

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

Notes to the interim financial report for the period ended 31 December 2006

A EXPLANATORY NOTES PURSUANT TO FRS 134

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standard Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2006, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the financial period ending 31 March 2007. Details of these changes in accounting policies are set out in Note A2.

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 March 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 March 2006.

The balance sheet relating to the financial year ended 31 March 2006 have been restated as a result of the change in accounting policies.

2 Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by the Company in this interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2006, except for the adoption of new/ revised Financial Reporting Standards (FRS) effective for financial statements commencing 1 January 2006, and the early adoption FRS 117 ó Leases issued by Malaysian Accounting Standard Board (MASB) with effective date for periods commencing on or after 1 October 2006.

The principle effects of the necessary change in accounting policies resulting from the adoption of applicable new/ revised FRS are discussed under note (a), (b) and (c) below:

(a) FRS 101 ó Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of share of net after-tax results of associates and other disclosures.

The current period's presentation of the Company's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

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2 Changes in Accounting Policies (Cont'd.)

(b) FRS 117 - Leases

With the adoption of FRS 117 as from 1 April 2006, the leasehold interest in the land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Company retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117, para 67A. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

Prior to 1 April 2006, leasehold land was classified as property, plant and equipment and was stated at valuation less accumulated depreciation. The leasehold interest in land held for own use was last revalued on February 1984 by an independent firm of professional valuers on an open market value on the existing use basis.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively in accordance with FRS 117 by restating the balance sheet presentation as of 31 March 2006 as illustrated below. However, there is no impact to the retained earnings as at 31 March 2006.

	Previously stated RM'000	Effect of changes in accounting policy RM'000	Restated RM'000
Balance sheet as at 31 March 2006			
Non current assets			
Property, plant and equipment	73,405	(23,481)	49,924
Prepaid lease payments	-	23,481	23,481
	<u> </u>	<u> </u>	<u> </u>

(c) FRS 128 & Investments in Associates and FRS3 (Business Combinations)

This FRS sets out the new requirements in accounting for investments in associates over which the investor has significant influence must be accounted for using the equity method whether or not the investor also has investments in subsidiaries and prepares consolidated financial statements. Under this FRS, investment in associates is initially recognised at cost and adjusted thereafter for the post-acquisition change in the associated company's share of net assets. The profit or loss of the Company shall incorporate the share of the profit or loss of the associated companies. Previously, there were no requirements to incorporate the share of the profit or loss of the associated companies if the Company has no investments in subsidiaries. This change in accounting policy has been accounted for retrospectively and has resulted in the following:

	As at 1.4.2006 RM'000	As at 1.4.2005 RM'000
Increase in investment in associated companies	10,963	11,452
Increase in other non-distributable reserves	10,963	11,452
	<u> </u>	<u> </u>

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3 Qualification of Audit Report of the Preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 March 2006 was not qualified.

4 Seasonality or Cyclicity of Interim Operations

The results of the Company's trading and operations are not affected by any seasonal or cyclical factors.

5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual or exceptional because of their nature, size or incidence during the financial period to date.

6 Material Changes in Estimates

There were no material changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current interim period.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period under review.

8 Dividends Paid

There was no dividend paid in the current financial period to date.

9 Segmental Reporting

a. Business Segment:

Segmental reporting by business activities has not been prepared as the Company is principally engaged only in the manufacturing and selling of monosodium glutamate and other related products.

b. Geographical Segment:

Segmental reporting by geographical regions has been prepared for revenue, the Company's location of assets are predominantly in Malaysia.

	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
Revenue					
9 months ended 31 December, 2006	99,726	12,280	25,983	4,718	142,707
9 months ended 31 December, 2005	92,284	10,917	20,869	4,402	128,472

10 Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without any amendment from the previous annual audited financial statements.

11 Material Events Subsequent to the Balance Sheet Date

There was no material event subsequent to the end of the quarter as at the date of this announcement that will affect the results of the financial period ended 31 December 2006.

12 Effects of Changes in the Composition of the Company

There were no changes in the composition of the Company during the current financial period under review, apart from the disposal of the entire 30% holdings in an associated company as disclosed in note B6 below.

13 Contingent Liabilities (Unsecured)

	As at 31.12.2006 RM'000	As at 31.12.2005 RM'000
Staff retirement benefits	<u>324</u>	<u>288</u>

Staff retirement benefits shown above represent the amount which will become due to the employees concerned after they have served the required number of years with the Company. As at the end of the reporting period, the required length of service has not been fulfilled by them. Save as disclosed above, there were no other contingent liabilities which have become enforceable, or likely to become enforceable which will affect the ability of the Company to meet its obligations as and when they fall due.

14 Capital Commitments

The amount of commitments for the purchase of plant and equipment not provided for in the interim financial statement as at 31 December 2006 is as follows:

	RM'000
Approved and contracted for	<u>466</u>

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

1 Review of Performance of the Company

The Company registered a higher pre-tax profit of RM13.98million on a turnover of RM142.7million for the nine months, which is higher by 3 folds and 11.1% respectively as compared to the corresponding period of previous year. The significant improvements in revenue and profit were primarily due to increase in sales in the domestic market and significantly higher exports. This is further underpinned by continuous rollout of cost saving plans and improved productivity, all of which have significantly improved the bottom line.

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

Revenue saw a marginal decline of 1.1% from the previous quarter, representing a decrease of RM0.5 million, as compared to RM48.6 million of revenue achieved in the preceding quarter. Correspondingly, operating profit for the quarter under review was also lower than the preceding quarter.

3 Commentary on Prospects

Given the current global and domestic economic climate, the Company is confident that its financial performance for this financial year can be expected to be better than that of previous year.

4 Variance of Actual Profit from Forecast Profit

Not applicable as the Company did not publish any profit forecast.

5 Taxation

Tax expense comprises the following: -

	3 month ended 31/12/2006 RM'000	9 month ended 31/12/2006 RM'000	3 month ended 31/12/2005 RM'000	9 month ended 31/12/2005 RM'000
Current tax expense :				
Malaysian income tax	965	1,874	172	286
Foreign tax	10	16	-	-
	<hr/> 975	<hr/> 1,890	<hr/> 172	<hr/> 286
Underprovision in prior Year:				
Malaysian income tax	317	317	-	-
Deferred tax expense	-	-	-	-
	<hr/> 1,292	<hr/> 2,207	<hr/> 172	<hr/> 286

The effective tax rate of the tax provision for the quarter under review is slightly lower than the statutory tax rate, due to reinvestment allowances tax incentive enjoyed by the Company.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

6 Profit/(loss) on sale of Unquoted Investment and/or Properties

Apart from the disposal of shares of an unquoted associated company in the previous quarter, there was no sale of unquoted investments and/or properties for the quarter under review:

	3 months ended 31/12/2006 RM'000	9 months ended 31/12/2006 RM'000
Sales proceeds	-	190
Cost of investments	-	180
Gain on disposal	<u>-</u>	<u>10</u>

7 Particulars of Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the quarter under review.

8 Status of Corporate Proposals

There were no corporate proposals that have been announced by the Company as at the date of this report.

9 Borrowings and Debt Securities

As at the end of the period under review, the Company has no borrowings nor issued any debt securities.

10 Off Balance Sheet Financial Instruments

The Company does not have any off balance sheet financial instruments as at 12th February 2007, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

11 Material Litigation

There are no material litigation as at 12th February 2007, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

12 Dividend Payable

No dividend was proposed or declared for the current financial period ended 31 December 2006.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

13 Basic Earnings Per Share

Basic earnings per share for the current quarter and financial period to date are calculated based on the net profit attributable to ordinary shareholders and the number of ordinary shares outstanding.

	3 month ended 31 December 2006	9 month ended 31 December 2006
Net profit attributable to ordinary shareholders of the Company (RM000)	3,688	11,778
Number of ordinary shares outstanding (-000)	60,798	60,798

Diluted earnings per share is not applicable for the Company.

By Order of the Board

Kuala Lumpur
12th February 2007

Chua Siew Chuan
Company Secretary