



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2006

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 2005.

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 2005.

A2 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2005 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

8,800 and 37,400 ordinary shares were issued pursuant to the Employee Share Option Scheme during the quarter and financial year to date. Subsequent to the financial year ended 31 March 2006, 28,400 ordinary shares were issued pursuant to the Employee Share Option Scheme.

138,800 and 138,900 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 734,600 shares was retained as treasury shares as at 31 March 2006.

Subsequent to the financial year ended 31 March 2006, a total of 91,500 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back scheme. Accordingly, a total of 826,100 shares was retained as treasury shares subsequent to year ended 31 March 2006.

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 2006

An interim dividend of 12% less 28% tax on 69,785,200 ordinary shares of RM 1 each totalling RM6,029,441

for the financial year to date was paid on 23 May 2006.

(b) 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 RM1 each totaling RM5,030,071 for the financial year ended 31 March 2005 was paid on 27 May 2005.

A final dividend of 18% less 28% tax on 69,890,600 ordinary shares of RM1 each totaling RM9,057,822 for the financial year ended 31 March 2005 was paid on 30 December 2005.

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 2005, the Group does not have any contingent liabilities/assets.

A13 Capital commitments

| | 31-Mar-2006 |
|-----------------------------|--------------------|
| | RM'000 |
| Machinery | |
| Approved and contracted for | <u>1,527</u> |
| Building | |
| Approved and contracted for | <u>899</u> |

Lease commitments

One of its subsidiaries has entered into a rental lease commitment as follows :-

| | 31-Mar-2006 |
|--------------------|--------------------|
| | RM'000 |
| Less Than one year | 831 |
| One to two years | 1,140 |
| Above two years | 9,422 |

A14 Net assets per share (sen)

| | 31-Mar-06 | 31-Mar-05 |
|-----------------------------|-----------|-----------|
| Shareholders' Fund (RM'000) | 170,099 | 155,092 |
| Share Capital (000) | 70,495 | 70,458 |
| Treasury Shares (000) | (735) | (596) |
| | 69,760 | 69,862 |
| Net assets per share (sen) | 243.83 | 222.00 |

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

The Group recorded revenue of RM121.3 million for the current financial year ended 31 March 2006 reflecting an increase of RM2.4 million or 2.0% when compared to the preceding financial year. However, the Group's pre tax profit showed a slight decrease of 3.8% to RM38.9 million when compared to preceding financial year. It was mainly due to weaker exchange rates which has a negative impact on its total value of export sales. In addition, the Group has also disposed of its diapers division in the second quarter of the year.

Revenue for the current quarter amounting to RM27.3 million was lower than RM29.9 million achieved in corresponding quarter in preceding year as a result of lower export sales. In terms of pre tax profit, RM8.2 million was recorded for the quarter under review as compared to RM11.3 million in corresponding quarter in preceding year. This translated to a pre tax margin of 29.86% for the current quarter as compared to 37.6% in corresponding quarter in preceding year. The drop is mainly due to weaker exchange rates. The closing rates for Sterling pound and USD tumbled from 7.15 and 3.80 respectively in March 2005 to 6.43 and 3.68 in March 2006.

B2 Comparison of profit before taxation with preceding quarter

The pre tax profit of RM8.2 million achieved for the quarter under review is lower than RM9.7 million recorded in the preceding quarter ended 31 December 2005 as a result of a lower export sales.

B3 Current year prospects

Based on the Group's performance to date, the Board expects an improvement in the financial results for the next quarter when compared to the quarter ended 31 March 2006.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

| | Year ended 31-Mar | |
|-----------------------------------------------------|----------------------|----------------|
| | 2006 RM'000 | 2005 RM'000 |
| Current year tax expense | | |
| - Based on results for the year | 8,035 | 8,129 |
| - Under / (over) provision in respect of prior year | 307 | 267 |
| | 8,342 | 8,396 |
| Deferred tax expense | | |
| - Current year | (135) | (555) |
| - Under provision in respect of prior year | - | (6) |

(135) (561)

8,207 7,835

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 31.3.2006 RM'000 |
|-------------------------------|-----------------------------------|
| Purchase of quoted securities | <u>15,277</u> |
| Disposal of quoted securities | |
| Sales proceeds | 23,126 |
| Cost of investments | <u>22,953</u> |
| Gain on disposal | <u>173</u> |

(b) Investment in quoted securities:

| | As at 31.03.2006 RM'000 |
|-----------------|-------------------------------|
| At cost | 5,886 |
| At book value | 5,886 |
| At market value | <u>5,182</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.

| | As at 31.03.2006 RM('000) |
|----------------|---------------------------------|
| Bank overdraft | <u>362</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 | Equivalent in RM | Contract Due in |
|-----------------|------------------------|-------------------------|------------------------|
| | ('000) | ('000) | |
| USD | 548 | 1,991 | May-06 |
| USD | 1,200 | 4,344 | Jun-06 |
| SGD | 150 | 345 | Jun-06 |
| USD | 700 | 2,535 | Jul-06 |
| USD | 1,100 | 3,991 | Aug-06 |
| USD | 500 | 1,809 | Sep-06 |

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 20% less 28% tax subject to shareholders' approval.

B13 Earnings per share

| | Current Quarter ended 31-Mar-06 | Current Year to Date 31-Mar-06 |
|---------------------------------------------------|----------------------------------------|---------------------------------------|
| Basic earnings per share | | |
| Net profit for the period (RM'000) | 6,735 | 30,652 |
| Weighted average number of ordinary shares ('000) | 69,837 | 69,871 |
| Basic earnings per share (sen) | 9.64 | 43.87 |

| | Current Quarter ended 31-Mar-06 | Current Year to Date 31-Mar-06 |
|----------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|
| Diluted earnings per share | | |
| Net profit for the period (RM'000) | 6,735 | 30,652 |
| Weighted average number of ordinary shares ('000) | 69,837 | 69,871 |
| Adjustment for share options ('000) | 91 | 73 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | 69,928 | 69,944 |
| Diluted earnings per share (sen) | 9.63 | 43.82 |

By Order of The Board
Lam Voon Kean (Company Secretary)
31-May-06
