# Asia File Corporation Bhd.

(Company No. 313192 P)
(Incorporated in Malaysia)

# and its subsidiaries

# Financial statements for the year ended 31 March 2012

# Asia File Corporation Bhd.
(Company No. 313192 P)
(Incorporated in Malaysia)
# and its subsidiaries

# Directors' report for the year ended 31 March 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2012.

## Principal activities

The principal activities of the Company are that of investment holding, commission agent and provision of management services. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

## Results

| | **Group RM** | **Company RM** |
|---|---|---|
| Profit for the year attributable to: | | |
| Owners of the Company | 48,642,244 | 28,435,145 |
| Non-controlling interest | - | - |
| | 48,642,244 | 28,435,145 |

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

## Dividends

Since the end of the previous financial year, the Company paid :

i) an interim dividend of 4.8% less 25% tax and 5.5% tax exempt on 115,346,630 ordinary shares of RM1 each totalling RM10,496,543 in respect of the financial year ended 31 March 2011 on 27 May 2011;

ii) a final single-tier dividend of 12.5% on 115,572,530 ordinary shares of RM1 each totalling RM14,446,566 in respect of the financial year ended 31 March 2011 on 27 December 2011; and

## Dividends (continued)

iii) an interim single-tier dividend of 8% on 115,626,130 ordinary shares of RM1 each totalling RM9,250,090 in respect of the financial year ended 31 March 2012 on 29 May 2012.

A final single-tier dividend of 13.5% has been recommended by the Directors in respect of the financial year ended 31 March 2012, subject to the approval of members at the forthcoming Annual General Meeting.

## Directors of the Company

Directors who served since the date of the last report are :

| | |
|---|---|
| Lim Soon Huat | |
| Lim Soon Wah | |
| Nurjannah Binti Ali | |
| Ng Chin Nam | (Appointed on 11.6.12) |
| Lam Voon Kean | (Appointed on 11.6.12) |
| Khoo Khai Hong | (Resigned on 11.6.12) |
| Ooi Ean Chin | (Resigned on 11.6.12) |
| Lim Soon Hee | (Resigned as alternate Director to Mr. Khoo Khai Hong and appointed as alternative Director to Mr. Ng Chin Nam on 11.6.12) |

## Directors' interests in shares

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouse and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

| | Number of ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|
| | **Balance at 1.4.2011** | **Bought** | **ESOS exercised** | **(Sold)** | **Balance at 31.3.2012** |
| Interest in the Company : | | | | | |
| ***Lim Soon Huat*** | | | | | |
| - own | 889,391 | - | - | - | 889,391 |
| - others * | 2,624,600 | - | - | - | 2,624,600 |
| ***Lim Soon Wah*** | | | | | |
| - own | 2,489,825 | - | - | - | 2,489,825 |
| - others * | 152,320 | - | - | - | 152,320 |
| ***Khoo Khai Hong*** | | | | | |
| - own | 54,000 | - | 56,000 | - | 110,000 |

## Directors' interests in shares (continued)

| | Number of ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|
| | **Balance at 1.4.2011** | **Bought** | **ESOS exercised** | **(Sold)** | **Balance at 31.3.2012** |
| Interest in the Company : | | | | | |
| ***Ooi Ean Chin*** | | | | | |
| - own | - | - | 40,000 | - | 40,000 |
| - other* | 19,520 | - | - | - | 19,520 |
| Deemed interest in the Company : | | | | | |
| ***Lim Soon Huat*** | | | | | |
| - own | 52,336,837 | - | - | - | 52,336,837 |

* These are shares held in the name of the spouse and/or children and are treated as interests of the Director in accordance with Section 134(12)(c) of the Companies Act, 1965.

| | Number of options over ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | **Balance at 1.4.2011** | **Granted** | **(Exercised)** | **Balance at 31.3.2012** |
| Interest in the Company | | | | |
| ***Lim Soon Huat*** | | | | |
| - own | 425,000 | 400,000 | - | 825,000 |
| ***Lim Soon Wah*** | | | | |
| - own | 369,000 | 240,000 | - | 609,000 |
| ***Khoo Khai Hong*** | | | | |
| - own | 56,000 | - | (56,000) | - |
| ***Ooi Ean Chin*** | | | | |
| - own | 40,000 | - | (40,000) | - |
| ***Nurjannah Binti Ali*** | | | | |
| - own | 40,000 | - | - | 40,000 |

By virtue of his interests in the Company, Mr. Lim Soon Huat is also deemed to have interest in the shares of the subsidiaries to the extent the Company has an interest.

None of the other Director holding office at 31 March 2012 had any interest in the ordinary shares and options over the shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to derive a benefit from those transactions entered into in the ordinary course of business between certain companies in the Group and companies in which a Director and his close family members have substantial financial interests as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the share options granted under the Employees' Share Option Scheme ("ESOS").

## Issue of shares and debentures

During the financial year, the issued and paid-up share capital of the Company was increased from RM115,506,930 to RM116,025,730 through the issuance of 518,800 new ordinary shares of RM1.00 each for cash from the exercise of ESOS as follows :

| | **Exercise price RM** | **Number of ordinary shares of RM1.00 each issued** |
|---|---|---|
| Exercise of options under ESOS | 3.14 | 507,400 |
| Exercise of options under ESOS | 4.11 | 2,000 |
| Exercise of options under ESOS | 3.10 | 9,400 |

There were no other changes in the authorised, issued and paid-up capital of the Company and no debentures were issued by the Company during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

## Employees' share option scheme

The Company's Employees' Share Option Scheme ("the Scheme") was approved by the shareholders at an Extraordinary General Meeting ("EGM") held on 20 April 2007.

The main features of the Scheme are as follows :

i) The total number of shares to be offered under the Scheme shall not exceed 15% of the issued and paid-up share capital of the Company or such maximum percentage as allowable by the relevant authorities at any point in time during the existence of the Scheme. In the event the maximum number of shares offered exceeds 15% of the issued and paid-up share capital or such maximum percentage as allowable by the relevant authorities as a result of the Company purchasing its own shares and thereby diminishing its issued and paid-up share capital, then the options granted prior to the adjustment of the issued and paid-up share capital of the Company shall remain valid and exercisable but there shall not be any further offer;

ii) The Scheme shall be in force for a period of five years commencing from 23 April 2007 being the last date on which the Company obtained all relevant approvals required for the Scheme. The Scheme, which is expiring on 22 April 2012, has been extended for another five years until 21 April 2017;

iii) The option is personal to the grantee and is not assignable, transferable, disposable or changeable except for certain conditions provided for in the By-Laws;

iv) Eligible persons are employees and Executive Directors, who are involved in the day-to-day management and on the payroll of the Group who have been confirmed in the employment of the Group and have been in the employment of the Group for a continuous period of at least six (6) months immediately preceding the date of offer, the date when an offer is made in writing to an employee to participate in the Scheme;

v) No options shall be granted for less than one hundred (100) shares nor :

    (a) not more than fifty percent (50%) of the total number of shares to be issued under the Scheme shall be allotted in aggregate to Directors and Senior Management of the Group; and

    (b) not more than ten percent (10%) of the total number of shares to be issued under the Scheme shall be allotted to any Eligible Director or Employee of the Group who either singly or collectively through persons connected with the Director or Employee, holds twenty percent (20%) or more of the issued and paid-up ordinary share capital of the Company.

    The maximum allowable allotment does not include additional shares which arisen pursuant to event stipulated in (viii).

## Employees' share option scheme (continued)

vi) The exercise price for each ordinary share shall be set at a discount of not more than 10%, if deemed appropriate, or such lower or higher limit as approved by the relevant authorities, from the weighted average of the market price of the shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) market days preceding the date of offer or at par value of the shares, whichever is higher;

vii) The options granted do not confer any dividend or other distribution declared to the shareholders as at a date which precedes the date of exercise of the option and will be subject to all the provisions of the Articles of Association of the Company; and

viii) In the event of any alteration in the capital structure of the Company during the option period, whether by way of capitalisation of profits or reserves, rights issues, reduction of capital, subdivision, consolidation of shares or otherwise (excluding the purchase by the Company of its own shares) howsoever taking places, such corresponding alterations (if any) shall be made in the number of shares relating to the unexercised options and option price.

The options offered to take up unissued ordinary shares of RM1 each and the exercise price are as follows :

| | | Number of options over ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|---|
| **Date of offer** | **Exercise price** | **Balance at 1.4.2011** | **Granted** | **Exercised** | **Lapsed due to resignation** | **Balance at 31.3.2012** |
| 27.4.2007 | 3.14 | 2,297,570 | - | (507,400) | (47,200) | 1,742,970 |
| 20.4.2009 | 4.11 | 822,200 | - | (2,000) | (33,200) | 787,000 |
| 3.10.2011 | 3.10 | - | 3,674,000 | (9,400) | (36,000) | 3,628,600 |

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of option holders who were granted less than 120,000 options during the financial year. This information has been separately filed with the Companies Commission of Malaysia.

The name of option holders who have been granted options to subscribe for 120,000 or more ordinary shares of RM1 each during the financial year are as follows :

| **Name of option holders** | **Number of options over ordinary shares of RM1 each** |
|---|---|
| Lim Soon Huat | 400,000 |
| Lim Soon Wah | 240,000 |
| Lim Chin Chin | 190,000 |
| Goh Phaik Ngoh | 120,000 |

## Other statutory information

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Significant event

Details of the significant event are as disclosed in Note 34 to the financial statements.

## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

…………………………………..
**Lim Soon Huat**

…………………………………..
**Lim Soon Wah**

Penang,

Date : 20 July 2012

# Asia File Corporation Bhd.
(Company No. 313192 P)
(Incorporated in Malaysia)
# and its subsidiaries

## Consolidated statement of financial position as at 31 March 2012

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 3 | 89,188,693 | 90,153,204 |
| Prepaid lease payments | 4 | 1,678,454 | 1,717,329 |
| Investment properties | 5 | 1,909,168 | 1,959,766 |
| Investments in associate | 7 | 118,358,682 | 110,449,054 |
| Goodwill on consolidation | 8 | 30,234,456 | 30,234,456 |
| **Total non-current assets** | | 241,369,453 | 234,513,809 |
| Trade and other receivables | 9 | 63,691,674 | 47,296,313 |
| Inventories | 10 | 94,813,785 | 71,196,768 |
| Current tax assets | | 12,101 | 32,894 |
| Cash and cash equivalents | 11 | 57,142,508 | 80,862,647 |
| **Total current assets** | | 215,660,068 | 199,388,622 |
| **Total assets** | | 457,029,521 | 433,902,431 |

# Consolidated statement of financial position as at 31 March 2012 (continued)

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 12 | 116,025,730 | 115,506,930 |
| Treasury shares | 13 | (1,843,042) | (1,504,391) |
| Reserves | 14 | 256,824,032 | 231,892,535 |
| **Total equity attributable to owners of the Company** | | 371,006,720 | 345,895,074 |
| **Liabilities** | | | |
| Deferred tax liabilities | 15 | 7,304,063 | 7,829,494 |
| Bank borrowings | 17 | 2,258,401 | 6,807,097 |
| **Total non-current liabilities** | | 9,562,464 | 14,636,591 |
| Trade and other payables | 16 | 43,444,930 | 36,024,512 |
| Bank borrowings | 17 | 21,017,600 | 25,278,507 |
| Current tax liability | | 2,747,717 | 1,571,204 |
| Dividend payable | | 9,250,090 | 10,496,543 |
| **Total current liabilities** | | 76,460,337 | 73,370,766 |
| **Total liabilities** | | 86,022,801 | 88,007,357 |
| **Total equity and liabilities** | | 457,029,521 | 433,902,431 |

The notes on pages 24 to 88 are an integral part of these financial statements.

# Asia File Corporation Bhd.
(Company No. 313192 P)
(Incorporated in Malaysia)
# and its subsidiaries

## Consolidated statement of comprehensive income for the year ended 31 March 2012

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 19 | 276,322,752 | 247,111,564 |
| Cost of sales | | (168,848,296) | (141,993,830) |
| **Gross profit** | | 107,474,456 | 105,117,734 |
| Distribution costs | | (11,333,878) | (12,403,343) |
| Administrative expenses | | (48,941,397) | (44,085,683) |
| Other operating expenses | | (1,935,837) | (756,105) |
| Other operating income | | 3,680,661 | 4,280,023 |
| | | (58,530,451) | (52,965,108) |
| **Results from operating activities** | | 48,944,005 | 52,152,626 |
| Share of profits after tax of equity accounted associates | | 8,900,466 | 7,102,762 |
| Finance costs | | (720,635) | (1,009,002) |
| **Profit before tax** | 20 | 57,123,836 | 58,246,386 |
| Income tax expense | 23 | (8,481,592) | (7,856,467) |
| **Profit for the year** | | 48,642,244 | 50,389,919 |
| **Other comprehensive income, net of tax** | | | |
| Foreign exchange translation differences from foreign operations | | (2,608,503) | (924,955) |
| Share of other comprehensive income of equity accounted associates | | 238,346 | 120,117 |
| **Total other comprehensive income for the year** | | (2,370,157) | (804,838) |
| **Total comprehensive income for the year** | | 46,272,087 | 49,585,081 |

# Consolidated statement of comprehensive income for the year ended 31 March 2012 (Continued)

| | Note | 2012<br>RM | 2011<br>RM |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Owners of the Company | | 48,642,244 | 50,389,919 |
| Non-controlling interest | | - | - |
| **Profit for the year** | | 48,642,244 | 50,389,919 |
| **Total comprehensive income attributable to :** | | | |
| Owners of the Company | | 46,272,087 | 49,585,081 |
| Non-controlling interest | | - | - |
| **Total comprehensive income for the year** | | 46,272,087 | 49,585,081 |
| **Basic earnings per ordinary share (sen)** | 24 | 42.11 | 43.83 |
| **Diluted earnings per ordinary share (sen)** | 24 | 41.77 | 43.54 |

The notes on pages 24 to 88 are an integral part of these financial statements.

# Asia File Corporation Bhd.

(Company No. 313192 P)
(Incorporated in Malaysia)

# and its subsidiaries

## Consolidated statement of changes in equity for the year ended 31 March 2012

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | Distributable | |
| | Share capital RM | Treasury shares RM | Share premium RM | Share option reserves RM | Translation reserve RM | Revaluation reserve RM | Retained earnings RM | Total equity RM |
| **At 1 April 2010** | | | | | | | | |
| - as previously stated | 114,872,630 | (1,365,033) | 14,509,978 | 1,311,032 | (4,381,430) | 4,236,589 | 189,128,563 | 318,312,329 |
| - effect and adopting FRS 139 | - | - | - | - | - | - | (59,491) | (59,491) |
| At 1 April 2010, as restated | 114,872,630 | (1,365,033) | 14,509,978 | 1,311,032 | (4,381,430) | 4,236,589 | 189,069,072 | 318,252,838 |
| Foreign exchange translation differences from foreign operations | - | - | - | - | (924,955) | - | - | (924,955) |
| Share of other comprehensive income of equity accounted associates | - | - | - | - | 120,117 | - | - | 120,117 |
| Total other comprehensive income for the year | - | - | - | - | (804,838) | - | - | (804,838) |
| Profit for the year | - | - | - | - | - | - | 50,389,919 | 50,389,919 |
| **Total comprehensive income for the year** | - | - | - | - | (804,838) | - | 50,389,919 | 49,585,081 |
| Treasury shares acquired | - | (139,358) | - | - | - | - | - | (139,358) |
| Share-based payments (Note 18) | - | - | - | 424,102 | - | - | - | 424,102 |
| Issue of shares pursuant to ESOS | 634,300 | - | 1,369,527 | - | - | - | - | 2,003,827 |
| Dividends (Note 25) | - | - | - | - | - | - | (24,315,518) | (24,315,518) |
| **Total contribution from/distribution to owners** | 634,300 | (139,358) | 1,369,527 | 424,102 | - | - | (24,315,518) | (22,026,947) |
| Post-acquisition reserves - associate | - | - | 78,468 | 5,634 | - | - | - | 84,102 |
| Transfer to share premium for share options exercised | - | - | 287,639 | (287,639) | - | - | - | - |
| Transfer from share option reserve for options lapsed | - | - | - | (21,870) | - | - | 21,870 | - |
| **At 31 March 2011** | 115,506,930 | (1,504,391) | 16,245,612 | 1,431,259 | (5,186,268) | 4,236,589 | 215,165,343 | 345,895,074 |

# Consolidated statement of changes in equity for the year ended 31 March 2012 (continued)

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | Distributable | |
| | Share capital RM | Treasury shares RM | Share premium RM | Share option reserves RM | Translation reserve RM | Revaluation reserve RM | Retained earnings RM | Total equity RM |
| **At 1 April 2011** | 115,506,930 | (1,504,391) | 16,245,612 | 1,431,259 | (5,186,268) | 4,236,589 | 215,165,343 | 345,895,074 |
| Foreign exchange translation differences from foreign operations | - | - | - | - | (2,608,503) | - | - | (2,608,503) |
| Share of other comprehensive income of equity accounted associates | - | - | - | - | 238,346 | - | - | 238,346 |
| Total other comprehensive income for the year | - | - | - | - | (2,370,157) | - | - | (2,370,157) |
| Profit for the year | - | - | - | - | - | - | 48,642,244 | 48,642,244 |
| **Total comprehensive income for the year** | - | - | - | - | (2,370,157) | - | 48,642,244 | 46,272,087 |
| Treasury shares acquired | - | (338,651) | - | - | - | - | - | (338,651) |
| Share-based payments (Note 18) | - | - | - | 1,217,185 | - | - | - | 1,217,185 |
| Issue of shares pursuant to ESOS | 518,800 | - | 1,111,796 | - | - | - | - | 1,630,596 |
| Dividends (Note 25) | - | - | - | - | - | - | (23,696,656) | (23,696,656) |
| **Total contribution from/distribution to owners** | 518,800 | (338,651) | 1,111,796 | 1,217,185 | - | - | (23,696,656) | (21,187,526) |
| Post-acquisition reserves - associate | - | - | 89,480 | (62,395) | - | - | - | 27,085 |
| Transfer to share premium for share options exercised | - | - | 231,629 | (231,629) | - | - | - | - |
| Transfer from share option reserve for options lapsed | - | - | - | (33,609) | - | - | 33,609 | - |
| **At 31 March 2012** | 116,025,730 | (1,843,042) | 17,678,517 | 2,320,811 | (7,556,425) | 4,236,589 | 240,144,540 | 371,006,720 |

The notes on pages 24 to 88 are an integral part of these financial statements.

# Asia File Corporation Bhd.
(Company No. 313192 P)
(Incorporated in Malaysia)
## and its subsidiaries

# Consolidated statement of cash flows for the year ended 31 March 2012

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax from continuing operations | | 57,123,836 | 58,246,386 |
| Adjustments for : | | | |
| Depreciation | | | |
| - Property, plant and equipment | 3 | 9,305,898 | 9,146,204 |
| - Investment properties | 5 | 50,598 | 50,598 |
| Amortisation of prepaid lease payments | 4 | 38,875 | 38,875 |
| Gain on disposal of plant and equipment | | (141,579) | (69,699) |
| Gain on disposal of other investments | | - | (94,902) |
| Gain on disposal of investment in an associate | | - | (70,000) |
| Interest expense | | 720,635 | 1,009,002 |
| Interest income | | (850,612) | (592,933) |
| Plant and equipment written off | | - | 680 |
| Share of profit after tax of equity accounted associates | | (8,900,466) | (7,102,762) |
| Share-based payments | 18 | 1,217,185 | 424,102 |
| Operating profit before changes in working capital | | 58,564,370 | 60,985,551 |
| Changes in working capital : | | | |
| Inventories | | (16,919,377) | (12,338,377) |
| Trade and other receivables | | (24,642,791) | 3,271,589 |
| Trade and other payables | | 8,126,747 | 2,069,036 |
| Cash generated from operations | | 25,128,949 | 53,987,799 |
| Income tax paid | | (7,789,317) | (3,121,963) |
| **Net cash from operating activities** | | 17,339,632 | 50,865,836 |

# Consolidated statement of cash flows for the year ended 31 March 2012 (continued)

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of other investments | | - | (403,200) |
| Purchase of plant and equipment | 3 | (9,580,736) | (6,246,470) |
| Proceeds from disposal of plant and equipment | | 228,413 | 193,890 |
| Acquisition of investment in an associate | | (250,771) | (67,335) |
| Proceeds from disposal of other investments | | - | 498,102 |
| Dividend received from associate | | 1,507,040 | 1,505,368 |
| Interest received | | 850,612 | 592,933 |
| Proceeds from disposal of investment in an associate | | - | 75,000 |
| **Net cash used in investing activities** | | (7,245,442) | (3,851,712) |
| **Cash flows from financing activities** | | | |
| (Repayment of)/Proceeds from short term borrowings, net | | (108,113) | 1,907,594 |
| Repayments of term loans | | (8,360,000) | (9,695,541) |
| Repayments of finance lease liabilities | | (195,466) | (319,894) |
| Proceeds from shares issued under ESOS | | 1,630,596 | 2,003,827 |
| Repurchase of treasury shares | 13 | (338,651) | (139,358) |
| Dividends paid | | (24,943,109) | (24,133,023) |
| Interest paid | | (720,635) | (1,009,002) |
| **Net cash used in financing activities** | | (33,035,378) | (31,385,397) |
| Net (decrease)/increase in cash and cash equivalents | | (22,941,188) | 15,628,727 |
| Cash and cash equivalents at 1 April | | 80,762,652 | 65,412,920 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (774,656) | (278,995) |
| **Cash and cash equivalents at 31 March** | | 57,046,808 | 80,762,652 |

# Consolidated statement of cash flows for the year ended 31 March 2012 (continued)

NOTE

*Cash and cash equivalents*

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts :

| | **Note** | **2012 RM** | **2011 RM** |
|---|---|---|---|
| Short term deposits with licensed banks | 11 | 20,051,948 | 60,363,530 |
| Cash and bank balances | 11 | 37,090,560 | 20,499,117 |
| Bank overdrafts | 17 | (95,700) | (99,995) |
| | | 57,046,808 | 80,762,652 |

# Asia File Corporation Bhd.

(Company No. 313192 P)
(Incorporated in Malaysia)

## Statement of financial position as at 31 March 2012

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 6 | 48,515,895 | 23,252,709 |
| Investments in associate | 7 | 4,752,924 | 4,502,153 |
| **Total non-current assets** | | 53,268,819 | 27,754,862 |
| Trade and other receivables | 9 | 128,537,498 | 146,249,350 |
| Current tax assets | | 7,143 | 27,936 |
| Cash and cash equivalents | 11 | 3,799,391 | 4,577,630 |
| **Total current assets** | | 132,344,032 | 150,854,916 |
| **Total assets** | | 185,612,851 | 178,609,778 |
| **Equity** | | | |
| Share capital | 12 | 116,025,730 | 115,506,930 |
| Treasury shares | 13 | (1,843,042) | (1,504,391) |
| Reserves | 14 | 39,775,420 | 32,707,950 |
| **Total equity** | | 153,958,108 | 146,710,489 |
| **Liabilities** | | | |
| Trade and other payables | 16 | 22,404,653 | 21,402,746 |
| Dividend payable | | 9,250,090 | 10,496,543 |
| **Total current liabilities** | | 31,654,743 | 31,899,289 |
| **Total equity and liabilities** | | 185,612,851 | 178,609,778 |

The notes on pages 24 to 88 are an integral part of these financial statements.

# Asia File Corporation Bhd.

(Company No. 313192 P)
(Incorporated in Malaysia)

## Statement of comprehensive income for the year ended 31 March 2012

| | Note | 2012<br>RM | 2011<br>RM |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 19 | 31,277,405 | 25,598,718 |
| Administrative expenses | | (2,791,372) | (2,139,366) |
| Other operating expenses | | (62,945) | (2,701) |
| Other operating income | | 45,270 | 63,586 |
| **Profit before tax** | 20 | 28,468,358 | 23,520,237 |
| Income tax expense | 23 | (33,213) | (67,951) |
| **Profit for the year/Total comprehensive income for the year** | | 28,435,145 | 23,452,286 |

The notes on pages 24 to 88 are an integral part of these financial statements.

# Asia File Corporation Bhd.

(Company No. 313192 P)
(Incorporated in Malaysia)

# Statement of changes in equity for the year ended 31 March 2012

| | ← Non-distributable | | | → | Distributable | |
|---|---|---|---|---|---|---|
| | **Share capital RM** | **Treasury shares RM** | **Share premium RM** | **Share option reserves RM** | **Retained earnings RM** | **Total equity RM** |
| **At 1 April 2010** | 114,872,630 | (1,365,033) | 14,429,380 | 1,194,207 | 16,153,966 | 145,285,150 |
| Profit and total comprehensive income for the year | - | - | - | - | 23,452,286 | 23,452,286 |
| Treasury shares acquired | - | (139,358) | - | - | - | (139,358) |
| Share-based payments (Note 18) | - | - | - | 424,102 | - | 424,102 |
| Shares issued pursuant to ESOS | 634,300 | - | 1,369,527 | - | - | 2,003,827 |
| Dividends (Note 25) | - | - | - | - | (24,315,518) | (24,315,518) |
| **Total contribution from/distribution to owners** | 634,300 | (139,358) | 1,369,527 | 424,102 | (24,315,518) | (22,026,947) |
| Treasury to share premium for share options exercised | - | - | 287,639 | (287,639) | - | - |
| Transfer from share option reserve for options lapsed | - | - | - | (21,870) | 21,870 | - |
| **At 31 March 2011** | 115,506,930 | (1,504,391) | 16,086,546 | 1,308,800 | 15,312,604 | 146,710,489 |

# Statement of changes in equity for the year ended 31 March 2012 (continued)

| | ← Non-distributable | | | → | Distributable | |
|---|---|---|---|---|---|---|
| | **Share capital RM** | **Treasury shares RM** | **Share premium RM** | **Share option reserves RM** | **Retained earnings RM** | **Total equity RM** |
| **At 1 April 2011** | 115,506,930 | (1,504,391) | 16,086,546 | 1,308,800 | 15,312,604 | 146,710,489 |
| Profit and total comprehensive income for the year | - | - | - | - | 28,435,145 | 28,435,145 |
| Treasury shares acquired | - | (338,651) | - | - | - | (338,651) |
| Share-based payments (Note 18) | - | - | - | 1,217,185 | - | 1,217,185 |
| Shares issued pursuant to ESOS | 518,800 | - | 1,111,796 | - | - | 1,630,596 |
| Dividends (Note 25) | - | - | - | - | (23,696,656) | (23,696,656) |
| **Total contribution from/distribution to owners** | 518,800 | (338,651) | 1,111,796 | 1,217,185 | (23,696,656) | (21,187,526) |
| Transfer to share premium for share options exercised | - | - | 231,629 | (231,629) | - | - |
| Transfer from share option reserve for options lapsed | - | - | - | (33,609) | 33,609 | - |
| **At 31 March 2012** | 116,025,730 | (1,843,042) | 17,429,971 | 2,260,747 | 20,084,702 | 153,958,108 |

The notes on pages 24 to 88 are an integral part of these financial statements.

# Asia File Corporation Bhd.

(Company No. 313192 P)
(Incorporated in Malaysia)

## Statement of cash flows for the year ended 31 March 2012

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax from continuing operations | | 28,468,358 | 23,520,237 |
| Adjustments for : | | | |
| Dividend income | | (29,136,388) | (23,474,715) |
| Interest income | | (40,956) | (55,777) |
| Share-based payments | 18 | 753,999 | 174,398 |
| Operating profit before changes in working capital | | 45,013 | 164,143 |
| Changes in working capital : | | | |
| Trade and other receivables | | 17,711,852 | 1,275,598 |
| Trade and other payables | | 1,001,907 | 1,344,846 |
| Cash generated from operations | | 18,758,772 | 2,784,587 |
| Income tax paid | | (12,420) | (74,615) |
| Dividend received | | 29,136,388 | 23,474,715 |
| **Net cash from operating activities** | | 47,882,740 | 26,184,687 |
| **Cash flows from investing activities** | | | |
| Interest received | | 40,956 | 55,777 |
| Acquisition of investments in an associate and subsidiaries | | (25,050,771) | (67,335) |
| **Net cash used in investing activities** | | (25,009,815) | (11,558) |

# Statement of cash flows for the year ended 31 March 2012 (continued)

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued under ESOS | | 1,630,596 | 2,003,827 |
| Repurchase of treasury shares | 13 | (338,651) | (139,358) |
| Dividends paid | | (24,943,109) | (24,133,023) |
| **Net cash used in financing activities** | | (23,651,164) | (22,268,554) |
| Net (decrease)/increase in cash and cash equivalents | | (778,239) | 3,904,575 |
| Cash and cash equivalents at 1 April | | 4,577,630 | 673,055 |
| **Cash and cash equivalents at 31 March** | 11 | 3,799,391 | 4,577,630 |

# Asia File Corporation Bhd.
(Company No. 313192 P)
(Incorporated in Malaysia)
# and its subsidiaries

# Notes to the financial statements

Asia File Corporation Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows :

**Registered office**

Suite 2-1, 2nd Floor,
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang

**Principal place of business**

Plot 16, Kawasan Perindustrian Bayan Lepas
Phase IV
Mukim 12, Bayan Lepas,
11900 Penang

The consolidated financial statements as at and for the financial year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

The Company is principally engaged as an investment holding company, commission agent and provision of management services. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 20 July 2012.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company :

**Interpretation and amendments effective for annual periods beginning on or after 1 July 2011**

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012**

- FRS 124, Related Party Disclosures (revised)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes - Deferred Tax : Recovery of Underlying Assets

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012**

- Amendments to FRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013**

- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119, Employee Benefits (2011)
- FRS 127, Separate Financial Statements (2011)
- FRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 7, Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Government Loans

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- Amendments to FRS 132, Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015**

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instrument (2010)
- Amendments to FRS 7, Financial Instruments : Disclosures - Mandatory Date of FRS 9 and Transition Disclosures

The Group's and the Company's financial statements for annual period beginning on 1 April 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

## (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

## (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

## (d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any affected future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes :

- Note 5 - Valuation of investment properties
- Note 8 - Goodwill on consolidation

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities.

### (a) Basis of consolidation

#### *(i) Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

#### *(ii) Accounting for business combinations*

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 April 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

***Acquisitions on or after 1 April 2011***

For acquisitions on or after 1 April 2011, the Group measures goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### *(ii) Accounting for business combinations (continued)*

***Acquisitions on or after 1 April 2011 (continued)***

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, than all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

***Acquisitions between 1 April 2006 and 1 April 2011***

For acquisitions between 1 April 2006 and 1 April 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### *(ii) Accounting for business combinations (continued)*

***Acquisitions prior to 1 April 2006***

For acquisitions prior to 1 April 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

### *(iii) Accounting for acquisitions of non-controlling interests*

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

### *(iv) Loss of control*

The Group applied FRS 127, Consolidated and Separate Financial Statement (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognised the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level or influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

### *(v) Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### *(v) Associates (continued)*

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sales or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

### *(vi) Jointly-controlled operation and assets*

The interest of the Company or of the Group in unincorporated joint ventures and jointly-controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

### *(vii) Non-controlling interests*

Non-controlling interest at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### *(vii) Non-controlling interests (continued)*

Since the beginning of the reporting period, the Group has applied FRS 127, Consolidated and Separate Financial Statements (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

### *(viii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## (b) Foreign currency transactions

### *(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

# 2. Significant accounting policies (continued)

## (b) Foreign currency transactions (continued)

### *(i) Foreign currency transactions (continued)*

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

### *(ii) Operations denominated in functional currencies other than Ringgit Malaysia (RM)*

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 April 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

# 2. Significant accounting policies (continued)

## (c) Financial instruments

### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

***Financial assets***

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

# 2. Significant accounting policies (continued)

## (c) Financial instruments (continued)

### (ii) Financial instrument categories and subsequent measurement (continued)

***(b) Held-to-maturity investments***

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

***(c) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(d) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(h)(i)).

# 2. Significant accounting policies (continued)

## (c) Financial instruments (continued)

### (ii) Financial instrument categories and subsequent measurement (continued)

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

# 2. Significant accounting policies (continued)

## (c) Financial instruments (continued)

### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## (d) Property, plant and equipment

### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# 2. Significant accounting policies (continued)

## (d) Property, plant and equipment (continued)

### *(i) Recognition and measurement (continued)*

The gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised as “other operating income” or “other operating expenses” respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

### *(ii) Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### *(iii) Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

The depreciation rates for the current and comparative period are as follows:

| | **%** |
|---|---|
| Buildings | 1.5 - 2.5 |
| Plant and machinery | 10 - 25 |
| Office equipment, furniture and fittings | 8 - 25 |
| Motor vehicles | 20 |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

# 2. Significant accounting policies (continued)

## (e) Leased assets

### *(i) Finance lease*

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

### *(ii) Operating lease*

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## (f) Goodwill

Goodwill arises on business combination is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

# 2. Significant accounting policies (continued)

## (g) Investment properties

### *(i) Investment properties carried at cost*

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than prepaid lease payments) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings.

### *(ii) Determination of fair value*

The Directors estimate the fair values of the Group's investment properties without involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## (h) Impairment

### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

# 2. Significant accounting policies (continued)

## (h) Impairment (continued)

### (i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

### (ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

# 2. Significant accounting policies (continued)

## (h) Impairment (continued)

### (ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## (i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The fair value of inventories acquired in a business combination is determined based on estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

## (j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturity of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

# 2. Significant accounting policies (continued)

## (k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

***Contingent liabilities***

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## (l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

***(i) Issue expenses***

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

***(ii) Repurchase of share capital***

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

# 2. Significant accounting policies (continued)

## (m) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## (n) Revenue and other income

### *(i) Goods sold*

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

### *(ii) Rental income*

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### *(iii) Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

# 2. Significant accounting policies (continued)

## (n) Revenue and other income (continued)

### *(iv) Commission income*

When the Group acts as the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

### (v) *Government grants*

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

## (o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

# 2. Significant accounting policies (continued)

## (o) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

## (p) Employee benefits

### *(i) Short term employee benefits*

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group’s contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

### *(ii) Share-based payment transactions*

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are vested.

# 2. Significant accounting policies (continued)

## (p) Employee benefits (continued)

### *(ii) Share-based payment transactions (continued)*

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## (q) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding after adjusted for the effects of all dilutive potential on ordinary shares, which comprise convertible notes and share options granted to employees, where applicable.

## (r) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The adoption of FRS 8 does not have material impact on the financial statements of the Group.

# 3. Property, plant and equipment - Group (continued)

| | Freehold land RM | Buildings RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Capital expenditure-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost/valuation** | | | | | | | |
| At 1 April 2010 | | | | | | | |
| - at cost | 5,040,044 | 62,003,559 | 130,105,659 | 15,006,376 | 6,189,488 | 325,084 | 218,670,210 |
| - at valuation | 3,867,046 | 4,442,954 | - | - | - | - | 8,310,000 |
| | 8,907,090 | 66,446,513 | 130,105,659 | 15,006,376 | 6,189,488 | 325,084 | 226,980,210 |
| Additions | - | 63,863 | 4,567,208 | 722,168 | 887,080 | 6,151 | 6,246,470 |
| Disposals | - | (2,267) | (392,875) | (301,051) | (691,772) | - | (1,387,965) |
| Write-off | - | - | - | (29,439) | - | - | (29,439) |
| Effect of movements in exchange rates | (59,095) | (765,353) | (1,397,506) | (302,602) | (86,762) | - | (2,611,318) |
| At 31 March 2011/1 April 2011 | | | | | | | |
| - at cost | 4,980,949 | 61,299,802 | 132,882,486 | 15,095,452 | 6,298,034 | 331,235 | 220,887,958 |
| - at valuation | 3,867,046 | 4,442,954 | - | - | - | - | 8,310,000 |
| | 8,847,995 | 65,742,756 | 132,882,486 | 15,095,452 | 6,298,034 | 331,235 | 229,197,958 |
| Additions | 27,120 | 2,656,644 | 4,300,410 | 416,783 | 1,975,873 | 203,906 | 9,580,736 |
| Disposals | (12,389) | - | (124,320) | (130,246) | (709,262) | - | (976,217) |
| Effect of movements in exchange rates | (101,972) | (1,355,452) | (2,528,514) | (526,937) | (147,437) | - | (4,660,312) |
| At 31 March 2012 | 8,760,754 | 67,043,948 | 134,530,062 | 14,855,052 | 7,417,208 | 535,141 | 233,142,165 |
| - at cost | 4,893,708 | 62,600,994 | 134,530,062 | 14,855,052 | 7,417,208 | 535,141 | 224,832,165 |
| - at valuation | 3,867,046 | 4,442,954 | - | - | - | - | 8,310,000 |
| | 8,760,754 | 67,043,948 | 134,530,062 | 14,855,052 | 7,417,208 | 535,141 | 233,142,165 |

# 3. Property, plant and equipment - Group (continued)

| Accumulated depreciation | Freehold land RM | Buildings RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Capital expenditure-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| At 1 April 2010 | | | | | | | |
| - at cost | - | 21,566,692 | 93,002,263 | 11,343,733 | 5,621,573 | - | 131,534,261 |
| - at valuation | - | 1,455,296 | - | - | - | - | 1,455,296 |
| | - | 23,021,988 | 93,002,263 | 11,343,733 | 5,621,573 | - | 132,989,557 |
| Depreciation for the year | - | 1,358,388 | 6,424,145 | 867,715 | 495,956 | - | 9,146,204 |
| Disposals | - | - | (316,413) | (297,482) | (649,879) | - | (1,263,774) |
| Write-off | - | - | - | (28,759) | - | - | (28,759) |
| Effect of movements in exchange rates | - | (418,622) | (1,101,261) | (213,443) | (65,148) | - | (1,798,474) |
| At 31 March 2011/1 April 2011 | | | | | | | |
| - at cost | - | 22,473,273 | 98,008,734 | 11,671,764 | 5,402,502 | - | 137,556,273 |
| - at valuation | - | 1,488,481 | - | - | - | - | 1,488,481 |
| | - | 23,961,754 | 98,008,734 | 11,671,764 | 5,402,502 | - | 139,044,754 |
| Depreciation for the year | - | 1,458,954 | 6,359,108 | 838,767 | 649,069 | - | 9,305,898 |
| Disposals | - | | (101,276) | (129,075) | (662,359) | - | (892,710) |
| Effect of movements in exchange rates | - | (815,136) | (2,127,087) | (440,136) | (122,111) | - | (3,504,470) |
| | - | 24,605,572 | 102,139,479 | 11,941,320 | 5,267,101 | - | 143,953,472 |
| At 31 March 2012 | | | | | | | |
| - at cost | - | 23,028,232 | 102,139,479 | 11,941,320 | 5,267,101 | - | 142,376,132 |
| - at valuation | - | 1,577,340 | - | - | - | - | 1,577,340 |
| | - | 24,605,572 | 102,139,479 | 11,941,320 | 5,267,101 | - | 143,953,472 |

# 3. Property, plant and equipment - Group (continued)

| | Freehold land RM | Buildings RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Capital expenditure-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Carrying amounts** | | | | | | | |
| At 1 April 2010 | | | | | | | |
| - at cost | 5,040,044 | 40,436,867 | 37,103,396 | 3,662,643 | 567,915 | 325,084 | 87,135,949 |
| - at valuation | 3,867,046 | 2,987,658 | - | - | - | - | 6,854,704 |
| | 8,907,090 | 43,424,525 | 37,103,396 | 3,662,643 | 567,915 | 325,084 | 93,990,653 |
| At 31 March 2011/1 April 2011 | | | | | | | |
| - at cost | 4,980,949 | 38,826,529 | 34,873,752 | 3,423,688 | 895,532 | 331,235 | 83,331,685 |
| - at valuation | 3,867,046 | 2,954,473 | - | - | - | - | 6,821,519 |
| | 8,847,995 | 41,781,002 | 34,873,752 | 3,423,688 | 895,532 | 331,235 | 90,153,204 |
| At 31 March 2012 | | | | | | | |
| - at cost | 4,893,708 | 39,572,762 | 32,390,583 | 2,913,732 | 2,150,107 | 535,141 | 82,456,033 |
| - at valuation | 3,867,046 | 2,865,614 | | | | | 6,732,660 |
| | 8,760,754 | 42,438,376 | 32,390,583 | 2,913,732 | 2,150,107 | 535,141 | 89,188,693 |

# 3. Property, plant and equipment - Group (continued)

Certain freehold land and buildings of the Group are shown at Directors' valuation based on a valuation exercise carried out in May 1994 by professional valuers on an open market value basis. Subsequent additions are shown at cost while deletions are at valuation or cost as appropriate.

It is the Group's policy to state property, plant and equipment at cost. The revaluation of certain properties of subsidiaries in 1994 was not intended to effect a change in accounting policy to one of revaluation of properties. Hence, in accordance with the transitional provisions issued by Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standards No. 16 (Revised) on Property, Plant and Equipment, the valuation of these properties has not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation and accumulated impairment loss, if any.

Had the revalued properties been carried at historical cost less accumulated depreciation, the carrying amount of the revalued properties that would have been included in the financial statements at the end of the year would be as follows :

| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
|---|---|---|---|
| **2012** | | | |
| Freehold land | 345,836 | - | 345,836 |
| Buildings | 1,283,293 | (540,458) | 742,835 |
| Total | 1,629,129 | (540,458) | 1,088,671 |
| **2011** | | | |
| Freehold land | 345,836 | - | 345,836 |
| Buildings | 1,283,293 | (514,792) | 768,501 |
| Total | 1,629,129 | (514,792) | 1,114,337 |

***Security***

Certain freehold land and buildings of the Group with carrying amount of RM17,635,356 (2011 : RM18,913,967) are pledged to a financial institution as security for borrowings as disclosed in Note 17 to the financial statements.

***Assets under finance lease arrangement***

The Group leases production plant and equipment amounting to RM990,897 (2011 : RM1,256,781) under finance lease with expiry dates ranging from 2011 to 2013.

# 4. Prepaid lease payments - Group

| | Unexpired period less than 50 years RM |
|---|---|
| **Cost** | |
| At 1 April 2010/31 March 2011 | 2,294,116 |
| At 1 April 2011/31 March 2012 | 2,294,116 |
| **Amortisation** | |
| At 1 April 2010 | 537,912 |
| Amortisation for the year | 38,875 |
| At 31 March 2011/1 April 2011 | 576,787 |
| Amortisation for the year | 38,875 |
| At 31 March 2012 | 615,662 |
| **Carrying amounts** | |
| At 1 April 2010 | 1,756,204 |
| At 31 March 2011/1 April 2011 | 1,717,329 |
| At 31 March 2012 | 1,678,454 |

# 5. Investment properties - Group

| **Buildings** | **RM** |
|---|---|
| **Cost** | |
| At 1 April 2010/31 March 2011 | 2,529,874 |
| At 1 April 2011/31 March 2012 | 2,529,874 |
| **Accumulated depreciation** | |
| At 1 April 2010 | 519,510 |
| Depreciation for the year | 50,598 |
| At 31 March 2011/1 April 2011 | 570,108 |
| Depreciation for the year | 50,598 |
| At 31 March 2012 | 620,706 |
| **Carrying amounts** | |
| At 1 April 2010 | 2,010,364 |
| At 31 March 2011/1 April 2011 | 1,959,766 |
| At 31 March 2012 | 1,909,168 |

The fair value of investment properties based on the Directors' own assessment by reference to market evidence of transaction prices for similar properties was RM2.75 million (2011 : RM2.75 million).

Investment properties comprise factory building and commercial properties that are leased to third party. The leases are entered into for a period of 3 years. Subsequent renewals are to be negotiated with the lessee.

The following are recognised in the profit or loss in respect of investment properties :

| | **2012**<br>**RM** | **2011**<br>**RM** |
|---|---|---|
| Rental income | 222,050 | 197,625 |
| Direct operating expenses | | |
| - income generating investment properties | 15,856 | 15,856 |

# 6. Investments in subsidiaries - Company

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Unquoted shares, at cost | 46,152,545 | 21,352,545 |
| Add: Share-based payment allocated to subsidiaries | 2,363,350 | 1,900,164 |
| | 48,515,895 | 23,252,709 |

Details of the subsidiaries are as follows :

| Name of subsidiary | Effective ownership interest 2012 | Effective ownership interest 2011 | Country of incorporation | Principal activities |
|---|---|---|---|---|
| Asia File Products Sdn. Bhd. | 100% | 100% | Malaysia | Manufacture and sale of stationery products |
| Sin Chuan Marketing Sdn. Bhd. | 100% | 100% | Malaysia | Trading of stationery products |
| Lim & Khoo Sdn. Bhd. | 100% | 100% | Malaysia | Investment holding |
| Formosa Technology Sdn. Bhd. | 100% | 100% | Malaysia | Ceased its operation of trading of stationery products, graphic designing and desktop publishing during the year |
| ABBA Marketing Sdn. Bhd. | 100% | 100% | Malaysia | Trading of stationery products, graphic designing and desktop publishing |
| AFP Composite Sdn. Bhd. | 100% | 100% | Malaysia | Manufacture and supply of plastic related products |
| Premier Stationery Limited * | 75% | 75% | United Kingdom | Import and distribution of stationery products |
| Premier Stationery Pte. Ltd. * | 100% | 100% | Singapore | Trading of stationery products |
| Higher Kings Mill Limited * | 100% | - | United Kingdom | Manufacture and sale of coloured paper and boards for filing, educational and other specialty markets. |
| ***Subsidiary of Asia File Products Sdn. Bhd.*** | | | | |
| Plastoreg Smidt GmbH* | 100% | 100% | Germany | Manufacture and distribution of dividers and indices |

* Not audited by KPMG

# 7. Investments in associate

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| At cost | | | | |
| Quoted shares in Malaysia | 46,602,667 | 46,351,896 | 4,752,924 | 4,502,153 |
| Share of post acquisition reserves and results | 71,756,015 | 64,097,158 | - | - |
| | 118,358,682 | 110,449,054 | 4,752,924 | 4,502,153 |
| Market value of quoted shares | 56,925,000 | 48,828,000 | 5,384,000 | 4,419,000 |

Details of the associate are as follows :

| Name of associate | Effective ownership interest 2012 % | Effective ownership interest 2011 % | Country of incorporation | Principal activities | Financial year end |
|---|---|---|---|---|---|
| Muda Holdings Berhad | 20.06 | 20.12 | Malaysia | Investment holding | 31 December |

Summary of financial information on the associate :

| | Revenue RM'000 | Profit after tax RM'000 | Total assets RM'000 | Total liabilities RM'000 |
|---|---|---|---|---|
| **2012** | | | | |
| Muda Holdings Berhad | 1,112,320 | 52,025 | 1,238,287 | 621,698 |
| **2011** | | | | |
| Muda Holdings Berhad | 979,900 | 44,311 | 1,142,330 | 565,939 |

There is no share of associated companies' contingent liabilities incurred jointly with other investors.

## 8. Goodwill on consolidation - Group

| | 2012 RM | 2011 RM |
|---|---|---|
| At 1 April 2011/31 March 2012 | 30,234,456 | 30,234,456 |

Goodwill has been allocated to the Group's cash-generating units ("CGU") identified according to the geographical location of the subsidiary company's operations. The aggregate carrying amount of goodwill allocated was RM30.2 million (2011 : RM30.2 million).

Goodwill is allocated to Group's CGU expected to benefit from the synergies of the acquisition. For annual impairment testing purpose, the recoverable amount of the CGU is based on their value-in-use. The value in use calculations apply a discounted cash flow model using cash flow projections based on the financial forecast. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied of approximately 10%. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the assessment of the respective CGU. Cash flow projections are based on five years financial budgets.

Management believes that any reasonably possible change in the key assumption would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU. Based on this review, there is no evidence of impairment on the Group's goodwill.

## 9. Trade and other receivables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| ***Current*** | | | | | |
| **Trade** | | | | | |
| Trade receivables | 9.1 | 59,635,035 | 42,487,392 | - | - |
| **Non-trade** | | | | | |
| Amount due from subsidiaries | 9.2 | - | - | 128,410,234 | 146,171,452 |
| Other receivables | | 2,285,920 | 2,567,147 | 127,264 | 77,898 |
| Deposits | | 643,253 | 773,374 | - | - |
| Prepayments | | 1,127,466 | 800,914 | - | - |
| Derivative financial assets | 9.3 | - | 667,486 | - | - |
| | | 4,056,639 | 4,808,921 | 128,537,498 | 146,249,350 |
| | | 63,691,674 | 47,296,313 | 128,537,498 | 146,249,350 |

# 9. Trade and other receivables (continued)

### *9.1 Trade receivables*

The Group's normal credit terms for trade receivables range from 30 to 90 days (2011 : 30 to 90 days).

Included in trade receivables are trade receivables due from companies in which a Director and his family members collectively have controlling interests of RM143,514 (2011 : RM139,369), respectively which are subject to the normal credit terms.

Significant trade receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

| Foreign currency | 2012 RM | 2011 RM |
|---|---|---|
| EURO | 3,546,019 | - |
| US Dollar ("USD") | 5,279,622 | 3,850,262 |
| Pound Sterling ("GBP") | 2,481,349 | 1,696,597 |
| Swedish Krona ("SEK") | 107,597 | - |

### *9.2 Amount due from subsidiaries*

The current non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

### *9.3 Derivative financial assets*

This represented the fair value gain on forward currency contracts at the end of the reporting period.

# 10. Inventories - Group

| | 2012 RM | 2011 RM |
|---|---|---|
| At cost | | |
| Raw materials | 51,754,295 | 43,460,738 |
| Work-in-progress | 3,633,996 | 5,198,077 |
| Manufactured inventories | 39,425,494 | 22,537,953 |
| | 94,813,785 | 71,196,768 |

# 11. Cash and cash equivalents

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Short term deposits with licensed banks | 20,051,948 | 60,363,530 | 3,531,107 | 4,537,570 |
| Cash and bank balances | 37,090,560 | 20,499,117 | 268,284 | 40,060 |
| | 57,142,508 | 80,862,647 | 3,799,391 | 4,577,630 |

Significant cash and cash equivalents outstanding at year end that are not in the functional currencies of the Group entities are as follows :

| **Foreign currency** | Group 2012 RM | Group 2011 RM |
|---|---|---|
| USD | 2,224,051 | 4,355,005 |
| GBP | 8,259,152 | 38,959,958 |
| EURO | 6,752,502 | 3,503,374 |

# 12. Share capital - Group/Company

| | 2012 RM | 2012 Number of shares | 2011 RM | 2011 Number of shares |
|---|---|---|---|---|
| Ordinary shares of RM1 each | | | | |
| Authorised : | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| Issued and fully paid : | | | | |
| Balance at 1 April | 115,506,930 | 115,506,930 | 114,872,630 | 114,872,630 |
| Issued under ESOS, for cash at : | | | | |
| - RM3.14 per share | 507,400 | 507,400 | 621,800 | 621,800 |
| - RM4.11 per share | 2,000 | 2,000 | 12,500 | 12,500 |
| - RM3.10 per share | 9,400 | 9,400 | - | - |
| | 518,800 | 518,800 | 634,300 | 634,300 |
| Balance at 31 March | 116,025,730 | 116,025,730 | 115,506,930 | 115,506,930 |

## 13. Treasury shares - Group/Company

The shareholders of the Company, by a special resolution passed at the Extraordinary General Meeting held on 25 September 2001 approved the Company's plan to purchase its own shares.

During the financial year, the Company repurchased 96,900 (2011: 30,600) of its issued share capital from the open market at an average price of RM3.49 (2011: RM4.55) per share. The total consideration paid was RM338,651 (2011 : RM139,358) including transaction costs of RM931 (2011 : RM446). The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

As at 31 March 2012, a total of 399,600 (2011 : 302,700) ordinary shares were held as treasury shares. The number of outstanding ordinary shares of RM1 each in issue and fully paid-up after deducting the treasury shares held is 115,626,130 (2011 : 115,204,230). Treasury shares held have no rights to voting, dividends and participation in other distribution.

## 14. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Non-distributable :** | | | | |
| Revaluation reserve | | | | |
| - associate | 4,236,589 | 4,236,589 | - | - |
| Translation reserve | (7,556,425) | (5,186,268) | - | - |
| Share premium on ordinary shares | | | | |
| Balance at 1 April | 16,245,612 | 14,509,978 | 16,086,546 | 14,429,380 |
| Issue of shares at : | | | | |
| - RM3.14 per share | 1,085,836 | 1,330,652 | 1,085,836 | 1,330,652 |
| - RM4.11 per share | 6,220 | 38,875 | 6,220 | 38,875 |
| - RM3.10 per share | 19,740 | - | 19,740 | - |
| Share options exercised | 231,629 | 287,639 | 231,629 | 287,639 |
| Associate | 89,480 | 78,468 | - | - |
| Balance at 31 March | 17,678,517 | 16,245,612 | 17,429,971 | 16,086,546 |
| Share options reserves | 2,320,811 | 1,431,259 | 2,260,747 | 1,308,800 |
| **Distributable :** | | | | |
| Retained earnings | 240,144,540 | 215,165,343 | 20,084,702 | 15,312,604 |
| | 256,824,032 | 231,892,535 | 39,775,420 | 32,707,950 |

## 14. Reserves (continued)

Movements of reserves are shown in the Statement of Changes in Equity.

Subsequent to the payment of interim dividend for financial year ended 31 March 2011 on 27 May 2011, the Company has made an irrevocable option to forgo its Section 108 tax credit available and pay single-tier dividend to its owners from its entire distributable reserves.

## 15. Deferred tax liabilities - Group

**Recognised deferred tax liabilities**

Deferred tax liabilities are attributable to the following :

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Property, plant and equipment | | |
| - revaluation | 879,464 | 879,464 |
| - capital allowances | 4,953,764 | 5,274,464 |
| - fair value adjustment | 1,820,474 | 1,820,474 |
| Provisions | (349,639) | (144,908) |
| | 7,304,063 | 7,829,494 |

**Unrecognised deferred tax assets**

No deferred tax asset has been recognised for the following items :

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Tax losses carry-forward and deductible temporary differences of a foreign subsidiary | 629,000 | 895,000 |

Deferred tax asset has not been recognised in respect of the tax losses carry-forward and deductible temporary differences because it is not probable that future taxable profits will be available against which the subsidiary can utilise the benefits there from.

## 15. Deferred tax liabilities - Group (continued)

**Movement in temporary difference during the year**

| Group | At 1.4.2010 RM | Recognised in profit or loss (Note 23) RM | At 31.3.2011 RM | Recognised in profit or loss (Note 23) RM | Translation difference RM | At 31.3.2012 RM |
|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | |
| - revaluation | 879,464 | - | 879,464 | - | - | 879,464 |
| - capital allowance | 4,597,488 | 676,976 | 5,274,464 | (300,851) | (19,849) | 4,953,764 |
| - fair value adjustment | 1,820,474 | - | 1,820,474 | - | - | 1,820,474 |
| Tax losses carry-forward | (1,117,952) | 1,117,952 | - | - | - | - |
| Provisions | (419,769) | 274,861 | (144,908) | (204,731) | - | (349,639) |
| | 5,759,705 | 2,069,789 | 7,829,494 | (505,582) | (19,849) | 7,304,063 |

## 16. Trade and other payables

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | 16.1 | 26,647,507 | 26,485,330 | - | - |
| **Non-trade** | | | | | |
| Amount due to subsidiaries | 16.2 | - | - | 22,059,941 | 20,624,543 |
| Other payables | | 7,166,540 | 4,830,400 | 68,714 | 518,903 |
| Accrued expenses | | 9,630,883 | 4,708,782 | 275,998 | 259,300 |
| | | 16,797,423 | 9,539,182 | 22,404,653 | 21,402,746 |
| | | 43,444,930 | 36,024,512 | 22,404,653 | 21,402,746 |

# 16. Trade and other payables (continued)

### *16.1 Trade payables*

The Group's normal credit terms for trade payables range from 30 to 90 days (2011 : 30 to 90 days). The trade payables include trade payables due to associates of RM495,243 (2011: RM612,547) which are subject to the normal credit terms.

Significant trade payables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

| | Group | |
|---|---|---|
| **Foreign currency** | **2012 RM** | **2011 RM** |
| USD | 1,367,174 | 2,121,305 |
| GBP | 31,337 | 459,438 |
| Hong Kong Dollar ("HKD") | - | 2,051,013 |
| SEK | 27,101 | - |

### *16.2 Amount due to subsidiaries*

The non-trade payables due to subsidiaries are unsecured, interest free and repayable on demand.

# 17. Bank borrowings - Group

| | **Note** | **2012 RM** | **2011 RM** |
|---|---|---|---|
| **Current** | | | |
| Secured | | | |
| Term loans | | 1,360,000 | 1,423,333 |
| Unsecured | | | |
| Term loans | | 3,000,000 | 7,000,000 |
| Foreign currency trade loans | | 16,442,333 | 16,550,446 |
| Bank overdrafts | | 95,700 | 99,995 |
| Finance lease liabilities | 17.3 | 119,567 | 204,733 |
| | | 21,017,600 | 25,278,507 |

# 17. Bank borrowings - Group (continued)

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **Non-current** | | | |
| Secured | | | |
| Term loans | | 8,401 | 1,432,126 |
| Unsecured | | | |
| Term loans | | 2,250,000 | 5,250,000 |
| Finance lease liabilities | 17.3 | - | 124,971 |
| | | 2,258,401 | 6,807,097 |

### *17.1 Interest rates*

The bank overdrafts are subject to interest at 1.75% (2011 : 1.75%) per annum above lenders' base lending rates.

The foreign currency trade loans are denominated in US Dollar and Hong Kong Dollar and are subject to interest at 0.50% (2011 : 0.50%) per annum above the bank's cost of funds.

The secured term loans, which are denominated in Euro, are subject to interest at 1.05% (2011: 1.05%) per annum over EURIBOR. The unsecured term loans, which are denominated in Ringgit Malaysia, are subject to interest at 0.50% (2011 : 0.50%) per annum over KLIBOR.

The finance lease liabilities are subject to interest rates ranging from 5.27% to 6.00% (2011 : 5.27% to 6.00%) per annum.

### *17.2 Securities*

The term loans are secured by certain freehold land and buildings of the Group (Note 3).

### *17.3 Finance lease liabilities*

| | Future minimum lease payments 2012 RM | Interest 2012 RM | Present value of minimum lease payments 2012 RM | Future minimum lease payments 2011 RM | Interest 2011 RM | Present value of minimum lease payments 2011 RM |
|---|---|---|---|---|---|---|
| Less than one year | 121,940 | 2,373 | 119,567 | 216,627 | 11,894 | 204,733 |
| Between one and five years | - | - | - | 127,454 | 2,483 | 124,971 |
| | 121,940 | 2,373 | 119,567 | 344,081 | 14,377 | 329,704 |

# 18. Employee benefits - Group/Company

***Share Option Plan***

The Group offers vested share options over ordinary shares to full time executive Directors and employees who have been in the employment of the Group for a continuous period of at least six (6) months. The number and weighted average exercise price of share options are as follows :

| | **Weighted average exercise price 2012 RM** | **Number of options 2012** | **Weighted average exercise price 2011 RM** | **Number of options 2011** |
|---|---|---|---|---|
| Outstanding at 1 April | 3.14 | 2,297,570 | 3.14 | 2,965,370 |
| Outstanding at 1 April | 4.11 | 822,200 | 4.11 | 872,450 |
| Granted during the year | 3.10 | 3,674,000 | - | - |
| Exercised during the year | 3.14 | (507,400) | 3.14 | (621,800) |
| Exercised during the year | 4.11 | (2,000) | 4.11 | (12,500) |
| Exercised during the year | 3.10 | (9,400) | - | - |
| Total exercised during the year | | (518,800) | | (634,300) |
| Lapsed due to resignation | 3.14 | (47,200) | 3.14 | (46,000) |
| Lapsed due to resignation | 4.11 | (33,200) | 4.11 | (37,750) |
| Lapsed due to resignation | 3.10 | (36,000) | - | - |
| Total lapsed during the year | | (116,400) | | (83,750) |
| Outstanding at 31 March | 3.24 | 6,158,570 | 3.40 | 3,119,770 |
| Exercisable at 31 March | | 2,884,370 | | 1,310,350 |

The outstanding options as at 31 March 2012 have exercise prices of RM3.14, RM4.11 and RM3.10 respectively. The weighted average option life is 5 years.

## 18. Employee benefits - Group/Company (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs :

| **2012** | **Directors RM** | **Executives RM** | **Others RM** |
|---|---|---|---|
| **Fair value of share options and assumptions** | | | |
| Fair value at grant date | | | |
| - 27.4.2007 | 0.44 | 0.44 | 0.44 |
| - 20.4.2009 | 0.60 | 0.60 | 0.60 |
| - 3.10.2011 | 0.71 | 0.71 | 0.71 |
| **2011** | | | |
| **Fair value of share options and assumptions** | | | |
| Fair value at grant date | | | |
| - 27.4.2007 | 0.44 | 0.44 | 0.44 |
| - 20.4.2009 | 0.60 | 0.60 | 0.60 |

| | |
|---|---|
| Exercise price | RM3.14, RM4.11 and RM3.10 |
| Expected volatility (weighted average volatility) | 19.42%, 22.04% and 31.50% |
| Option life (expected weighted average life) | 3 to 5 years |
| Expected dividends | 5.50% to 6.46% |
| Risk-free interest rate (based on Malaysian government bonds) | 2.82% and 3.45% |

**Value of employee services received for issue of share options**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Recognised as staff cost in profit or loss (Note 22) | 1,217,185 | 424,102 | 753,999 | 174,398 |
| Additions to investment in subsidiaries | - | - | 463,186 | 249,704 |
| | 1,217,185 | 424,102 | 1,217,185 | 424,102 |

## 19. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| Invoiced value of goods sold less discounts and returns | 276,239,735 | 247,027,561 | - | - |
| Gross dividends receivable | | | | |
| - subsidiaries | - | - | 29,000,000 | 23,340,000 |
| - associate | - | - | 136,388 | 134,715 |
| Commission income | 83,017 | 84,003 | 83,017 | 84,003 |
| Management fees - subsidiaries | - | - | 2,058,000 | 2,040,000 |
| | 276,322,752 | 247,111,564 | 31,277,405 | 25,598,718 |

## 20. Profit before tax

Profit before tax is arrived at :

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| After charging : | | | | |
| Auditors' remuneration | | | | |
| Audit fees | | | | |
| - KPMG Malaysia | 65,000 | 54,000 | 12,000 | 9,000 |
| - Other auditors | 172,962 | 110,831 | - | - |
| Non-audit fees | | | | |
| - KPMG Malaysia | 6,000 | 6,000 | 6,000 | 6,000 |
| Bad debts written off | 17,367 | 18,720 | - | - |
| Directors' emoluments | | | | |
| - Consultancy fee paid to a company in which a Director of a subsidiary has a substantial financial interest | 207,910 | 255,668 | - | - |
| Amortisation of prepaid lease payments (Note 4) | 38,875 | 38,875 | - | - |

## 20. Profit before tax (continued)

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| After charging : (continued) | | | | |
| Depreciation | | | | |
| - property, plant and equipment (Note 3) | 9,305,898 | 9,146,204 | - | - |
| - investment properties (Note 5) | 50,598 | 50,598 | - | - |
| Rental of premises | 1,089,714 | 1,423,424 | - | - |
| Plant and equipment written off | - | 680 | - | - |
| Loss on foreign exchange | | | | |
| - realised | - | - | 37,197 | - |
| - unrealised | 730,547 | - | 24,524 | - |
| Interest expense | 720,635 | 1,009,002 | - | - |
| Impairment loss on doubtful trade receivables (net) | 72,357 | - | - | - |
| and after crediting : | | | | |
| Interest income | 850,612 | 592,933 | 40,956 | 55,777 |
| Gain on disposal of plant and equipment | 141,579 | 69,699 | - | - |
| Rental income | 222,050 | 197,625 | - | - |
| Gain on foreign exchange | | | | |
| - realised | 1,321,887 | 1,152,465 | - | - |
| - unrealised | - | 892,732 | - | - |
| Reversal of impairment loss on doubtful trade receivables (net) | - | 23,737 | - | - |
| Gain on disposal of other investments | - | 94,902 | - | - |
| Gain on disposal of investment in an associate | - | 70,000 | - | - |

## 21. Key management personnel compensations

The key management personnel compensations are as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| Directors of the Company | | | | |
| - Fees | 259,000 | 259,000 | 242,000 | 242,000 |
| - Remuneration | 907,947 | 861,896 | 907,947 | 861,896 |
| Other Directors | | | | |
| - Fees | 38,840 | 37,850 | - | - |
| - Remuneration | 1,440,130 | 1,170,357 | - | - |
| | 2,645,917 | 2,329,103 | 1,149,947 | 1,103,896 |

There are no other key management personnel apart from the Directors of the Company and certain Directors of the Group having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The estimated monetary value of benefits received by Directors of the Company otherwise than in cash amounted to RM39,879 (2011 : RM9,900).

## 22. Employee information

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| Staff costs | 30,275,991 | 29,915,444 | 1,674,817 | 1,631,260 |
| Share-based payments | 1,217,185 | 424,102 | 753,999 | 174,398 |
| | 31,493,176 | 30,339,546 | 2,428,816 | 1,805,658 |

Included in staff costs of the Group and of the Company is an amount of RM2,414,144 (2011 : RM2,417,031) and RM180,329 (2011 : RM174,459) respectively representing contributions made to the statutory pension funds.

# 23. Income tax expense

### Recognised in profit or loss

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **Current tax expense** | | | | |
| Malaysian - current | 6,237,000 | 5,539,000 | 37,000 | 58,000 |
| - prior year | (14,642) | (742,277) | (3,787) | 9,951 |
| Overseas - current | 2,528,053 | 989,789 | - | - |
| - prior year | 236,763 | 166 | - | - |
| Total current tax | 8,987,174 | 5,786,678 | 33,213 | 67,951 |
| **Deferred tax expense** | | | | |
| Malaysian - current | (694,115) | 1,866,134 | - | - |
| - prior year | (60,759) | (9,273) | - | - |
| Overseas - current | 249,292 | 212,928 | - | - |
| Total deferred tax | (505,582) | 2,069,789 | - | - |
| Total income tax expense | 8,481,592 | 7,856,467 | 33,213 | 67,951 |

### Reconciliation of effective income tax expense

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Profit before tax | 57,123,836 | 58,246,386 | 28,468,358 | 23,520,237 |
| Less : share of results of equity accounted associates | (8,900,466) | (7,102,762) | - | - |
| | 48,223,370 | 51,143,624 | 28,468,358 | 23,520,237 |

# 23. Income tax expense (continued)

**Reconciliation of effective income tax expense (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| Tax at Malaysian tax rate of 25% | 12,055,843 | 12,785,906 | 7,117,090 | 5,880,059 |
| Effect of different tax rates in foreign jurisdictions | 86,999 | (624,777) | - | - |
| Effect of deferred tax assets not recognised | (225,243) | (52,372) | - | - |
| Non-deductible expenses | 338,797 | 713,904 | 212,130 | 60,605 |
| Income not subject to tax | (63,280) | (27,924) | - | - |
| Tax exempt income | (114,305) | (136,625) | (7,294,336) | (5,882,623) |
| Tax incentives | (3,749,809) | (4,049,348) | - | - |
| Others | (8,772) | (913) | 2,116 | (41) |
| Under/(Over) provided in prior year | 161,362 | (751,384) | (3,787) | 9,951 |
| Income tax expense | 8,481,592 | 7,856,467 | 33,213 | 67,951 |

# 24. Earnings per ordinary share - Group

***Basic earnings per ordinary share***

The calculation of basic earnings per ordinary share is based on the net profit attributable to the owners of the Company of RM48,642,244 (2011 : RM50,389,919) and a weighted average number of ordinary shares outstanding of 115,508,449 (2011 : 114,961,304) calculated as follows :

| | **2012** | **2011** |
|---|---|---|
| Issued ordinary shares at 1 April | 115,506,930 | 114,872,630 |
| Effect of shares issued during the year | 360,620 | 388,767 |
| Effect of treasury shares held | (359,101) | (300,093) |
| Weighted average number of ordinary shares at 31 March | 115,508,449 | 114,961,304 |

## 24. Earnings per ordinary share - Group (continued)

***Diluted earnings per ordinary share***

The calculation of diluted earnings per ordinary share is based on the net profit attributable to the owners of the Company of RM48,642,244 (2011 : RM50,389,919) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows :

| | 2012 | 2011 |
|---|---|---|
| Weighted average number of ordinary shares at 31 March | 115,508,449 | 114,961,304 |
| Effect of dilution of unexercised share options | 934,445 | 770,854 |
| Weighted average number of ordinary shares (diluted) at 31 March | 116,442,894 | 115,732,158 |

## 25. Dividends

Dividends recognised in the current and previous year by the Company are as follows :

| 2012 | Sen per share (net of tax) | Total amount RM | Date of payment |
|---|---|---|---|
| 2011 final single-tier dividend of 12.5% on 115,572,530 ordinary shares of RM1 each | 12.50 | 14,446,566 | 27 December 2011 |
| Interim single-tier dividend of 8% on 115,626,130 ordinary shares of RM1 each | 8.00 | 9,250,090 | 29 May 2012 |
| | | 23,696,656 | |
| **2011** | | | |
| 2010 final dividend of 16% less 25% tax on 115,158,130 ordinary shares of RM1 each | 12.00 | 13,818,975 | 24 December 2010 |
| Interim dividend of 4.8% less 25% tax and 5.5% tax exempt dividend on 115,346,630 ordinary shares of RM1 each | 9.10 | 10,496,543 | 27 May 2011 |
| | | 24,315,518 | |

## 25. Dividends (continued)

A final single tier dividend of 12.5% amounting to RM14,446,566 proposed in the last financial year and approved by members in the Annual General Meeting was paid on 27 December 2011 and accordingly, this amount has been appropriated from the retained earnings in this financial year.

At the forthcoming Annual General Meeting, a final single-tier dividend of 13.5% in respect of the financial year ended 31 March 2012 will be proposed for members' approval. These financial statements do not reflect this final dividend which, when approved by members, will be accounted for as an appropriation of retained earnings from shareholders' funds in the financial year ending 31 March 2013.

## 26. Related parties - Group/Company

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationships with the following:

i) Subsidiaries and associates of the Company as disclosed in the financial statements.

ii) Companies in which a Director, Mr. Lim Soon Huat and his close family members collectively have controlling interests are Asia Educational Supplies Sdn. Bhd. ("AESSB") and Khyam Seng Printing Sdn. Bhd. ("KSPSB").

iii) Company in which a Director, Mr. Lim Soon Huat has substantial financial interests is Dynamic Office Sdn. Bhd. ("DOSB")

iv) Company in which a Director of a subsidiary, Mr. R.C. Martin, has substantial financial interests is Christopher Martin Ltd.

v) Key management personnel of the Group :

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company and certain Directors of the Group.

# 26. Related parties - Group/Company (continued)

The significant related party transactions of the Group and the Company, other than key management personnel compensations, are as follows :

a) Transactions entered into between the Company and its subsidiaries

| | Transactions amount for the year ended 31 March | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| - Dividend income received | 29,000,000 | 23,340,000 |
| - Management fee receivable | 2,058,000 | 2,040,000 |

b) Transactions entered by subsidiaries in the ordinary course of business with a direct associate

| | Transactions amount for the year ended 31 March | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| - Purchases | 3,145,526 | 3,280,000 |

c) Transactions entered by the Group in the ordinary course of business with companies in which a Director and his close family members collectively have controlling interests are as follows :

| | | Transactions amount for the year ended 31 March | |
|---|---|---|---|
| | | **2012** | **2011** |
| | | **RM** | **RM** |
| Sales | - AESSB | 271,000 | 298,000 |
| | - KSPSB | 29,000 | 34,000 |
| | - DOSB | 2,000 | 2,000 |
| Purchases | - AESSB | 27,000 | 26,000 |
| | - KSPSB | - | 2,000 |
| | - DOSB | 49,000 | 59,000 |

# 26. Related parties - Group/Company (continued)

d) Transactions with key management personnel :

Key management personnel compensations are disclosed in Note 21 to the financial statements.

The aggregate amount of transactions relating to key management personnel and entity over which they have control or significant influence were as follows :

| | Transactions amount for the year ended 31 March | |
|---|---|---|
| | 2012 | 2011 |
| **Group** | RM | RM |
| Consultancy fee paid to a company in which a Director of a subsidiary has substantial financial interest | 207,910 | 255,668 |
| Rental paid to - a Director of a subsidiary | 9,600 | 9,600 |

The above transactions have been entered into in the normal course of business and have been established under negotiated terms.

Non-trade balances with related parties are disclosed in Notes 9 and 16 to the financial statements.

# 27. Capital commitment - Group

| | 2012 RM | 2011 RM |
|---|---|---|
| Property, plant and equipment | | |
| Contracted but not provided for | 4,419,959 | 5,224,854 |

# 28. Lease commitment - Group

Total future minimum lease payments under non-cancellable operating leases are as follows :

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Less than 1 year | 1,616 | 478 |
| Between 1 and 5 years | 3,548 | 4,218 |

The Group leases properties and equipment under operating lease arrangements. The leases run for periods ranging from one to five years and do not include contingent rentals.

## 29. Contingent liabilities - Company

i) Corporate guarantee

Unsecured

The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for RM76,450,000 (2011 : RM96,450,000) of which RM5,345,700 (2011 : RM12,349,995) was utilised at the end of the reporting period.

ii) The Company has undertaken to provide financial support to one of its subsidiaries to enable it to continue operating as a going concern.

iii) The Company has given corporate guarantee of RM9,780,000 to a supplier of its subsidiary, Higher Kings Mill Limited (formerly known as Trissi Brissi Limited).

## 30. Operating segments - Group

The Group reportable segment mainly consists of manufacturing and trading of stationery products, coloured paper and boards.

Reportable segment has not been prepared as all the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortisation and non cash expenses are mainly confined to one business segment.

Operating segments are components in which separate financial information is available that is evaluated regularly by the Managing Director in deciding how to allocate resources and in assessing performance of the Group. The Group has identified the business of manufacturing and trading of stationery products, coloured paper and boards as its sole operating segment.

Performance is measured based on revenue derived from the various products sold and consolidated profit before income tax of the Group as included in the internal management reports that are reviewed by the Managing Director, who is the Group's chief operating decision maker. The Group's segment assets and liabilities, as disclosed in the Group's statement of financial position, are also reviewed regularly by the Managing Director.

# 30. Operating segments - Group (continued)

### Geographical information

In presenting geographical information, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Malaysia | 38,603,753 | 39,927,313 | 53,296,481 | 55,015,329 |
| Asia (excluding Malaysia) | 8,523,726 | 8,806,265 | 4,069 | - |
| Europe | 187,777,425 | 142,555,872 | 39,475,765 | 38,814,970 |
| America | 28,840,307 | 41,609,570 | - | - |
| Others | 12,577,541 | 14,212,544 | - | - |
| Consolidated | 276,322,752 | 247,111,564 | 92,776,315 | 93,830,299 |

# 31. Financial instruments

## 31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL):
- Held for trading (HFT); and
(c) Other financial liabilities measured at amortised cost (OL).

| Group | Carrying amount RM | L&R/(OL) RM | FVTPL RM |
|---|---|---|---|
| **Financial assets** | | | |
| **2012** | | | |
| Trade and other receivables, including derivatives | 61,920,955 | 61,920,955 | - |
| Cash and cash equivalents | 57,142,508 | 57,142,508 | - |
| | 119,063,463 | 119,063,463 | - |

# 31. Financial instruments (continued)

## 31.1 Categories of financial instruments (continued)

| | Carrying amount RM | L&R/(OL) RM | FVTPL RM |
|---|---|---|---|
| **Group** | | | |
| **Financial assets** | | | |
| **2011** | | | |
| Trade and other receivables, including derivatives | 45,722,025 | 45,054,539 | 667,486 |
| Cash and cash equivalents | 80,862,647 | 80,862,647 | - |
| | 126,584,672 | 125,917,186 | 667,486 |
| **Company** | | | |
| **Financial assets** | | | |
| **2012** | | | |
| Trade and other receivables, including derivatives | 128,537,498 | 128,537,498 | - |
| Cash and cash equivalents | 3,799,391 | 3,799,391 | - |
| | 132,336,889 | 132,336,889 | - |
| **2011** | | | |
| Trade and other receivables, including derivatives | 146,249,350 | 146,249,350 | - |
| Cash and cash equivalents | 4,577,630 | 4,577,630 | - |
| | 150,826,980 | 150,826,980 | - |
| **Group** | | | |
| **Financial liabilities** | | | |
| **2012** | | | |
| Borrowings | (23,276,001) | (23,276,001) | - |
| Trade and other payables | (43,444,930) | (43,444,930) | - |
| | (66,720,931) | (66,720,931) | - |

# 31. Financial instruments (continued)

## 31.1 Categories of financial instruments (continued)

| Group | Carrying amount RM | L&R/(OL) RM | FVTPL RM |
|---|---|---|---|
| **Financial liabilities** | | | |
| **2011** | | | |
| Borrowings | (32,085,604) | (32,085,604) | - |
| Trade and other payables | (36,024,512) | (36,024,512) | - |
| | (68,110,116) | (68,110,116) | - |
| **Company** | | | |
| **Financial liabilities** | | | |
| **2012** | | | |
| Trade and other payables | (22,404,653) | (22,404,653) | - |
| **2011** | | | |
| Trade and other payables | (21,402,746) | (21,402,746) | - |

## 31.2 Net gains and losses arising from financial instruments

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Net (loss)/gain arising on : | | |
| Fair value through profit or loss : | | |
| - held for trading | (139,044) | 2,621,752 |

## 31.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

# 31. Financial instruments (continued)

## 31.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

*Impairment losses*

The ageing of trade receivables as at the end of the reporting period was :

| **Group** | **Gross RM** |
|---|---|
| **2012** | |
| Not past due | 42,871,272 |
| Past due 1 - 30 days | 12,701,772 |
| Past due 31 - 60 days | 3,952,154 |
| Past due 61 - 90 days | 344,252 |
| Past due more than 90 days | 87,564 |
| | 59,957,014 |
| Individually impaired | (182,058) |
| Collectively impaired | (139,921) |
| Net trade receivables | 59,635,035 |

# 31. Financial instruments (continued)

## 31.4 Credit risk (continued)

**Receivables (continued)**

| Group | Gross RM |
|---|---|
| **2011** | |
| Not past due | 34,042,819 |
| Past due 1 - 30 days | 7,724,224 |
| Past due 31 - 60 days | 376,009 |
| Past due 61 - 90 days | 264,764 |
| Past due more than 90 days | 341,750 |
| | 42,749,566 |
| Individually impaired | (164,732) |
| Collectively impaired | (97,442) |
| Net trade receivables | 42,487,392 |

The movements in the allowance for impairment losses on trade receivables during the financial year were as follows :

| | 2012 RM | 2011 RM |
|---|---|---|
| At 1 April | 262,174 | 302,061 |
| Impairment loss recognised | 91,264 | 2,533 |
| Impairment loss reversed | (18,907) | (26,270) |
| Impairment loss written off | - | (8,163) |
| Translation difference | (12,552) | (7,987) |
| At 31 March | 321,979 | 262,174 |

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

# 31. Financial instruments (continued)

## 31.4 Credit risk (continued)

**Financial guarantees (continued)**

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM5,345,700 (2011: RM12,349,945) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**Inter company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the related companies regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are not considered overdue and are repayable on demand.

## 31.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

In the management of liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to finance the Group's and the Company's operations and to mitigate any adverse effects of fluctuations in cash flows.

# 31. Financial instruments (continued)

## 31.5 Liquidity risk (continued)

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amount RM | Contractual interest rate % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 3 years RM |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| **Group** | | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Bank overdrafts | 95,700 | 7.10 | 95,700 | 95,700 | - | - |
| Unsecured onshore foreign currency trade loans | 16,442,333 | 1.06 - 1.40 | 16,442,333 | 16,442,333 | - | - |
| Term loans | | | | | | |
| - RM | 5,250,000 | 3.76 | 5,443,807 | 3,152,068 | 2,291,739 | - |
| - Euro | 1,368,401 | 2.19 | 1,387,228 | 1,378,782 | 8,446 | - |
| Finance lease liabilities | 119,567 | 5.27 - 6.00 | 121,940 | 121,940 | - | - |
| Trade and other payables | 43,444,930 | - | 43,444,930 | 43,444,930 | - | - |
| | 66,720,931 | | 66,935,938 | 64,635,753 | 2,300,185 | - |

# 31. Financial instruments (continued)

## 31.5 Liquidity risk (continued)

| | Carrying amount RM | Contractual interest rate % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 3 years RM |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| **Group** | | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Bank overdrafts | 99,995 | 6.80 | 99,995 | 99,995 | - | - |
| Unsecured onshore foreign currency trade loans | 16,550,446 | 0.91 | 16,550,446 | 16,550,446 | - | - |
| Term loans | | | | | | |
| - RM | 12,250,000 | 3.47 - 3.90 | 12,843,118 | 7,349,269 | 3,144,968 | 2,348,881 |
| - Euro | 2,855,459 | 2.11 | 2,922,933 | 1,471,917 | 1,451,016 | - |
| Finance lease liabilities | 329,704 | 5.27 - 6.00 | 344,081 | 216,627 | 127,454 | - |
| Trade and other payables | 36,024,512 | - | 36,024,512 | 36,024,512 | - | - |
| | 68,110,116 | | 68,785,085 | 61,712,766 | 4,723,438 | 2,348,881 |

# 31. Financial instruments (continued)

## 31.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows.

### 31.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), EURO, Pound Sterling (GBP), Hong Kong Dollar (HKD) and Swedish Krona (SEK).

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

| | | | Denominated in | | |
|---|---|---|---|---|---|
| **Group** | **USD RM** | **EURO RM** | **GBP RM** | **HKD RM** | **SEK RM** |
| **2012** | | | | | |
| Trade receivables | 5,279,622 | 3,546,019 | 2,481,349 | - | 107,597 |
| Cash and cash equivalents | 2,224,051 | 6,752,502 | 8,259,152 | - | - |
| Foreign currency loans | (13,416,238) | - | - | (3,026,095) | - |
| Trade and other payables | (1,367,174) | - | (31,337) | - | (27,101) |
| | (7,279,739) | 10,298,521 | 10,709,164 | (3,026,095) | 80,496 |
| **2011** | | | | | |
| Trade receivables | 3,850,262 | - | 1,696,597 | - | - |
| Cash and cash equivalents | 4,355,005 | 3,503,374 | 38,959,958 | - | - |
| Foreign currency loans | (14,390,451) | - | - | (2,159,995) | - |
| Trade and other payables | (2,121,305) | (861) | (459,438) | (2,051,013) | - |
| | (8,306,489) | 3,502,513 | 40,197,117 | (4,211,008) | - |

# 31. Financial instruments (continued)

## 31.6 Market risk (continued)

### 31.6.1 Currency risk (continued)

*Currency risk sensitivity analysis*

A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact on forecast sales and purchases. There is no impact to equity arising from exposure to currency risk.

| | **Profit or loss** | |
|---|---|---|
| | **2012** | **2011** |
| **Group** | **RM** | **RM** |
| USD | 546,030 | 623,023 |
| EURO | (772,789) | (262,688) |
| GBP | (802,757) | (3,017,124) |
| HKD | 226,957 | 315,826 |
| SEK | (6,037) | - |

A 10% weakening of RM and EURO against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

### 31.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risks that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-earning financial assets are mainly short term in nature and are mostly placed in short term deposits.

# 31. Financial instruments (continued)

## 31.6 Market risk (continued)

### 31.6.2 Interest rate risk (continued)

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

| | 2012 RM | 2011 RM |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 5,170,502 | 44,189,964 |
| Financial liabilities | (16,561,900) | (16,880,150) |
| | (11,391,398) | 27,309,814 |
| **Floating rate instruments** | | |
| Financial assets | 14,881,446 | 16,173,566 |
| Financial liabilities | (6,714,101) | (15,205,454) |
| | 8,167,345 | 968,112 |

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | |
|---|---|---|
| **Group** | **100 bp increase RM'000** | **100 bp decrease RM'000** |
| **2012** | | |
| Floating rate instruments | 82 | (82) |
| **2011** | | |
| Floating rate instruments | 10 | (10) |

# 31. Financial instruments (continued)

## 31.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows :

| | 2012 | | 2011 | |
|---|---|---|---|---|
| **Group** | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| Forward currency contracts | | | | |
| - Assets | - | - | 667 | 667 |
| Finance lease liabilities | 120 | * 120 | 329 | * 329 |

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

* The fair value of these fixed interest financial instruments is determined by discounting the relevant cash flows using current interest rates for similar financial instruments at the end of reporting date. Since the current interest rates do not significantly differ from the intrinsic rate of these financial instruments, the fair value of these financial instruments therefore, closely approximate its carrying amounts at the end of reporting date.

# 32. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

## 33. Material litigation

On 23 July 2011, Asia File Products Sdn. Bhd. (“AFP”), a wholly owned subsidiary of the Company was served with a Writ of Seizure and Sales (the “Writ”) by Mr Kalidason A/L Ramoo (“the Plaintiff”) in relation to his claims of losses and damages amounting to RM217.7 million in respect of a piece of property purchased by AFP for a total purchase consideration of RM4.6 million from KPMG Corporate Services Sdn. Bhd., the receiver of the seller appointed by RHB Bank Berhad.

On 8 September 2011, AFP has been successful in both its applications to strike out the Writ and to set aside the judgement in default of appearance. The Plantiff has subsequently filed a notice of appeal to the Court of Appeal.

On 23 April 2012, the Plaintiff withdrew the appeal with costs of RM5,000 awarded to AFP.

## 34. Significant event

The Company has on 9 September 2011 acquired a shelf company in United Kingdom, namely Trissi Brissi Limited (“Trissi”) for a total purchase consideration of GBP1 (approximately equivalent to RM5). Trissi was incorporated on 10 August 2011, with the existing paid-up share capital of GBP1 each. Consequently, Trissi became a wholly-owned subsidiary of the Company.

On 19 September 2011, Higher Kings Mill Limited (previously known as Trissi Brissi Limited) has entered into an agreement to acquire the business of manufacturing coloured manila paper, sugar papers and soap stiffener which is carried on at Higher Killerton, the Cullomption, Devon, the United Kingdom and at Silverton Mill, Killerton, the Devon, the United Kinghdom (“Business”) and the assets which are utilised in connection with the Business (“Assets”) from DS Smith PLC (“Vendor”).

The purchase consideration for the above acquisition, after taking into consideration the adjustment subsequent to the valuation of stocks, prepayments and accruals as at 30 September 2011, was RM22,213,112 as below :

| | RM |
|---|---|
| **Cost of assets acquired, net** | |
| Property, plant and equipment | 4,960,000 |
| Inventories | 17,711,282 |
| Trade and other receivables | 439,853 |
| Trade and other payables | (898,023) |
| Cash consideration paid | 22,213,112 |

## 35. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 March 2012, into realised and unrealised profits, pursuant to paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| Total retained earnings : | | | | |
| - Realised | 207,327,183 | 185,504,956 | 20,109,226 | 15,312,604 |
| - Unrealised | (8,034,610) | (5,843,468) | (24,524) | - |
| | 199,292,573 | 179,661,488 | 20,084,702 | 15,312,604 |
| Share of retained earnings of jointly controlled entity | | | | |
| - realised | 22,822,304 | 16,434,875 | - | - |
| - unrealised | 2,537,083 | 684,786 | - | - |
| | 224,651,960 | 196,781,149 | 20,084,702 | 15,312,604 |
| Add : Consolidation adjustments | 15,492,580 | 18,384,194 | - | - |
| Total retained earnings at 31 March | 240,144,540 | 215,165,343 | 20,084,702 | 15,312,604 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

# Asia File Corporation Bhd.
(Company No. 313192 P)
(Incorporated in Malaysia)
## and its subsidiaries

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 9 to 87 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors, the information set out in Note 35 on Page 88 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

…………………………………..
**Lim Soon Huat**

…………………………………..
**Lim Soon Wah**

Penang,

Date : 20 July 2012

**Asia File Corporation Bhd.**
(Company No. 313192 P)
(Incorporated in Malaysia)
**and its subsidiaries**

# Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Goh Phaik Ngoh**, the officer primarily responsible for the financial management of Asia File Corporation Bhd., do solemnly and sincerely declare that the financial statements set out on pages 9 to 88 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 20 July 2012.

…………………….…………..
**Goh Phaik Ngoh**

Before me :

Cheah Beng Sun
(No. P103)
DJN, AMN, PKT, PJK, PJM, PK
Pesuruhjaya Sumpah
(Commissioner for Oaths)

# Independent auditors' report to the members of Asia File Corporation Bhd.

(Company No. 313192 P)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Asia File Corporation Bhd., which comprise the statements of financial position as at 31 March 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 87.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 313192 P

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2012 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 35 on page 88 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 313192 P

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**
AF 0758
Chartered Accountants

**Ng Swee Weng**
1414/03/14 (J/PH)
Chartered Accountant

Date : 20 July 2012

Penang