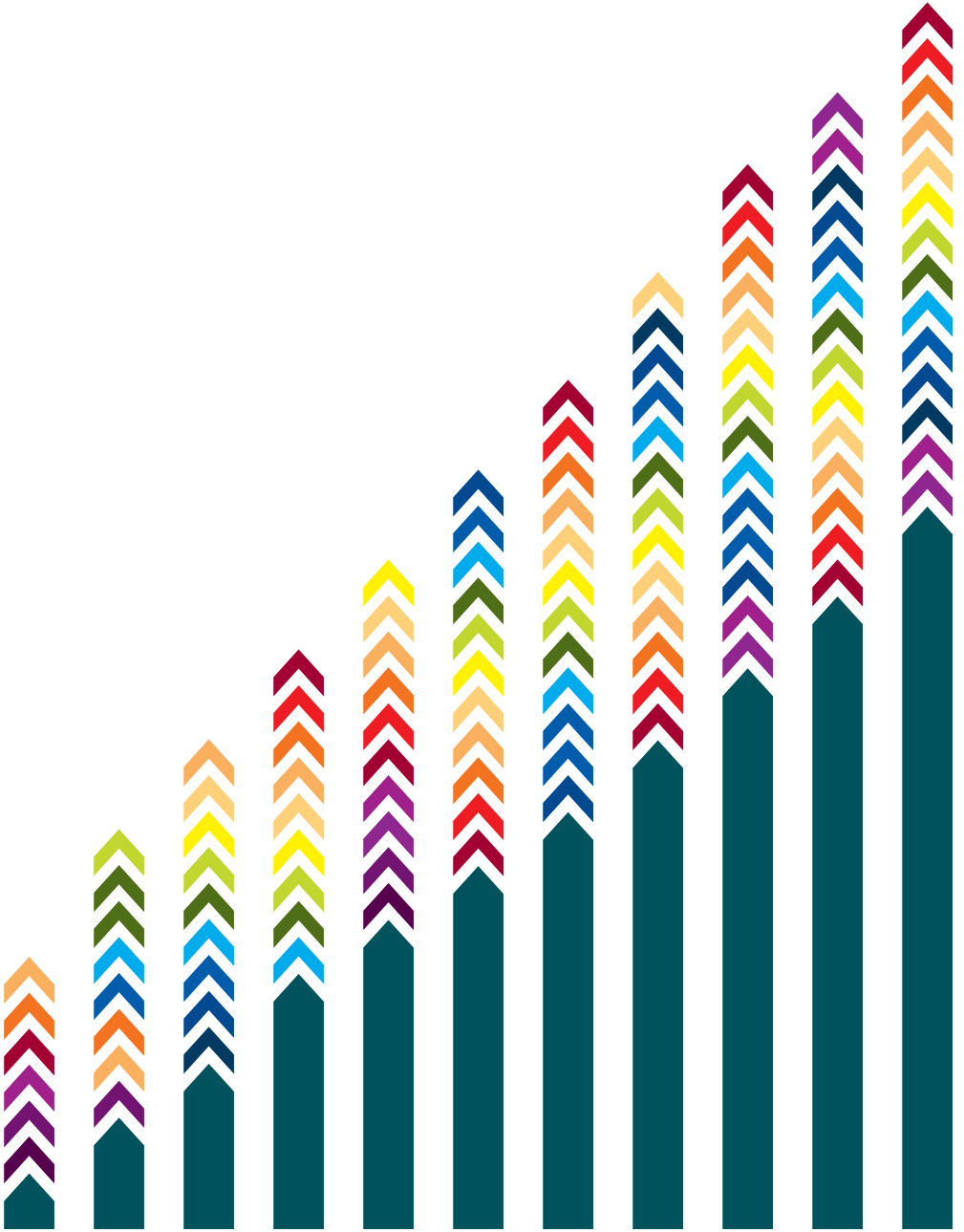




ASIA FILE CORPORATION BHD.
(313192 P)

ANNUAL REPORT

2017



CONTENTS

ASIA FELLE CORPORATION BHD.

2	Corporate Information
3	Chairman’s Statement
4	Management Discussion And Analysis
8	Corporate Structure
9	Products of The Group
10	Profile of Directors
12	Profile of Key Senior Management
15	Group Financial Highlights
17	Statement on Corporate Governance
28	Audit Committee Report
31	Statement on Risk Management and Internal Control
36	Additional Compliance Information
38	Corporate Social Responsibility
40	Financial Statements
145	List of Properties
146	Shareholding Statistics
149	Notice of Annual General Meeting
153	Proxy Form

CORPORATE INFORMATION

ASIA FILE CORPORATION BHD.

BOARD OF DIRECTORS	Dato' Lim Soon Huat Ng Chin Nam Lim Soon Wah Lam Voon Kean Nurjannah Binti Ali Lim Soon Hee (Alternate to Lim Soon Wah)
COMPANY SECRETARY	Tai Yit Chan (MAICSA 7009143) Ong Tze En (MAICSA 7026537)
REGISTERED OFFICE	Suite 16-1 (Penthouse Upper) Menara Penang Garden 42A, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel : 04-229 4390 Fax : 04-226 5860
PRINCIPAL PLACE OF BUSINESS	Plot 16, Kawasan Perindustrian Bayan Lepas, Phase IV, Mukim 12, Bayan Lepas, 11900 Penang, Malaysia. Tel : 04-642 6601 Fax : 04-642 6602
REGISTRAR	Agriteum Share Registration Services Sdn Bhd (578473-T) 2nd Floor, Wisma Penang Garden 42, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel : 04-228 2321 Fax : 04-227 2391
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad
AUDITORS	KPMG PLT, Penang
BANKERS	RHB Bank Berhad Malayan Banking Berhad HSBC Bank Malaysia Berhad OCBC Bank Malaysia Berhad

CHAIRMAN'S STATEMENT

ASIA FILING CORPORATION BHD.



Dato' Lim Soon Huat

Dear Shareholders,

I am delighted that despite the currency exchange headwinds with a weaker GBP and Euro as well as stagnant global growth, the Group has managed to deliver a healthy and commendable pre-tax margin of 20.22% on the back of total revenue of RM350.3 million for the financial year ended 31 March 2017.

Over the years, the Group has experienced various challenges and there is no exception in 2017. There is no denial that the significant transformations brought upon by digital advancement to our society has to a certain extent impacted our industry. Within our industry, the sector is faced with stagnant growth. Fortunately, we have been able to capture new market share in United Kingdom and also across some of the countries in Asia Pacific. We will continue to focus on efficient manufacturing and cost control while looking at various opportunities to increase our market share.

While we are growing our existing core businesses enthusiastically, we also recognise the need to expand beyond our traditional filing products in order to deliver sustainable growth and create consistent values to our shareholders. Leveraging on our expertise and core competencies in dealing with the main materials used for filing products such as papers and plastics, we have set our goals to diversify beyond the traditional filing products. Our solid cash flow and healthy balance sheet position will provide us with ample capacity to expand and diversify our existing business activities into other consumer products.

The past nine months have been a hectic period for our team as we started our preliminary work to venture into new business which are disposable food wares. A total budget of RM 30 million has been allocated to this new business. A lot of effort has been spent to evaluate the procurement of material and equipment integration in order to enable us to be a highly efficient manufacturer in this field.

Our success comes from the relentless efforts and commitments demonstrated by our team of dedicated employees. On behalf of the Board, we wish to express our appreciation to all our employees for their hard work. We also wish to thank our business partners and shareholders for their unwavering support rendered throughout the year.

I am confident that we will be riding through this turbulent but exciting journey, as the Group continues to reinvent and explore new business opportunities going forward.

MANAGEMENT DISCUSSION AND ANALYSIS

ASIA FILE CORPORATION BHD.

Introduction

The Group is principally involved in the manufacturing and marketing of various filing and stationery products. As an integrated files manufacturer, the Group offers a wide range of products made from paperboard, plastic and metals. Through its 100% owned subsidiary in United Kingdom, the Group also manufactures coloured paper and boards for filing, educational and other specialty markets.

The Group's manufacturing facilities consist of five production and warehousing sites in Malaysia, two files producing plants and one paper mill located in the United Kingdom and another two production facilities in Germany.

Locally, the Group remains as the leading files manufacturer in Malaysia with a comprehensive distribution network of more than 750 retailers, hypermarkets, wholesalers and office suppliers. Its premier brand "ABBA" is the leading brand name in Malaysia for filing and stationery products.

Globally, the Group exports its products across various continents including Europe, USA, Asia Pacific, Australia, New Zealand, Middle East and Africa. The Group has successfully established itself as one of the leading filing suppliers in United Kingdom and part of Europe.

Financial Overview

	FYE 2017 RM'000	FYE 2016 RM'000
Revenue	350,324	389,856
Results from Operating Profits	66,020	92,398
Finance Cost	(357)	(297)
Shares of Profits of associate	5,183	6,435
Profit Before tax ("PBT")	70,846	98,536
<i>PBT %</i>	<i>20.22%</i>	<i>25.27%</i>
Taxation	(14,782)	(21,878)
Profit After Tax ("PAT")	56,064	76,658
<i>PAT %</i>	<i>16.00%</i>	<i>19.66%</i>

Revenue

Total revenue contracted by 10.1% due to the shift in procurement to local sources by some of the major customers in USA. In addition, the weakening in GBP against the local currency has resulted in a lower sales reported in RM.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

ASIA FILE CORPORATION BHD.

In terms of sales revenue generated by overseas subsidiaries measured in their respective local currencies, Germany plants (Plastoreg Smidt GmbH) recorded a drop of 9.3% amidst a market environment of intense competition and consolidation of customers. Despite the challenges faced in the market, sales performance by the subsidiaries in the United Kingdom increased by 3% during the year. The Group's physical presence in this market has enabled it to practise a more efficient inventory management and thus resulted in better delivery service to its customers. The Group anticipates encouraging sales growth from this market segment.

Result From Operating Profits

The Group saw a drop in its operating margin from 23.7% to 18.8%. This was mainly due to the unfavourable exchange rate movement in particular the weakening of GBP against USD by more than 15% during the year. This did not augur well for the Group as 39% of its filing sales were denominated in GBP while the majority of imports were in USD. During the year, a total exchange loss of RM 2.6 million was reported as compared to foreign exchange gain of RM 12.3 million recorded in FYE 2016.

Profit Before Tax

Pre-tax margin showed a drop from 25.3 % in FYE 2016 to only 20.2 % in FYE 2017. As explained under the Operating Profits, this was mainly due to the unfavourable exchange rate movement in particular the weakening of GBP against USD and also RM. In addition, the introduction of minimum wages in Malaysia w.e.f July 2016 and tight labour market has resulted in increased labour costs. A significant increase was also noted in freight costs as a result of the hike in fuel cost during the year.

Taxation

Excluding the shares of profits of associate, taxation rate was consistent at 22.5% as compared to 23.8% recorded in FYE 2016.

The lower tax rate recorded in FYE 2017 was due to higher amount of tax incentives claimed and also a larger proportion of non-taxable income such as exempt interest income. In addition, there was a higher non-deductible expense of RM 1.1 million being added back in the tax calculation for FYE 2016.

Group Financial Position

Total assets for the Group strengthened by RM 21.7 million to RM 650.6 million as at 31 March 2017.

There was a drop in trade and other receivables by RM 13.4 million arising from lower sales volume and also as a result of weakening GBP against RM. In addition, some overseas customers have changed their billing method to net prices instead of gross prices. This has also resulted in a corresponding drop in trade and other payables as accrual for customers' rebates will no longer required in the accounts.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

ASIA FILE CORPORATION BHD.

Other investments increased from RM 88.2 million to RM 125.2 million as more funds were invested in higher interest yield instruments such as Dual Currency Investments and Equity Linked Notes.

The combined cash and interest bearing financial instruments has risen from RM 163.8 million to RM 197.6 million. After deducting bank borrowings, total net cash position for the Group strengthened from RM 135.3 million to RM 168.4 million.

Dividend payable has dropped from RM 13.4 million to RM 7.8 million as the Group increased its dividend payment frequency from twice to thrice with the first interim dividend of RM 5.8 million being paid on 19 January 2017.

Capital Expenditure

During the year, the Group has spent a total of RM 9.9 million in capital expenditure. A further RM 30 million would be set aside to cater for capital expenditure relating to new projects as stated in the Chairman Statement.

Dividend

The Group is committed to rewarding its shareholders with prudent dividend pay-out. Although no formal dividend policy is put in place, the Group has consistently given out approximately 40% to 55% of its profit after tax to its shareholders over the years.

For FYE 2017, a first 3% interim dividend of RM 5.8 million and second interim dividend of 4% of RM 7.8 million have been paid out in January 2017 and May 2017 respectively. A final dividend of 9% has been proposed subject to obtaining shareholders' approval in the forthcoming annual general meeting. This will bring the total dividend declared to 16% per ordinary share and represents a total pay-out rate of 55% from the Group' profit after tax for the year.

Anticipated Risks

Foreign Exchange Risk

As more than 90% of the Group revenues were derived outside Malaysia, forex volatilities associated with GBP, EURO and USD against Ringgit Malaysia would impact the consolidated earnings of the Group.

The Group will continue to monitor closely the movement of the exchange rates and adopt hedging strategies where appropriate to address the risk of major fluctuation in exchange rates.

Risk Associated with New Ventures

To ensure a sustainable growth, the Group will be on continuous look out for new ventures whether within or outside its core business. This will no doubt create uncertainties as new areas are being explored and tested.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

ASIA FILE CORPORATION BHD.

The Group's anticipated foray into paper and plastic food wares will pose both challenges and opportunities to the Group. While there is familiarity with the materials used in the production, sales and marketing for the products will be a new uncharted area to explore.

To minimise any potential losses from such new ventures, the Group will carry out proper due diligence process and in depth evaluation prior to making any new investment decision.

Credit Risks of Customers

As the Group extends credit terms to most of its customers, any default of payment by its customers or failure to pay on time will affect the financial position of the Group.

To mitigate the risk, the Group has put in place stringent credit control procedures to evaluate, review and monitor all potential new debts or current debts owed by its customers.

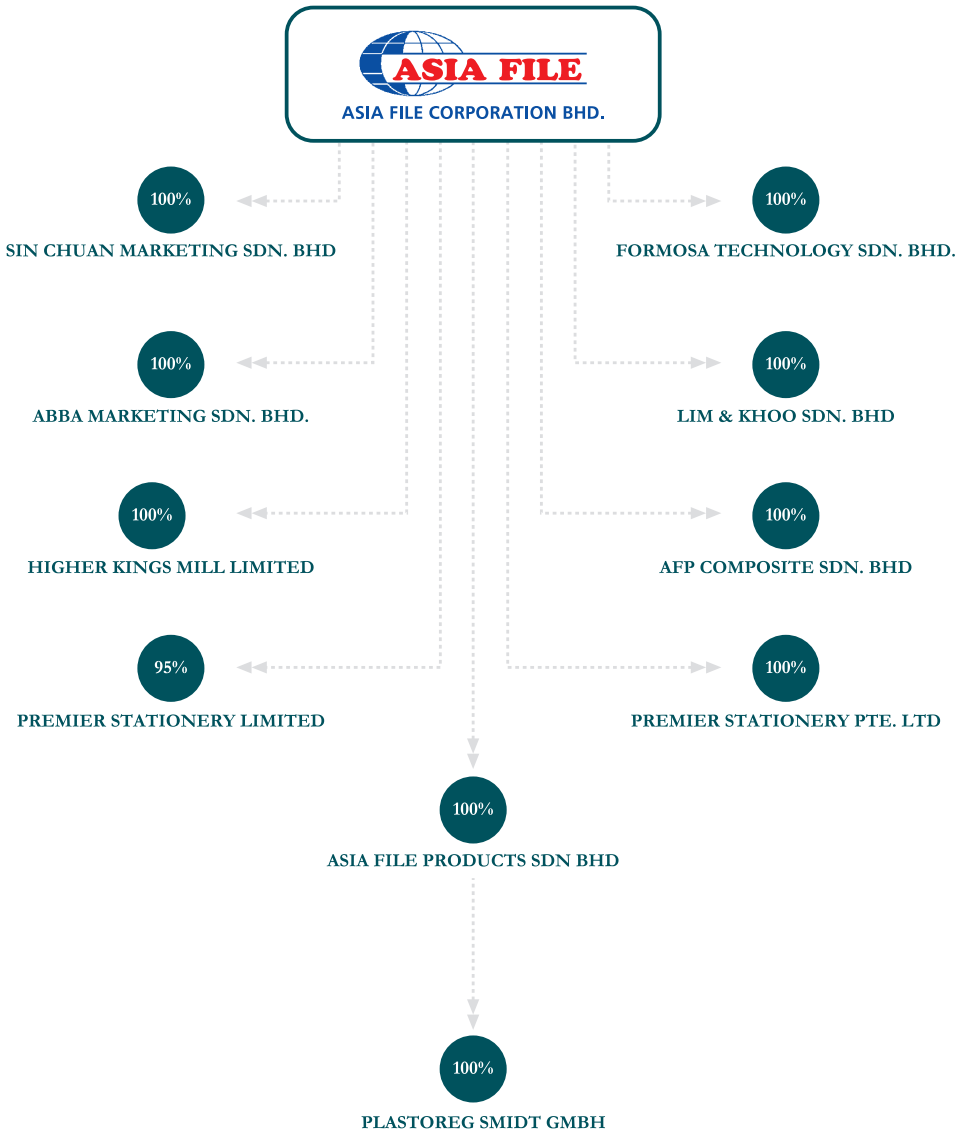
Business Outlook and Prospects

Although the industry prospect will remain challenging going forward in view of the current market condition, consolidation of the players in the various markets was viewed as a positive development. The stability in product pricing will provide good buffer to a certain extent against major fluctuation in foreign exchange rates.

The Group will continue to focus on its core business while also on an active look out for other potential new business opportunities. Supported by a team of experienced and dedicated employees coupled with solid financial position, the Group is confident that it will continue to deliver profitable results in 2018.

CORPORATE STRUCTURE

ASIA FILE CORPORATION BHD.



PRODUCTS OF THE GROUP

Visit our website at www.asia-file.com for more product updates.



8. Desk & Office Accessories

- Trays
- Staples
- Staplers
- Parcel Strings
- Paper Binders (Premier Grip)
- Binder Clips (Double Clips)
- Fasteners
- 2 Hole Punches
- Laminating Films
- Marker Pens
- Whiteboard Erasers
- Rulers



1. Lever Arch Files

- Paperboard Lever Arch Files
- Plastic Colour Lever Arch Files
- Presentation Lever Arch Files
- Laminated Lever Arch Files



2. Filing / Storage Boxes

- Box Files
- Magazine Holders
- Docucases
- Morr Files
- Ring Boxes
- Archive Boxes
- Clipboards



7. Papers, Paperboards & Labels

- Coloured Papers and Cards
- Sugar Papers
- Speciality Papers
- Photocopier Labels
- White & Coloured Self Adhesive Stickers
- Fax Rolls
- Computer Forms



6. Indexes & Dividers

- Fluorescent Coloured Paper Dividers
- Refreshing Pastel Coloured Paper Dividers
- Extra Strong Coloured Paper Dividers
- White Paper Dividers
- Mylar Paper Dividers
- Polypropylene Dividers
- Indexes



5. Manilla Files & Folders

- Flat Files
- Pocket Files
- Fold Files
- Minute Files
- Suspension Files
- Square Cut Folders



4. Document Presentation

- Presentation / Management Files
- Sheet Protectors
- Presentation Covers
- Plastic Folders
- Book Wrappers
- Clear Holders



3. Ring Files / Binders

- Paperboard Ring Files
- Laminated Ring Files
- Insert Binders
- Plastic Ring Files / Binders
- Computer Files
- Star Files



PROFILE OF DIRECTORS

ASIA FILE CORPORATION BHD.

Dato' Lim Soon Huat



Dato' Lim Soon Huat age 60, is a Malaysian citizen and the Non-Independent Executive Chairman. He was appointed to the Board on 3 January 1996 and was subsequently appointed as Chairman of the Board on 16 July 2001.

He graduated from University of Melbourne with a Master Degree in Engineering. He has vast working experiences of more than thirty (30) years in both public and private sectors. Prior to his involvement in business, he was involved in civil engineering projects undertaken by the Drainage and Irrigation Department. In 1986, he joined the filing and stationery industry and since then he has been playing a prominent role in all facets of the company management. He is the Vice Chairman of Penang Paper & Stationery Association and also the Deputy President of The Federation of Stationers and Booksellers Association of Malaysia. He also holds directorship in various subsidiaries of Asia File Corporation Bhd Group.

As at 19 June 2017, he is the registered holder of 2,830,705 shares in Asia File Corporation Bhd and is deemed interested over 83,738,951 shares in Asia File Corporation Bhd registered under Prestige Elegance (M) Sdn Bhd. He also holds 50.01% of the total shareholding in Prestige Elegance (M) Sdn Bhd. During the financial year ended 31 March 2017, he attended four (4) Board of Directors' meetings.

Lim Soon Wah



Lim Soon Wah age 50, is a Malaysian citizen and a Non-Independent Executive Director. He was appointed to the Board on 3 January 1996.

He obtained a Bachelor of Science Degree from University of Manitoba, Canada in 1986. Since then he has been actively involved in the production operation of the Company. He also holds directorships in several private limited companies.

As at 19 June 2017, he is the registered holder of 3,191,120 shares in Asia File Corporation Bhd. He also holds 10.75% of the total shareholding in Prestige Elegance (M) Sdn Bhd, a substantial shareholder of Asia File Corporation Bhd.

During the financial year ended 31 March 2017, he attended four (4) Board of Directors' meetings.

Ng Chin Nam



Ng Chin Nam age 47, is a Malaysian citizen. He was appointed to the Board on 11 June 2012 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee and Nomination Committee.

Mr Ng is a member of the Chartered Institute of Management Accountants (CIMA). He has more than 20 years of experience in the fields of accounting, auditing, taxation and corporate finance. He started his career in 1992 in manufacturing environment. He joined an international audit firm as an audit senior in 1997 after obtaining his professional qualification from CIMA. He left the audit firm as assistant manager in 2000 to join a listed company as finance manager. In 2007, he left to assume role as head of Management Information System (MIS), Human Resource and Finance in another listed company. Mr Ng presently sits on the Board of Atta Global Group Berhad and Niche Capital Emas Holdings Berhad.

During the financial year ended 31 March 2017, he attended four (4) Board of Directors' meetings.

PROFILE OF DIRECTORS (cont'd)

ASIA FILE CORPORATION BHD.

Lam Voon Kean



Lam Voon Kean age 65, is a Malaysian citizen. She was appointed to the Board on 11 June 2012 as a Non-Independent Non-Executive Director. Thereafter, she was re-designated as Independent Non-Executive Director on 29 May 2014. She is a member of the Audit Committee and Nomination Committee.

Ms Lam has over 30 years of experience in the fields of accounting, auditing, corporate secretarial and advisory. She began her career with KPMG in 1974 under articleship and subsequently promoted as senior audit manager. She left KPMG in 1994 to join M & C Services Sdn Bhd [now known as Boardroom Corporate Services (Penang) Sdn Bhd after restructuring] as the senior manager and was promoted to managing director until her retirement in 2011. Ms Lam presently sits on the Board of Globetronics Technology Bhd and RGB International Bhd.

During the financial year ended 31 March 2017, she attended four (4) Board of Directors' meetings.

Nurjannah Binti Ali



Nurjannah Binti Ali age 58, is a Malaysian citizen. She was appointed to the Board on 15 April 1999 as an Independent Non-Executive Director. She is a member of the Audit Committee and Nomination Committee.

With an accounting background, Nurjannah has more than fifteen (15) years' experience in finance and corporate management. She presently sits on the Board of Public Packages Holdings Bhd and several other private limited companies.

During the financial year ended 31 March 2016, she attended four (4) Board of Directors' meetings.

Lim Soon Hee



Lim Soon Hee age 54, is a Malaysian citizen. He was appointed as a Non-Independent Non-Executive Alternate Director on 3 January 1996. On 05 June 2013, he was appointed as alternate director to Mr Lim Soon Wah.

He has more than ten (10) years' experiences in sales and marketing and was appointed as director for one of the subsidiary companies in 1985. He also holds directorships in various private limited companies.

As at 19 June 2017, he is the registered holder of 4,117,996 shares in Asia File Corporation Bhd. He also holds 8.74% of the total shareholding in Prestige Elegance (M) Sdn Bhd, a substantial shareholder of Asia File Corporation Bhd.

ASIA FILE CORPORATION BHD.

Notes: Datin Khoo Saw Sim, a substantial shareholder, is the mother of directors, Dato' Lim Soon Huar and Mr Lim Soon Wah, and alternate director, Mr Lim Soon Hee. Other than as disclosed in the Profile of Directors, none of the directors has any family relationship with any other directors/major shareholders of the Company.

Other than as disclosed in the Directors' Report and Notes to the Financial Statements, there is no other conflict of interest that the directors have with the Company.

Except for Ng Chin Nam, Nurjannah binti Ali and Lam Voon Kean which were disclosed in the Profile of Directors, none of the other directors hold any directorship in any other public listed companies.

In the past ten (10) years, none of the directors was convicted of any offence other than traffic offences.

PROFILE OF KEY SENIOR MANAGEMENT

ASIA FILE CORPORATION BHD.

Mr Rod Martin, aged 58, Male, British citizen

- *Managing Director of Premier Stationery Limited*
- *Director of Higher Kings Mill Limited*

Mr Rod Martin graduated with a Business Degree from Middlesex University, England. He has been involved in the stationery and filing business for more than thirty years. He was appointed as the managing director of Premier Stationery Limited since its establishment in 1997. He also holds the directorship of Higher Kings Mill Limited since 2011. Mr Rod Martin is responsible for overseeing the operations of the two subsidiaries in the United Kingdom.

Mr Rod Martin does not have any family relationship with any director and/or major shareholder. He has no conflict of interest in any business arrangement involving the Company.

Mr Hubertus Rohe, aged 60, Male, a German citizen

- *Managing Director of Kirchgandern plant of Plastoreg Smidt GmbH.*

Mr. Hubertus Rohe studied Marketing and Languages at European Business School.

He joined Plastoreg Smidt GmbH in November 1990 as Sales Director and was appointed as Managing Director in January 2003. In 2011 Mr Hubertus Rohe was appointed as director of Higher Kings Mill Limited.

Prior to joining the Company, Mr Hubertus Rohe assumed the role as Export Country Manager at Gloria Werke and was the Export Director at Brause GmbH in 1988.

Mr Hubertus Rohe does not have any family relationship with any director and/or major shareholder. He has no conflict of interest in any business arrangement involving the company.

Mr Uwe Smidt, aged 49, Male, a German citizen

- *Managing Director of Witzenhausen plant of Plastoreg Smidt GmbH*

Mr Uwe Smidt graduated with a degree in Business Administration from the University of Goettingen, Germany.

He pursued a career as IT Consultant and System Analyst before joining Plastoreg in 1997. Prior to his appointment as the Managing Director, he took on the responsibility as Purchasing Director and moved on to become Export Director of Plastoreg's Bespoke Division. He was appointed as Managing Director of Plastoreg for the Witzenhausen plant in March 2008.

In 2016, Mr Smidt became member of the Supervisory Board of CadCabel AG, a manufacturer of cabling solutions and engineering software.

Mr Uwe Smidt does not have any family relationship with any director and/or major shareholder. He has no conflict of interest in any business arrangement involving the company.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

ASIA FILE CORPORATION BHD.

Ms Goh Phaik Ngoh, aged 49, Female, a Malaysian

- *Chief Financial Officer*

Ms Goh Phaik Ngoh graduated with a Bachelor of Commerce Degree from University of Otago, New Zealand in 1991 and passed the Final Qualifying Examination organised by The New Zealand Society of Accountants in 1992.

Prior to joining Asia File Group of Companies in 1994, she was attached to the international accountancy firms of Messrs Arthur Andersen & Co and Coopers & Lybrand (Singapore).

She currently holds directorship in various subsidiaries of Asia File Group of Companies.

Ms Goh Phaik Ngoh does not have any family relationship with any director and/or major shareholder. She has no conflict of interest in any business arrangement involving the Company.

Ms Lim Chin Chin, aged 36, Female, a Malaysian

- *Business Operation Manager*

Ms Lim Chin Chin graduated with a Bachelor of Mechanical and Manufacturing Engineering Degree from The University of Melbourne, Australia.

She joined the Group in 2005 and is in charge of MIS & Prepress departments, computer form division and is also actively involved in the various new projects undertaken by the Group of Companies.

She currently holds directorship in various subsidiaries of Asia File Group of companies.

Ms Lim Chin Chin is the daughter of Dato' Lim Soon Huat, the niece of Mr Lim Soon Wah and Mr Lim Soon Hee and the granddaughter of Datin Khoo Saw Sim. She has no conflict of interest in any business arrangement involving the Company.

Mr Chiang Kok Nearn, aged 42, Male, a Malaysian

- *Plant Manager at Permatang Tinggi, Penang*

Mr Chiang Kok Nearn graduated with a Master Degree of Business Administration from University of South Australia.

He started his career with Swanson Plastics (Malaysia) Sdn Bhd as Production Manager in April 2006. He joined the Group as Plant Manager in July 2011 and is involved in overseeing the manufacturing operation in the plant at Permatang Tinggi, Penang.

Mr Chiang Kok Nearn does not have any family relationship with any director and/or major shareholder. He has no conflict of interest in any business arrangement involving the Company.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

ASIA FILE CORPORATION BHD.

Additional information:

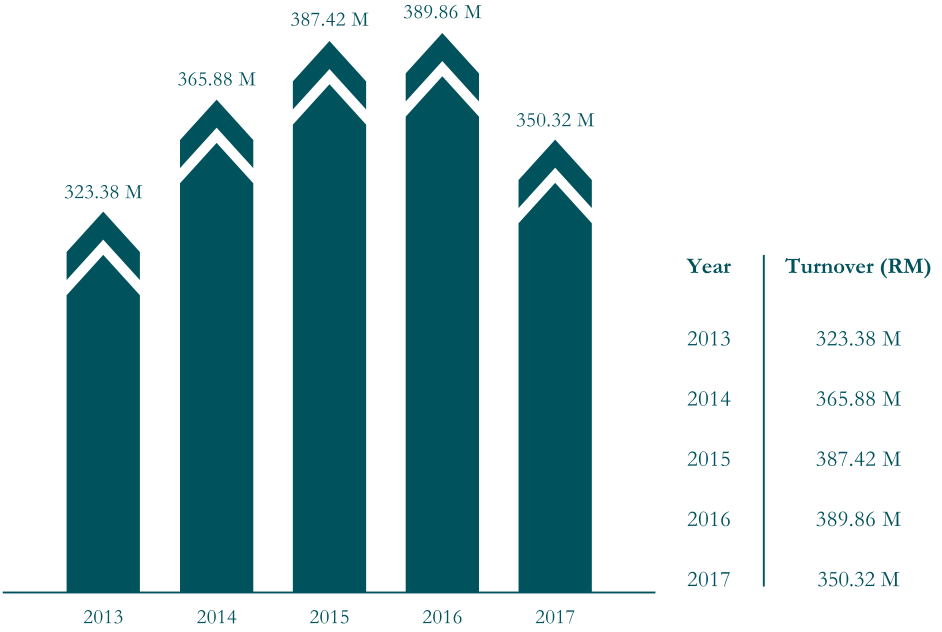
None of the Key Senior Management has:

- (i) been convicted of any offence (other than traffic offences) within the past five (5) years;
and
- (ii) been imposed with any public sanction or penalty by the relevant bodies during the financial year ended 31 March 2017.

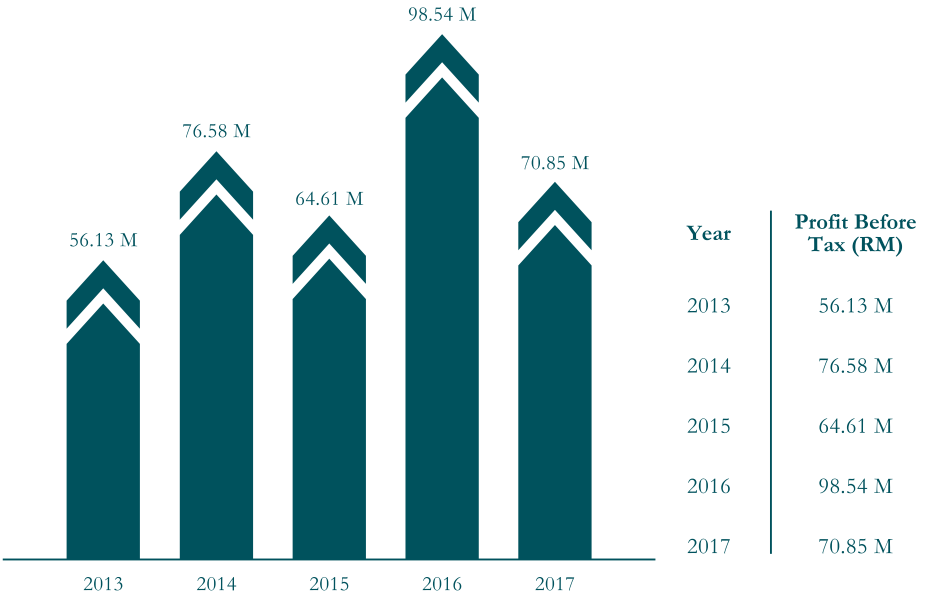
GROUP FINANCIAL HIGHLIGHTS

ASIA FILE CORPORATION BHD.

TURNOVER



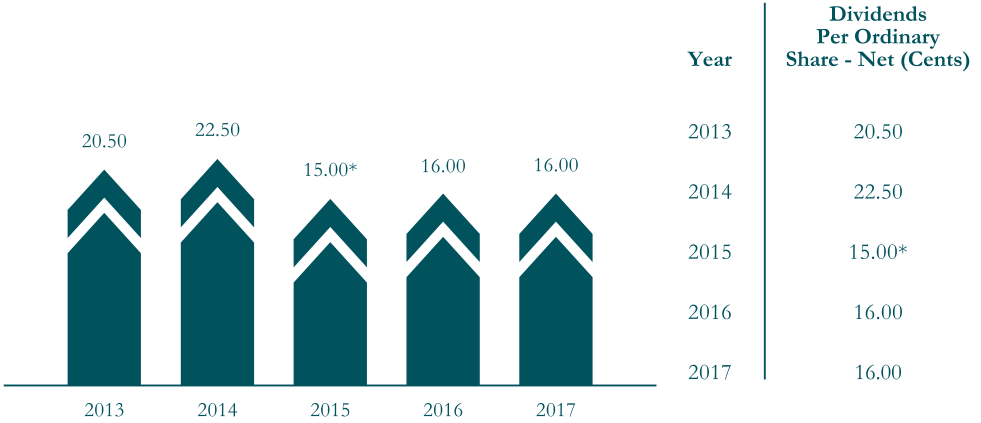
PROFIT BEFORE TAXATION



CORPORATE INFORMATION (cont'd)

ASIA FILE CORPORATION BHD.

DIVIDENDS PER ORDINARY SHARE - NET (CENTS)



BASIC EARNINGS PER SHARE (CENTS)



* Based on enlarge share capital as a result of the bonus issue implemented in FYE 2015.

STATEMENT ON CORPORATE GOVERNANCE

ASIA FILE CORPORATION BHD.

The Board of Directors of Asia File Corporation Bhd acknowledges the importance of good corporate governance in protecting and enhancing the interest of shareholders. As such the Board is committed towards adherence to the principles, recommendations and best practices set out in the Malaysian Code on Corporate Governance (MCCG) 2012 issued by the Securities Commission Malaysia.

BOARD OF DIRECTORS

Roles and Responsibilities of the Board

The Board is responsible towards the strategic planning, overseeing the resources and the overall operation of the Group.

The principal roles and responsibilities of the Board in enhancing Board's effectiveness in pursuit of corporate objectives encompass the following specific areas:-

- review and adopt strategic plans;
- oversee the conduct of the Group's businesses;
- identify principal risk areas and ensuring that appropriate risk management system is in place to address the above risks;
- succession planning for senior management staff;
- developing and implementing investor relations program and shareholders communication policy; and
- review the adequacy and integrity of the internal control and management information system.

Board Balance and Independence

There are presently six (6) members on the Board comprising mainly of two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-independent Non-Executive Alternate Director. The two Executive Directors have been actively involved in the industry for many years, bringing with them a wealth of valuable experiences in ensuring the success of the Group. The Non-Executive Directors, with their diversified backgrounds and specialization help to steer the Group in the right direction in fulfilling its role to its shareholders. A brief profile of each individual director is presented in the Profile of Directors section of this Annual Report. The assessment of independence of the Independent Directors is carried out upon appointment, annually and when any new interest or relationship develops.

The Chief Executive, Dato' Lim Soon Huat assumed the role of Chairman upon the demise of the late Dato' Lim Eng Siang on 27 June 2001. The Board is mindful of the dual role of Chairman and Chief Executive held by Dato' Lim Soon Huat but is of the view that the present composition of the board and its decision making process will provide sufficient check and balance. More than 50% of the current Board composition consists of Independent Directors with distinguished credentials and have also acted as Independent Directors in other public listed companies. The Board could rely on their extensive experience and knowledge to ensure that there is

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

independence of judgement. In addition during the decision making process, the majority view of the Board will be duly considered whereby no single Board member can dominate its decision making process. The Board is confident that there will not be any potential of conflict of interest as all related party transactions are disclosed in accordance with the Main Market Listing Requirements. In view of the extensive experience of Dato' Lim Soon Huat in managing the Group's business, the Board is of the view that it could benefit from a knowledgeable Chairman in providing timely updates and guideline when deliberating on key issues or during discussions on latest developments.

The Board took note of the recommendation of the Code on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Board is of the view that Puan Nurjannah Binti Ali has performed her duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of her service on the Board does not in any way interfere with her exercise of independent judgement and ability to act in the best interest of the Group. In view of the above, the Board is making a recommendation to shareholders that Puan Nurjannah Binti Ali, who has served on the Board for more than nine years, remains as Independent Non-Executive Director.

Whistle-Blowing

The Group is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner. In line with this commitment, the Group has adopted a whistleblowing policy which serves as an early warning system to assist the Company in detecting any improper conduct within the Group and take early corrective action.

The whistleblowing policy set out the internal channel and reporting procedures for all employees of the Group to disclose any irregularities and the protection accorded to employees who disclose such allegations in good faith.

Board Meetings and Supply of Information

The Board meets at least four (4) times a year and with additional meetings convened as the need arises, to inter-alia approve the Quarterly Reports, the Annual Report and to review the performance of the Company and its operating subsidiaries.

The Board receives relevant documents on matters requiring its consideration prior to each meeting. Notice of meetings setting out the agenda and accompanied by the relevant Board papers are distributed to the Directors before the Board meeting to enable them to peruse and if require to obtain further information on issues to be deliberated. The minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation and upon receiving confirmation from all the members at the Board meetings, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.

Members of the Board have direct access to the Senior Management and are also given unrestricted access to the advices and services of the Company Secretary and

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

other professional advisors in discharging their duties and responsibilities at the expense of the Group. All corporate announcements including quarterly financial results will be reviewed and approved by the Board prior to any announcement being made to the Bursa Malaysia Securities Berhad.

A total of four (4) Board meetings were held during the financial year ended 31 March 2017. The attendance record is as tabulated below:-

Name of Directors	Attendance
Dato' Lim Soon Huat	4/4
Lim Soon Wah	4/4
Ng Chin Nam	4/4
Nurjannah Binti Ali	4/4
Lam Voon Kean	4/4

Company Secretary

The Company Secretary (and or representative) attends and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded in the minutes books maintained at the registered office of the Company.

The Company Secretary ensures that deliberations at Board and Board Committee meetings are properly documented, and subsequently communicated to the relevant Management for appropriate actions. The Board is updated by the Company Secretary on the follow-up of its decisions and recommendations by the Management.

In addition, the Company Secretary briefs the Board on proposed contents and timing of materials announcements to be made to Bursa Malaysia. The Company Secretary also serves notices to the Directors and Principal Officers on the closed periods for trading in the Company's shares in accordance with the black-out periods for dealing in the Company's securities pursuant to the Main Market Listing Requirement of Bursa Malaysia.

Board Charter

The Board had formalised a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate government set out in the policy documents and guidelines issued by the regulatory authorities. The Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness. The Board Charter is available online at www.asia-file.com.

Board Members Appointment Process

The Nomination Committee considers and recommends new appointment to the Board. In discharging this duty, the Nomination Committee will address the suitability of an individual by taking into consideration the individual's skills, knowledge, expertise and experience, professionalism and integrity.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

Article 79 of the Company's Articles stated that at any point of time, the total number of Directors shall not be less than three and not more than fifteen. Directors may only hold up to five directorships in public listed companies.

Re-appointment and Re-election of Directors

In accordance with the Memorandum and Articles of Association of the Company, at least one-third of the Directors shall retire from office each year at the Annual General Meeting and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Companies Act, 2016 (which repealed the Companies Act, 1965) has removed the age limit and the re-appointment of Director who is over 70 years to be subject to shareholders' approval at each Annual General Meeting.

Board Gender Diversity Policy

The Board currently does not adopt any policy on boardroom diversity, such as gender and age. The Board is of the view that while it is important to promote diversity, the normal selection criteria of a Director, based on effective blend of competences, skills, experience and knowledge in areas identified by the Board, should remain a priority so as not to compromise on capabilities, experience and qualification.

The Group was awarded a Certificate of Appreciation by Ministry of Women, Family and Community Development for achieving the target of at least 30 percent woman on board in public listed companies. The recognition is given in conjunction with Hari Wanita 2016.

Board Assessment

Board assessment and evaluation is performed annually with the objective to enhance its effectiveness, strength and to identify areas that need improvement.

The assessment is divided into four sections as follows:

1. Board and Board Committees Evaluation
2. Assessment of Character, Experience, Integrity, Competence and Time Commitment
3. Assessment on Mix of Skill and Experience
4. Evaluation of Level of Independence of a Director

The main criteria set out in the abovementioned sections are as follows:

- Skills and experience of individual directors
- Roles and responsibilities of the Board and individual directors
- Time commitment in deliberation and participation in the Board and Board committees meetings
- The level of independency for the Independent Directors' participation in deliberating on issues put before the Board

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

- Satisfaction with the quality of materials and presentations in the meetings and timely circulation of meeting materials before commencement of the meetings

During the financial year ended 31 March 2017, the assessment was conducted on the Board, Board Committees and individual Directors.

Directors' Remuneration

The Board as a whole approves the remuneration of the Executive Directors with the Directors concerned abstaining from the decision in respect of their remuneration.

The details of the remuneration for the Directors of the Company during the financial year ended 31 March 2017 are as follows:-

	Fees RM'000	Salaries RM'000	Bonuses RM'000	Other Emoluments RM'000	Benefits in kinds RM'000	Total RM'000
Executive Directors	175	868	534	3	38	1,618
Non-Executive Directors	96	-	-	11	-	107

The Board is of the opinion that it is advisable not to state in detail each Director's remuneration. The remuneration for the Directors for the financial year ended 31 March 2017 are, however, summarised into the following bands:-

Range of Remuneration	Executive	Non-Executive
Below RM 50,000	-	3
RM 50,001 - RM 100,000	-	1
RM 600,001 - RM 650,000	1	-
RM 950,001 - RM 1,000,000	1	-

Directors' Training

The Board, as a whole, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. At the date of this statement, all the Directors have attended and successfully completed the Mandatory Accreditation Program (MAP) prescribed by the Bursa Securities.

During the financial year under review, the Directors had participated in various programmes and seminars as set out below to enhance their knowledge and expertise:

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

Directors	Training/Seminars/Forum/Conference attended	Name of organiser
Dato' Lim Soon Huat	<ul style="list-style-type: none"> • Enhanced Undertaking of Risk Management and Internal Control 	Bursa Malaysia
	<ul style="list-style-type: none"> • Affin Hwang Capital Conference Series 2016 - Navigating through Shifting Sands 	Affin Hwang Capital
Lim Soon Wah	<ul style="list-style-type: none"> • Enhanced Undertaking of Risk Management and Internal Control 	Bursa Malaysia
Lam Voon Kean	<ul style="list-style-type: none"> • Focus Group Series: Corporate Governance Disclosure “What makes Good, Bad and Ugly Corporate Governance Reporting” 	Bursa Malaysia
	<ul style="list-style-type: none"> • Risk Management & Internal Control: Workshop for Audit Committee Members – “An Integrated Assurance on Risk Management and Internal Control – Is Our Line of Defence Adequate and Effective?” 	Bursa Malaysia
	<ul style="list-style-type: none"> • Limited Liability Partnership (LLP) with Tax Issues and Companies Bill 2015 Briefing 	MIA
	<ul style="list-style-type: none"> • MFRS/FRS Update 2016/2017 Seminar 	KPMG
	<ul style="list-style-type: none"> • KPMG in Malaysia Tax Summit 2016 	KPMG
Ng Chin Nam	<ul style="list-style-type: none"> • WIM Conference on Integrity and Governance For Company Directors and Senior Management Officers in Public and Private Sectors 	Women’s Institute of Management
	<ul style="list-style-type: none"> • Fraud Risk Management 	Malaysian Institute of Corporate Governance
Puan Nurjannah Binti Ali	<ul style="list-style-type: none"> • Malaysian Budget 2017 	Grant Thornton
	<ul style="list-style-type: none"> • Malaysia International Retail, Franchise & Licensing Fair 2016 (MIRF 2016) 	Malaysia Retail Chain Association (MRCAs)

Training for Directors will continue so as to ensure that they continue to keep abreast with regulatory and governance developments.

COMMITTEES ESTABLISHED BY THE BOARD

To ensure the effective discharge of its fiduciary duties and to enhance business and operational efficiency, the Board delegates specific responsibilities to the Board Committees namely Audit Committee and Nomination Committee.

All committees’ compositions and term of reference are in accordance with the Bursa Malaysia Main Market Listing Requirements and consistent with the recommendations of the MCCG 2012. The functions and terms of reference of Board

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

Committees are reviewed from time to time to ensure that they remain relevant. The term of reference of the Board Committees are available online at www.asia-file.com. Board Committee meetings are normally held in conjunction with the Board meetings. All deliberations, recommendations and decisions of the Board Committees are minuted and confirmed by the Board Committee at the subsequent Board Committee meetings. During Board meetings, the Chairman of the various Board Committees provides summary reports of the decisions and recommendations made by the Board Committee and highlights to the Board if any further deliberation is required at Board level.

Board Committees

A brief description of each Board Committee is provided below:-

Audit Committee

The Audit Committee consists exclusively of Independent Non-Executive Directors. The composition, terms of reference and a summary of the activities of the Audit Committee are set out separately in the Audit Committee Report on pages 28 to 30 of this Annual Report.

Chief Financial Officer attends all meetings of the Audit Committee except when meetings are held between the Audit Committee and external auditors without management's presence. The Audit Committee has met with the external auditors without management's presence twice during the year.

Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, all of whom are independent Directors.

The key responsibilities of the Nomination Committee are as follows:-

1. To review the balance composition of Executive and Non-executive Directors (including Independent Directors) with an aim to achieving a balance of views on the Board.
2. To assess and recommend to the Board all candidates for directorships to be filled, taking into consideration the candidates':
 - Skills, knowledge, expertise and experience;
 - Professionalism;
 - Integrity; and
 - In the case of candidates for the position of independent non-executive directors, evaluate the candidates' ability to discharge such responsibilities / functions as expected from independent non-executive directors.
3. To ensure a formal and transparent procedure for the appointment of new directors to the Board.
4. To assess and recommend to the Board, directors to fill the seats on Board Committees.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FINE CORPORATION BHD.

5. To review the required mix of skills and experience and other qualities, including core competencies, of the members of the Board.
6. To assess the contribution of each individual director, the effectiveness of the Board as a whole and the committees of the Board.

The Nomination Committee meets as and when required, and at least once a year.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the audited financial statements, quarterly announcement of results as well as corporate announcements on significant developments affecting the Group in accordance with the Main Market Listing Requirements.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the reliability of the financial reporting of the Group. The Audit Committee reviews the annual and interim financial statements of the Group including the appropriateness of the accounting policies, its changes, if any, and the resultant impacts as well as compliance with approved accounting standards and regulatory requirements.

Directors' Report

The Directors are responsible to ensure that financial statements of the Group give a true and fair view of the state of affairs of the Group as at the end of the accounting period and of their profit and loss and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable accounting standards approved by the Malaysian Accounting Standards Board (MASB) in Malaysia and the provisions of the Companies Act, 2016 have been complied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have general responsibility for taking such steps as are reasonably opened to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors' Report in respect of the preparation of the annual audited report statements of the Group is set out on page 40 to 47 in the Financial Statements section of this annual report.

Relationship with Auditors

The Board via the Audit Committee maintains a formal and transparent professional relationship with the Group's external auditor. It is the policy of the Audit Committee

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

to meet with the external auditors to discuss their audit plan, audit findings and their reviews in respect of the integrity of the Group's financial statements. The Audit Committee discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences. The Audit Committee met with the external auditor twice during the year without the presence of the Executive Directors and the management staff. In addition, the external auditors are invited to attend the annual general meeting of the Group and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

The Audit Committee is tasked with authority from the Board to review any matters concerning the appointment and re-appointment, audit fee, resignation or dismissal of the external auditor and assist them in preserving its independence. The Audit Committee also take into account the openness in communication and interaction with the lead audit engagement partner and engagement manager through discussions at private meetings, which demonstrated their independence, objectivity and professionalism. In compliance with the requirements set out by Malaysian Institute of Accountants, the Group rotates its audit partners every five years to ensure objectivity, independence and integrity of the audit opinions.

The Audit Committee was satisfied with the suitability of KPMG PLT based on the quality of services and sufficiency of resources provided to the Group by the firm and the professional staff assigned to the audit.

Internal Control

The establishment of an appropriate control framework as well as the reviewing of its effectiveness and integrity is evidence of the Board's overall responsibility for the Company's system of internal controls. The Board sets policies and procedures for internal control and ensures that such internal control system is properly carried out by the management of the Company. The Company has established processes to oversee and manage risks.

The effectiveness of the system of internal controls of the Group is reviewed by the Audit Committee during its periodic meetings. This review covers the financial, operational, and compliance controls as well as the process for the identification, evaluation and management of the significant risks faced by the Group. Internal Audit Department of the Group checks to ensure the Group's compliance with statutory/regulatory requirements, internal policies and procedures and review the work processes/procedures for efficiency and effectiveness. Internal Audit Department also assess the operating effectiveness of the risk management and internal control system during their course of audits.

RELATIONSHIP WITH OTHER STAKEHOLDERS AND SHAREHOLDERS

Communication with Shareholders and Investors

The Group recognizes the importance of keeping its shareholders and the general public informed of the development and performance of the Group. As part of ongoing effort to strengthen relationship with its shareholders, the Group continuously

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

discloses and disseminates relevant and comprehensive information in a timely manner to its shareholders as well as to the general investing public.

A range of communication channels are used to build a more constructive relationship between the Group and its stakeholders.

Annual Report

Annual Report is a vital source of information for shareholders, investors and the general public. Information on the Group's business performance, financials and its management are disclosed in the Annual Report. The contents of the Annual Report are continuously enhanced to take into account the latest development in the area of corporate governance and regulatory requirements. The complete printed version of the Annual Report is sent to every shareholder. An online version of the Annual Report is also available on the Group's own corporate website.

Announcements to Bursa Securities

Announcements on quarterly financial results, circulars and other general announcements are made via Bursa LINK in full compliance with regulatory authorities' disclosure requirements and is also made available on the Group's own corporate website.

Annual General Meeting

The Board views the Annual General Meeting as the primary forum to communicate with shareholders. Annual General Meeting held each year provide an excellent platform for shareholders to participate in the question and answer session. All Board members, senior management and the Group's external auditors are available to respond to shareholders' questions during the Annual General Meeting.

A media conference is usually held immediately after the AGM where the Chairman and Chief Financial Officer will update media representatives on the resolutions passed and answer questions on matters related to the Group.

Investor Relations

The Board recognizes the importance of keeping shareholders and investors informed of the Group's business and corporate developments. The Board's primary contact with major shareholders is via the Executive Chairman and Chief Financial Officer, who have regular dialogue with institutional investors and deliver presentations to analysts periodically.

The objective is to provide updates on the Group's financial performance, corporate developments as well as to discuss strategic matters and address issues that the institutional investors and analysts may have with respect to the business or operations of the Group.

During the year , a meeting which was attended by 21 fund managers and analysts was held in July 2016 to provide the latest developments in respect of the business of the Group.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ASIA FILE CORPORATION BHD.

Company Website

The Corporate website for the Group can be accessed by the public at www.asia-file.com. It archives all corporate and financial information that had been made public, such as the quarterly announcement of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements as set out in Bursa Malaysia Main Market Listing Requirements and other corporate information on the Group.

The corporate information section is also on the website where information such as profile of Directors, Board Charter, Code of Conduct and Terms of Reference for Audit Committee and Nomination Committee are made available to the shareholders and public.

This Statement of Corporate Governance was approved by the Board of Directors on 14 July 2017.

AUDIT COMMITTEE REPORT

ASIA FILE CORPORATION BHD.

COMPOSITION, MEMBERSHIP AND ATTENDANCE:

Members and details of attendance of Directors at the Audit Committee Meetings of the Company for the financial year ended 31 March 2017 are as follows:

<u>Name of Member</u>	<u>Directorship</u>	<u>No. of Meeting</u>
		<u>Attended</u>
Ng Chin Nam (Chairman)	Independent Non-Executive Director	4/4
Nurjannah Binti Ali (Member)	Independent Non-Executive Director	4/4
Lam Voon Kean (Member)	Independent Non-Executive Director	4/4

The Audit Committee comprise of not less than three members. Currently, all the members are independent Non-Executive Directors. The Chairman of the Audit Committee, Mr Ng Chin Nam is a member of the Chartered Institute of Management Accountants (CIMA). There are no alternative directors to the Audit Committee.

The Audit Committee meets at least four times annually. However, at least twice a year, the Audit Committee meets with the external auditor without the Executive Directors and management being present. During the year, the Audit Committee met twice with the external auditor without the Executive Directors and management being present.

All members of the Audit Committee come from strong accounting background and as such possess the necessary knowledge to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the Audit Committee.

SUMMARY OF ACTIVITIES DURING THE YEAR

The Audit Committee carried out its responsibilities and duties in accordance with its terms of reference. During the year, the Committee carried out the following activities:

Financial Reporting

Reviewed the unaudited quarterly and annual audited financial statements of the Group and recommended them to the Board for approval. The focus of review was on:-

- a. changes in implementation of major accounting policies;
- b. significant and unusual events;
- c. compliance with accounting standards and other legal requirements;

AUDIT COMMITTEE REPORT (cont'd)

ASIA FILE CORPORATION BHD.

Internal Audit

- a. Reviewed and approved the Internal Audit Plan to ensure adequate scope and comprehensive coverage over the activities of the Group and ensured that all high risk areas are audited annually.
- b. Reviewed the internal audit reports which were tabled during the year, the audit recommendations made and Management's response to these recommendations. Where appropriate, the Committee has directed management to rectify and improve control procedures and workflow processes based on the internal auditors' recommendations and suggestions for improvement.
- c. Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control weaknesses have been addressed.

External Audit

- a. Reviewed with the external auditors:
 - their audit plan, audit strategy and scope of work for the year
 - the results of their annual audit, audit report and management letter together with management's response to their findings.
- b. Hold two meetings with the external auditor without the presence of the Executive Directors or management to reinforce the independence of the external audit function of the Company.
- c. Evaluate the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.

Related Party Transactions

Reviewed and discussed the reports of the related party transactions to ensure that they were undertaken on an arm's length basis and on normal commercial terms not favourable to the related party than those generally available to the public.

Internal Audit Function

The Audit Committee is aware of the importance of an independent and adequately resourced internal audit function in discharging its duties and responsibilities. The Group's Internal Audit Department assists the Audit Committee in reviewing the effectiveness of the Company's internal control systems whilst ensuring that there is an appropriate balance of controls and risks in achieving its business objectives. The Internal Audit also carries out investigative audit where there are improper, dishonest and illegal acts reported.

The internal audit reviews the effectiveness of the internal control structures over the Group's activities focusing on high risk areas using a risk-based approach. All high risk activities in each auditable area are audited annually.

The scope of Internal Audit covers the audits of all operating units and follow-up audits on all key departments and operations, including subsidiaries within the Group

AUDIT COMMITTEE REPORT (cont'd)

ASIA FILE CORPORATION BHD.

in accordance with the approved annual audit plan. The findings and recommendations were highlighted to the management for their comments and necessary action. The internal reports are presented and reported by the Internal Auditor to the Audit Committee on a quarterly basis.

The cost incurred by the Group's internal audit during the financial year amounted to approximately RM 201,000.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors on 14 July 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ASIA FILE CORPORATION BHD.

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, the Board is pleased to provide the following statement which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review. The associated company of the Group has not been dealt with as part of the Group for the purpose of applying this guidance.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for the adequacy and effectiveness of the Group's risk management and internal control system which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness.

The Board recognises that a good control system will assist the achievement of corporate objectives. However, in view of the limitations inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Hence, it can only provide reasonable, but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL

(a) Risk Management Framework

The Board recognises that risk is inherent in its business activities. The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group and this is integrated into the Group's risk management and internal control system. This process has been in place throughout the financial year and up to the date of approval of this statement.

The responsibility to manage the risks resides at all levels within the Group. The daily operational risks such as bad debts, health and safety, regulatory compliance, product defects and others are mainly managed at the different operating units which will be guided by the established operating procedures. Key business and critical risks which have significant impact on the operations of the Group such as business sustainability, project expansions, product diversification & etc. are managed at the top management level.

The Group's current risk governance structure consists of the following:-

- ***The Board of Directors***
 - Assume the overall responsibility for the Group's risk management and internal control system;
 - Review and approve the various internal control procedures and improvement plans recommended by the senior management and heads of operating units ("HOU");

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ASIA FILE CORPORATION BHD.

- Ensure the adequacy and effectiveness of the Group's internal control systems in order to accommodate the changes in business environment or regulatory requirements.
- **Audit Committee**
 - Assist the Board in evaluating the adequacy of risk management and internal control framework;
 - Review and approve yearly audit plan submitted by the Internal Audit Department ("IAD");
 - Quarterly review and approve the internal audit report presented by the IAD.
- **Senior Management and Heads of Operating Units**
 - Establish, formulate and recommend sound internal control procedures to be adopted at individual operating unit;
 - Oversees the effective implementation of risk policies and guidelines, and cultivation of risk management culture within the Group;
 - Review and monitor periodically the status of the Group's principal risks and the required mitigation actions and update the Board accordingly.
- **Internal Audit Function**
 - Assist the Board to monitor the adequacy and effectiveness of the risk management processes and internal control systems that are in place within the Group;
 - Play an active role in evaluating whether the existing controls and procedures have been properly implemented and adhered to within the Group;
 - Ensure the implementation of corrective and preventive action plans ("CPAP") and meeting the agreed deadlines.

(b) Internal Control

The Group's internal control system comprises of the following key elements:-

- **Management Style**
 - Executive Directors are actively involved in day-to-day operations of the Group;
 - Scheduled and ad hoc meetings are held at operational and management levels;
 - The management of individual operating units report to local management;
 - Monthly management reports, which include financial statistics and operational issues, are submitted by the HOU to the Executive Directors;
 - The overseas operations are managed by a group of experienced personnel in their respective countries;
 - Monthly reporting on performance of overseas operations is presented to the Head Office;
 - Regular field visits by management staff from the Head Office to the various overseas operations;
 - Periodic performance reviews are held between the Head Office and the management personnel of the various overseas subsidiaries.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ASIA FILE CORPORATION BHD.

- ***Organizational Structure and Responsibility Levels***
 - Formal organizational structure with clear reporting channels is established within the Group;
 - Appropriate approval process and authority limits are in place on procurement transactions covering both capital and revenue expenditure items, acquisition and disposal of assets and other major business transactions;
 - Proper segregation of duties is established across the Group.

- ***Human Resource Structure***
 - Proper recruitment, resignation, and termination procedures are in place;
 - Company internal policies are governed by the Employee Handbook;
 - Written operating procedures are shared in the Group's intranet;
 - Proper orientation is provided to newly joined employees;
 - Formal performance appraisal system is conducted each year;
 - Proper grievance procedure with proactive action taken by management to solve problems faced by employees;
 - There is a whistle-blowing policy with reward system and confidentiality protection for the whistle blower;
 - An Exit Employee Checklist is established to ensure that procedure such as termination of access right is properly executed.

- ***Financial Performance***
 - Quarterly reviews are carried out on financial results including evaluations of the reasons given for any unusual variances noted during the reviews;
 - Close monitoring of cash flows and funding by the treasury personnel;
 - Proper evaluation checklist and procedures established when assessing the creditworthiness of potential customers;
 - Close monitoring of collections and overdue debts with stringent control on credit terms and credit limits;
 - Effective credit utilization to keep the Group's gearing at a comfortable level.

- ***Operation Planning***
 - Planning of material procurement and production are based on the customers' requisitions;
 - Close monitoring of the status of production to avoid any delay in delivery of products to the customers;
 - Regular review of the consumption level of materials to avoid under purchase or over purchase of materials;
 - Close monitoring on logistic to avoid shipment delays, shortage or overage of goods delivered to customers.

- ***Quality Control***
 - The quality of the product is reviewed by a group of well-trained quality inspectors which are independent from the production;
 - An internationally recognized Acceptance Quality Limits standard is used for all product inspections, ranging from raw materials to finished products.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ASIA FILE CORPORATION BHD.

- ***System, Data and Information Security***
 - An ERP system is used to record operating transactions;
 - New account creation is controlled via MIS Checklist;
 - Passwords to access system network will expire by default after 90 days;
 - Systems are in place to identify and prevent security violations and improper access to business data, e.g. access to server room, network security, and real time protection against viruses, spyware, hackers, and other cyber threats.

- ***Health and Safety***
 - Regular briefings and trainings on basic fire safety, evacuation drills, workplace safety and etc. are conducted to ensure all employees are familiar with the planned emergency response and crisis management plans.

- ***Insurance and Physical Safeguard***
 - Sufficient insurance coverage and physical safeguards on major insurable assets and personnel;
 - Yearly policy renewal based on the current fixed asset register and their respective net book values and replacement values;
 - Strict physical access control by a group of well-trained security personnel.

- ***Internal Audit Function***
 - The Group has an in-house IAD which is under the purview of the Audit Committee and consists of four full time employees;
 - A detailed yearly audit plan which entails the scope of audit, audit timeline and the human resources allocation for each area of audit will be prepared and presented to the Audit Committee for approval;
 - During the year, the said yearly plan was reviewed and approved by the Audit Committee in November 2016 for the various audits to be carried out by IAD for the calendar year commencing on 1 January 2017;
 - The internal audits are carried out based on the detailed audit procedures as stated on the audit program designed for each of the audit area;
 - A risk-based approach is adopted in establishing the internal audit programs where major risk area will be identified;
 - The audit program will be updated from time to time to take into consideration the changes in the risk profile;
 - Internal audits are carried out on all departments and operating units, the frequency of which is determined by the level of risk assessed;
 - Upon completion of each audit, an initial report will be issued to the respective HOU in which major audit findings will be highlighted;
 - A deadline will be given for the respective HOU to respond and provide an appropriate CPAP;
 - IAD will review the responses received and a meeting will be held to discuss on the above;
 - During the meetings, a deadline will be mutually agreed to implement the rectifying actions listed under the CPAP;
 - An internal audit monitoring worksheet will be created to enable the IAD to closely monitor on the implementation of the CPAP;
 - Depending on the severity of the risks identified, it may warrant a re-audit within a shorter period as opposed to the predetermined timetable;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ASIA FIBRE CORPORATION BHD.

- During the financial year under review, the IAD has conducted fourteen (14) scheduled internal audits across the various departments and operating units;
- In addition, various routine reviews are also conducted to ensure compliance with the established operating procedures;
- In the event that new operating procedures or control mechanisms are introduced to strengthen the internal control system, IAD will provide training support to the Group upon request or where necessary, to ensure that the established risk management process is carried out appropriately;
- Observations arising from the internal audit are presented, together with Management's response and proposed action plans, to the Audit Committee for its review and approval;
- Although a number of internal control weaknesses were identified during this process, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

CONCLUSION

The Board is of the opinion that the Group's overall risk management and internal control system are operating adequately and effectively, in all material aspects, and have received the same assurance from both the Executive Chairman and Chief Financial Officer of the Group.

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. The Group will continue to review and implement measures to improve the risk management and internal control environment of the Group.

This statement is issued in accordance with a resolution of the Directors dated 14 July 2017.

ADDITIONAL COMPLIANCE INFORMATION

ASIA FILE CORPORATION BHD.

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:

1. Utilisation of Proceeds Raised from Corporate Proposals

There were no proceeds raised by Asia File Corporation Bhd (the Company) from any corporate proposal during the financial year.

2. Share Buy-back

During the year, a total of 200 shares of the Company were purchased and retained as treasury shares pursuant to the Shares Buy Back scheme.

The details of share buy-back during the year are as follows:-

	Total Number of Shares Purchased	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid RM	Total Consideration RM
May 2016	100	4.12	4.12	4.12	442.82
November 2016	100	3.78	3.78	3.78	408.81

3. Options or Convertible Securities

There were no options issued by the Company during the financial year under review as disclosed in the Directors' Report.

4. Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year.

5. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries (the Group), Directors or Management by the relevant regulatory bodies during the financial year.

6. Non-audit Fees

During the year, a total of RM36,858 was paid to KPMG or its affiliates for non-audit services rendered.

7. Variation in Results

There were no profit estimates, forecasts or projections made or released by the Company for the financial year ended 31 March 2017.

8. Profit Guarantee

The Company did not provide any profit guarantee during the financial year.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

ASIA FILE CORPORATION BHD.

9. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the previous financial year.

10. Recurrent Related Party Transactions of a Revenue or Trading Nature

Details of transactions with related parties undertaken by the Asia File Group during the period under review are disclosed in Note 28 to the Financial Statements.

Compliance Statement

The Group has complied with the relevant principles and recommendations of the MCCG 2012 throughout the financial year ended 31 March 2017 with the exception of the followings:-

- (a) The roles of Chairman and Managing Director are combined, the details of which are fully explained in the Board Balance and Independence on Page 17 to 18 of this Annual Report.
- (b) The Board as a whole recommends the remuneration of each director. Individual director does not participate in deliberations and voting on decisions in respect of his remuneration package. In view of the above, the Group does not form a Remuneration Committee.

CORPORATE SOCIAL RESPONSIBILITY

ASIA FILE CORPORATION BHD.

The Group recognizes the importance of fulfilling its corporate social responsibility towards the betterment of environment, community and welfare of its employees.

Environment

The Group ensures the compliance of all environmental laws and regulations by integrating corporate social responsibilities practices into its daily operations. The Group undertakes this by promoting and maintaining environmental best practices such as recycling of waste materials and usage of electrical instead of fuel consumed forklift. In view of the importance of environmental sustainability, the Group creates awareness among employees on environment conservation by encouraging employees to adopt the choice of 3R lifestyle, “Reduce, Reuse and Recycle” wherever possible in order to minimise the use of new resources.

Community

The Group continues with its support to various local charitable organisations. The Group was involved in a fund raising campaign to elevate the lives of underprivileged communities.

During the year, the Group organised a fund raising campaign for Persatuan Kebajikan Kanak-kanak Istimewa Daerah Seberang Perai Selatan (PERKIS) located at Nibong Tebal. Staffs had voluntarily set aside their time to plan and coordinate for the campaign.

As part of its community projects, the Group has given files, stationeries and computer items to primary and secondary schools in Penang. The Group has also sponsored files and stationery in support of community events organized by certain communities or organizations.

Workplace

The Group strives to ensure an environmental-friendly, healthy and safe workplace for all employees. To achieve this, steps were taken to ensure that equipment and building safety systems were functioning properly and well maintained. The Group has also organised fire drills and plant evacuation exercises at its various plants to create awareness among its workforce.

A talk on “Healthy Heart, Healthy You” by dietitian from Lam Wah Ee hospital was organised during the year to raise awareness among employees on healthy diet.

The Group also organised festive celebrations and departmental dinners to encourage employees to mingle and interact with one another to foster team spirit and build a closer working relationship.

The Group perceives its human capital as an imperative asset. As part of its human capital development, various in-house programmes and job skill related trainings were conducted to equip the employees with improved skills and knowledge. The Group also sponsored employees to attend external seminars and workshops to keep them abreast of new developments in their respective field of expertise.

FINANCIAL STATEMENTS

ASIA FILE CORPORATION BHD.



DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

ASIA FILE CORPORATION BHD.

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

Principal activities

The principal activities of the Company are that of investment holding, commission agent and provider 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.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	55,921,240	30,146,689
Non-controlling interests	142,696	-
	<u>56,063,936</u>	<u>30,146,689</u>

Reserves and provisions

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 (cont'd)

ASIA FILE CORPORATION BHD.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows :

- i) In respect of the financial year ended 31 March 2016 as reported in the Directors' Report of that year :
 - an interim ordinary dividend of 7 sen per ordinary share totalling RM13,392,236 declared on 27 February 2016 and paid on 28 April 2016; and
 - a final ordinary dividend of 9 sen per ordinary share totalling RM17,289,015 declared on 28 May 2016 and paid on 29 September 2016.
- ii) In respect of the financial year ended 31 March 2017 :
 - an interim ordinary dividend of 3 sen per ordinary share totalling RM5,779,898 declared on 26 November 2016 and paid on 19 January 2017; and
 - a second interim ordinary dividend of 4 sen per ordinary share totalling RM7,790,366 declared on 25 February 2017 and paid on 25 May 2017.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 March 2017 is 9 sen per ordinary share, subject to the approval of the members at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served during the financial year until the date of this report are :

Dato' Lim Soon Huat
Lim Soon Wah
Nurjannah Binti Ali
Ng Chin Nam
Lam Voon Kean
Lim Soon Hee (Alternate to Mr. Lim Soon Wah)

Directors' interests in shares

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial 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 :

**DIRECTORS' REPORT FOR THE YEAR ENDED
31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

Directors' interests in shares (continued)

	Balance at 1.4.2016	Number of ordinary shares			Balance at 31.3.2017
		Bought	ESOS Exercised	(Sold)	
Interest in the Company :					
<i>Dato' Lim Soon Huat</i>					
- own	2,478,705	-	-	-	2,478,705
- others*	4,160,960	-	185,000	-	4,345,960
<i>Lim Soon Wah</i>					
- own	3,983,720	33,000	768,000	(1,800,000)	2,984,720
- others*	243,712	-	-	(33,000)	210,712

	Balance at 1.4.2016	Number of ordinary shares		Balance at 31.3.2017
		Bought	(Sold)	
Interest in the Company :				
<i>Lim Soon Hee</i>				
- own		4,117,996	-	4,117,996

Deemed interest in the Company :

<i>Dato' Lim Soon Huat</i>				
- own		83,738,951	-	83,738,951

	Balance at 1.4.2016	Number of options over ordinary shares		Balance at 31.3.2017
		Granted	(Exercised)	
Interest in the Company :				
<i>Dato' Lim Soon Huat</i>				
- own	352,000	-	-	352,000
- others*	217,000	-	(185,000)	32,000
<i>Lim Soon Wah</i>				
- own	974,400	-	(768,000)	206,400
<i>Nurjannah Binti Ali</i>				
- own	64,000	-	-	64,000

* These are shares/options held in the name of the spouse and/or children and are treated as interests of the Director in accordance with the Companies Act.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 (cont'd)

ASIA FINE CORPORATION BHD.

Directors' interests in shares (continued)

By virtue of his interests in the shares of the Company, Dato' Lim Soon Huat is also deemed interested in the shares of the subsidiaries during the financial year to the extent the Company has an interest.

Other than as disclosed above, none of the other Directors holding office at 31 March 2017 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 those fees and other benefits included in the aggregate amount of remuneration 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 have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 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 apart from the issue of 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 191,317,860 ordinary shares to 193,710,960 ordinary shares through the issuance of 2,393,100 new ordinary shares for cash arising from the exercise of ESOS as follows :

	Exercise price RM	Number of ordinary shares
Exercise of options under ESOS	1.96	530,200
Exercise of options under ESOS	1.94	1,698,580
Exercise of options under ESOS	2.44	164,320

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

**DIRECTORS' REPORT FOR THE YEAR ENDED
31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

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 issuance 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 had expired 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 Directors, who are involved in the day-to-day management and on the payroll of the Group (save for the Non-Executive Directors 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.

**DIRECTORS' REPORT FOR THE YEAR ENDED
31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

Employees' share option scheme (continued)

- The maximum allowable allotment does not include additional shares which arise pursuant to the event stipulated in (viii);
- 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 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 and the exercise price are as follows :

Date of offer	Expiry date	Exercise price	Number of options over ordinary shares			
			Balance at 1.4.2016	Exercised	Lapsed due to resignation	Balance at 31.3.2017
27.4.2007	21.4.2017	1.96	788,200	(530,200)	(115,200)	142,800
20.4.2009	21.4.2017	2.57	472,000	-	-	472,000
3.10.2011	21.4.2017	1.94	2,264,920	(1,698,580)	(42,080)	524,260
27.3.2014	21.4.2017	2.44	413,220	(164,320)	(23,760)	225,140
			3,938,340	(2,393,100)	(181,040)	1,364,200

Indemnity and insurance costs

During the financial year, the total amount of insurance effected for Directors of the Company was RM3,197. There was no indemnity given to Directors or officers of the Company during the financial year.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 (cont'd)

ASIA FILE CORPORATION BHD.

Other statutory information

Before the financial statements 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 2017 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.

**DIRECTORS' REPORT FOR THE YEAR ENDED
31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

Dato' Lim Soon Huat

Director

Lim Soon Wah

Director

Penang,

Date : 14 July 2017

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 31 MARCH 2017**

ASIA FILE CORPORATION BHD.

	Note	2017 RM	2016 RM
Assets			
Property, plant and equipment	3	102,485,668	100,612,629
Prepaid lease payments	4	1,484,079	1,522,952
Investment properties	5	1,387,471	1,428,803
Investment in an associate	7	140,746,644	134,942,581
Intangible assets	8	31,455,081	31,760,000
Deferred tax assets	18	14,396	-
Total non-current assets		<u>277,573,339</u>	<u>270,266,965</u>
Inventories	9	105,939,906	107,958,643
Current tax assets		200,215	30,538
Trade and other receivables	10	69,281,873	82,656,190
Derivative financial assets	11	-	4,207,312
Other investments	12	125,155,624	88,197,069
Cash and cash equivalents	13	72,437,718	75,576,622
Total current assets		<u>373,015,336</u>	<u>358,626,374</u>
Total assets		<u>650,588,675</u>	<u>628,893,339</u>
Equity			
Share capital	14	199,333,534	191,317,860
Treasury shares	15	(1,767)	(916)
Reserves	16	358,210,945	330,274,890
Total equity attributable to owners of the Company		<u>557,542,712</u>	<u>521,591,834</u>
Non-controlling interests		364,614	232,188
Total equity		<u>557,907,326</u>	<u>521,824,022</u>

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

	Note	2017 RM	2016 RM
Liabilities			
Deferred tax liabilities	18	9,609,562	8,927,973
Total non-current liabilities		9,609,562	8,927,973
Bank borrowings	17	29,159,174	28,430,116
Trade and other payables	19	41,910,064	49,863,464
Current tax payables		4,212,183	6,455,528
Dividend payable		7,790,366	13,392,236
Total current liabilities		83,071,787	98,141,344
Total liabilities		92,681,349	107,069,317
Total equity and liabilities		650,588,675	628,893,339

The notes on pages 62 to 136 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 MARCH 2017**

ASIA FILE CORPORATION BHD.

	Note	2017 RM	2016 RM
Revenue	21	350,324,087	389,855,641
Cost of sales		(211,841,408)	(230,380,588)
Gross profit		138,482,679	159,475,053
Distribution costs		(14,055,625)	(13,994,266)
Administrative expenses		(68,176,516)	(71,581,542)
Other operating expenses		(2,414,717)	(3,509,747)
Other operating income		12,184,317	22,009,192
		(72,462,541)	(67,076,363)
Results from operating activities		66,020,138	92,398,690
Share of profits of equity-accounted associate, net of tax		5,183,162	6,434,637
Interest expense		(357,023)	(297,286)
Profit before tax	22	70,846,277	98,536,041
Tax expense	25	(14,782,341)	(21,878,346)
Profit for the year		56,063,936	76,657,695

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 MARCH 2017 (cont'd)**

ASIA FINE CORPORATION BHD.

	Note	2017 RM	2016 RM
Other comprehensive income/(expense), net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences for foreign operations		4,402,705	8,470,311
Fair value of available-for-sale financial assets		(782,703)	782,703
		3,620,002	9,253,014
		3,620,002	9,253,014
Item that will not be reclassified subsequently to profit or loss			
Share of other comprehensive income of equity-accounted associate		2,453,526	1,129,759
		2,453,526	1,129,759
Other comprehensive income for the year, net of tax		6,073,528	10,382,773
Total comprehensive income for the year		62,137,464	87,040,468
Profit attributable to:			
Owners of the Company		55,921,240	76,501,880
Non-controlling interests		142,696	155,815
		56,063,936	76,657,695
Profit for the year		56,063,936	76,657,695
Total comprehensive income attributable to :			
Owners of the Company		62,005,038	86,880,851
Non-controlling interests		132,426	159,617
		62,137,464	87,040,468
Total comprehensive income for the year		62,137,464	87,040,468
Basic earnings per ordinary share (sen)	26	29.07	40.08
Diluted earnings per ordinary share (sen)	26	28.98	39.67

The notes on pages 62 to 136 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY FOR THE YEAR ENDED
31 MARCH 2017**

ASIA FILE CORPORATION BHD.

	← Attributable to owners of the Company →						Total equity RM			
	← Non-distributable →			← Distributable →						
	Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Translation reserve RM	Fair value reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 April 2015	189,990,240	-	351,978	2,743,532	1,015,137	-	268,214,395	462,315,282	72,571	462,387,853
Foreign exchange translation differences for foreign operations	-	-	-	-	8,466,509	-	-	8,466,509	3,802	8,470,311
Fair value of available-for-sale financial assets	-	-	-	-	-	782,703	-	782,703	-	782,703
Share of other comprehensive income of equity-accounted associates	-	-	-	-	908,152	-	221,607	1,129,759	-	1,129,759
Total other comprehensive income for the year	-	-	-	-	9,374,661	782,703	221,607	10,378,971	3,802	10,382,773
Profit for the year	-	-	-	-	-	-	76,501,880	76,501,880	155,815	76,657,695
Total comprehensive income for the year	-	-	-	-	9,374,661	782,703	76,723,487	86,880,851	159,617	87,040,468
Treasury shares acquired	-	(916)	-	-	-	-	-	(916)	-	(916)
Share-based payments (Note 20)	-	-	-	331,827	-	-	-	331,827	-	331,827
Issue of shares pursuant to ESOS	1,327,620	-	1,320,367	-	-	-	-	2,647,987	-	2,647,987
Dividends (Note 27)	-	-	-	-	-	-	(30,583,197)	(30,583,197)	-	(30,583,197)
Total contribution from/(distribution to) owners	1,327,620	(916)	1,320,367	331,827	-	-	(30,583,197)	(27,604,299)	-	(27,604,299)
Transfer to share premium for share options exercised	-	-	699,950	(699,950)	-	-	-	-	-	-
Transfer from share option reserve for options lapsed	-	-	-	(239,262)	-	-	239,262	-	-	-
At 31 March 2016	191,317,860	(916)	2,372,295	2,136,147	10,389,798	782,703	314,593,947	521,591,834	232,188	521,824,022

**CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY FOR THE YEAR ENDED
31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

	Attributable to owners of the Company				Distributable		Non- controlling interests RM	Total equity RM		
	Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Translation reserve RM	Fair value reserve RM			Retained earnings RM	
At 1 April 2016	191,317,860	(916)	2,372,295	2,136,147	10,389,798	782,703	314,593,947	521,591,834	232,188	521,824,022
Foreign exchange translation differences for foreign operations	-	-	-	-	4,412,975	-	-	4,412,975	(10,270)	4,402,705
Fair value of available-for-sale financial assets	-	-	-	-	-	(782,703)	-	(782,703)	-	(782,703)
Share of other comprehensive income of equity-accounted associates	-	-	-	-	1,261,400	-	1,192,126	2,453,526	-	2,453,526
Total other comprehensive income/(expense) for the year	-	-	-	-	5,674,375	(782,703)	1,192,126	6,083,798	(10,270)	6,073,528
Profit for the year	-	-	-	-	-	-	55,921,240	55,921,240	142,696	56,063,936
Total comprehensive income/(expense) for the year	-	-	-	-	5,674,375	(782,703)	57,113,366	62,005,038	132,426	62,137,464
Treasury shares acquired	-	(851)	-	-	-	-	-	(851)	-	(851)
Share-based payments (Note 20)	-	-	-	70,592	-	-	-	70,592	-	70,592
Issue of shares pursuant to ESOS	3,278,835	-	1,456,543	-	-	-	-	4,735,378	-	4,735,378
Dividends (Note 27)	-	-	-	-	-	-	(30,859,279)	(30,859,279)	-	(30,859,279)
Total contribution from/(distribution to) owners	3,278,835	(851)	1,456,543	70,592	-	-	(30,859,279)	(26,054,160)	-	(26,054,160)
Transfer to share premium for share options exercised	-	-	1,259,979	(1,259,979)	-	-	-	-	-	-
Transfer from share option reserve for options lapsed	-	-	-	(84,269)	-	-	84,269	-	-	-
Transfer in accordance with Section 618(2) of the Companies Act 2016	4,736,839	-	(5,088,817)	-	-	-	351,978	-	-	-
At 31 March 2017	199,333,534	(1,767)	-	862,491	16,064,173	-	341,284,281	557,542,712	364,614	557,907,326

The notes on pages 62 to 136 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31 MARCH 2017**

ASIA FINE CORPORATION BHD.

	Note	2017 RM	2016 RM
Cash flows from operating activities			
Profit before tax		70,846,277	98,536,041
Adjustments for :			
Depreciation			
- Property, plant and equipment	3	9,462,641	10,501,057
- Investment properties	5	41,332	41,332
Amortisation of prepaid lease payments	4	38,873	38,875
Amortisation of intangible assets	8	354,018	386,383
Gain on disposals of property, plant and equipment		(37,666)	(34,034)
Intangible assets written off		40,826	158,197
Interest expense		357,023	297,286
Interest income		(6,463,387)	(1,980,538)
Share of profit of equity-accounted associate, net of tax		(5,183,162)	(6,434,637)
Share-based payments	20	70,592	331,827
Derivative financial assets		4,207,312	(4,005,449)
Property, plant and equipment written off		2,801	26,201
Fair value gain on short term funds		(2,041,434)	-
Fair value loss on equity-linked investments		766,679	-
Operating profit before changes in working capital		72,462,725	97,862,541
Changes in working capital :			
Inventories		3,633,275	60,433
Trade and other receivables		14,241,615	(3,793,894)
Trade and other payables		(8,492,283)	(1,789,635)
Cash generated from operations		81,845,332	92,339,445
Tax paid		(16,666,949)	(19,649,069)
Net cash from operating activities		65,178,383	72,690,376

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31 MARCH 2017 (cont'd)**

ASIA FINE CORPORATION BHD.

	Note	2017 RM	2016 RM
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(9,906,676)	(2,852,781)
Purchase of intangible assets	8	-	(626)
Proceeds from disposals of property, plant and equipment		86,914	41,175
Dividend received from associate		1,832,625	1,832,625
Interest received		6,463,387	1,980,538
Increase in other investments		(37,741,258)	(87,414,366)
Fair value gain on short term funds		2,041,434	-
Fair value loss on equity-linked investments		(766,679)	-
Net cash used in investing activities		(37,990,253)	(86,413,435)
Cash flows from financing activities			
Drawdown of short term borrowings, net		729,058	1,811,962
Repayment of term loans		-	(4,662,000)
Proceeds from shares issued under ESOS		4,735,378	2,647,987
Repurchase of treasury shares	15	(851)	(916)
Dividends paid		(36,461,149)	(28,626,619)
Interest paid		(357,023)	(297,286)
Net cash used in financing activities		(31,354,587)	(29,126,872)
Net decrease in cash and cash equivalents		(4,166,457)	(42,849,931)
Cash and cash equivalents at 1 April		75,576,622	116,128,736
Effect of exchange rate fluctuations on cash and cash equivalents		1,027,553	2,297,817
Cash and cash equivalents at 31 March	13	<u>72,437,718</u>	<u>75,576,622</u>

The notes on pages 62 to 136 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

ASIA FILE CORPORATION BHD.

	Note	2017 RM	2016 RM
Assets			
Investments in subsidiaries	6	202,187,056	202,116,464
Investment in an associate	7	5,192,167	5,192,167
Total non-current assets		207,379,223	207,308,631
Current tax assets		21,082	-
Other receivables	10	19,665,656	21,769,573
Cash and cash equivalents	13	2,195,651	2,633,983
Total current assets		21,882,389	24,403,556
Total assets		229,261,612	231,712,187
Equity			
Share capital	14	199,333,534	191,317,860
Treasury shares	15	(1,767)	(916)
Reserves	16	21,364,982	25,287,276
Total equity		220,696,749	216,604,220
Liabilities			
Other payables	19	774,497	1,711,581
Current tax payables		-	4,150
Dividend payable		7,790,366	13,392,236
Total current liabilities		8,564,863	15,107,967
Total equity and liabilities		229,261,612	231,712,187

The notes on pages 62 to 136 are an integral part of these financial statements.

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 MARCH 2017**

ASIA FILE CORPORATION BHD.

	Note	2017 RM	2016 RM
Revenue	21	32,955,716	21,583,343
Administrative expenses		(2,905,191)	(3,683,712)
Other operating expenses		(67,268)	(167)
Other operating income		189,919	539,474
Results from operating activities		30,173,176	18,438,938
Interest expense		-	(9)
Profit before tax	22	30,173,176	18,438,929
Tax expense	25	(26,487)	(81,201)
Profit for the year representing total comprehensive income for the year		30,146,689	18,357,728

The notes on pages 62 to 136 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 31 MARCH 2017**

SIA FILE CORPORATION BHD

	← Non-distributable			→ Distributable		Total equity RM
	Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Retained earnings RM	
At 1 April 2015	189,990,240	-	-	2,773,270	33,087,281	225,850,791
Profit and total comprehensive income for the year	-	-	-	-	18,357,728	18,357,728
Treasury shares acquired	-	(916)	-	-	-	(916)
Share-based payment transactions (Note 20)	-	-	-	331,827	-	331,827
Shares issued pursuant - ESOS	1,327,620	-	1,320,367	-	-	2,647,987
Dividends (Note 27)	-	-	-	-	(30,583,197)	(30,583,197)
Total contribution from/(distribution to) owners of the Company	1,327,620	(916)	1,320,367	331,827	(30,583,197)	(27,604,299)
Transfer to share premium for share options exercised	-	-	699,950	(699,950)	-	-
Transfer from share option reserve for options lapsed	-	-	-	(239,262)	239,262	-
At 31 March 2016	191,317,860	(916)	2,020,317	2,165,885	21,101,074	216,604,220

**STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

	← Non-distributable			→ Distributable		
	Share capital RM	Treasury shares RM	Share premium RM	Share option reserve RM	Retained earnings RM	Total equity RM
At 1 April 2016	191,317,860	(916)	2,020,317	2,165,885	21,101,074	216,604,220
Profit and total comprehensive income for the year	-	-	-	-	30,146,689	30,146,689
Treasury shares acquired	-	(851)	-	-	-	(851)
Share-based payment transactions (Note 20)	-	-	-	70,592	-	70,592
Shares issued pursuant - ESOS	3,278,835	-	1,456,543	-	-	4,735,378
Dividends (Note 27)	-	-	-	-	(30,859,279)	(30,859,279)
Total contribution from/(distribution to) owners of the Company	3,278,835	(851)	1,456,543	70,592	(30,859,279)	(26,054,160)
Transfer to share premium for share options exercised	-	-	1,259,979	(1,259,979)	-	-
Transfer from share option reserve for options lapsed	-	-	-	(84,269)	84,269	-
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note 14.1)	4,736,839	-	(4,736,839)	-	-	-
At 31 March 2017	199,333,534	(1,767)	-	892,229	20,472,753	220,696,749

The notes on pages 62 to 136 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31 MARCH 2017**

ASIA FILE CORPORATION BHD.

	Note	2017 RM	2016 RM
Cash flows from operating activities			
Profit before tax		30,173,176	18,438,929
Adjustments for :			
Dividend income		(30,083,476)	(17,907,842)
Interest income		(164,911)	(232,638)
Share-based payments	20	-	106,023
Fair value gain on short term funds		(894)	-
		(76,105)	404,472
Operating (loss)/profit before changes in working capital			
Changes in working capital :			
Other receivables	A	2,103,917	10,745,867
Other payables		(937,084)	(1,319,895)
		1,090,728	9,830,444
Cash generated from operations			
Tax paid		(51,719)	(83,051)
Dividend received		30,083,476	17,907,842
		31,122,485	27,655,235
Net cash from operating activities			
Cash flows from investing activities			
Interest received		164,911	232,638
Increase in investments in subsidiaries	B	-	(99,998)
Fair value gain on short term funds		894	-
		165,805	132,640
Net cash generated from investing activities			

**STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31 MARCH 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

	Note	2017 RM	2016 RM
Cash flows from financing activities			
Proceeds from shares issued under ESOS		4,735,378	2,647,987
Repurchase of treasury shares	15	(851)	(916)
Dividends paid		(36,461,149)	(28,626,619)
Net cash used in financing activities		(31,726,622)	(25,979,548)
Net (decrease)/increase in cash and cash equivalents			
		(438,332)	1,808,327
Cash and cash equivalents at 1 April		2,633,983	825,656
Cash and cash equivalents at 31 March	13	2,195,651	2,633,983

NOTES

A. Changes in other receivables

Changes in other receivables comprise of :

	2017 RM	2016 RM
Decrease of other receivables during the year, net	2,103,917	153,873,367
Capitalisation of amount due from subsidiaries	-	(143,127,500)
	2,103,917	10,745,867

B. Increase in investments in subsidiaries

During the last financial year, the Company increased its investments in subsidiaries with a total cost of RM143,227,498, of which RM99,998 was settled in cash and the remaining balance of RM143,127,500 was settled by way of capitalising the amount due from subsidiaries.

The notes on pages 62 to 136 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

ASIA FILE CORPORATION BHD.

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 the registered office and principal place of business are as follows :

Registered office

Suite 16-1 (Penthouse Upper)
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 of the Company as at and for the financial year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in an associate.

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

These financial statements were authorised for issue by the Board of Directors on 14 July 2017.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

NOTES TO THE FINANCIAL STATEMENT

(cont'd)

ASIA FILE CORPORATION BHD.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

NOTES TO THE FINANCIAL STATEMENT

(cont'd)

ASIA FILE CORPORATION BHD.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations in the respective financial years when the abovementioned standards, amendments or interpretations become effective.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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.

NOTES TO THE FINANCIAL STATEMENT

(cont'd)

ASIA FILE CORPORATION BHD.

1. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards (“MFRSs”) 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 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 Note 5 - Valuation of investment properties, Note 8 - Intangible assets and Note 9 Inventories.

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 Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee’s return.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) *Subsidiaries (continued)*

Investments in subsidiaries 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 investment includes transaction costs.

(ii) *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.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

(iii) *Acquisitions of non-controlling interests*

The Group accounts for 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.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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 of influence retained.

(v) Associates

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

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 sale 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 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 associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) *Associates (continued)*

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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) *Non-controlling interests*

Non-controlling interests 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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

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 interests to have a deficit balance.

(vii) *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 investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(b) Foreign currency

(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 end of 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.

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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

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

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 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

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 gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, 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 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.

(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.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

(c) 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.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

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)).

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 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 equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise 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.

Fair value arising from financial guarantee contracts are classified as deferred income and is 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.

(iv) *Regular way purchase or sale of financial assets*

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets (continued)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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 their intended use.

The depreciation rates for the current and comparative periods 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 at end of the reporting period, and adjusted as appropriate.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(e) Leased assets

Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the 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 and measured using fair value model.

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 in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, 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 associates.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FINE CORPORATION BHD.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iv) Amortisation (continued)

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative period are as follows:

- Customer contracts – 7 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Investment property

(i) *Investment property carried at cost*

Investment properties are properties which are owned or held under a leasehold interest 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 measured initially 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).

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) *Reclassification to/from investment property*

When an item of property, plant and equipment is transferred to investment properties following a change in its use, evidenced by commencement of owner-occupation, for a transfer from investment properties to owner-occupied property or end of owner-occupation, for a transfer from owner-occupied property to investment property.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FINE CORPORATION BHD.

2. Significant accounting policies (continued)

(g) Investment property (continued)

(ii) *Reclassification to/from investment property (continued)*

Transfer between investment properties and property, plant and equipment does not change the carrying amount and the cost of the property transferred.

(iii) *Determination of fair value*

The Directors estimate the fair values of the Group's investment properties based on the Directors' own assessment by reference to market evidence of transaction prices for similar properties.

(h) Impairment

(i) *Financial assets*

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in an associate) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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.

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 other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) *Financial assets (continued)*

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale 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 goodwill that has indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of 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 of disposal. 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.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

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 (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups 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 financial 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 measured based on 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.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

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.

(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 the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) *Ordinary shares*

Ordinary shares are classified as equity.

(iii) *Repurchase, disposal and reissue of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in 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.

(m) Borrowing costs

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.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FINE CORPORATION BHD.

2. Significant accounting policies (continued)

(m) Borrowing costs (continued)

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.

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 in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(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. Rental income from subleased property is recognised as other income.

(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.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FINE CORPORATION BHD.

2. Significant accounting policies (continued)

(n) Revenue and other income (continued)

(iv) *Commission*

When the Group acts in 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) *Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(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, 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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 entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(o) Income tax (continued)

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against 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 plan 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.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(p) Employee benefits (continued)

(iii) *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 data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Contingencies

(i) *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 not recognised in the statements of financial position and 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.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

2. Significant accounting policies (continued)

(s) Contingencies (continued)

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

3. Property, plant and equipment - Group

Cost	Freehold land		Buildings		Plant and machinery		Office equipment, furniture and fittings		Motor vehicles		Asset under construction		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 1 April 2015	14,760,519	80,062,616	154,008,451	16,947,944	8,795,975	180,522	274,756,027						
Additions	-	384,007	1,675,087	523,333	270,354	-	2,852,781						
Disposals	-	(255,120)	(593,057)	(274,667)	(107,315)	-	(1,230,159)						
Write off	-	(26,032)	-	(12,913)	-	-	(38,945)						
Reclassification	-	180,522	-	-	-	(180,522)	-						
Effect of movements in exchange rates	312,598	3,539,001	6,694,695	1,404,825	400,942	-	12,352,061						
At 31 March 2016/1 April 2016	15,073,117	83,884,994	161,785,176	18,588,522	9,359,956	-	288,691,765						
Additions	-	598,137	3,024,035	703,411	459,113	5,121,980	9,906,676						
Disposals	-	-	(2,581,633)	(77,219)	(523,248)	-	(3,182,100)						
Write off	-	-	(228,834)	(22,405)	-	-	(251,239)						
Effect of movements in exchange rates	205,892	1,984,530	4,016,330	914,882	221,831	-	7,343,465						
At 31 March 2017	15,279,009	86,467,661	166,015,074	20,107,191	9,517,652	5,121,980	302,508,567						

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

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	Asset under construction RM	Total RM
Accumulated depreciation							
At 1 April 2015	-	30,402,730	118,111,030	14,409,536	7,386,860	-	170,310,156
Depreciation for the year	-	2,212,287	6,507,940	885,008	895,822	-	10,501,057
Disposals	-	(255,120)	(593,052)	(272,251)	(102,595)	-	(1,223,018)
Write off	-	(651)	-	(12,093)	-	-	(12,744)
Effect of movements in exchange rates	-	2,017,727	5,029,872	1,166,769	289,317	-	8,503,685
At 31 March 2016/1 April 2016	-	34,376,973	129,055,790	16,176,969	8,469,404	-	188,079,136
Depreciation for the year	-	2,155,045	5,984,599	841,458	481,539	-	9,462,641
Disposals	-	-	(2,581,633)	(77,219)	(473,999)	-	(3,132,851)
Write off	-	-	(226,634)	(21,804)	-	-	(248,438)
Effect of movements in exchange rates	-	1,401,792	3,454,247	802,343	204,029	-	5,862,411
At 31 March 2017	-	37,933,810	135,686,369	17,721,747	8,680,973	-	200,022,899

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

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

Carrying amounts	Freehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Asset under construction RM	Total RM
At 1 April 2015	14,760,519	49,659,886	35,897,421	2,538,408	1,409,115	180,522	104,445,871
At 31 March 2016/1 April 2016	15,073,117	49,508,021	32,729,386	2,411,553	890,552	-	100,612,629
At 31 March 2017	15,279,009	48,533,851	30,328,705	2,385,444	836,679	5,121,980	102,485,668

3.1 Asset under construction

Included in asset under construction is freehold land with carrying amount of RM2,100,000 (2016 : RM Nil).

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

4. Prepaid lease payments - Group

	Unexpired period less than 50 years RM
Cost	
At 1 April 2015/31 March 2016/1 April 2016/31 March 2017	<u>2,294,116</u>
Amortisation	
At 1 April 2015	732,289
Amortisation for the year	38,875
At 31 March 2016/1 April 2016	<u>771,164</u>
Amortisation for the year	38,873
At 31 March 2017	<u>810,037</u>
Carrying amounts	
At 1 April 2015	<u>1,561,827</u>
At 31 March 2016/1 April 2016	<u>1,522,952</u>
At 31 March 2017	<u>1,484,079</u>

5. Investment properties - Group

	RM
Buildings	
Cost	
At 1 April 2015/31 March 2016/1 April 2016/31 March 2017	<u>2,066,583</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

5. Investment properties - Group (continued)

	RM
Accumulated depreciation	
At 1 April 2015	596,448
Depreciation for the year	41,332
At 31 March 2016/1 April 2016	637,780
Depreciation for the year	41,332
At 31 March 2017	679,112
Carrying amounts	
At 1 April 2015	1,470,135
At 31 March 2016/1 April 2016	1,428,803
At 31 March 2017	1,387,471

Investment properties comprise factory buildings that are leased to third parties. The leases are entered into for a period of 5 years. Subsequent renewals are to be negotiated with the lessee.

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

	2017	2016
	RM	RM
Rental income	244,625	228,000
Direct operating expenses		
- income generating investment properties	15,583	15,583

Fair value information

The fair value of the investment properties as at 31 March 2017 was categorised as level 3 of the fair value hierarchy. Based on the Directors' estimation using the latest available market information and recent experience and knowledge in the location and category property being valued, the fair value of the investment properties of the Group is approximately RM4,000,000 (2016 : RM4,000,000).

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

5. Investment properties - Group (continued)

Fair value information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties. The valuation technique used in determination of fair value within Level 3 is as follows:

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison approach: This approach entails comparing the property with similar properties that were listed for sale within the same locality or other comparable localities.	Price per square foot (RM139)	The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is based on estimates of market value by Directors by comparing the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities. The fair value of the Company's investment property and changes in Level 3 fair values are analysed by management annually.

6. Investments in subsidiaries - Company

	2017 RM	2016 RM
Unquoted shares, at cost	198,068,043	198,068,043
Add: Share-based payment allocated to subsidiaries	4,119,013	4,048,421
	<u>202,187,056</u>	<u>202,116,464</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

6. Investments in subsidiaries - Company (continued)

Details of the subsidiaries are as follows :

Name of subsidiary	Effective ownership interest		Country of incorporation	Principal activities
	2017	2016		
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	Dormant
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 and filing products
Premier Stationery Limited *	95%	95%	United Kingdom	Import and distribution of stationery products
Premier Stationery Pte. Ltd. *	100%	100%	Singapore	Trading of stationery products
Higher Kings Mill Limited *	100%	100%	United Kingdom	Manufacture and sale of coloured paper and boards for filing, educational and other specialty markets

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

6. Investments in subsidiaries - Company (continued)

Details of the subsidiaries are as follows (continued) :

Name of subsidiary	Effective ownership interest		Country of incorporation	Principal activities
	2017	2016		
<i>Subsidiary of Asia</i>				
<i>File Products</i>				
<i>Sdn. Bhd.</i>				
Plastoreg Smidt GmbH #	100%	100%	Germany	Manufacture and distribution of stationery products

* Not audited by member firms of KPMG International

Audited by member firms of KPMG International

There is no disclosure of the summarised financial information for non-controlling interest ("NCI") as the NCI is not significant to the Group.

7. Investment in an associate

	2017 RM	2016 RM
Group		
At cost		
Quoted shares in Malaysia	47,041,909	47,041,909
Share of post acquisition reserves and results	93,704,735	87,900,672
	<u>140,746,644</u>	<u>134,942,581</u>
Market value of quoted shares	<u>100,794,375</u>	<u>125,229,375</u>
Company		
At cost		
Quoted shares in Malaysia	<u>5,192,167</u>	<u>5,192,167</u>
Market value of quoted shares	<u>10,331,310</u>	<u>12,835,870</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

7. Investment in an associate (continued)

Details of the associate are as follows :

Name of associate	Effective ownership interest		Country of incorporation	Principal activity
	2017 %	2016 %		
Muda Holdings Berhad	20.03	20.03	Malaysia	Investment holding

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2017 RM'000	2016 RM'000
Muda Holdings Berhad		
Summarised financial information		
As at 31 March		
Non-current assets	887,015	843,543
Current assets	564,971	517,239
Non-current liabilities	(153,191)	(145,518)
Current liabilities	(570,956)	(518,559)
Non-controlling interests	(25,147)	(23,001)
Net assets	<u><u>702,692</u></u>	<u><u>673,704</u></u>
Year ended 31 March		
Profit from continuing operations	25,877	32,125
Other comprehensive income	12,242	5,642
Total comprehensive income	<u><u>38,119</u></u>	<u><u>37,767</u></u>
Included in the total comprehensive income is :		
Revenue	<u><u>1,243,974</u></u>	<u><u>1,157,888</u></u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

7. Investment in an associate (continued)

	2017	2016
	RM'000	RM'000
Reconciliation of net assets to carrying amount		
As at 31 March		
Group's share of net assets representing the carrying amount of the associate in the statement of financial position	<u>140,747</u>	<u>134,943</u>
Group's share of results		
Year ended 31 March		
Group's share of profit or loss from continuing operations	5,183	6,435
Group's share of other comprehensive income	2,454	1,130
Group's share of total comprehensive income	<u>7,637</u>	<u>7,565</u>
Other information		
Dividends received	<u>1,833</u>	<u>1,833</u>

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

8. Intangible assets - Group

	Goodwill	Customer contracts	Total
	RM	RM	RM
Group			
Cost			
At 1 April 2015	30,234,456	2,412,663	32,647,119
Addition	-	626	626
Write off	-	(194,607)	(194,607)
Effect of movements in exchange rates	-	390,182	390,182
At 31 March 2016/1 April 2016	<u>30,234,456</u>	<u>2,608,864</u>	<u>32,843,320</u>
Write off	-	(52,259)	(52,259)
Effect of movements in exchange rates	-	164,523	164,523
At 31 March 2017	<u>30,234,456</u>	<u>2,721,128</u>	<u>32,955,584</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

8. Intangible assets - Group (continued)

Group	Goodwill RM	Customer contracts RM	Total RM
Amortisation			
At 1 April 2015	-	548,854	548,854
Amortisation for the year	-	386,383	386,383
Write off	-	(36,410)	(36,410)
Effect of movements in exchange rates	-	184,493	184,493
At 31 March 2016/1 April 2016	-	1,083,320	1,083,320
Amortisation for the year	-	354,018	354,018
Write off	-	(11,433)	(11,433)
Effect of movements in exchange rates	-	74,598	74,598
At 31 March 2017	-	1,500,503	1,500,503
Carrying amounts			
At 1 April 2015	30,234,456	1,863,809	32,098,265
At 31 March 2016/1 April 2016	30,234,456	1,525,544	31,760,000
At 31 March 2017	30,234,456	1,220,625	31,455,081

Goodwill has been allocated to the Group's cash-generating units ("CGU") identified in a foreign subsidiary company's operations acquired in the previous year. The aggregate carrying amount of goodwill allocated was RM30.2 million (2016: 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 applied of approximately 9%. 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 assumptions would not cause the recoverable amount of the CGU to be materially below their carrying amounts. Based on this review, there is no evidence of impairment on the Group's goodwill.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

9. Inventories - Group

	2017 RM	2016 RM
Raw materials	63,792,256	62,161,815
Work-in-progress	4,808,118	3,918,194
Manufactured inventories	37,339,532	41,878,634
	<u>105,939,906</u>	<u>107,958,643</u>

10. Trade and other receivables

	Note	2017 RM	2016 RM
Group			
Trade			
Trade receivables	10.1	59,980,760	73,495,871
Non-trade			
Other receivables		6,528,017	6,207,359
Deposits		504,167	575,606
Prepayments		2,268,929	2,377,354
		<u>9,301,113</u>	<u>9,160,319</u>
		<u>69,281,873</u>	<u>82,656,190</u>
Company			
Non-trade			
Amount due from subsidiaries	10.2	19,663,347	21,750,279
Other receivables		2,309	19,294
		<u>19,665,656</u>	<u>21,769,573</u>

10.1 Trade receivables

The Group's normal credit terms for trade receivables range from 30 to 90 days (2016: 30 to 90 days).

Included in trade receivables are amounts due from companies in which a Director and his family members collectively have controlling interests of RM53,882 (2016 : RM48,547), which are subject to the normal credit terms.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

10. Trade and other receivables (continued)

10.2 Amount due from subsidiaries

The current non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand other than an amount of RM450,242 (2016: RM3,665,369) due from a subsidiary which carries interest at 4.5% (2016: 4.5%) per annum.

11. Derivative financial assets - Group

	2017		2016	
	Nominal value RM	Assets RM	Nominal value RM	Assets RM
Derivative held for trading at fair value through profit or loss				
- Forward exchange contracts	-	-	33,268,545	4,207,312

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

12. Other investments - Group

	Note	2017 RM	2016 RM
Available-for-sale financial assets :			
Short term funds	12.1	32,521,032	84,613,409
Investments in dual currency structured products		-	3,583,660
		32,521,032	88,197,069
Financial assets at fair value through profit or loss :			
Investments in dual currency structured product		38,401,271	-
Equity-linked investments		54,233,321	-
		92,634,592	-
		<u>125,155,624</u>	<u>88,197,069</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

12. Other investments - Group (continued)

	Note	2017 RM	2016 RM
Market value of financial assets		<u>125,155,624</u>	<u>88,197,069</u>

12.1 Short term funds

The amount represents investment in money market funds which is placed for investment purpose.

13. Cash and cash equivalents

	Note	2017 RM	2016 RM
Group			
Short term deposits with licensed banks		4,720,000	-
Short term funds	13.1	7,565,603	15,579,538
Cash and bank balances		60,152,115	59,997,084
		<u>72,437,718</u>	<u>75,576,622</u>
Company			
Short term funds	13.1	762,216	1,920,398
Cash and bank balances		1,433,435	713,585
		<u>2,195,651</u>	<u>2,633,983</u>

13.1 Short term funds

The amount represents investment in money market funds which can be redeemed within 1 day after receipt of the request to repurchase.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

14. Share capital - Group/Company

	2017		2016	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares, issued and fully paid :				
Balance at 1 April	191,317,860	191,317,860	189,990,240	189,990,240
Issued under ESOS, for cash at :				
RM1.96 per share	934,091	530,200	285,720	285,720
RM2.57 per share	-	-	32,000	32,000
RM1.94 per share	2,180,424	1,698,580	916,840	916,840
RM2.44 per share	164,320	164,320	93,060	93,060
	3,278,835	2,393,100	1,327,620	1,327,620
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.1)	4,736,839	-	-	-
Balance at 31 March	<u>199,333,534</u>	<u>193,710,960</u>	<u>191,317,860</u>	<u>191,317,860</u>

- 14.1 In accordance with Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.
- 14.2 Included in share capital is share premium amounting to RM4,736,839 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

15. Treasury shares - Group/Company

The shareholders of the Company, by a special resolution passed at an 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 200 (2016 : 200) of its issued share capital from the open market at an average price of RM3.95 (2016 : RM4.27) per share. The total consideration paid was RM851 (2016 : RM916) including transaction costs of RM62 (2016 : RM62). The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

As at 31 March 2017, the ordinary shares held as treasury shares were 400 (2016: 200). The number of outstanding ordinary shares in issue and fully paid-up after deducting the treasury shares held is 193,710,560 (2016 : 191,317,660). Treasury shares held have no rights to voting, dividends and participation in other distribution.

16. Reserves

	2017 RM	2016 RM
Group		
Non-distributable :		
Translation reserve	16,064,173	10,389,798
Fair value reserve	-	782,703
Share premium on ordinary shares		
Balance at 1 April	2,372,295	351,978
Issue of shares at :		
- RM1.96 per share	105,101	274,291
- RM2.57 per share	-	50,240
- RM1.94 per share	1,114,821	861,830
- RM2.44 per share	236,621	134,006
Share options exercised	1,259,979	699,950
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016 (Note 14.1)	(4,736,839)	-
Transfer to retained earnings	(351,978)	-
Balance at 31 March	-	2,372,295
Share option reserve	862,491	2,136,147
Distributable :		
Retained earnings	341,284,281	314,593,947
	<u>358,210,945</u>	<u>330,274,890</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

16. Reserves (continued)

	2017	2016
Company	RM	RM
Non-distributable :		
Share premium on ordinary shares		
Balance at 1 April	2,020,317	-
Issue of shares at :		
- RM1.96 per share	105,101	274,291
- RM2.57 per share	-	50,240
- RM1.94 per share	1,114,821	861,830
- RM2.44 per share	236,621	134,006
Share options exercised	1,259,979	699,950
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016 (Note 14.1)	(4,736,839)	-
Balance at 31 March	-	2,020,317
Non-distributable :		
Share option reserve	892,229	2,165,885
Distributable :		
Retained earnings	20,472,753	21,101,074
	<u>21,364,982</u>	<u>25,287,276</u>

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

17. Bank borrowings - Group

	2017	2016
	RM	RM
Unsecured		
Foreign currency trade loans	29,159,174	28,430,116

17.1 Interest rates

The foreign currency trade loans are denominated in US Dollar and are subject to interest at rates ranging from 1.38% - 1.95% (2016 : 0.65% - 1.52%) per annum.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FIBRE CORPORATION BHD.

18. Deferred tax assets/(liabilities) - Group

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following :

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	-	-	(879,464)	(879,464)	(879,464)	(879,464)
- revaluation	14,396	-	(7,310,640)	(7,417,756)	(7,296,244)	(7,417,756)
- capital allowances	-	-	(1,820,474)	(1,820,474)	(1,820,474)	(1,820,474)
- fair value adjustment	-	-	401,016	1,189,721	401,016	1,189,721
Provisions	-	-	-	-	-	-
	14,396	-	(9,609,562)	(8,927,973)	(9,595,166)	(8,927,973)

Movement in temporary difference during the year

Group	At 1.4.2015 RM		Translation difference RM		At 31.3.2016/ 1.4.2016 RM		Recognised in profit or loss (Note 25) RM		Translation difference RM		At 31.3.2017 RM	
	At 1.4.2015 RM	At 1.4.2015 RM	Translation difference RM	Translation difference RM	At 31.3.2016/ 1.4.2016 RM	At 31.3.2016/ 1.4.2016 RM	Recognised in profit or loss (Note 25) RM	Recognised in profit or loss (Note 25) RM	Translation difference RM	Translation difference RM	At 31.3.2017 RM	At 31.3.2017 RM
Property, plant and equipment	(879,464)	(879,464)	-	-	(879,464)	(879,464)	-	-	-	-	(879,464)	(879,464)
- revaluation	(6,693,664)	(6,693,664)	(544,395)	(179,697)	(7,417,756)	(7,417,756)	263,782	263,782	(142,270)	(142,270)	(7,296,244)	(7,296,244)
- capital allowance	(1,820,474)	(1,820,474)	-	-	(1,820,474)	(1,820,474)	-	-	-	-	(1,820,474)	(1,820,474)
- fair value adjustment	1,099,301	1,099,301	90,420	-	1,189,721	1,189,721	(788,705)	(788,705)	-	-	401,016	401,016
Provisions	(8,294,301)	(8,294,301)	(453,975)	(179,697)	(8,927,973)	(8,927,973)	(524,923)	(524,923)	(142,270)	(142,270)	(9,595,166)	(9,595,166)

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

19. Trade and other payables

	Note	2017 RM	2016 RM
Group			
Trade			
Trade payables	19.1	21,935,324	25,731,105
Non-trade			
Other payables		8,193,459	7,885,712
Accrued expenses		11,781,281	16,246,647
		19,974,740	24,132,359
		41,910,064	49,863,464
Company			
Non-trade			
Other payables		477,175	1,417,447
Accrued expenses		297,322	294,134
		774,497	1,711,581

19.1 Trade payables

The Group's normal credit terms for trade payables range from 30 to 90 days (2016 : 30 to 90 days). Trade payables include amount due to companies related to the associates of the Group of RM855,732 (2016: RM608,758) which are subject to the normal credit terms.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

20. Employee benefits - Group/Company

Share Option Plan

The Group offers vested share options over ordinary shares to Non-Executive Directors, 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 2017 RM	Number of options 2017	Weighted average exercise price 2016 RM	Number of options 2016
Outstanding at 1 April	1.96	788,200	1.96	1,073,920
Outstanding at 1 April	2.57	472,000	2.57	504,000
Outstanding at 1 April	1.94	2,264,920	1.94	3,333,920
Outstanding at 1 April	2.44	413,220	2.44	661,120
		3,938,340		5,572,960
Exercised during the year	1.96	(530,200)	1.96	(285,720)
Exercised during the year	2.57	-	2.57	(32,000)
Exercised during the year	1.94	(1,698,580)	1.94	(916,840)
Exercised during the year	2.44	(164,320)	2.44	(93,060)
Total exercised during the year		(2,393,100)		(1,327,620)
Lapsed due to resignation	1.96	(115,200)	1.96	-
Lapsed due to resignation	2.57	-	2.57	-
Lapsed due to resignation	1.94	(42,080)	1.94	(152,160)
Lapsed due to resignation	2.44	(23,760)	2.44	(154,840)
Total lapsed due to resignation		(181,040)		(307,000)
Outstanding at 31 March	2.24	<u>1,364,200</u>	2.07	<u>3,938,340</u>
Exercisable at 31 March		<u>1,364,200</u>		<u>3,756,760</u>

The outstanding options as at 31 March 2017 and 2016 have exercise prices of RM1.96, RM2.57, RM1.94 and RM2.44 respectively. The weighted average option life is less than 1 year (2016 : 1 year).

During the year, 2,393,100 (2016 : 1,327,620) share options were exercised. The weighted average share price for the year was RM3.86 (2016 : RM4.10).

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

20. Employee benefits - Group/Company (continued)

Share Option Plan (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 :

	Directors RM	Executives RM	Others RM
2017/2016			
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	0.77	0.77	0.77
- 27.3.2014	<u>2.86</u>	<u>2.86</u>	<u>2.86</u>
Fair value after adjusted for bonus issue			
- 27.4.2007	0.28	0.28	0.28
- 20.4.2009	0.38	0.38	0.38
- 3.10.2011	0.48	0.48	0.48
- 27.3.2014	<u>1.79</u>	<u>1.79</u>	<u>1.79</u>
Exercise price :			
- at grant date	RM3.14, RM4.11, RM3.10 and RM3.90		
- after adjustment for bonus issue	RM1.96, RM2.57, RM1.94 and RM2.44		
Expected volatility (weighted average volatility)	19.42%, 22.04%, 31.50% and 20%		
Option life (expected weighted average life)	3 to 5 years		
Expected dividends	5.5% to 6.46%		
Risk-free interest rate (based on Malaysian government bonds)	<u>2.82% to 3.45%</u>		

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

20. Employee benefits - Group/Company (continued)

Value of employee services received for issue of share options

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Recognised as staff cost in profit or loss (Note 24)	70,592	331,827	-	106,023
Additions to investments in subsidiaries	-	-	70,592	225,804
	<u>70,592</u>	<u>331,827</u>	<u>70,592</u>	<u>331,827</u>

21. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Invoiced value of goods sold less discounts and returns	350,218,809	389,765,395	-	-
Gross dividends receivable				
- subsidiaries	-	-	29,895,634	17,720,000
- associate	-	-	187,842	187,842
Commission income	105,278	90,246	105,278	90,246
Management fees				
- subsidiaries	-	-	2,766,962	3,585,255
	<u>350,324,087</u>	<u>389,855,641</u>	<u>32,955,716</u>	<u>21,583,343</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

22. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
After charging :				
Auditors' remuneration				
- Audit fee				
KPMG Malaysia				
- Current year	90,000	78,000	18,000	15,000
- Prior year	4,000	2,000	-	-
Overseas affiliate of				
KPMG Malaysia	113,280	106,560	-	-
Other auditors	146,284	141,343	-	-
- Non-audit fees				
KPMG Malaysia				
- Current year	14,000	15,500	17,000	14,000
- Prior year	-	1,500	-	-
Overseas affiliate of				
KPMG Malaysia	22,858	23,192	-	-
Consultancy fee paid to a company in which a Director of a subsidiary has a substantial financial interest	398,600	441,714	-	-
Amortisation of prepaid lease payments (Note 4)	38,873	38,875	-	-
Amortisation of intangible assets (Note 8)	354,018	386,383	-	-
Depreciation				
- property, plant and equipment (Note 3)	9,462,641	10,501,057	-	-
- investment properties (Note 5)	41,332	41,332	-	-
Rental of premises	1,558,870	2,091,010	-	-
Loss on foreign exchange				
- realised	1,287,609	-	59,266	-
- unrealised	1,264,189	1,308,078	7,611	-
Interest expense	357,023	297,286	-	-
Property, plant and equipment written off	2,801	26,201	-	-
Bad debts written off	13,623	2,136	-	-
Intangible assets written off	40,826	158,197	-	-
Fair value loss on equity- linked investments	766,679	-	-	-

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

22. Profit before tax (continued)

Profit before tax is arrived at (continued) :

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
and after crediting :				
Interest income				
- subsidiary	-	-	99,379	232,068
- financial institutions	6,463,387	1,980,538	65,532	570
Gain on disposals of property, plant and equipment	37,666	34,034	-	-
Fair value gain on short term funds	2,041,434	-	894	-
Rental income on premises	250,385	233,160	-	-
Reversal of impairment loss on trade receivables	18,384	44,084	-	-
Gain on foreign exchange				
- realised	-	13,571,652	-	203,438
- unrealised	-	-	-	90,002
	<u>3,916,959</u>	<u>4,934,788</u>	<u>1,671,354</u>	<u>2,189,318</u>

23. Key management personnel compensations

The key management personnel compensations are as follows :

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Company				
- Fees	271,000	265,500	256,000	246,000
- Remuneration	1,415,354	1,943,318	1,415,354	1,943,318
Other Directors				
- Fees	51,810	52,430	-	-
- Remuneration	2,178,795	2,673,540	-	-
	<u>3,916,959</u>	<u>4,934,788</u>	<u>1,671,354</u>	<u>2,189,318</u>

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.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

23. Key management personnel compensations (continued)

The estimated monetary value of benefits received by Directors of the Company and other Directors otherwise than in cash amounted to RM38,291 (2016 : RM56,000) and RM241,248 (2016 : RM234,420) respectively.

24. Employee information

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Staff costs	61,930,774	68,193,207	2,479,268	3,149,402
Share-based payments	70,592	331,827	-	106,023
	<u>62,001,366</u>	<u>68,525,034</u>	<u>2,479,268</u>	<u>3,255,425</u>

Included in staff costs of the Group and of the Company is an amount of RM3,682,628 (2016 : RM3,836,705) and RM266,104 (2016 : RM338,634) respectively representing contributions made to the statutory pension funds.

25. Tax expense

Recognised in profit or loss

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense				
Malaysian - current year	10,596,237	18,043,712	26,237	79,712
- prior year	14,243	(4,964)	250	1,489
Overseas - current year	3,644,258	3,185,752	-	-
- prior year	2,680	199,871	-	-
Total current tax	14,257,418	21,424,371	26,487	81,201
Deferred tax expense				
Malaysian - current year	(219,420)	(49,242)	-	-
- prior year	5,000	8,242	-	-
Overseas - current year	739,343	494,975	-	-
Total deferred tax	524,923	453,975	-	-
Total tax expense	<u>14,782,341</u>	<u>21,878,346</u>	<u>26,487</u>	<u>81,201</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

25. Tax expense (continued)

Reconciliation of tax expense

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	70,846,277	98,536,041	30,173,176	18,438,929
Less : share of results of equity-accounted associate	(5,183,162)	(6,434,637)	-	-
	<u>65,663,115</u>	<u>92,101,404</u>	<u>30,173,176</u>	<u>18,438,929</u>
Tax at Malaysian tax rate of 24%	15,759,148	22,104,337	7,241,562	4,425,343
Effect of different tax rates in foreign jurisdictions	(256,097)	(449,760)	-	-
Effect of utilisation of tax losses not previously recognised	(66,480)	(63,021)	-	-
Non-deductible expenses	494,720	1,142,361	44,945	80,548
Income not subject to tax	(751,379)	(577,172)	(7,265,780)	(4,429,226)
Tax incentives	(403,974)	(292,507)	-	-
Effect of changes in tax rate*	-	(118,904)	-	-
Others	(15,520)	(70,137)	5,510	3,047
Under provided in prior year	21,923	203,149	250	1,489
	<u>14,782,341</u>	<u>21,878,346</u>	<u>26,487</u>	<u>81,201</u>

* The Malaysian Budget 2014 announced the reduction of corporate tax to 24% with effect from year of assessment 2016. Consequently, the deferred tax liabilities and assets which are expected to reverse in 2016 and beyond are measured using the tax rate of 24%.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

26. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to the owners of the Company of RM55,921,240 (2016 : RM76,501,880) and a weighted average number of ordinary shares outstanding of RM192,381,339 (2016 : 190,894,948) calculated as follows :

	2017	2016
Issued ordinary shares at 1 April	191,317,860	189,990,240
Effect of shares issued during the year	1,063,812	904,833
Effect of treasury shares held	(333)	(125)
	_____	_____
Weighted average number of ordinary shares at 31 March	192,381,339	190,894,948

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the profit attributable to the owners of the Company of RM55,921,240 (2016 : RM76,501,880) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows :

	2017	2016
Weighted average number of ordinary shares at 31 March	192,381,339	190,894,948
Effect of dilution of unexercised share options	572,172	1,949,365
	_____	_____
Weighted average number of ordinary shares (diluted) at 31 March	192,953,511	192,844,313

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

27. Dividends

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

	Sen per share	Total amount RM	Date of payment
2017			
2016 final dividend on 192,100,160 ordinary shares	9.0	17,289,015	29 September 2016
2017 interim dividend on 192,663,280 ordinary shares	3.0	5,779,898	19 January 2017
2017 second interim dividend on 194,759,160 ordinary shares	4.0	7,790,366	25 May 2017
		<u>30,859,279</u>	
2016			
2015 final dividend on 191,010,680 ordinary shares	9.0	17,190,961	17 December 2015
2016 interim dividend on 191,317,660 ordinary shares	7.0	13,392,236	28 April 2016
		<u>30,583,197</u>	

A final dividend of 9 sen per ordinary share amounting to RM17,289,015 proposed in the last financial year and approved by the members in the last Annual General Meeting was paid on 29 September 2016 and accordingly, this amount has been appropriated from the retained earnings in this financial year.

At the forthcoming Annual General Meeting, a final dividend of 9 sen per ordinary share in respect of the financial year ended 31 March 2017 will be proposed for members' approval. These financial statements do not reflect this final dividend which, when approved by the members, will be accounted for as an appropriation of retained earnings from shareholders' funds in the financial year ending 31 March 2018.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

28. Related parties - Group/Company

Identity of related parties

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 or jointly 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. 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, Dato' Lim Soon Huat and his close family members collectively have controlling interests - Asia Educational Supplies Sdn. Bhd. ("AESSB"), Dynamic Office Sdn. Bhd. ("DOSB") and Dynamic Consulting & Engineering Sdn. Bhd. ("DCESB").
- iii) Company in which a Director of a subsidiary, Mr. R.C. Martin, has substantial financial interests - Christopher Martin Ltd.
- iv) 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 includes all the Directors of the Company and certain Directors of the subsidiaries.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 19.

Group

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

	2017	2016
	RM	RM
- Purchases	<u>2,199,377</u>	<u>2,382,411</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

28. Related parties - Group/Company (continued)

Significant related party transactions (continued)

Group

- b) Transactions entered into 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 :

	2017	2016
	RM	RM
Sales - AESSB	232,766	271,711
- DOSB	<u>1,880</u>	<u>1,310</u>
Purchases - AESSB	45,003	36,780
- DOSB	94,333	71,891
- DCESB	<u>12,980</u>	<u>-</u>

- c) Transactions with key management personnel :

Key management personnel compensations are disclosed in Note 23 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 :

	2017	2016
	RM	RM
Consultancy fee paid to a company in which a Director of a subsidiary has substantial financial interest	398,600	441,714
Rental paid to a Director of a subsidiary	<u>9,600</u>	<u>9,600</u>

Company

- a) Transactions entered into between the Company and its subsidiaries

	2017	2016
	RM	RM
- Dividend income received	29,895,634	17,720,000
- Management fee receivable	<u>2,766,962</u>	<u>3,585,255</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

29. Capital commitment - Group

	2017 RM	2016 RM
Property, plant and equipment Contracted but not provided for	6,027,857	28,000

30. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	2017 RM'000	2016 RM'000
Less than 1 year	1,456	1,487
Between 1 and 5 years	2,911	4,462
	<u>4,367</u>	<u>5,949</u>

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.

31. 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 RM125,597,000 (2016 : RM133,222,000) of which RM29,159,174 (2016 : RM28,430,116) were utilised at the end of the reporting period.

ii) The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue operating as a going concern.

iii) The Company has given corporate guarantee of RM11,040,000 (2016 : RM11,280,000) to a supplier of its subsidiary, Higher Kings Mill Limited.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

32. 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 Chief Executive 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 Chief Executive, 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 Chief Executive.

Geographical information

In presenting information on the basis of geographical segments, 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 (including investment in an associate) and deferred tax assets.

	Revenue		Non-current assets	
	2017	2016	2017	2016
	RM	RM	RM	RM
Malaysia	33,621,908	36,200,200	53,209,833	50,046,596
Asia (excluding Malaysia)	9,475,679	13,048,163	-	264
Europe	277,203,229	298,105,337	83,602,466	85,277,524
America	11,842,791	23,086,196	-	-
Others	18,180,480	19,415,745	-	-
Consolidated	<u>350,324,087</u>	<u>389,855,641</u>	<u>136,812,299</u>	<u>135,324,384</u>

Major customer

A major customer of the Group, with revenue equal or more than 10% of the Group's total revenue, contributes approximately RM56,743,753 (2016 : RM57,608,469) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

33. Financial instruments

33.1 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”);
- (c) Available-for-sale financial assets (“AFS”); and
- (d) Financial liabilities measured at amortised cost (“FL”).

	Carrying amount RM	L&R RM	FVTPL RM	AFS RM
Group				
Financial assets				
2017				
Trade and other receivables	67,012,944	67,012,944	-	-
Other investments	125,155,624	-	92,634,592	32,521,032
Cash and cash equivalents	72,437,718	72,437,718	-	-
	<u>264,606,286</u>	<u>139,450,662</u>	<u>92,634,592</u>	<u>32,521,032</u>
2016				
Trade and other receivables	79,703,230	79,703,230	-	-
Derivative financial assets	4,207,312	-	4,207,312	-
Other investments	88,197,069	-	-	88,197,069
Cash and cash equivalents	75,576,622	75,576,622	-	-
	<u>247,684,233</u>	<u>155,279,852</u>	<u>4,207,312</u>	<u>88,197,069</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R RM
Company		
Financial assets		
2017		
Other receivables	19,665,656	19,665,656
Cash and cash equivalents	2,195,651	2,195,651
	<u>21,861,307</u>	<u>21,861,307</u>
2016		
Other receivables	21,769,573	21,769,573
Cash and cash equivalents	2,633,983	2,633,983
	<u>24,403,556</u>	<u>24,403,556</u>
	Carrying amount RM	FL RM
Group		
Financial liabilities		
2017		
Bank borrowings	(29,159,174)	(29,159,174)
Trade and other payables	(41,910,064)	(41,910,064)
	<u>(71,069,238)</u>	<u>(71,069,238)</u>
2016		
Bank borrowings	(28,430,116)	(28,430,116)
Trade and other payables	(49,863,464)	(49,863,464)
	<u>(78,293,580)</u>	<u>(78,293,580)</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM	FL RM
Company		
Financial liabilities		
2017		
Other payables	<u>(774,497)</u>	<u>(774,497)</u>
2016		
Other payables	<u>(1,711,581)</u>	<u>(1,711,581)</u>

33.2 Net gains and losses arising from financial instruments

	2017 RM	2016 RM
Group		
Net gains/(losses) arising on :		
Loans and receivables	(1,855,418)	10,078,748
Fair value through profit or loss	3,887,966	4,207,312
Available-for-sale financial assets :		
- recognised in other comprehensive income	-	782,703
- reclassified from equity to profit or loss	(782,703)	-
- recognised in profit or loss	3,158,557	-
	<u>2,375,854</u>	<u>782,703</u>
Financial liabilities measured at amortised cost	(357,023)	(297,286)
	<u>4,051,379</u>	<u>14,771,477</u>
Company		
Net gains arising on :		
Loans and receivables	<u>98,928</u>	<u>526,078</u>

NOTES TO THE FINANCIAL STATEMENT

(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

33.4 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 financial guarantees given by banks, shareholders or directors of customers are obtained, and 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 statement 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.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

Group	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
2017				
Not past due	49,825,598	(37,640)	(33,081)	49,754,877
Past due 1 - 30 days	9,487,396	-	-	9,487,396
Past due 31 - 60 days	634,400	-	-	634,400
Past due 61 - 90 days	62,949	-	-	62,949
Past due more than 90 days	554,596	(409,131)	(104,327)	41,138
Net trade receivables	<u>60,564,939</u>	<u>(446,771)</u>	<u>(137,408)</u>	<u>59,980,760</u>
2016				
Not past due	44,735,880	(29,571)	(39,979)	44,666,330
Past due 1 - 30 days	17,737,325	-	-	17,737,325
Past due 31 - 60 days	9,859,126	-	-	9,859,126
Past due 61 - 90 days	970,571	-	-	970,571
Past due more than 90 days	765,858	(371,378)	(131,961)	262,519
Net trade receivables	<u>74,068,760</u>	<u>(400,949)</u>	<u>(171,940)</u>	<u>73,495,871</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	2017	2016
	RM	RM
At 1 April	572,889	563,842
Impairment loss recognised	16,508	20,644
Impairment loss reversed	(34,892)	(64,728)
Translation difference	29,674	53,131
At 31 March	584,179	572,889

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.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM29,159,174 (2016: RM28,430,116) 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.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.4 Credit risk (continued)

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.

33.5 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.

The Group maintains 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis

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

2017	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
<i>Non-derivative financial liabilities</i>							
Unsecured foreign currency trade loans	29,159,174	1.38 - 1.95	29,217,075	29,217,075	-	-	-
Trade and other payables	41,910,064	-	41,910,064	41,910,064	-	-	-
	<u>71,069,238</u>		<u>71,127,139</u>	<u>71,127,139</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

2016	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
<i>Non-derivative financial liabilities</i>							
Unsecured foreign currency trade loans	28,430,116	0.65 - 1.52	28,502,969	28,502,969	-	-	-
Trade and other payables	49,863,464	-	49,863,464	49,863,464	-	-	-
	<u>78,293,580</u>		<u>78,366,433</u>	<u>78,366,433</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
Outflow	-	-	29,061,233	29,061,233	-	-	-
Inflow	(4,207,312)	-	(33,268,545)	(33,268,545)	-	-	-
	<u>74,086,268</u>		<u>74,159,121</u>	<u>74,159,121</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

2017	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Company							
<i>Non-derivative financial liabilities</i>							
Other payables	774,497	-	774,497	774,497	-	-	-
Corporate guarantee	-	-	136,637,000	136,637,000	-	-	-
	<u>774,497</u>		<u>137,411,497</u>	<u>137,411,497</u>	<u>-</u>	<u>-</u>	<u>-</u>
2016							
Company							
<i>Non-derivative financial liabilities</i>							
Other payables	1,711,581	-	1,711,581	1,711,581	-	-	-
Corporate guarantee	-	-	144,502,000	144,502,000	-	-	-
	<u>1,711,581</u>		<u>146,213,581</u>	<u>146,213,581</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FINE CORPORATION BHD.

33. Financial instruments (continued)

33.6 Market risk

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

33.6.1 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 ("EUR") and Great Britain Pound ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

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

	USD RM	Denominated in EUR RM	GBP RM
Group			
2017			
Trade and other receivables	3,367,393	3,374,291	977,463
Other investments	-	2,762,375	35,638,896
Cash and cash equivalents	1,368,972	10,487,133	18,626,600
Foreign currency trade loans	(29,159,174)	-	-
Trade and other payables	(1,275,508)	(15,201)	(146,746)
	<u>(25,698,317)</u>	<u>16,608,598</u>	<u>55,096,213</u>

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	USD	Denominated in	
	RM	EUR	GBP
		RM	RM
Group			
2016			
Trade and other receivables	5,815,067	2,828,608	2,831,180
Other investments	3,583,660	-	-
Cash and cash equivalents	2,005,171	10,358,154	21,876,835
Foreign currency trade loans	(28,430,116)	-	-
Trade and other payables	(2,904,284)	(31,927)	(685,954)
	<u>(19,930,502)</u>	<u>13,154,835</u>	<u>24,022,061</u>

Currency risk sensitivity analysis

A 10% (2016 : 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	
	2017	2016
	RM'000	RM'000
Group		
USD	1,953	1,515
EUR	(1,262)	(1,000)
GBP	(4,187)	(1,826)
	<u>(4,187)</u>	<u>(1,826)</u>

A 10% (2016 : 10%) weakening of RM 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.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 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. 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.

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:

	2017	2016
	RM	RM
Fixed rate instruments		
Financial assets	92,634,592	3,583,660
Financial liabilities	(29,159,174)	(28,430,116)
	63,475,418	(24,846,456)
Floating rate instruments		
Financial assets	40,086,635	100,192,947

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

(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) post-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	
	100 bp increase RM'000	100 bp decrease RM'000
Group		
2017		
Floating rate instruments	305	(305)
2016		
Floating rate instruments	761	(761)

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.3 Other price risk

Equity price risk arises from the Group's equity-linked investments. The return of the investments is affected by the movement of the equity price of the underlying asset. The relationship between the equity price and return to the Group is shown as follows.

At any observation dates as specified in the contracts :

Scenario A – If the equity price of the underlying asset increases more than 5% to 8% of the initial reference price, the investments will be terminated. The Group will receive the initial invested amount and any outstanding relevant coupon at rates ranging from 9.06% to 10.50% per annum, or

Scenario B – If the equity price of the underlying asset increases less than 5% to 8% or decreases less than 25% of the initial reference price, the investments will be observed until the maturity date and the Group will receive the initial invested amount and any outstanding relevant coupon at rates ranging from 9.06% to 10.50% per annum, or

Scenario C – If the equity price of the underlying asset decreases more than 25% of the initial reference price, the investments will be observed until the maturity date. At maturity date, if the final reference price is higher than the initial reference price, the Group will receive the initial invested amount and any outstanding relevant coupon at rates ranging from 9.06% to 10.50% per annum, or

Scenario D – If the equity price of the underlying asset decreases more than 25% of the initial reference price, the investments will be observed until the maturity date. At maturity date, if the final reference price is lower than the initial reference price, the Group will receive the "Shares Amount" or cash equivalent amount and any outstanding relevant coupon at rates ranging from 9.06% to 10.50% per annum.

The Shares Amount is a number of shares of the underlying asset calculated as follows : $\text{Initial invested amount} / (\text{Initial reference price} \times \text{Exchange rate})$

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity-linked investments on a portfolio basis. Material investments are managed on an individual basis and all decisions are approved by Directors.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.3 Other price risk (continued)

Equity price risk sensitivity analysis

The Group's equity-linked investments move in correlation with the equity price of the underlying asset of the investments as shown in below analysis. This analysis assumes that all other variables remain constant.

At any observation dates as specified in the contracts :

Scenario	Impact to profit or loss
A	The Group will receive monthly coupon of RM447,000 up to the relevant coupon payment date where early termination occurs.
B	The Group will receive a total coupon of RM2,745,000 up to the maturity date.
C	The Group will receive a total coupon of RM2,745,000 up to the maturity date.
D	<p>The Group will receive a total coupon of RM2,745,000 up to maturity date and a loss will be incurred as a result of lower final reference price as compared to initial reference price.</p> <p>A 10% (2016: Nil) lower in final reference price against the initial reference price at the maturity date would have decreased equity and post-tax profit or loss by RM4,180,000 (2016: RM Nil) for investments classified as fair value through profit or loss.</p>

33.7 Fair value information

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

33. Financial instruments (continued)

33.7 Fair value information (continued)

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
Financial assets								
Available-for-sale financial assets	-	32,521	-	-	-	-	32,521	32,521
Financial assets at fair value through profit or loss	-	92,635	-	-	-	-	92,635	92,635
	-	125,156	-	-	-	-	125,156	125,156
2016								
Financial assets								
Available-for-sale financial assets	-	88,197	-	-	-	-	88,197	88,197
Forward exchange contracts	-	4,207	-	-	-	-	4,207	4,207
	-	92,404	-	-	-	-	92,404	92,404

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FINE CORPORATION BHD.

33. Financial instruments (continued)

33.7 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts 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).

Equity-linked investments

The fair value of equity-linked investments is estimated based on standard option pricing model by taking into consideration the general level of interest rates, the market price/level of underlying reference assets, the volatility in the price/level of underlying reference assets, the level of foreign exchange rates, the level of expected future and realised dividends and the time to maturity of the investment.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016 : no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of loans and borrowings is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements.

NOTES TO THE FINANCIAL STATEMENT (cont'd)

ASIA FILE CORPORATION BHD.

34. 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. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenant and regulatory requirement.

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

NOTES TO THE FINANCIAL STATEMENT
(cont'd)

ASIA FILE CORPORATION BHD.

35. Supplementary financial 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 reporting date, 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings :				
- realised	289,309,848	266,945,771	20,480,364	21,011,072
- unrealised	(11,626,034)	(10,236,051)	(7,611)	90,002
	277,683,814	256,709,720	20,472,753	21,101,074
Share of retained earnings of an associate				
- realised	42,814,925	37,778,993	-	-
- unrealised	969,838	1,463,107	-	-
	321,468,577	295,951,820	20,472,753	21,101,074
Add : Consolidation adjustments	19,815,704	18,642,127	-	-
Total retained earnings at 31 March	341,284,281	314,593,947	20,472,753	21,101,074

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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

**STATEMENT BY DIRECTORS PURSUANT
TO SECTION 251 (2) OF THE COMPANIES ACT 2016**

ASIA FILE CORPORATION BHD.

In the opinion of the Directors, the financial statements set out on pages 48 to 136 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 35 on page 137 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 :

Dato' Lim Soon Huat

Director

Lim Soon Wah

Director

Penang,

Date : 14 July 2017

**STATUTORY DECLARATION PURSUANT TO
SECTION 251 (1) (b) OF THE COMPANIES ACT 2016**

ASIA FILE CORPORATION BHD.

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 48 to 137 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Goh Phaik Ngoh**, NRIC : 681017-07-5508, at Georgetown in the State of Penang on 14 July 2017.

Goh Phaik Ngoh

Before me :

Goh Suan Bee (No. P125)
Commissioner for Oaths
Penang

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ASIA FILE CORPORATION BHD.**

ASIA FILE CORPORATION BHD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asia File Corporation Bhd., which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to Notes 2 (i) and 9 to the financial statements.

The key audit matter

The Group's inventories amounted to RM105,939,906 as at 31 March 2017 in the statement of financial position. We have identified the valuation of inventories as a key audit matter because the amount is significant to the Group and the judgement made by the Group in determining the amount to be written down involved estimates which can be inherently uncertain.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASIA FILE CORPORATION BHD. (cont'd)

ASIA FILE CORPORATION BHD.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Attended physical inventory count as at year end and observed whether there were inventories that may be slow moving or obsolete;
- Compared sales values subsequent to the financial year for a sample of inventory lines to test whether these exceeded carrying amount of inventories at year end;
- Tested the accuracy of the last transaction date of inventory based on the inventory listing; and
- Assessed the Group's process in identifying and writing down slow moving and obsolete inventories.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASIA FILE CORPORATION BHD. (cont'd)

ASIA FILE CORPORATION BHD.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ASIA FILE CORPORATION BHD. (cont'd)**

ASIA FILE CORPORATION BHD.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 35 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ASIA FILE CORPORATION BHD. (cont'd)**

ASIA FILE CORPORATION BHD.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Ooi Kok Seng
Approval Number: 02432/05/2019 J
Chartered Accountant

Penang

Date : 14 July 2017

LIST OF PROPERTIES

ASIA FILE CORPORATION BHD.

LOCATION	DESCRIPTION	LAND ARED (sq. meters)	TENURE	AGE (years)	NET BOOK VALUE (RM'000)	DATE OF REVALUATION/ ACQUISITION (*)
1) No 81 & 81A Jalan Sungai Pinang Lots P 1473-1476, Section 9-W, Georgetown Daerah Timur-Laut Penang	Factory cum warehouse	2,442	Freehold	26	6,328	June 1994
2) P.T. No 1870 (Plot 16) Hilir Sungai Kelung 2 Bayan Lepas Industrial Estate (Phase IV) Mukim 12 Daerah Barat Daya Penang	Office, Factory cum warehouse	12,230	60-year lease expiring on 09-09-2051	22	8,908	June 1994 (Land) June 1995 (*) (First Building) March 2000 (*) (Second Building)
3) No 5, Lorong Perindustrian Bukit Minyak 3 Taman Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Penang	Rented	1,761	60-year lease expiring on 10-10-2055	22	860	April 2000 (*)
4) No 7, Lorong Perindustrian Bukit Minyak 3 Taman Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Penang	Rented	1,761	60-year lease expiring on 10-10-2055	22	788	April 2000 (*)
5) Lot 1310, Mukim 14, Daerah Seberang Prai Tengah, Penang	Office, Factory cum warehouse	27,688.91	Freehold	26	11,442	March 2004 (*)
6) PT 43263, H.S.(D) 128696 Mukim Petaling, Daerah Petaling, Selangor	Office, Factory cum warehouse	2,023	Freehold	11	2,324	April 2004 (*)
7) Kasseler Landstraße 12 D-37213 Witzzenhausen Germany	Office, Factory cum warehouse	11,983	Freehold	44	4,922	January 2008 (*)
8) Zur Furthmühle 4 D-37318 Kirchgandern Germany	Office, Factory cum warehouse	21,840	Freehold	26	11,144	January 2008 (*) March 2009 (*) (Additional Warehouse)
9) Cullompton, Devon EX 15 IQ3 United Kingdom	Office, Factory cum warehouse	52,609	Freehold	-	7,367	September 2011 (*) March 2013 (*) (Additional Warehouse)
10) Ashton Road Denton, Manchester M34 3LR United Kingdom	Office, Factory cum warehouse	18,000	Freehold	-	3,921	April 2012 (*)
11) Lot 1309, Mukim 14, Daerah Seberang Prai Tengah, Penang	Office, Factory cum warehouse	30,495	Freehold	26	8,256	December 2012 (*) (Land) March 2014 (Building)

SHAREHOLDING STATISTICS AS AT 19 JUNE 2017

ASIA FILE CORPORATION BHD.

ISSUED SHARE CAPITAL	:	RM194,759,560 <i>(inclusive of 500 treasury shares)</i>
CLASS OF SHARES	:	Ordinary shares
VOTING RIGHTS	:	One vote per ordinary share held

Breakdown of shareholdings

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Issued and Paid-Up Share Capital
Less than 100	50	2,133	0.00
100 - 1,000	361	267,048	0.1371
1,001 - 10,000	1,229	5,472,196	2.8097
10,001 - 100,000	403	11,633,955	5.9734
100,001 - 9,737,977	57	49,109,677	25.2155
9,737,978 to 194,759,560	2	128,274,551	65.8630
TOTAL	2,102	194,759,560	100.00

**SHAREHOLDING STATISTICS AS
AT 19 JUNE 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

No.	Name	No. of shares	% of Issued Share Capital
01	PRESTIGE ELEGANCE (M) SDN. BHD.	83,738,951	42.9961
02	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	44,535,600	22.8670
03	CARTABAN NOMINEES (ASING) SDN BHD	4,480,000	2.3003
04	LIM SIEW LEE	4,122,560	2.1167
05	LIM SOON HEE	4,117,996	2.1144
06	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	3,579,840	1.8381
07	CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	3,525,600	1.8102
08	LIM SOO WAH	3,175,120	1.6303
09	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND	2,874,720	1.4760
10	LIM SOO HUAT	2,830,705	1.4534
11	KHOO SAW SIM	2,588,672	1.3292
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN AM B EQ)	2,067,900	1.0618
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHB INV)	1,887,400	0.9691
14	GOH PHAIK NGOH	1,359,872	0.6982
15	CITIGROUP NOMINESS (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YIRK (NORGES BANK 14)	1,278,700	0.6566
16	FOO NIAN CHOU	835,584	0.4290
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS MY FOCUS FUND	712,960	0.3661
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN)	683,460	0.3509
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMART TREASURE FUND	638,900	0.3280
20	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND F9LJ FOR FIDELITY GLOBAL INTRINSIC VALUE INVESTMENT TRUST	500,000	0.2567
21	OH PHAIK WEE	418,080	0.2147
22	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	340,028	0.1746
23	LUCY KHOO	334,360	0.1717
24	HSBC NOMINESS (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMART BALANCED FUND	322,500	0.1656
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH PHAIK NGOH (PENANG-CL)	316,800	0.1627
26	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR ASIA HUMANISTIC CAPITAL INC	265,000	0.1361
27	SYNERGY MOTION SDN. BHD.	260,000	0.1335
28	TAN CHIN NAM SENDIRIAN BERHAD	246,000	0.1263
29	CHAN SOOK CHIN	238,400	0.1224
30	ONG SIEW SEE	225,280	0.1157
TOTAL:		172,500,988	88.5712

**SHAREHOLDING STATISTICS AS
AT 19 JUNE 2017 (cont'd)**

ASIA FILE CORPORATION BHD.

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	Direct Interest	Deemed Interest	% of Issued Share Capital ^(a)
1.	Datin Khoo Saw Sim	2,588,672	83,738,951 ^(b)	44.325
2.	Dato' Lim Soon Huat	2,830,705	83,738,951 ^(b)	44.450
3.	Prestige Elegance (M) Sdn Bhd	83,738,951	-	42.996
4.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputra	44,535,600	-	22.867

^(a) This excluded treasury shares

^(b) Deemed interest via Prestige Elegance (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016

DIRECTORS' SHAREHOLDINGS

<i>The Company</i>	Direct Interest	Deemed Interest	% of Issued Share Capital ^(a)
Dato' Lim Soon Huat	2,830,705	88,116,911 ^(b)	46.698
Nurjannah Binti Ali	-	-	-
Lim Soon Wah	3,191,120	210,712 ^(c)	1.747
Lam Voon Kean	-	-	-
Ng Chin Nam	-	-	-
Lim Soon Hee (Alternate to Lim Soon Wah)	4,117,996	-	2.114

^(a) This excluded treasury shares.

^(b) Deemed interest via Prestige Elegance (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016 and interest of spouse and children pursuant to Section 59 (1)(c) of the Companies Act, 2016.

^(c) These are shares held in the name of spouse pursuant to Section 59 (1)(c) of the Companies Act, 2016.

Note: By virtue of his deemed interest in the Company, Dato' Lim Soon Huat is deemed to have interest in the shares of the subsidiaries to the extent the Company has an interest.

NOTICE OF ANNUAL GENERAL MEETING

ASIA FILE CORPORATION BHD.

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of shareholders of the Company will be held at Merbah 1 Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 28 September 2017, at 10.00 a.m. for the following purposes:

Agenda

As Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 31 March 2017 and the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Constitution and who, being eligible offer themselves for re-election:
(a) Dato' Lim Soon Huat
(b) Mr. Ng Chin Nam
3. To approve a final single tier dividend of 9 sen per ordinary share for the year ended 31 March 2017
4. To approve Directors' Fees of RM256,000 for the year ended 31 March 2017.
5. To approve the payment of Directors' Fee and benefits up to RM400,000 for the period commencing 1 April 2017 through to the next Annual General Meeting of the Company
6. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business:

To consider, and if thought fit, to pass the following Resolutions, with or without modification:

7. **SECTION 76 OF THE COMPANIES ACT, 2016**
"THAT pursuant to Section 76 of the Companies Act, 2016 ("the Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."
Ordinary Resolution 7
8. **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY**
"THAT subject to the compliance with all applicable rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Malaysia Securities Berhad ("Bursa
Ordinary Resolution 8

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

ASIA FILE CORPORATION BHD.

Securities”) and any other approvals from all relevant governmental and/or regulatory authorities:

the Directors of the Company be and are hereby authorised to purchase its own Shares through Bursa Securities, subject to the following: -

- (i) The maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being (“Asia File Shares”);
- (ii) The maximum fund to be allocated by the Company for the purpose of purchasing Asia File Shares shall not exceed the retained profits of the Company which stood at RM20.47 million as at 31 March 2017 based on the audited accounts.
- (iii) The authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue be in force until:
 - a) the conclusion of the next Annual General Meeting of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
 - b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;
- (iv) Upon completion of the purchase(s) of the Shares by the Company, the Shares shall be dealt with in the following manner :-
 - a) to cancel the Asia File Shares so purchased; or
 - b) to retain the Asia File Shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities; or
 - c) to retain part of the Asia File Shares so purchased as treasury shares and cancel the remainder;
 - d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase of Asia File Shares.”

9. RETENTION AS INDEPENDENT DIRECTOR(S)

Ordinary Resolution 9

“THAT Puan Nurjannah Binti Ali be retained as Independent Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting.”

10. To transact any other business of which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

AGIA FILE CORPORATION BHD

DIVIDEND ANNOUNCEMENT

NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on 2 October 2017 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

The dividends, if approved will be paid on 26 October 2017 to depositors registered in the Records of Depositors at the close of business on 2 October 2017.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
ONG TZE-EN (MAICSA 7026537)
Joint Company Secretaries
Penang, 31 July 2017

Notes:

1. Appointment of proxy

- (a) A Member may appoint up to 2 proxies to attend on the same occasion. A proxy may but need not be a Member of the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (b) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (c) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to a nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
- (e) For a proxy to be valid, the Proxy Form duly completed must be deposited at the 16, Jalan Impian Emas 4, Taman Impian Emas, 81300 Skudai, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
- (f) In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 19 September 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote in his/her behalf.

2. Explanatory Notes:

(a) Resolution 5 : Payment of Directors' fees and benefits

The proposed Resolution 5, if passed, will facilitate the payment of the Directors' fees and benefits to the Directors for the period commencing 1 April 2017 through the next annual general meeting ("AGM"). Details of the Directors' fees and benefits payable to the Directors for the financial year ended 31 March 2017 are enumerated under the Corporate Governance Statement in the Annual Report 2017.

The Directors' fees and benefits proposed for the period 1 April 2017 up to the next AGM are calculated based on the number of scheduled Board's and Board Committees' meetings. The Board will seek approval from the shareholders at the next AGM in the event the Directors' fees and benefits proposed is insufficient due to an increase in the number of the Board's and Board Committees' meetings and/or increase in the Board size and/or revision to the existing Directors' fees and benefits structure.

(b) Resolution 7: Section 76 of the Companies Act, 2016

The proposed Ordinary Resolution 7 is for the purpose of granting a renewed general mandate ("General Mandate") and if

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

ASIA FILE CORPORATION BHD.

passed, will empower the Directors of the Company, pursuant to Section 76 of the Act, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued share capital of the Company for the time being. This General Mandate, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to this mandate granted to the Directors at the last Annual General Meeting held on 27 August 2016 and which will lapse at the conclusion of this Twenty-Third Annual General Meeting.

This General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding further investment project(s), working capital and/or acquisitions.

(c) **Resolution 8: Proposed Renewal of Authority To Buy Back Its Own Shares By The Company**

The Ordinary Resolution No. 8, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.

(d) **Resolution 9: Retention As Independent Director(S)**

The Ordinary Resolution No. 9, if passed, will allow Puan Nurjannah Binti Ali to be retained and continue acting as Independent Director in line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. Full details of the Board's justifications and recommendation for the retention of Puan Nurjannah Binti Ali are set out under the Corporate Governance Statement in the Company's 2017 Annual Report.

Statement Accompanying Notice of Annual General Meeting :

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements) of the Bursa Malaysia Securities Berhad

No individual is standing for election as a Director at the forthcoming Twenty-Third Annual General Meeting of the Company.

ASIA FILE CORPORATION BHD
(Company No. 313192-P)

PROXY FORM
Twenty-Third
Annual General Meeting

CDS Account No.	
-----------------	--

No. of Shares Held	
--------------------	--

I/We _____ (Full name in Block Letters and NRIC / Company No.)

of _____ and _____ (Address) (Tel. No.)

being a member/ members of Asia File Corporation Bhd hereby appoint

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

* and/or (*delete if not applicable)

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

as my/our proxy, to vote for me/us and on my/our behalf at the TWENTY-THIRD ANNUAL GENERAL MEETING of the Company to be held at Merbah 1 Room, Hotel Equatorial, No. 1 Jalan Bukit Jambul, 11900 Penang on Thursday, 28 September 2017 at 10.00 a.m. and at any adjournment thereof.

	Ordinary Resolutions								
	1	2	3	4	5	6	7	8	9
FOR									
AGAINST									

(Please indicate with "X" in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

Signed this _____ day of _____ 2017

Signature of Shareholder

Common Seal to be affixed here
if Shareholder is a Corporation

Note:

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint any person to be his proxy without limitation. Where a member appoints more than (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the form of proxy must be deposited at 16, Jalan Impian Emas 4, Taman Impian Emas, 81300 Skudai, Johor, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the meeting.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 September 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

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STAMP

To: **VotesApp Sdn. Bhd.**
16, Jalan Impian Emas 4
Taman Impian Emas
81300 Skudai
Johor, Malaysia

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