



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

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2006

### A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

#### A1 Basis of preparation

The interim financial report has been prepared under the historical cost convention except for the revaluation of certain property, plant and equipment.

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 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2006.

#### A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 April 2006:

|         |  |
|---------|--|
| FRS 2   | Share-based Payment  |
| FRS 3   | Business Combinations  |
| FRS 5   | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements                         |
| FRS 102 | Inventories  |
| FRS 108 | Accounting Policies, Changes in Estimates and Errors         |
| FRS 110 | Events after the Balances Sheet Date                         |
| FRS 116 | Property, Plant and Equipment                                |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates             |
| FRS 127 | Consolidated and Separate Financial Statements               |
| FRS 128 | Investment in Associates                                     |
| FRS 131 | Interest in Joint Ventures                                   |
| FRS 132 | Financial Instruments: Disclosure and Presentation           |
| FRS 133 | Earnings Per Share   |
| FRS 136 | Impairment of Assets   |
| FRS 138 | Intangible Assets  |
| FRS 140 | Investment Property  |

The adoption of FRS 2, 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136 and 138 does not have any significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

##### (a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are now presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of

FRS 101, with the comparatives restated to conform with the current period's presentation.

**(b) FRS 140: Investment Property**

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Prior to 1 April 2006, investment properties were included in property, plant and equipment. In compliance with the provision of FRS 140, properties held for rental and long term appreciation in value are reclassified as investment properties. The comparative amount as at 31 March 2006 is reclassified to conform with the current period's presentation.

**A3 Audit report of preceding annual financial statements**

The audit report of the Group's annual financial statements for the year ended 31 March 2006 was not subject to any qualification.

**A4 Seasonal or cyclical factors**

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

**A5 Unusual items due to their Nature, Size or Incidence**

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.

**A6 Material changes in accounting estimates**

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

**A7 Issuance or repayment of debts and equity securities**

28,400 ordinary shares were issued pursuant to the Employee Share Option Scheme during the financial quarter and financial year to date. Subsequent to the financial quarter ended 30 June 2006, 22,000 ordinary shares were issued pursuant to the Employee Share Option Scheme.

91,500 ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme for the financial quarter and financial year to date. Accordingly, a total of 826,100 shares was retained as treasury shares as at 30 June 2006.

Subsequent to the financial quarter ended 30 June 2006, a total of 33,000 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back scheme. Accordingly, a total of 859,100 shares was retained as treasury shares subsequent to quarter ended 30 June 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 financial quarter and financial year to date.

**A8 Dividend Paid**

**(a) In respect of the financial year ended 31 March 2007**

No dividend was declared during the current financial quarter and financial year to date.

**(b) 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 RM1 each totaling RM6,029,441 for the financial year ended 31 March 2006 was paid on 23 May 2006.

**A9 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.

**A10 Valuations of property, plant and equipment**

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

report.

**A11 Material events subsequent to the end of the quarter**

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

**A12 Changes in composition of the Group**

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

**A13 Changes in contingent liabilities/assets**

Since the last audited financial statements as at 31 March 2006, the Group does not have any contingent liabilities/assets.

**A14 Capital commitments**

|                             | <b>30-Jun-2006</b> |
|-----------------------------|--------------------|
|                             | <b>RM'000</b>      |
| Machinery                   |                    |
| Approved and contracted for | <u>1,424</u>       |
| Building                    |                    |
| Approved and contracted for | <u>292</u>         |
| Lease commitments           |                    |

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

|                    | <b>30-Jun-2006</b> |
|--------------------|--------------------|
|                    | <b>RM'000</b>      |
| Less Than one year | 986                |
| One to five years  | 4,045              |
| Above five years   | 59                 |

**A15 Net assets per share (sen)**

|                             | <b>30-Jun-06</b> | <b>31-Mar-06</b> |
|-----------------------------|------------------|------------------|
| Shareholders' Fund (RM'000) | 178,728          | 170,097          |
| Share Capital (000)         | 70,524           | 70,495           |
| Treasury Shares (000)       | <u>(826)</u>     | <u>(735)</u>     |
|                             | <u>69,698</u>    | <u>69,760</u>    |
| Net assets per share (sen)  | 256.43           | 243.83           |

**B Additional information required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B1 Review of performance**

Pre tax profit registered an increase of 12% while turnover improved by 2% when compared to the corresponding quarter in the preceding year.

The increase in turnover is mainly attributable by higher local sales. Despite the loss of sales from the diaper division, local sales from filing and stationery items recorded an increase of 11% during the quarter as a result of a successful re-strategized marketing program. For the export market, Europe sector enjoys an excellent growth during the quarter. However, other sectors such as Japan and Middle East saw some drop in the sales.

The higher increase in pre tax figure as compared to the increase in sales is mainly due to favorable movement in exchange rate during the quarter.

**B2 Comparison of profit before taxation with preceding quarter**

Pre tax profit registered an impressive improvement from RM8.2m in the preceding quarter to RM11.3m in the current quarter on the back of an increased turnover.

Turnover increased by 18% during the quarter when compared to the preceding quarter as a result of better sales performance from the export sector, in particular the U.S.A. market. Export sales increased by 28% in the current quarter when compared to the preceding quarter. In addition, the favorable exchange rate during the quarter has also helped to improve the pre tax margin.

**B3 Current year prospects**

The Group expects the performance of its financial result for the remaining quarters to be satisfactory.

**B4 Profit forecast or profit guarantee**

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

**B5 Tax expense**

|                                 | 3 months ended<br>30-Jun |                |
|---------------------------------|--------------------------|----------------|
|                                 | 2006<br>RM'000           | 2005<br>RM'000 |
| Current year tax expense        |                          |                |
| - Based on results for the year | 1,470                    | 2,436          |
| Deferred tax expense            |                          |                |
| - Current year                  | 727                      | (289)          |
|                                 | 2,197                    | 2,147          |

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:

|                               | 3 months<br>1st Quarter<br>30.6.2006<br>RM'000 |
|-------------------------------|--|
| Purchase of quoted securities | 557  |
| Disposal of quoted securities |  |
| Sales proceeds                | 1,169  |
| Cost of investments           | 972  |
| Gain on disposal              | 197  |

(b) Investment in quoted securities:

|                 | <b>As at<br/>30.06.2006<br/>RM'000</b> |
|-----------------|--|
| At cost         | 5,471                                  |
| At book value   | 5,471                                  |
| At market value | <u>4,568</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 bank overdraft and foreign currency loan which are denominated in Ringgit Malaysia and USD respectively.

|                 | <b>As at<br/>30.06.2006</b> |                 |
|-----------------|-----------------------------|-----------------|
|                 | <b>USD('000)</b>            | <b>RM('000)</b> |
| Bank overdraft  | -                           | 282             |
| Bank borrowings | 1,779                       | 6,509           |
|                 | <u>1,779</u>                | <u>6,791</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 :-

|                                     | <b>Contract Amount<br/>RM'000</b> |
|-------------------------------------|-----------------------------------|
| Forward foreign exchange contracts: |                                   |
| Within 1 year                       | <u>21,727</u>                     |

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, adjustment has been made for the above forward contracts to account for the difference between the contracted rate and the prevailing market rate if the amount is material.

**B11 Changes in material litigation**

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

**B12 Dividends Proposed**

A final dividend of 20% less 28% tax has been proposed by the Group in respect of the financial year ended 31 March 2006, subject to the approval of shareholders' at the forthcoming Annual General Meeting.

**B13 Earnings per share**

|                                    | <b>Current<br/>Quarter ended<br/>30-Jun-06</b> | <b>Current<br/>Year to Date<br/>30-Jun-06</b> |
|------------------------------------|--|---|
| <b>Basic earnings per share</b>    |  |   |
| Net profit for the period (RM'000) | 9,129  | 9,129   |

|  |                      |                     |
|--|----------------------|---------------------|
| Weighted average number of ordinary shares ('000)                                | 69,726               | 69,726              |
| Basic earnings per share (sen)   | 13.09                | 13.09               |
|  | <b>Current</b>       | <b>Current</b>      |
|  | <b>Quarter ended</b> | <b>Year to Date</b> |
|  | <b>30-Jun-06</b>     | <b>30-Jun-06</b>    |
| <b>Diluted earnings per share</b>  |                      |                     |
| Net profit for the period (RM'000)   | 9,129                | 9,129               |
| Weighted average number of ordinary shares ('000)                                | 69,726               | 69,726              |
| Adjustment for share options ('000)  | 96                   | 96                  |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | 69,822               | 69,822              |
| Diluted earnings per share (sen)   | 13.07                | 13.07               |

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

---