



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

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 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 FRS119~~2004~~ 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. Subsequent to the financial quarter ended 30 September 2007 70,500 ordinary shares were issued pursuant to the Employee Share Option Scheme.

1,077,600 and 1,306,600 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 2,477,600 shares was retained as treasury shares as at 30 September 2007.

There was no shares purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme subsequent to the financial quarter ended 30 September 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**

	<b>30-Sep-2007</b>
	<b>RM'000</b>
Machinery	
Approved and contracted for	<u>261</u>
Building	
Approved and contracted for	<u>1,228</u>
Lease commitments	

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

	<b>30-Sep-2007</b>
	<b>RM'000</b>
Less Than one year	1,964
One to five years	6,013

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

	30-Sep-07	31-Mar-07
Shareholders' Fund (RM'000)	187,863	184,549
Share Capital (000)	70,675	70,675
Treasury Shares (000)	(2,478)	(1,171)
	<u>68,197</u>	<u>69,504</u>
Net assets per share (sen)	275.47	265.52

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

When compared with the financial performance achieved in the corresponding quarter last year, the Group made an impressive improvement of 37% in its turnover and 43% in profit before tax respectively. During the quarter, the turnover reached RM 44.1 million with a resultant pre tax profit of RM 12.9 million.

The Group continues to enjoy robust growth from its export sector with main contribution coming from its Europe and U.S market. With its enhanced competitiveness in terms of pricing and quality, the Group has been able to compete very effectively in international market.

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

In comparison with the preceding quarter, profit before tax improved by 8.9% from RM 11.8 million to RM 12.9 million due to a better sales mix and higher production efficiency.

**B3 Current year prospects**

Based on the result achieved to date, the Group expects a significant improvement in its overall financial performance in 2008.

**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	
	2007	2006
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	4,323	3,260
- Under provision in respect of prior year	27	145
	<u>4,350</u>	<u>3,405</u>
Deferred tax expense		
- Current year	58	354
	<u>4,408</u>	<u>3,759</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:

	<b>6 months Quarter 30.9.2007 RM'000</b>
Purchase of quoted securities	-
Disposal of quoted securities	
Sales proceeds	1,706
Cost of investments	1,598
Gain on disposal	108

(b) Investment in quoted securities:

	<b>As at 30.9.2007 RM'000</b>
At cost	-
At book value	-
At market value	-

**B8 Status of corporate proposal announced**

On 21 September 2007, the Company has made the following announcements:

- i) Proposed acquisition of the following by Asia File Products Sdn. Bhd., a wholly-owned subsidiary of Asia File Corporation Bhd ("AFCB" or "Company")
  - 100% of the fixed capital in Plastoreg Smidt GmbH & Co. KG ("Plastoreg SG") for a gross cash consideration of EURO13,825,000 (Equivalent to RM66,360,000); and
  - 100% of the registered share capital in Plastoreg Smidt Verwaltungs GmbH ("Plastoreg SV") (Being the sole general partner of Plastoreg SG) for a cash consideration of EURO25,000 (Equivalent to RM120,000);
- ii) Proposed bonus issue of up to 42,609,300 new ordinary shares of RM1.00 each in AFCB ("AFCB shares" or shares) to be credited as fully paid-up, on the basis of three (3) new shares for every five (5) existing shares held in AFCB on an entitlement date to be determined later; and
- iii) Proposed increase in the authorised share capital of AFCB from RM100 million comprising 100 million shares to RM500 million comprising 500 million shares.

Bursa Malaysia Securities Berhad had vide its letter dated 30 October 2007, approved the listing and quotation of up to 42,609,300 new ordinary shares of RM1.00 each in AFCB ("AFCB Shares") to be issued pursuant to the Proposed Bonus Issue.

An EGM will be held on 3 December 2007 to approve the above mentioned proposals.

**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 30.9.2007</b>	
	<b>USD('000)</b>	<b>RM('000)</b>
Bank overdraft	-	189
Bank borrowings	4,323	14,740
	<u>4,323</u>	<u>14,929</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 RM'000</b>
Forward foreign exchange contracts:	
Within 1 year	<u>9,485</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 28 September 2007, the shareholders of Asia File Corporation Bhd. had approved a final dividend of 20% less 27% tax in respect of the financial year ended 31 March 2007. The dividend will be paid on 30 November 2007.

**B13 Earnings per share**

	<b>Current Quarter ended 30-Sep-07</b>	<b>Current Year to Date 30-Sep-07</b>
<b>Basic earnings per share</b>		
Net profit for the period (RM'000)	10,005	20,268
Weighted average number of ordinary shares ('000)	68,634	68,952
Basic earnings per share (sen)	<u>14.58</u>	<u>29.39</u>
<b>Diluted earnings per share</b>		
Net profit for the period (RM'000)	10,005	20,268
Weighted average number of ordinary shares ('000)	68,634	68,952
Adjustment for share options ('000)	437	422
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>69,071</u>	<u>69,374</u>
Diluted earnings per share (sen)	<u>14.48</u>	<u>29.22</u>

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