



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

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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, 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 5: Non-current Assets Held for Sale and Discontinued Operations

During the quarter, the management committed to a plan to sell one of the Group's properties. This property is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset. This property is now classified as held for sale and not depreciated. The property is measured at the lower of its carrying amount and fair value less costs to sell in accordance with FRS 5.

**(b) 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.

**(c) 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.

**(d) Other changes in Accounting Policies: Changes in Depreciation Rate**

During the quarter ended 30 September 2006, the Group changes its previous depreciation rate for computer equipment ranging from 8% to 10% per annum to 20% per annum, so as to state the net book value to be approximately the market value of computer equipment which decrease rapidly. The change in the depreciation rate has an effect of decreasing the profit before and after tax for the six month period ended 30 September 2006 by approximately RM67,000.

**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 except as disclosed in note A2.

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

27,600 and 56,000 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 September 2006, 4,400 ordinary shares were issued pursuant to the Employee Share Option Scheme.

33,000 and 124,500 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 859,100 shares was retained as treasury shares as at 30 September 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-Sep-2006</b>
	<b>RM'000</b>
Machinery	
Approved and contracted for	<u>195</u>
Building	
Approved and contracted for	<u>164</u>
Lease commitments	

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

	<b>30-Sep-2006</b>
	<b>RM'000</b>
Less Than one year	1,139
One to five years	3,800

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

	<b>30-Sep-06</b>	<b>31-Mar-06</b>
Shareholders' Fund (RM'000)	176,014	170,097
Share Capital (000)	70,551	70,495
Treasury Shares (000)	(859)	(735)
	<u>69,692</u>	<u>69,760</u>

Net assets per share (sen) 252.56 243.83

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

**B1 Review of performance**

Turnover and pre tax profit dropped by 6% and 17% respectively when compared to the corresponding quarter.

In the corresponding quarter last year, the Group achieved one of the highest export sales. Comparatively, there was a drop in export sales in this quarter when compared to the corresponding quarter.

During the corresponding quarter last year, a higher figure was recorded under Other Operating Income due to the disposal of the diaper machines. Excluding this non recurrent impact, the pre tax profit for the current quarter will have dropped by a lesser percentage of 11% as a result of a lower turnover.

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

Pre tax profit dropped from RM11.3 million in the preceding quarter to RM9.0 million in the current quarter as a result of sales mix of better margin and more favourable exchange factor enjoyed in the preceding quarter.

**B3 Current year prospects**

The Group expects the performance of its financial result for the remaining quarters to be better than the corresponding quarters in last year.

**B4 Profit forecast or profit guarantee**

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

**B5 Tax expense**

	6 months ended 30-Sep	
	2006 RM'000	2005 RM'000
Current year tax expense		
- Based on results for the year	3,260	5,227
- Under provision in respect of prior year	145	268
	3,405	5,495
Deferred tax expense		
- Current year	354	(537)
	3,759	4,958

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:

	6 months 2nd Quarter 30.9.2006 RM'000
Purchase of quoted securities	1,150
Disposal of quoted securities	
Sales proceeds	1,509

Cost of investments	1,384
Gain on disposal	125
(b) Investment in quoted securities:	
	<b>As at</b>
	<b>30.09.2006</b>
	<b>RM'000</b>
At cost	5,652
At book value	5,652
At market value	4,896

#### 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</b>	
	<b>30.09.2006</b>	
	<b>USD('000)</b>	<b>RM('000)</b>
Bank overdraft	-	219
Bank borrowings	3,992	14,706
	<u>3,992</u>	<u>14,925</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</b>
	<b>RM'000</b>
Forward foreign exchange contracts:	
Within 1 year	<u>13,304</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

At the Annual General Meeting held on 29 September 2006, the shareholders of Asia File Corporation Bhd. had approved a final dividend of 20% less 28% tax in respect of the financial year ended 31 March 2006. The dividend will be paid on 28 December 2006.

#### B13 Earnings per share

	<b>Current</b>	<b>Current</b>
	<b>Quarter ended</b>	<b>Year to Date</b>
	<b>30-Sep-06</b>	<b>30-Sep-06</b>
<b>Basic earnings per share</b>		
Net profit for the period (RM'000)	7,442	16,571

Weighted average number of ordinary shares ('000)	69,717	69,707
Basic earnings per share (sen)	10.67	23.77
	<b>Current</b>	<b>Current</b>
	<b>Quarter ended</b>	<b>Year to Date</b>
	<b>30-Sep-06</b>	<b>30-Sep-06</b>
<b>Diluted earnings per share</b>		
Net profit for the period (RM'000)	7,442	16,571
Weighted average number of ordinary shares ('000)	69,717	69,707
Adjustment for share options ('000)	51	70
Weighted average number of ordinary shares for diluted earnings per share ('000)	69,768	69,777
Diluted earnings per share (sen)	10.67	23.75

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

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