



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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

158,800 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 2007, 62,000 ordinary shares were issued pursuant to the Employee Share Option Scheme.

There was no shares purchased and retained as treasury shares pursuant to the Share Buy Back Scheme during the financial quarter. 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 financial year to date.

There was a resale of 2,477,600 treasury shares during the financial quarter. Subsequent to the resale, there was no treasury shares retained as at 31 December 2007.

Subsequent to the financial quarter ended 31 December 2007, a total of 47,100 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 47,100 shares was retained as treasury shares subsequent to the financial quarter ended 31 December 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 paid 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.

A final dividend of 20% less 27% tax on 68,267,900 ordinary shares of RM1 each totalling RM 9,967,113 for the financial year ended 31 March 2007 was paid on 30 November 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

	31-Dec-2007
	RM'000
Machinery	
Approved and contracted for	<u>5,005</u>
Building	
Approved and contracted for	<u>605</u>
Lease commitments	

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

	31-Dec-2007
	RM'000
Less Than one year	1,877
One to five years	5,275

A15 Net assets per share (sen)

	31-Dec-07	31-Mar-07
Shareholders' Fund (RM'000)	213,235	184,549
Share Capital (000)	70,834	70,675
Treasury Shares (000)	-	(1,171)
	70,834	69,504
Net assets per share (sen)	301.03	265.52

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

In comparison with the corresponding quarter last year, Asia File has again registered a significant improvement in its financial performance for the third consecutive quarter for the financial year ending 31 March 2008. Its turnover of RM 42.7 million and pre tax profit of RM 11.6 million for the quarter represent an increase of 27% and 17% respectively. On cumulative basis, an improvement of 33% was registered for its turnover while its pre tax profit for the nine months period increased by 20% from RM 30.2 million to RM 36.3 million.

For the current quarter, both its local and export sales increased by a similar quantum of approximately 27%. Procurement of new major customers and repeat sales from established customers continue to spearhead sales achievement in both of the important market sectors namely Europe and the United States.

On the exchange factor, the strengthening of the local currency has resulted in forex loss of RM 917k for the quarter. Excluding this exchange factor, the Group's pre tax margin would have been 29.3% which is in line with the Group's expectation.

B2 Comparison of profit before taxation with preceding quarter

When compared with the preceding quarter, turnover dropped by 3.2% from RM 44.1 million to RM 42.7 million while pre tax profit dropped from RM 12.9 million to RM 11.6 million. The drop in turnover is mainly from export sales as delivery to certain overseas destinations slowed down during Christmas. The weakening of foreign currencies against Ringgit during the quarter has resulted in a lower profit margin. Had this exchange factor been excluded, the percentage of decrease in pre tax margin would be reduced to only 2.6% which will be in tandem with the quantum of drop in its sales turnover when compare with the preceding quarter.

B3 Current year prospects

Based on the cumulative result attained so far which showed an overall improvement of 20% for its pre tax profit, the Group is confident that its financial performance for the financial year ending 31 March 2008 will surpass its last year's figure. In addition, the acquisition of the German company will further improve its sales and profits for the next quarter.

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	
	2007	2006
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	6,343	4,718
- Under provision in respect of prior year	27	145
	6,370	4,863
Deferred tax expense		
- Current year	(199)	261
	6,171	5,124

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:

	9 months ended 31.12.07 RM'000
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:

	As at 31.12.07 RM'000
At cost	-
At book value	-
At market value	-

B8 Status of corporate proposal announced

The proposed bonus issue of up to 42,609,300 new ordinary shares on the basis of 3 new shares for every 5 existing shares was completed when a total of 42,500,280 bonus share were listed and quoted on the Bursa Malaysia Securities Berhad on 4 January 2008.

On 18 January 2008, Asia File Products Sdn. Bhd., the wholly-owned subsidiary of the Company has been successfully registered as the shareholder of Plastoreg Smidt GmbH & Co. KG.

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 31.12.07	
	USD('000)	RM('000)
Bank overdraft	-	201
Bank borrowings	579	1,916
	<u>579</u>	<u>2,117</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 :-

	Contract Amount RM'000
Forward foreign exchange contracts:	
Within 1 year	<u>689</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

After taking into consideration the enlarged share capital of the Group subsequent to the bonus issue and its net cash position, the Group decided to recommend an interim dividend of 10% less tax for the quarter under review and financial year to date (previous corresponding quarter: an interim dividend of 12% less tax). The dividend will be paid at a date to be determined later.

B13 Earnings per share

	Current Quarter ended 31-Dec-07	Current Year to Date 31-Dec-07
Basic earnings per share		
Net profit for the period (RM'000)	9,842	30,110
Weighted average number of ordinary shares ('000)	70,775	70,709
Basic earnings per share (sen)	13.91	42.58
	Current Quarter ended 31-Dec-07	Current Year to Date 31-Dec-07
Diluted earnings per share		
Net profit for the period (RM'000)	9,842	30,110
Weighted average number of ordinary shares ('000)	70,775	70,709
Adjustment for share options ('000)	1,155	703
Weighted average number of ordinary shares for diluted earnings per share ('000)	71,930	71,412
Diluted earnings per share (sen)	13.68	42.16

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