



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 year, 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 financial period, 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 nine month period ended 31 December 2006 by approximately RM101,500.

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

4,400 and 60,400 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 31 December 2006, 15,400 ordinary shares were issued pursuant to the Employee Share Option Scheme.

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 year to date. Accordingly, a total of 859,100 shares was retained as treasury shares as at 31 December 2006.

Subsequent to the financial quarter ended 31 December 2006, a total of 311,900 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 1,171,000 shares was retained as treasury shares subsequent to the financial quarter ended 31 December 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 paid 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 totalling RM6,029,441 for the financial year ended 31 March 2006 was paid on 23 May 2006.

A final dividend of 20% less 28% tax on 69,696,500 ordinary shares of RM1 each totalling RM 10,036,296 for the financial year ended 31 March 2006 was paid on 28 December 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

	31-Dec-2006
	RM'000
Machinery	
Approved and contracted for	<u>613</u>
Building	
Approved and contracted for	<u>4,564</u>
Lease commitments	

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

	31-Dec-2006
	RM'000
Less Than one year	1,220
One to five years	3,631

A15 Net assets per share (sen)

	31-Dec-06	31-Mar-06
Shareholders' Fund (RM'000)	178,459	170,097
Share Capital (000)	70,556	70,495
Treasury Shares (000)	(859)	(735)
	69,697	69,760
Net assets per share (sen)	256.05	243.83

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

Turnover for the current quarter registered an improvement of 20% from RM 27.9 million to RM 33.6 million when compared to the corresponding quarter in the preceding year while profit before tax increase from RM 9.7 million to RM 9.9 million. The increase in turnover comes from higher sales recorded in the U.S.A and Europe market segments. Its pre tax margin of 29.5% is in line with the Group's normal operating margin despite being a lower figure as compared to the corresponding quarter in the preceding year.

B2 Comparison of profit before taxation with preceding quarter

Profit before taxation increased by 10% from RM 9.0 million in the preceding quarter to RM 9.9 million in the current quarter on the back of an increased turnover (an increase of 4% from RM 32.2 million to RM 33.6 million) and higher investment income.

B3 Current year prospects

Based on the financial result achieved to date, the Group is confident of an improved overall result for its financial year ending 31 March 2007.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	9 months ended	
	31-Dec	
	2006	2005
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	4,718	6,909
- Under provision in respect of prior year	145	268
	4,863	7,177
Deferred tax expense		
- Current year	261	(387)
	5,124	6,790

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

	9 months ended	
	31.12.2006	
	RM'000	
Disposal of unquoted investments		

Sales proceeds	22,200
Cost of investments	22,148
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Gain on disposal	52
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B7 Purchase or disposal of quoted securities

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

	9 months ended
	31.12.2006
	RM'000
Purchase of quoted securities	2,972
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Disposal of quoted securities	
Sales proceeds	3,934
Cost of investments	3,651
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Gain on disposal	283
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(b) Investment in quoted securities:

	As at
	31.12.2006
	RM'000
At cost	5,208
At book value	5,208
At market value	5,052
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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.

	As at	
	31.12.2006	
	USD('000)	RM('000)
Bank overdraft	-	732
Bank borrowings	2,157	7,614
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	2,157	8,346
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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 :-

	Contract Amount
	RM'000
Forward foreign exchange contracts:	
Within 1 year	2,335
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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

After taking into consideration the cash flow requirement for the Group and the net cash balance position, the Group has decided to recommend an interim dividend of 12% less 27% tax totalling RM 6,105,413 for the quarter under review and financial year to date (previous corresponding quarter: an interim dividend of 12% less 28% tax totalling RM 6,029,441). The dividend will be paid at a date to be determined later.

B13 Earnings per share

	Current Quarter ended 31-Dec-06	Current Year to Date 31-Dec-06
Basic earnings per share		
Net profit for the period (RM'000)	8,544	25,115
Weighted average number of ordinary shares ('000)	69,753	69,703
Basic earnings per share (sen)	<u>12.25</u>	<u>36.03</u>
	Current Quarter ended 31-Dec-06	Current Year to Date 31-Dec-06
Diluted earnings per share		
Net profit for the period (RM'000)	8,544	25,115
Weighted average number of ordinary shares ('000)	69,753	69,703
Adjustment for share options ('000)	58	65
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>69,811</u>	<u>69,768</u>
Diluted earnings per share (sen)	<u>12.24</u>	<u>36.00</u>

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