



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2008

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 the additional disclosure requirements as in part A of Appendix 9B of the Revised Listing Requirements.

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 transactions 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<sup>2004</sup> 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, if any.

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 which applicable are not expected to have 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 material changes in accounting estimates of amounts reported in prior financial years.

#### **A7 Issuance or repayment of debts and equity securities**

77,200 and 236,000 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 March 2008, 4,000 ordinary shares were issued pursuant to the Employee Share Option Scheme.

42,500,280 ordinary shares were issued pursuant to the bonus issue during the financial quarter and financial year to date.

47,100 and 1,353,700 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.

There was a resale of 2,477,600 treasury shares during the financial year. Accordingly, only a total of 47,100 shares were retained as treasury shares as at 31 March 2008.

There was no shares purchased and retained as treasury shares subsequent to the financial quarter ended 31 March 2008.

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**

An interim dividend of 10% less 25% tax on 113,364,180 ordinary shares of RM1 each totalling RM8,502,313 for the financial year ended 31 March 2008 was paid on 28 May 2008.

##### **(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 except for the revaluation carried out on land and building and machinery of the newly acquired subsidiary in Germany.

#### **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**

In December 2007, Asia File Products Sdn. Bhd., a wholly-owned subsidiary of Asia File Corporation Bhd., had acquired the following subsidiary companies:

- a) 100% of the fixed capital in Plastoreg Smidt GmbH & CO. KG for a gross cash consideration of EURO 13,825,000; and
- b) 100% of the registered share capital in Plastoreg Smidt Verwaltungs GmbH (being the sole general partner of Plastoreg SG) for a cash consideration of EURO 25,000.

#### **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>31-Mar-2008</b>
	<b>RM'000</b>
Machinery	
Approved and contracted for	<u>5,239</u>
Building	
Approved and contracted for	<u>13,972</u>

## Lease commitments

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

	31-Mar-2008
	RM'000
Less Than one year	1,808
One to five years	4,632

## A15 Net assets per share (sen)

	31-Mar-08	31-Mar-07
Shareholders' Fund (RM'000)	224,552	184,549
Share Capital (000) *	113,411	70,675
Treasury Shares (000)	(47)	(1,171)
	<u>113,364</u>	<u>69,504</u>
Net assets per share (sen)	198.08	265.52

\* During the quarter, a total of 42,500,280 bonus shares were issued in January 2008.

## B Additional information required by the Bursa Malaysia Securities Berhad's Listing Requirements

### B1 Review of performance

For the quarter under review, turnover registered an improvement of 127.5% from RM 34.3 million in the corresponding quarter last year to RM 78.05 million in this quarter. The pre tax profit jumped to RM 12.98 million which represented an increase of 38.5 % over the figure achieved in the corresponding quarter last year.

Consolidation of the Group's result in this quarter includes the contribution from Plastoreg Smidt GmbH & CO.KG, a fully owned subsidiary company in Germany. The expansion in Europe , in particularly in Germany has resulted in an enlarged overseas sales which was about 88% of the total Group's quarterly sales.

The drop in profit margin for this quarter was mainly due to lower margin contribution from the Germany subsidiary and the foreign exchange impact. In comparison with the corresponding quarter last year, the closing rate for Sterling Pound tumbled from 6.84 to only 6.37 this year while US Dollars softened from 3.45 to only 3.19.

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

Profit before tax increased from RM 11.6 million in the preceding quarter to RM 12.98 million in this quarter on the back of an increased turnover.

### B3 Current year prospects

The Board of Directors expect the Group's financial performance to be consistent and satisfactory in the coming quarters.

### B4 Profit forecast or profit guarantee

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

### B5 Tax expense

	Year ended	
	31-Mar	
	2008	2007
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	8,902	6,904
- (Over)/Under provision in respect of prior year	(1)	145
	<u>8,901</u>	<u>7,049</u>
Deferred tax expense		
- Current year	(356)	158
	<u>8,545</u>	<u>7,207</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>Year ended 31.3.2008 RM'000</b>
Purchase of quoted securities	-
Disposal of quoted securities	
Sales proceeds	1,706
Cost of investments	1,598
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Gain on disposal	108
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(b) Investment in quoted securities:

	<b>As at 31.3.2008 RM'000</b>
At cost	-
At book value	-
At market value	-
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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, foreign currency loan and hire purchase which are denominated in Ringgit Malaysia, GBP, EURO and USD.

	<b>As at 31.3.2008 RM('000)</b>
a) Bank borrowing - Non current	
Term Loan	21,281
Finance lease	1,207
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b) Bank borrowing - current	
Bank overdraft	2,011
Foreign currency loan	3,662
Portion of term loan due within one year	7,018
Portion of finance lease due within one year	461
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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 :-

a) Forward foreign exchange contracts:

	<b>Contract Amount</b>
	<b>RM'000</b>
Within 1 year	<u>712</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.

b) Structured Foreign Exchange Hedging

The Group has entered into the above structure contract with licensed bank for a total contract sum of up to a maximum of USD 36 million at a predetermined rate subject to certain terms and conditions.

**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 15% less tax subject to shareholders' approval.

**B13 Earnings per share**

For comparative purpose the earnings per share for last year has been adjusted by a similar number of bonus shares.

	<b>Current Quarter ended 31-Mar-08</b>	<b>Current Year to Date 31-Mar-08</b>
<b>Basic earnings per share</b>		
Net profit for the period (RM'000)	10,607	40,717
Weighted average number of ordinary shares ('000)	111,518	111,967
Basic earnings per share (sen)	<u>9.51</u>	<u>36.37</u>
	<b>Current Quarter ended 31-Mar-08</b>	<b>Current Year to Date 31-Mar-08</b>
<b>Diluted earnings per share</b>		
Net profit for the period (RM'000)	10,607	40,717
Weighted average number of ordinary shares ('000)	111,518	111,967
Adjustment for share options ('000)	<u>1,807</u>	<u>1,364</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>113,325</u>	<u>113,331</u>
Diluted earnings per share (sen)	<u>9.36</u>	<u>35.93</u>

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

