



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 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 2007. 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 2007.

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 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 April 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
Amendment to FRS 119 2004	Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

FRS 6 is not relevant to the Group's operations and the adoption of Amendment to FRS119²⁰⁰⁴ and FRS 124 does not have significant financial impact on the Group. The Principal effects of the changes in accounting policies resulting from the adoption of FRS117 are discussed below:

(a) FRS 117 : Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the reclassification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basic over the lease term.

Prior to 1 April 2007, leasehold land was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and any impairment losses.

Upon the adoption of the revised FRS 117 on 1 April 2007, the unamortised revalued amounts of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provision of FRS 117.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and the following comparatives were restated

	Previously stated	Reclassification	Restated
At 31 March 2007	RM'000	RM'000	RM'000
Property, plant and equipment	52,589	(1,873)	50,716
Prepaid land lease payments		1,873	1,873

At the date of authorization of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue but not yet effective :

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 119 2004 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application.

A3 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2007 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

There was no ordinary shares issued pursuant to the Employee Share Option Scheme during the financial quarter and financial year to date.

229,000 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 1,400,000 shares was retained as treasury shares as at 30 June 2007.

Subsequent to the financial quarter ended 30 June 2007, a total of 753,200 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 2,153,200 shares was retained as treasury shares subsequent to the financial quarter ended 30 June 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 2008**

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

(b) 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 ended 31 March 2007 was paid on 25 May 2007.

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 2007, the Group does not have any contingent liabilities/assets.

A14 Capital commitments

	30-Jun-2007
	RM'000
Machinery	
Approved and contracted for	<u>1,675</u>
Building	
Approved and contracted for	<u>2,949</u>
Lease commitments	

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

	30-Jun-2007
	RM'000
Less Than one year	1,944
One to five years	6,439

A15 Net assets per share (sen)

	30-Jun-07	31-Mar-07
Shareholders' Fund (RM'000)	193,723	184,549
Share Capital (000)	70,675	70,675
Treasury Shares (000)	(1,400)	(1,171)
	<u>69,275</u>	<u>69,504</u>
Net assets per share (sen)	279.64	265.52

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

The Group started off its financial year 2008 with a sterling performance in its first quarter, with sales at a record high of RM 43.6 million, an increase of 35% over the figure achieved during the corresponding quarter for the financial year ended 31 March 2007. The main contributor comes from its export sector with huge increase recorded in both U.S and Europe market. The potentially high purchasing power in both markets, coupled with the establishment of the Group's reputation as a reliable supplier for a wide range of stationery products, has been an excellent growth catalyst for the Group.

During the quarter under review, the Group recorded a pre tax profit of RM 11.8 million which represent a pre tax margin of 27.1 %. In comparison with corresponding quarter for the financial year ended 31 March 2007, a pre tax profit of RM 11.3 million was registered. A total of RM 2.5 million in exchange gain was included in pre tax profit in previous year. Excluding the exchange gain, pre tax margin for the corresponding quarter for the financial year ended would be 27.3%.

B2 Comparison of profit before taxation with preceding quarter

Profit before taxation increase by 26% from RM 9.4 million in preceding quarter to RM 11.8 million due to an improvement in sales of 27% from RM 34.3 million to RM 43.6 million.

B3 Current year prospects

In view of its achievement to date, the Group is confident of a better financial result for the coming quarter as compared with the corresponding quarter in last year

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	3 months ended	
	30-Jun	
	2007	2006
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	2,085	1,470
Deferred tax expense		
- Current year	(536)	727
	<u>1,549</u>	<u>2,197</u>

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 1st Quarter 30.6.2007 RM'000
Purchase of quoted securities	-
Disposal of quoted securities	
Sales proceeds	1,506
Cost of investments	1,391
Gain on disposal	115

(b) Investment in quoted securities:

	As at 30.6.2007 RM'000
At cost	207
At book value	207
At market value	201

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 30.6.2007	
	USD('000)	RM('000)
Bank overdraft	-	172
Bank borrowings	651	2,247
	651	2,419

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	13,862

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 27% tax has been proposed by the Group in respect of the financial year ended 31 March 2007, subject to the approval of shareholders at the forthcoming Annual General Meeting.

B13 Earnings per share

	Current Quarter ended 30-Jun-07	Current Year to Date 30-Jun-07
Basic earnings per share		
Net profit for the period (RM'000)	10,263	10,263
Weighted average number of ordinary shares ('000)	69,329	69,329
Basic earnings per share (sen)	<u>14.80</u>	<u>14.80</u>
	Current Quarter ended 30-Jun-07	Current Year to Date 30-Jun-07
Diluted earnings per share		
Net profit for the period (RM'000)	10,263	10,263
Weighted average number of ordinary shares ('000)	69,329	69,329
Adjustment for share options ('000)	406	406
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>69,735</u>	<u>69,735</u>
Diluted earnings per share (sen)	<u>14.72</u>	<u>14.72</u>

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