



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2007

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 year ended 31 March 2007 by approximately RM132,000.

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

119,400 and 179,800 ordinary shares were issued pursuant to the Employee Share Option Scheme during the financial quarter and financial year to date.

311,900 and 436,400 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 1,171,000 shares was retained as treasury shares as at 31 March 2007.

Subsequent to the financial quarter ended 31 March 2007, a total of 229,000 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 1,400,000 shares was retained as treasury shares subsequent to the financial quarter ended 31 March 2007.

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**

An interim dividend of 12% less 27% tax on 69,459,000 ordinary shares of RM1 each totalling RM6,084,608 for the financial year to date was paid on 25 May 2007.

(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-Mar-2007
	RM'000
Machinery	
Approved and contracted for	<u>751</u>
Building	
Approved and contracted for	<u>3,926</u>
Lease commitments	

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

	31-Mar-2007
	RM'000
Less Than one year	1,941
One to five years	6,915

A15 Net assets per share (sen)

	31-Mar-07	31-Mar-06
Shareholders' Fund (RM'000)	184,549	170,097
Share Capital (000)	70,675	70,495
Treasury Shares (000)	(1,171)	(735)
	69,504	69,760
Net assets per share (sen)	265.52	243.83

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

The Group recorded revenue and profit before tax of RM132.4 million and RM39.6 million for the current financial year ended 31 March 2007 reflecting an increase of RM11.2 million and RM755k respectively when compared to the preceding financial year. The higher in revenue is mainly attributable by higher export sales. Export sales increased by 11.3% whereas local sales for filling products increased by 6.2% when compared with the preceding financial year.

Turnover for the current quarter registered an improvement of 25.7% from RM27.3 million to RM34.3 million when compared to the corresponding quarter in the preceding year while profit before tax increase from RM8.1 million to RM9.4 million. During the quarter, sales to market segments such as Europe and U.S continued to show improvement.

B2 Comparison of profit before taxation with preceding quarter

Profit before taxation has dropped by 5.4% when compared to the preceding quarter. One of the factors contributing to the drop is a less favourable exchange rate used during the quarter as compared to the previous quarter.

B3 Current year prospects

Based on the Group's performance to date, the Board expects financial result for the coming quarter to be satisfactory.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	Year ended	
	31-Mar	
	2007	2006
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	6,904	8,035
- Under provision in respect of prior year	145	307
	7,049	8,342
Deferred tax expense		
- Current year	158	(135)
	7,207	8,207

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

	31.3.2007
	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:

	31.3.2007
	RM'000
Purchase of quoted securities	2,972
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Disposal of quoted securities	
Sales proceeds	7,972
Cost of investments	7,260
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Gain on disposal	712
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(b) Investment in quoted securities:

	As at
	31.3.2007
	RM'000
At cost	1,598
At book value	1,598
At market value	1,665
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B8 Status of corporate proposal announced

At the Extraordinary General Meeting held on 18 April 2007, shareholders of the Group has approved the of an employees' share option scheme and amendment to Articles of Association.

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	
	31.3.2007	
	USD('000)	RM('000)
Bank overdraft	-	302
Bank borrowings	32	111
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	32	413
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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.

B11 Changes in material litigation

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

B12 Dividends Proposed

After taking into consideration its cash flow requirement and net cash position, the Group has decided to recommend a final dividend of 20% less 27% tax subject to shareholders' approval.

B13 Earnings per share

	Current Quarter ended 31-Mar-07	Current Year to Date 31-Mar-07
Basic earnings per share		
Net profit for the period (RM'000)	7,292	32,407
Weighted average number of ordinary shares ('000)	69,495	69,650
Basic earnings per share (sen)	<u>10.49</u>	<u>46.53</u>
	Current Quarter ended 31-Mar-07	Current Year to Date 31-Mar-07
Diluted earnings per share		
Net profit for the period (RM'000)	7,292	32,407
Weighted average number of ordinary shares ('000)	69,495	69,650
Adjustment for share options ('000)	-	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>69,495</u>	<u>69,650</u>
Diluted earnings per share (sen)	<u>10.49</u>	<u>46.53</u>

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