



ASIA FILE CORPORATION BHD. (313192-P)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2005

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 March 2004.

The adoption of FRS 112, FRS 119, FRS 123 and FRS 135 became effective for the financial year ended 31 March 2004 for the Group. The adoption of FRS 119, FRS 123 and FRS 135 has not given rise to any adjustments to the opening balances of retained profits of the prior year and the current period or to changes in comparatives. The changes and effects of adopting FRS 112 which resulted in prior year adjustments are as follows:

(a) Changes in Accounting Policy

FRS 112: Income Taxes

Under FRS 112, deferred tax liabilities are recognized for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialize in the foreseeable future.

(b) Prior Year Adjustments

The changes in accounting policy have been applied retrospectively and comparatives have been restated. The effects of changes in accounting policy comprising the adjustment for the provision for deferred taxation on revalued land and buildings are as follows:

	Effects on	
	Retained Profits	Deferred Taxation
	RM'000	RM'000
At 1 April 2003, as previously stated	49,057	3,978
Effects of adopting FRS 112	(1,185)	1,185
At 1 April 2003, as restated	<u>47,872</u>	<u>5,163</u>

A2 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2004 was not subject to any qualification.

A3 Seasonal or cyclical factors

The operation of the Group is not subject to any effects of seasonality or cyclicity.

A4 Unusual items

There were no unusual items that have a material effect on the assets, liabilities, equity, net income or cash flow reported in the interim financial report.

A5 Material changes in accounting estimates

There were no changes in accounting estimates of amounts reported in prior financial years.

A6 Issuance or repayment of debts and equity securities

18,200 and 494,600 ordinary shares were issued pursuant to the Employee Share Option Scheme during the quarter and financial year to date.

100 and 200 ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme for the quarter and financial year to date. Accordingly, a total of 595,700 shares was retained as treasury shares as at 31 March 2005.

Other than the above, there were no issuances or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial year to date.

A7 Dividend Paid**(a) In respect of the financial year ended 31 March 2005**

An interim dividend of 10% less 28% tax on 69,862,100 ordinary shares of RM 1 each totalling RM 5,030,071 for the financial year to date was paid on 27 May 2005.

(b) In respect of the financial year ended 31 March 2004

An interim dividend of 10% less 28% tax on 69,433,900 ordinary shares of RM1 each totaling RM4,999,241 for the financial year ended 31 March 2004 was paid on 25 May 2004.

A final tax exempt dividend of 15% on 69,836,400 ordinary shares of RM1 each totaling RM10,475,460 for the financial year ended 31 March 2004 was paid on 27 December 2004.

A8 Segment information**Business segment**

The Group is principally involved in the manufacture and trading of stationery products. Business segmental information has therefore not been prepared as the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortization as well as non-cash expenses are mainly confined to one business segment.

A9 Valuations of property, plant and equipment

The valuations of land and buildings have been brought forward without amendment from the previous annual report.

A10 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the quarter.

A11 Changes in composition of the Group

There were no changes in the composition of the Group for the current financial year to date.

A12 Changes in contingent liabilities/assets

Since the last audited financial statements as at 31 March 2004, the Group does not have any contingent liabilities/assets.

A13 Capital commitments

		31-Mar-2005
		RM'000
Machinery	Approved and contracted for	<u>913</u>
Building	Approved and contracted for	<u>474</u>
Lease commitments	One of its subsidiaries has entered into a rental lease commitment as follows :-	
		31-Mar-2005
		RM'000
	Less Than one year	751
	One to two years	751
	Above two years	7,007

A14 Net tangible assets per share (sen)

	31-Mar-05	31-Mar-04
Shareholders' Fund (RM'000)	155,079	136,848
Share Capital (000)	70,458	69,963
Treasury Shares (000)	(596)	(596)
	<u>69,862</u>	<u>69,367</u>
Net tangible assets per share (sen)	221.98	197.28

B Additional information required by the Bursa Malaysia Securities Berhad's Listing Requirements**B1 Review of performance**

Sales and profit before tax for the year improved by 11% and 14% respectively when compared to last year.

On market segment comparison, total export sales make up 71% of the total sales. Sales to Australia and South Africa have more than doubled during the year while other segments which recorded significant improvement are U.S.A and Japan. Due to market competition, sales to Middle East contracted by about 22% during the year. Overall total export sales improved by 14% while local sales increased by 3%.

Despite the increase in raw material costs, the Group is able to maintain its margin by improving its production efficiency as well as the gradual passing of the costs to its customers.

On individual quarter basis, sales contracted by RM 2.8 m when compared to the corresponding quarter last year.

This is due to major shipment to Japan worth RM 4.6 m in Q4 last year as compared to only RM 1.2 m in this quarter.

B2 Comparison of profit before taxation with preceding quarter

Profit before tax increased by about 10% from RM 10.2 m to RM 11.3 m when compared to the preceding quarter.

The increase is mainly due to higher margin achieved for the products sold as well as an increase of RM200k in its investing result derived mainly from interest income.

B3 Current year prospects

Based on the orders confirmed by its overseas customers, the Group is confident to surpass its existing financial results.

B4 Profit forecast or profit guarantee

No profit forecast or profit guarantee was published by the Group.

B5 Tax expense

	Year ended 31-Mar	
	2005 RM'000	2004 RM'000
Current year tax expense		
- Based on results for the year	8,143	6,394
- Under / (over) provision in respect of prior year	267	(179)
	8,410	6,215
Deferred tax expense		
- Current year	(562)	828
- Under provision in respect of prior year	-	7
		835
Tax expense on share of profit of associates	-	232
	7,848	7,282

The lower tax rate in relation to the results of the Group for the financial year to date is mainly due to availability of certain tax incentive.

B6 Profit/loss on sale of unquoted investments and properties

There were no sales of unquoted investments and properties for the current quarter and financial year-to-date.

B7 Purchase or disposal of quoted securities

(a) Purchase and disposal of quoted securities were as follows:

	Year ended 31.3.2005 RM'000
Purchase of quoted securities	11,346
Disposal of quoted securities	
Sales proceeds	3,566
Cost of investments	2,999
Gain on disposal	567

(b) Investment in quoted securities:

	As at 31.03.2005 RM'000
At cost	13,570
At book value	13,570
At market value	<u>13,725</u>

B8 Status of corporate proposal announced

No corporate proposal was announced by the Group.

B9 Group borrowings and debt securities

Group borrowings relate to short term banker acceptance, bank overdraft and foreign currency loan which are denominated in Ringgit Malaysia and USD respectively.

	As at 31.03.2005	
	USD('000)	RM('000)
Foreign currency loan	2,079	7,902
Banker acceptance	-	1,022
	<u>2,079</u>	<u>8,924</u>

B10 Off balance sheet financial instruments

During the period under review, the Group has not entered into any contract involving off balance sheet financial instruments except for the following foreign currency contracts which will be used to hedge the Group's committed sales in foreign currency :-

Currency	Contract Amount ('000)	Equivalent in RM ('000)	Contract Due in
USD	109	413	May-05
USD	600	2,284	Jun-05
USD	500	1,901	Jul-05
USD	550	2,090	Aug-05
USD	550	2,090	Sep-05
USD	550	2,090	Oct-05

Forward foreign exchange contracts are entered into with licensed banks to hedge part of the Group's sales from exchange rate movements. As the exchange rates are pre-determined under such contracts, the Group is not exposed to any market risk. Given that the contracts are entered into with licensed banks, we are of the view that credit risk is minimal.

As at balance sheet date, no adjustment has been made for the above forward contracts to account for the difference between the contracted rate and the prevailing market rate as the amount is immaterial.

B11 Changes in material litigation

There was no material litigation against the Group as at to date.

B12 Dividends Proposed

After taking into consideration the cash flow requirement for the Group and the net cash balance position, the Group has decided to recommend a final dividend of 18% less 28% tax subject to shareholders' approval.

B13 Earnings per share

	Current Quarter ended 31-Mar-05	Current Year to Date 31-Mar-05
Basic earnings per share		
Net profit for the period (RM'000)	9,048	32,564
Weighted average number of ordinary shares ('000)	69,649	69,696
Basic earnings per share (sen)	<u>12.99</u>	<u>46.72</u>

	Current Quarter ended 31-Mar-05	Current Year to Date 31-Mar-05
Diluted earnings per share		
Net profit for the period (RM'000)	9,048	32,564
Weighted average number of ordinary shares ('000)	69,649	69,696
Adjustment for share options ('000)	<u>169</u>	<u>181</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>69,818</u>	<u>69,877</u>
Diluted earnings per share (sen)	<u>12.96</u>	<u>46.60</u>

By Order of The Board
Lam Voon Kean (Company Secretary)
