In addition, the Audit Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Company's control environment.

## Audit Committee Report (cont'd.)

### 8. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) investigate any matter within its terms of reference;
- (b) have full and unlimited/unrestricted access to all information and documents/resources;
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any); and
- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Malaysia Securities Berhad.

### 9. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

- (a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (b) To establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;
- (c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (d) To review with the external auditors the evaluation of the system of internal controls and the audit report;
- (e) To review the quarterly and year-end financial statements of the Company before submission to the Board, focusing particularly on –
  - any change in accounting policies and practices
  - significant adjustments arising from the audit
  - the going concern assumption
  - compliance with applicable financial reporting standards and other legal requirements
- (f) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (g) To review the external auditors' management letter and management's response;
- (h) To do the following, in relation to the internal audit function:-
  - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function
  - review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings
  - review any appraisal or assessment of the performance of members of the internal audit function
  - approve any appointment or termination of the internal auditors;

# Audit Committee Report

(cont'd.)

## 9. Duties and Responsibilities (continued)

- (i) To consider any related party transactions and conflict of interest situation that may arise within the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- (j) To report its findings on the financial and management performance, and other material matters to the Board;
- (k) To consider the major findings of internal investigations and management's response;
- (l) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (m) To monitor the integrity of the Company's financial statements;
- (n) To monitor the independence and qualification of the Company's external auditors;
- (o) To monitor the performance of the Company's internal audit function;
- (p) To monitor the Company's compliance with relevant laws, regulations and code of conduct;
- (q) To review the adequacy and effectiveness of risk management, internal control and governance systems;
- (r) To consider and examine such other matters as the Audit Committee considers appropriate; and
- (s) To consider other matters as defined by the Board.

## Summary of Activities

During the financial year ended 31 March 2015, the Audit Committee had discharged its functions and carried out its duties as set out in the Terms of Reference.

The Audit Committee has also met up with the External Auditors without the presence of all the Executive Board members three times during the financial year in line with its Terms of Reference to encourage a greater exchange of free and honest views between both parties.

A summary of the activities carried out by the Audit Committee during the financial year included the following:-

### 1. Financial Results

- a) Reviewed the quarterly financial results of the Company focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements before recommending them for approval by the Board of Directors for announcement to Bursa Malaysia Securities Berhad;
- b) Reviewed the reports and the audited financial statements of the Company together with the external auditors prior to tabling to the Board for approval.

In the review of the annual audited financial statements, the Audit Committee had discussed with Management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit.

# Audit Committee Report (cont'd.)

## Summary of Activities (continued)

### 2. External Audit

- a) Reviewed the External Auditors' scope of work and audit plan for the year and made recommendations to the Board on their re-appointment and remuneration;
- b) Reviewed and discussed the External Auditors' audit report and areas for concern highlighted in the management letter, including management's response to the concerns raised by the external auditors, and evaluation of the system of internal controls;
- c) Discussed significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements; and
- d) Inquired into the assistance given by the Management to the External Auditors.

### 3. Internal Audit

- a) Reviewed the internal audit plan and resources planning requirements for the financial year;
- b) Reviewed the internal audit issues, recommendations and the management responses to rectify and improve the system of internal control; and
- c) Monitored the implementation of programmes recommended by internal auditors arising from its audits in order to obtain assurance that all key risks and controls have been fully dealt with.

### 4. Related Party Transactions ("RPT")

- a) Reviewed the recurrent RPT of the Company on a quarterly basis.

The Company's internal audit function, which is outsourced to a professional service firm, assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Company's internal control system.

A summary of the activities of the internal audit function for the financial year ended 31 March 2015 is as follows:-

- (a) Formulated the internal audit plan and presented the plan for the Audit Committee's review and approval;
- (b) Executed the internal audit reviews in accordance with the approved audit plan;
- (c) Based on the audit reviews carried out, reported the results of the audit reviews to the Audit Committee every quarter. The reports highlighted internal control weaknesses identified and corresponding recommendations for improvements; and
- (d) Followed up on the status of implementation of management action plans carried out and reported the same to the Audit Committee.

The internal audit reviews carried out during the financial year ended 31 March 2015 did not reveal weaknesses that have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

## STATISTIC OF SHAREHOLDINGS

AS AT 31 JULY 2015

Authorised Share Capital	:	RM80,000,000.00
Issued and Paid-Up Share Capital	:	RM60,798,534.00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

### ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	275	9.56	4,684	0.01
100 – 1,000	755	26.24	531,481	0.87
1,001 – 10,000	1,494	51.93	5,668,263	9.32
10,001 – 100,000	305	10.60	8,212,461	13.51
100,001 – 3,039,925 (*)	47	1.63	15,936,200	26.21
3,039,926 and above (**)	1	0.03	30,445,445	50.08
<b>TOTAL</b>	<b>2,877</b>	<b>100.00</b>	<b>60,798,534</b>	<b>100.00</b>

Remarks: \* Less than 5% of Issued Shares  
 \*\* 5% and above of Issued Shares

### SUBSTANTIAL SHAREHOLDER

The substantial shareholder of Ajinomoto (Malaysia) Berhad and its respective shareholdings based on the Register of Substantial Shareholders of the Company as at 31 July 2015 is as follows:-

	Direct	No. of Shares %	Indirect	%
Ajinomoto Co., Inc.	30,445,445	50.08	-	-

### DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company as at 31 July 2015 are as follows:-

Directors	Direct Interest No. of Shares Held	%	Indirect Interest No. of Shares Held	%
General Tan Sri (Dr) Dato' Paduka Mohamed Hashim Bin Mohd Ali (Rtd)	10,000	0.02	10,000 <sup>(1)</sup>	0.02
Tan Sri Dato' (Dr) Teo Chiang Liang	-	-	150,000 <sup>(2)</sup>	0.25
Keiji Kaneko	-	-	-	-
Katsuhide Shirai	-	-	-	-
Koay Kah Ee	-	-	-	-
Dominic Aw Kian-Wee	-	-	-	-
Dato' Setia Ramli Bin Mahmud	-	-	-	-
Kamarudin Bin Rasid	-	-	-	-
Azharudin Bin Ab Ghani	-	-	-	-
Motohiro Komase	-	-	-	-
Dr. Masata Mitsuki	-	-	-	-

(1) Deemed interested by virtue of his directorship in Hamiiz Holdings Sdn. Bhd.

(2) Deemed interested by virtue of his and/or persons associated with him who has/have more than 15% equity interest in Teo Soo Cheng Sdn. Bhd. and See Hoy Chan Holdings Sendirian Berhad respectively.

## Statistic of Shareholdings

As at 31 July 2015 (cont'd.)

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

No. Shareholders	No. of Shares	%
1. Ajinomoto Co., Inc.	30,445,445	50.08
2. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt AN for Credit Suisse (SG BR-TST-ASING)</i>	1,711,800	2.82
3. Cartaban Nominees (Asing) Sdn. Bhd. <i>BBH and Co. Boston for Fidelity Puritan Trust: Fidelity Series Intrinsic Opportunities Fund</i>	1,531,100	2.52
4. Berjaya Sampo Insurance Berhad	1,307,454	2.15
5. Chinchoo Investment Sdn. Berhad	1,210,800	1.99
6. Maybank Nominees (Asing) Sdn. Bhd. <i>Bank of East Asia (Nominees) Pte Ltd for The Bank of East Asia Ltd Singapore (A/C 2-970510)</i>	1,131,030	1.86
7. Lim Kuan Gin	567,700	0.93
8. Tee Teh Sdn. Berhad	564,508	0.93
9. Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund F9EX for Fidelity Northstar Fund</i>	533,000	0.88
10. Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Hock Fatt (E-SS2)</i>	498,000	0.82
11. See Hoy Chan Agencies Sendirian Berhad	368,100	0.61
12. Yong Siew Lee	332,000	0.55
13. Wong Lok Jee @ Ong Lok Jee	322,000	0.53
14. JF Apex Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Teo Kwee Hock (STA 1)</i>	280,100	0.46
15. Seah Mok Khoon	280,000	0.46
16. Maybank Securities Nominees (Asing) Sdn. Bhd. <i>Maybank Kim Eng Securities Pte Ltd for Tan Pheck Gee</i>	278,538	0.46
17. Yee Fook Leong	234,000	0.38
18. Chong Kok Fah	223,300	0.37
19. Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ng Heng Yiap(E-TMR/TMJ)</i>	220,000	0.36
20. Amanahraya Trustees Berhad <i>Public Far-East Consumer Themes Fund</i>	218,800	0.36
21. Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Lak Chye @ Li Choy Hin (E-IMO)</i>	218,700	0.36
22. Tay How Seng	206,259	0.34
23. Key Development Sdn. Berhad	200,000	0.33
24. Oh Siew Heong	200,000	0.33
25. Seah Heng Lye	200,000	0.33
26. Amanahraya Trustees Berhad <i>Public Strategic Small Cap Fund</i>	190,400	0.31
27. Liew Yoon Yee	190,000	0.31
28. Goh Beng Choo	185,800	0.31
29. JF Apex Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Teo Siew Lai (Margin)</i>	167,500	0.28
30. Maybank Nominees (Asing) Sdn. Bhd. <i>DBS Bank for Punit Khanna (211072)</i>	167,000	0.27
<b>TOTAL</b>	<b>44,183,334</b>	<b>72.67</b>

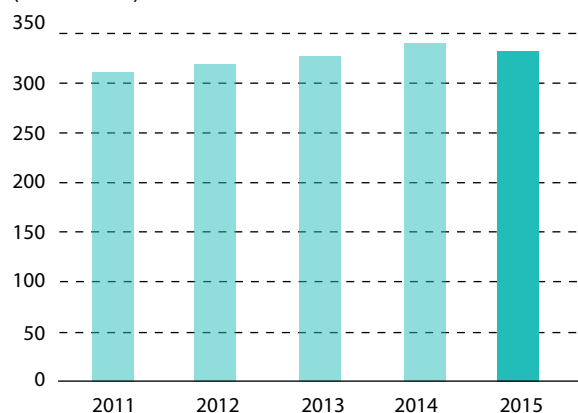


## FINANCIAL HIGHLIGHTS

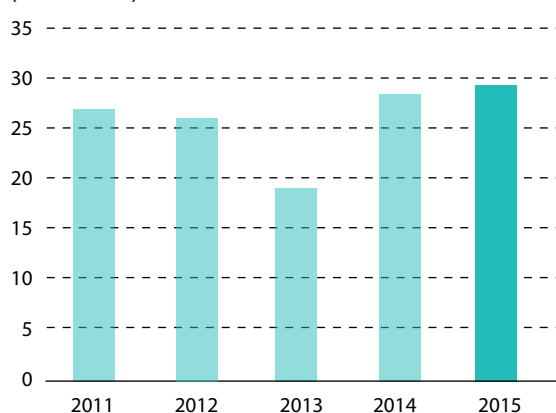
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
REVENUE	316,165	324,652	332,908	345,351	<b>340,376</b>
PROFIT BEFORE TAX	31,942	33,521	28,085	37,596	<b>40,596</b>
PROFIT NET OF TAX	25,870	25,601	19,404	28,041	<b>29,733</b>
SHAREHOLDERS FUNDS	220,189	235,323	244,344	262,076	<b>279,522</b>
<b>PER SHARE</b>					
o GROSS EARNINGS (Sen)	52.5	55.1	46.2	61.8	<b>66.8</b>
o NET EARNINGS (Sen)	42.6	42.1	31.9	46.1	<b>48.9</b>
o NET ASSET (RM)	3.6	3.9	4.0	4.3	<b>4.6</b>
<b>FINANCIAL RATIOS</b>					
Return on Asset (%)	9.58%	9.35%	6.59%	9.10%	<b>8.93%</b>
Return on Equity (%)	11.75%	10.88%	7.94%	10.70%	<b>10.64%</b>
Dividend Payout Ratio (%)	40.54%	40.97%	54.05%	40.11%	<b>40.90%*</b>
Net Dividend per share (sen)	17.25	17.25	17.25	18.50	<b>20.00*</b>

\* Subject to shareholders' approval at the Annual General Meeting

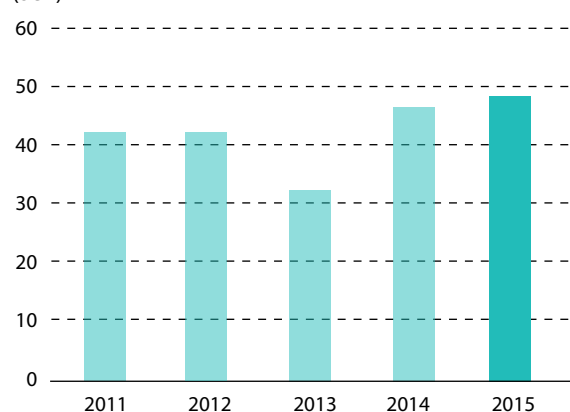
**REVENUE**  
(RM Millions)



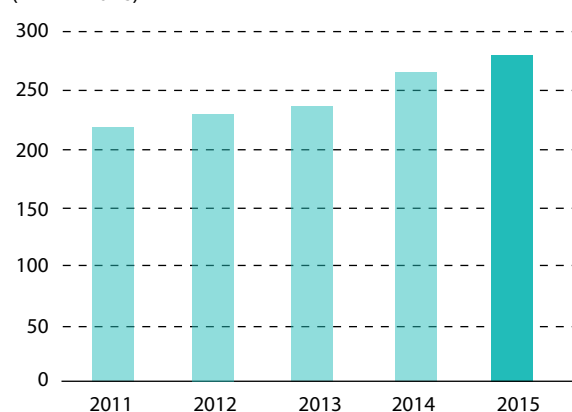
**PROFIT NET OF TAX**  
(RM Millions)



**NET EARNINGS PER SHARE**  
(Sen)



**SHAREHOLDERS FUNDS**  
(RM Millions)



# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2015.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are manufacturing and selling of monosodium glutamate and other related products. There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

	RM
Profit net of tax	29,733,379

There have been no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

## DIVIDENDS

The amount of dividends paid by the Company since 31 March 2014 were as follows:

	RM
In respect of the financial year ended 31 March 2014 as reported in the directors' report of that year:	
First and final single-tier dividend of 18.5 sen per ordinary share declared on 29 September 2014 and paid on 21 October 2014	11,247,729

At the forthcoming Annual General Meeting, a first and final single-tier dividend in respect of the financial year ended 31 March 2015 of 20.0 sen per ordinary share on 60,798,534 ordinary shares, amounting to a dividend payable of RM12,159,707 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 March 2016.

## Directors' Report (cont'd.)

### DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd. Ali (Rtd)  
 Tan Sri Dato' (Dr.) Teo Chiang Liang  
 Ryoichi Ebata  
 Katsuhide Shirai  
 Koay Kah Ee  
 Dominic Aw Kian-Wee  
 Dato' Setia Ramli bin Mahmud  
 Ryuji Ito  
 Kamarudin bin Rasid  
 Azharudin bin Ab Ghani  
 Motohiro Komase  
 Daisuke Kon

(appointed on 1 July 2014)

(resigned on 30 June 2014)

### Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 of the financial statements or the fixed salary of a full time employee) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	At 1.4.2014	Acquired	Sold	At 31.3.2015
<b>The Company</b>				
<b>Direct interest:</b>				
General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd. Ali (Rtd)	10,000	-	-	10,000
<b>Indirect interest:</b>				
General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd. Ali (Rtd)	10,000	-	-	10,000
Tan Sri Dato' (Dr.) Teo Chiang Liang	150,000	-	-	150,000

## Directors' Report (cont'd.)

### DIRECTORS' INTERESTS (CONT'D)

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of shares			At 31.3.2015
	At 1.4.2014	Acquired	Sold	
<b>Holding company</b>				
<b>- Ajinomoto Co. Inc.</b>				
Direct interest:				
Ryoichi Ebata	2,425	32	-	2,457
Ryuji Ito	1,489	114	-	1,603

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

### Other statutory information

- (a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it is necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

## Directors' Report (cont'd.)

### OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

### AUDITORS

The auditors, Hanafiah Raslan & Mohamad, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 June 2015.

General Tan Sri (Dr.) Dato' Paduka  
Mohamed Hashim bin Mohd. Ali (Rtd)

Ryoichi Ebata

## STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, General Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd. Ali (Rtd) and Ryoichi Ebata, being two of the directors of Ajinomoto (Malaysia) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 39 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2015 and of the results and the cash flows of the Company for the year then ended.

The information set out in Note 31 on page 80 to the financial statements have been prepared in accordance with the Guidance on 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, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 June 2015.

General Tan Sri (Dr.) Dato' Paduka  
Mohamed Hashim bin Mohd. Ali (Rtd)

Ryoichi Ebata

## STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Heng Wai Shen, being the officer primarily responsible for the financial management of Ajinomoto (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Heng Wai Shen at  
Kuala Lumpur in the Federal  
Territory on 25 June 2015

Heng Wai Shen

Before me,

Leong Chiew Keong  
(W409)  
Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

## to the members of Ajinomoto (Malaysia) Berhad (Incorporated in Malaysia)

### Report on the financial statements

We have audited the financial statements of Ajinomoto (Malaysia) Berhad, which comprise the statement of financial position as at 31 March 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 80.

#### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

### Other matters

The supplementary information set out in Note 31 on page 80 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Hanafiah Raslan & Mohamad  
AF: 0002  
Chartered Accountants

Ismed Darwis bin Bahatiar  
No. 2921/04/16(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
25 June 2015



# STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2015

	Note	2015 RM	2014 RM
<b>Revenue</b>	4	340,375,936	345,350,917
<b>Other items of income</b>	5	4,304,554	3,604,296
<b>Items of expenses</b>			
Changes in inventories of finished goods, work in progress and goods-in-transit		2,482,042	377,383
Raw materials and packaging materials consumed		(180,259,168)	(196,359,968)
Finished goods purchased		(9,029,466)	(2,408,519)
Employee benefits expense	6	(41,367,341)	(40,251,540)
Depreciation and amortisation		(10,626,572)	(10,198,593)
Other operating expenses		(65,283,528)	(62,517,823)
Profit before tax	8	40,596,457	37,596,153
Income tax expense	9	(10,863,078)	(9,554,980)
<b>Profit net of tax</b>		29,733,379	28,041,173
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Fair value (loss)/gain on investment securities		(178,682)	178,683
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial loss on defined benefit plans		(1,147,237)	-
Tax impact relating to actuarial loss on defined benefit plans		286,809	-
<b>Other comprehensive income for the year, net of tax</b>		(1,039,110)	178,683
<b>Total comprehensive income for the year</b>		28,694,269	28,219,856
<b>Earnings per share attributable to equity holders of the Company (sen)</b>			
- Basic	10	48.9	46.1
<b>Net dividend per share (sen)</b>	11	18.50	17.25

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 RM	2014 RM
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	12	105,329,610	103,234,727
Other receivables	16	1,332,142	1,348,913
Investment securities	13	798,814	977,496
Other investments	14	271,000	271,000
		<u>107,731,566</u>	<u>105,832,136</u>
<b>Current assets</b>			
Inventories	15	63,181,733	59,391,807
Trade and other receivables	16	38,902,249	37,223,414
Derivatives assets	17	5,672	161,188
Cash and cash equivalents	18	123,124,324	105,410,566
		<u>225,213,978</u>	<u>202,186,975</u>
<b>Total assets</b>		<u>332,945,544</u>	<u>308,019,111</u>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Retirement benefit obligations	19	501,271	126,889
Trade and other payables	20	40,585,498	33,495,000
Derivatives liabilities	17	311,483	75,022
Current tax payable		292,023	1,733,071
		<u>41,690,275</u>	<u>35,429,982</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations	19	8,231,072	7,058,868
Deferred tax liabilities	21	3,501,702	3,454,306
		<u>11,732,774</u>	<u>10,513,174</u>
<b>Total liabilities</b>		<u>53,423,049</u>	<u>45,943,156</u>
<b>Net assets</b>		<u>279,522,495</u>	<u>262,075,955</u>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	22	60,798,534	60,798,534
Share premium	22	4,303,700	4,303,700
Retained earnings	23	215,154,560	196,668,910
Other reserves	24	(734,299)	304,811
		<u>279,522,495</u>	<u>262,075,955</u>
<b>Total equity</b>		<u>279,522,495</u>	<u>262,075,955</u>
<b>Total equity and liabilities</b>		<u>332,945,544</u>	<u>308,019,111</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2015

		Non-distributable		Distributable		
		Share capital	Share premium	Other reserves	Retained earnings	Total equity
	Note	RM (Note 22)	RM (Note 22)	RM (Note 24)	RM (Note 23)	RM
<b>At 1 April 2013</b>		60,798,534	4,303,700	126,128	179,115,484	244,343,846
Total comprehensive income		-	-	178,683	28,041,173	28,219,856
<u>Transaction with owners</u>						
Dividends	11	-	-	-	(10,487,747)	(10,487,747)
<b>At 31 March 2014</b>		60,798,534	4,303,700	304,811	196,668,910	262,075,955
<b>At 1 April 2014</b>		60,798,534	4,303,700	304,811	196,668,910	262,075,955
Total comprehensive income		-	-	(1,039,110)	29,733,379	28,694,269
<u>Transaction with owners</u>						
Dividends	11	-	-	-	(11,247,729)	(11,247,729)
<b>At 31 March 2015</b>		60,798,534	4,303,700	(734,299)	215,154,560	279,522,495

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2015

	2015 RM	2014 RM
<b>Cash flows from operating activities</b>		
Profit before tax	40,596,457	37,596,153
Adjustments for:		
(Reversal)/ provision for short-term accumulating compensated absences	(197,885)	57,049
Interest income	(3,433,560)	(2,563,660)
Depreciation of property, plant and equipment	10,626,572	10,198,593
Net (reversal)/impairment loss on trade receivables	(15,342)	64,884
Inventories written off	604,532	474,570
Property, plant and equipment written off	119,948	4,020
Gain on disposal of property, plant and equipment	(5,459)	(37,866)
Provision for defined benefit plans	1,337,007	1,597,064
Unrealised foreign exchange (gain)/loss	(728,845)	296,259
Net fair value loss/(gain) on derivatives	391,977	(146,214)
Operating profit before working capital changes	49,295,402	47,540,852
(Increase)/decrease in inventories	(4,394,458)	11,040,692
(Increase)/decrease in trade and other receivables	(1,000,493)	1,842,885
Increase/(decrease) in trade and other payables	7,171,903	(6,371,373)
Cash generated from operations	51,072,354	54,053,056
Taxes paid	(11,969,921)	(8,099,430)
Net payments made to retirement benefit obligations	(937,658)	(939,237)
Net cash generated from operating activities	38,164,775	45,014,389
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(13,031,234)	(11,660,270)
Proceeds from disposal of property, plant and equipment	195,290	567,000
Interest received	3,290,679	2,560,344
Net cash used in investing activities	(9,545,265)	(8,532,926)
<b>Cash flows from financing activity</b>		
Dividends paid, representing net cash used in financing activity	(11,247,729)	(10,487,747)
<b>Net increase in cash and cash equivalents</b>	17,371,781	25,993,716
<b>Effect of exchange rate changes on cash and cash equivalents</b>	341,977	(82,955)
<b>Cash and cash equivalents at beginning of the financial year</b>	105,410,566	79,499,805
<b>Cash and cash equivalents at end of the financial year (Note 18)</b>	123,124,324	105,410,566

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the financial year ended 31 March 2015

### 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities. The registered office of the Company is located at Lot 5710, Jalan Kuchai Lama, Petaling, 58200 Kuala Lumpur.

The holding company is Ajinomoto Co., Inc., a corporation incorporated in Japan.

The principal activities of the Company are manufacturing and selling of monosodium glutamate and other related products. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 June 2015.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements of the Company comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency.

#### 2.2 Changes in accounting policies and effects from the adoption of new and revised MFRSs

As of 1 April 2014, the Company adopted the following new and amended MFRSs and IC Interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB"):

- Amendments to MFRS 10: Consolidated Financial Statements - Investment Entities
- Amendments to MFRS 12: Disclosure of Interests in Other Entities - Investment Entities
- Amendments to MFRS 127: Consolidated and Separate Financial Statements
- Amendments to MFRS 132: Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136: Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement
  - Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

The adoption of the above pronouncements did not have any significant financial impact to the Company.

# Notes to the Financial Statements

## For the financial year ended 31 March 2015 (cont'd.)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

##### (a) Foreign currency

###### (i) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

###### (ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (b) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The carrying value of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold lands are depreciated over the period of their respective lease term. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	9 to 15 years
Motor vehicles	6 years
Plant, machinery and equipment	4 to 15 years
Furniture, fixtures and fittings	10 years

Capital work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

## Notes to the Financial Statements

For the financial year ended 31 March 2015 (cont'd.)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (b) Property, plant and equipment (cont'd.)

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of the economic benefits embodied in the property, plant and equipment, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

##### (c) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises, if the asset is carried at a revalued amount, the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve of the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

##### (d) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.



# Notes to the Financial Statements

## For the financial year ended 31 March 2015 (cont'd.)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (d) Financial assets (cont'd.)

###### (i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Financial assets at fair value through profit or loss of the Company comprise derivative assets.

###### (ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The loans and receivables of the Company comprise trade and other receivables (excluding prepayments) and cash and cash equivalents.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

###### (iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Company does not have any financial asset at held-to-maturity.

# Notes to the Financial Statements

## For the financial year ended 31 March 2015 (cont'd.)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (d) Financial assets (cont'd.)

###### (iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

The Company's available-for-sale financial assets comprise investment securities.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying value and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

##### (e) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

###### (i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar credit risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

# Notes to the Financial Statements

## For the financial year ended 31 March 2015 (cont'd.)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (e) Impairment of financial assets (cont'd.)

###### (i) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

###### (ii) Available-for-sale financial assets.

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

##### (f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

##### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average method.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

##### (h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

# Notes to the Financial Statements

## For the financial year ended 31 March 2015 (cont'd.)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

##### (ii) Other financial liabilities

The Company's other financial liabilities include trade payables and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### (j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### (k) Employee benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.