



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

Notes to the interim financial report for the period ended 31 December 2007

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 2007, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the financial period ending 31 March 2008. 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 2007. 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 2007.

The balance sheet relating to the financial year ended 31 March 2007 has 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 2007, except for the adoption of new/ revised Financial Reporting Standards (“FRS”) effective for financial statements commencing 1 October 2006, namely FRS 117 – Leases.

The principle effects of the necessary change in accounting policies resulting from the adoption of applicable new/ revised FRS are discussed under note below:

FRS 117 - Leases

With the adoption of FRS 117 as from 1 April 2007, 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 2007, 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.

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2 Changes in Accounting Policies (Cont'd.)

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 2007 as illustrated below. However, there is no impact to the retained earnings as at 31 March 2007.

	Previously stated RM'000	Effect of changes in accounting policy RM'000	Restated RM'000
Balance sheet as at 31 March 2007			
Non current assets			
Property, plant and equipment	69,407	(23,153)	46,254
Prepaid lease payments	-	23,153	23,153
	<u> </u>	<u> </u>	<u> </u>

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 2007 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. However, manufacturing operations was affected by the planned maintenance shut-down during the end of the quarter under review.

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.

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8 Dividends Paid

The amount of dividends paid during the financial period under review is as follows:

	9 months ended 31/12/2007 RM'000	9 months ended 31/12/2006 RM'000
First and final dividend in respect of the financial year ended 31 March 2007, of 10% comprising 4% less 27% taxation and 6% tax exempt, paid on 21 September 2007	5,423	4,791

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, 2007	109,877	13,301	32,630	4,094	159,902
9 months ended 31 December, 2006	99,726	12,280	25,983	4,718	142,707

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 2007.



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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.

13 Contingent Liabilities (Unsecured)

	As at 31.12.2007	As at 31.12.2006
	RM'000	RM'000
Staff retirement benefits	<u>284</u>	<u>324</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 2007 is as follows:

	RM'000
Approved and contracted for	<u>907</u>

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

1 Review of Performance

A higher pre-tax profit of RM20.87million was attained on a turnover of RM159.9million for the nine months, higher by 49% and 12% respectively as compared to the corresponding period of previous year. The significant improvements in revenue and profit were primarily due to stronger sales in both the domestic and export market aided by greater efficient use of plant capacity. "Other Income" was also higher by RM0.7million as compared to preceding year corresponding period but was partly off-set by losses from associated company.

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

Revenue was higher by 2% from the previous quarter, representing an increase of RM1.06 million, as compared to RM52.7 million of revenue achieved in the preceding quarter. However, operating profit for the quarter under review was lower than the preceding quarter by 14%, primarily attributable to higher factory expenses from planned maintenance shut-down during the end of the quarter under review. Correspondingly, profit before tax for the quarter under review was lower than the preceding quarter by RM1.7 million.

3 Commentary on Prospects

We remain cautious of the extent of the expected global impact of United States (US) housing slowdown in the near term. However, fundamentally we believe the Malaysian economy is in a position to withstand external shock. Nevertheless, the local food seasoning industry will continue to be under intense pressure from imported competitive products and escalating raw material cost. The Company is however, committed to maintain its market competitiveness and barring unforeseen circumstances, the Company expects to maintain or further improve its performance achieved this quarter for the remainder of the financial 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 31/12/2007 RM'000	9 month ended 31/12/2007 RM'000	3 month ended 31/12/2006 RM'000	9 month ended 31/12/2006 RM'000
Current tax expense :				
Malaysian income tax	2,154	5,592	965	1,874
Foreign tax	4	20	10	16
	<hr/> 2,158	<hr/> 5,612	<hr/> 975	<hr/> 1,890
Under provision in prior Year:				
Malaysian income tax	100	100	317	317
Deferred tax expense	-	-	-	-
	<hr/> 2,258	<hr/> 5,712	<hr/> 1,292	<hr/> 2,207

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.

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

There was no sale of unquoted investments and/or properties for the quarter under review and financial period to date.

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 27th February 2008, 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 27th February 2008, 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 2007.

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.

	9 month ended 31 December 2007 RM'000
Net profit attributable to ordinary shareholders of the Company	15,156
Number of ordinary shares outstanding	60,798

Diluted earnings per share is not applicable for the Company.

By Order of the Board