



ASIA FILE CORPORATION BHD.
(313192 P)



Annual Report
2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Lim Soon Huat
(Executive Chairman)

Ng Chin Nam
(Independent Non-Executive Director)

Lim Soon Wah
(Executive Director)

Lam Voon Kean
(Independent Non-Executive Director)

Nurjannah Binti Ali
(Independent Non-Executive Director)

Lim Soon Hee (Alternate to Lim Soon Wah)
(Non-Independent Non-Executive Director)

COMPANY SECRETARIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 metal. Through its 100% owned subsidiary in United Kingdom, the Group also manufactures coloured paper and board for filing, educational and other specialty markets.

The Group's manufacturing facilities consist of six 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. "OPTION", "MEGA" and "GUNGYU" are among other popular brand names widely sold in the local market.

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.

As part of its product diversification plans, the Group has ventured into disposable food wares during the year. However, the contribution from the initial soft launch of the above new business was not material for the financial year ended 31 March 2018.

Financial Overview

	FYE 2018 RM'000	FYE 2017 RM'000
Revenue	351,814	350,324
Results from Operating	60,118	66,020
Finance Cost	(585)	(357)
Shares of Profits of associate	11,837	5,183
Profit Before Tax ("PBT")	71,370	70,846
<i>PBT %</i>	<i>20.29%</i>	<i>20.22%</i>
Taxation	(12,072)	(14,782)
Profit After Tax ("PAT")	59,298	56,064
<i>PAT %</i>	<i>16.85%</i>	<i>16.00%</i>

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Revenue

Although the overall market for the industry remains subdued, the Group managed to register a modest increase in revenue during the year from RM 350.3 million to RM 351.8 million. As highlighted last year, the shift in procurement to local sources by its major customers in USA has adversely affected the revenue generated from this market segment which saw the sales figures dropped by 47% during the year. In Germany, we continued to witness a stagnant demand with sales dropped by 8.4%. However, the impact was cushioned well by the jump in sales in UK where we traditionally enjoyed a strong presence. In addition, the Group has also made successful inroad into other markets where the products have been well accepted. On the local front, despite a weaker consumer sentiment, we were happy to note that our sales team has managed to deliver consistent revenue for the year by enhancing our local market share.

Operating Profit

Our operating profit recorded a dip during the year from RM 66 million to RM 60.1 million amidst a challenging business environment which saw raw material costs such as paper and paperboard skyrocketed due to tight supply in the market. Although eventually we have successfully passed through the increased costs to our customers, the time lag between the higher cost occurrence and the upward adjustment in selling price reduced the operating margin recorded in the earlier period of the year. In addition, higher freight expenses incurred during the year have also adversely impacted the operating margin.

As at year end, an unrealised loss of RM 2.8 million was booked into the accounts in relation to mark to market of certain investment instruments which may potentially reverse out in the future period subject to the prevailing market price of the underlying assets.

Profit Before Tax

Despite the drop in operating profit, the pre tax profit registered an increase from RM 70.8 million to RM 71.4 million. This was mainly attributable to a significant jump in share of profits of its associate which has more than doubled up during the year from RM 5.2 million to RM 11.8 million.

Group Financial Position

The Group enjoys a robust financial position with total assets stand at RM 675.2 million while the combined cash and interest bearing financial instruments has increased to RM 201.1 million during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Dividend

In line with the Group's commitment to reward and return value to its shareholders, we are pleased to recommend a final single-tiered dividend of 8% subject to obtaining the shareholders' approval in the forthcoming Annual General Meeting. Coupled with the interim dividend of RM 13.6 million paid out to the shareholders during the year, this will bring the total amount of dividend to be paid out in respect of the financial year ended 31 March 2018 to RM 29.2 million which represents a total pay out rate of 49.2 % based on the net profit of the year.

Anticipated Risks

Foreign Exchange Risk

As approximately 90% of the Group revenues were invoiced in foreign currencies, foreign exchange 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.

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. The Group's policy of only delivering to credit worthy customers after detailed evaluation of customers' financial position helps to minimize occurrence of bad debts.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Business Outlook and Prospects

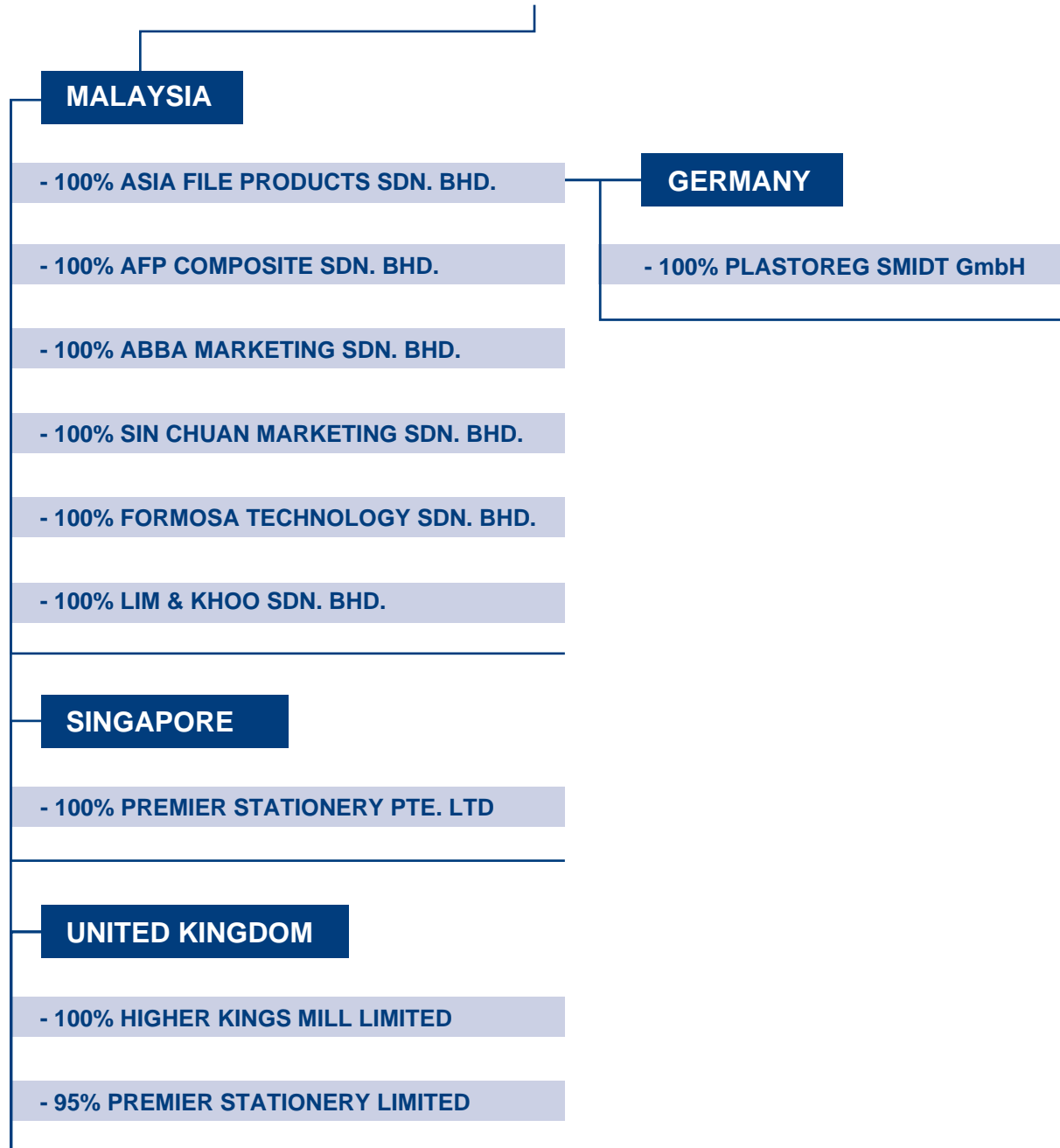
Despite the challenges faced during the year, the Group is able to deliver a consistent revenue and decent profit margin for the year. Leveraging on its cost competitiveness while proactively managing the impact of a higher cost of raw material has enabled the Group to navigate through the challenging year.

While we are optimistic about our future, we remain cognizant of the challenges we will face on the road ahead. Over the years, the Group has stayed on course towards focusing and growing its core business. However, the Group will need to re-adapt and look beyond its traditional filing products in view of the fast evolution into all things digital. In recognising the need to put in place a business model which will help to generate sustainable growth to the business, the Group has embarked on product diversification into disposal food ware. As this will be a totally new industry to us, we will adopt a higher degree of cautiousness and prudence when implementing any business strategy in relation to this new venture. The current strong balance sheet of the Group will provide a healthy capital base for future expansion and to enable the Group to continue seeking our new growth opportunities. Our corporate culture of being resilient and perseverance will propel us forward and we are confident that the financial performance of the Group will remain profitable.

CORPORATE STRUCTURE



ASIA FILE CORPORATION BHD.
(313192P)



PROFILE OF DIRECTORS



1. Dato' Lim Soon Huat, aged 61, Male, a Malaysian 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 35 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 also holds directorship in various subsidiaries of Asia File Corporation Bhd Group.

As at 29 June 2018, he is the registered holder of 2,882,955 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 2018, he attended four (4) Board of Directors' meetings.

2. Lim Soon Wah, aged 51, Male, a Malaysian 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 29 June 2018, he is the registered holder of 3,138,870 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 2018, he attended four (4) Board of Directors' meetings.

PROFILE OF DIRECTORS (cont'd)

3. Ng Chin Nam, aged 48, Male, a Malaysian. 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 & Remuneration 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 the role as Head of Management Information System (MIS), Human Resource and Finance in another listed company. Mr Ng presently sits on the Boards of Atta Global Group Berhad and Niche Capital Emas Holdings Berhad.

During the financial year ended 31 March 2018, he attended four (4) Board of Directors' meetings.

5. Nurjannah binti Ali, aged 59, Female a Malaysian. 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 & Remuneration Committee.

With an accounting background, Puan Nurjannah has more than 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 2018, she attended four (4) Board of Directors' meetings.

Notes:

Datin Khoo Saw Sim, a substantial shareholder, is the mother of directors, Dato' Lim Soon Huat 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 Mr Ng Chin Nam, Puan Nurjannah binti Ali and Madam 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 five (5) years, none of the directors was convicted of any offence other than traffic offences.

4. Lam Voon Kean, aged 66, Female, a Malaysian. 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 Remuneration & Nomination Committee.

Madam 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. Madam Lam presently sits on the Boards of Globetronics Technology Bhd, RGB International Bhd, Aluminium Company of Malaysia Berhad and Tambun Indah Land Berhad.

During the financial year ended 31 March 2018, she attended four (4) Board of Directors' meetings.

6. Lim Soon Hee, aged 55, Male, a Malaysian. 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 10 years' experiences in sales and marketing and holds directorships in various private limited companies.

As at 29 June 2018, 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.

PROFILE OF KEY SENIOR MANAGEMENT

Mr. Rod Martin, aged 59, Male, a British

- *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 30 years.

He was appointed as the managing director of Premier Stationery Limited since its establishment in 1997. He has been a director 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 61, Male, a German

- *Managing Director 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.

Ms Goh Phaik Ngoh, aged 50, 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.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Ms Lim Chin Chin, aged 37, 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 department, Prepress department, 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 43, 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.

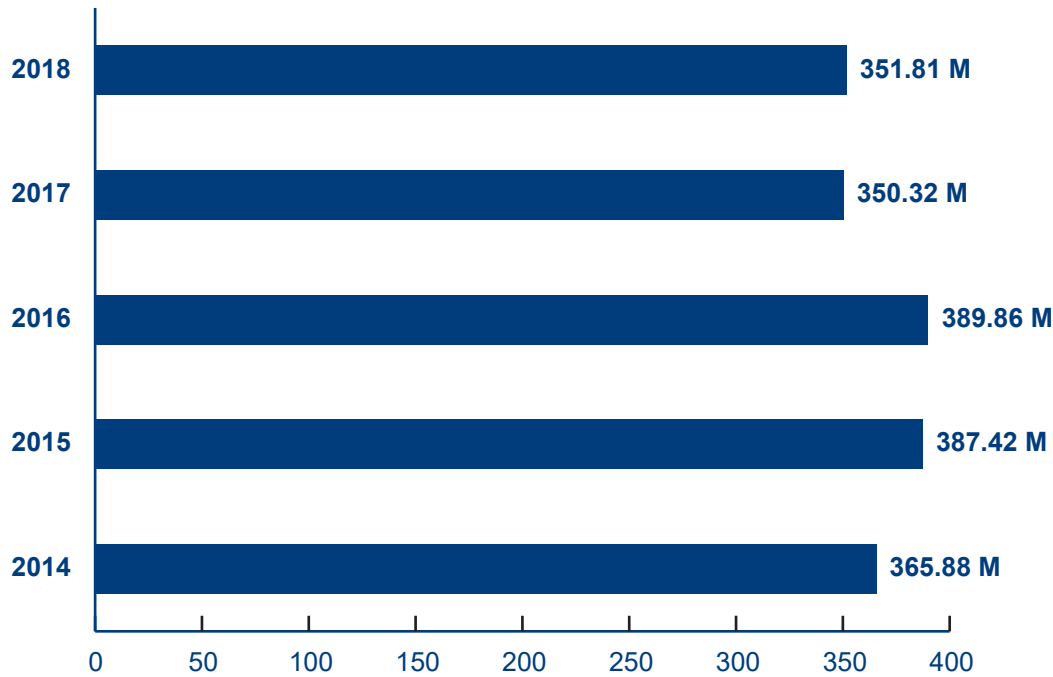
Additional information

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 2018.

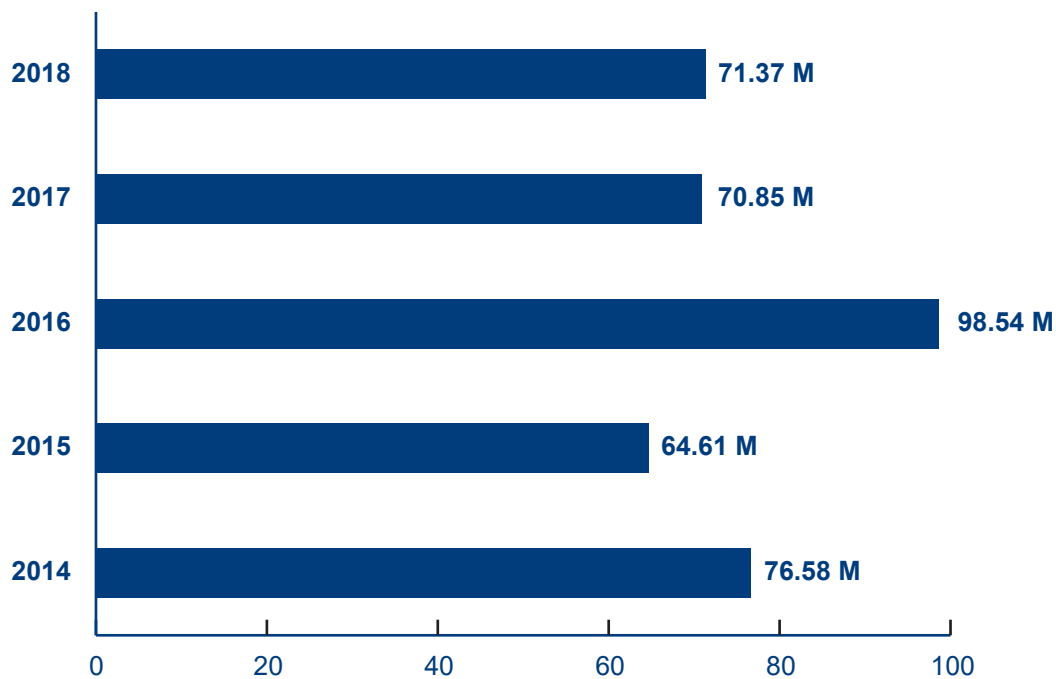
GROUP FINANCIAL HIGHLIGHTS

TURNOVER



Year	2014	2015	2016	2017	2018
Turnover (RM)	365.88M	387.42M	389.86M	350.32M	351.81M

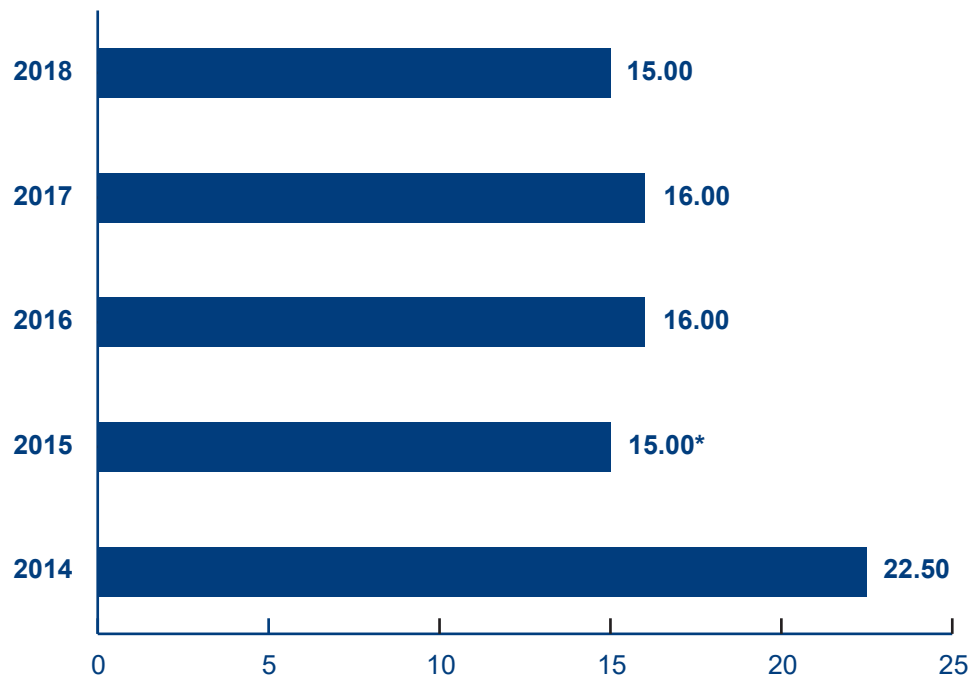
PROFIT BEFORE TAXATION



Year	2014	2015	2016	2017	2018
Profit Before Tax (RM)	76.58M	64.61M	98.54M	70.85M	71.37M

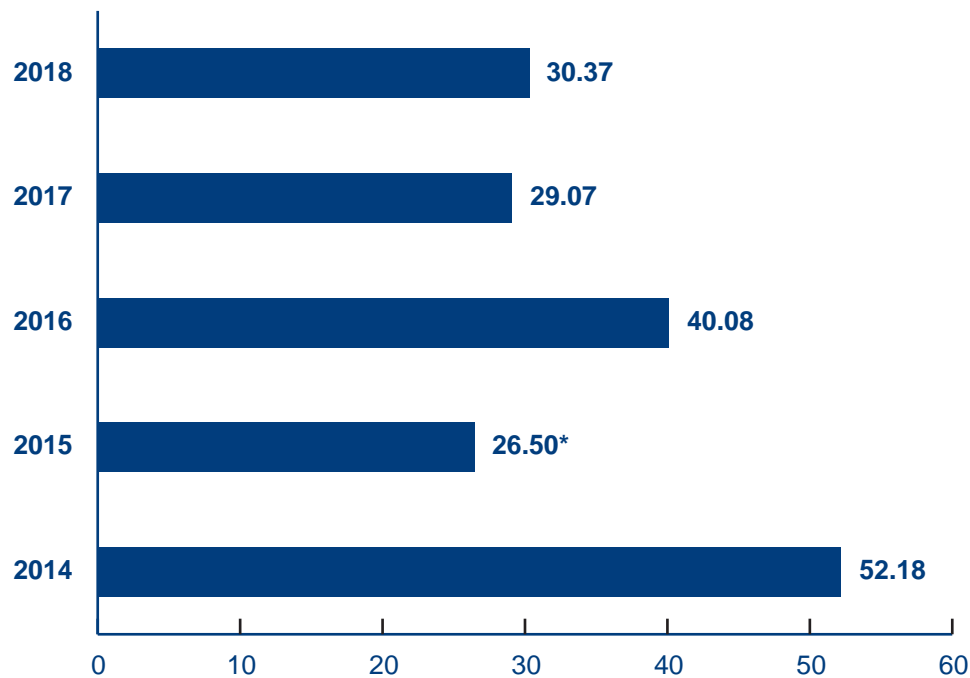
GROUP FINANCIAL HIGHLIGHTS (cont'd)

DIVIDENDS PER ORDINARY SHARE - NET (CENTS)



Year	2014	2015	2016	2017	2018
Dividends Per Ordinary Share - Net (Cents)	22.50	15.00*	16.00	16.00	15.00

BASIC EARNINGS PER SHARE (CENTS)



Year	2014	2015	2016	2017	2018
Basic Earnings Per Share (Cents)	52.18	26.50*	40.08	29.07	30.37

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Introduction

This Statement is prepared in accordance with Main Market Listing Requirements (“Main Market LR”) and The Malaysian Code on Corporate Governance (“MCCG”) issued by Securities Commission Malaysia. This Statement gives the shareholders an overview of the corporate governance (“CG”) practices of the Group during financial year 2018. This Statement is to be read together with the CG Report based on a prescribed format as outlined in the Main Market LR. This CG Report is available for reference at the Company’s website (www.asia-file.com) as well as on Bursa Securities Malaysia’s website (www.bursamalaysia.com).

MCCG is based on three (3) key principles of good corporate governance namely:-

- A) Board Leadership and Effectiveness;
- B) Effective Audit and Risk Management; and
- C) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

Principle A: Board Leadership and Effectiveness

Board Responsibilities

The Board is responsible towards the strategic planning, overseeing the resources and the overall operation of the Group. The roles and responsibilities of the Board in pursuit of its corporate objectives are set in the Board Charter. 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 (“AC”) and Nomination & Remuneration Committee (“NRC”). All the Board Committees consists exclusively of Independent Non-Executive Directors. The Board Charter and the terms of reference of the Board Committees are available online at the Company’s website (www.asia-file.com) and they will be reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness. In addition, the Board is also supported by suitably qualified company secretaries who are members of The Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) in ensuring that all Board meetings are properly convened.

Attendance at the various Board meetings during the financial year ended 31 March 2018 is set out in the table below:-

Number of meetings held in the year	Position	Board	AC	NC	NRC (*)
Dato’ Lim Soon Huat	Non-Independent Executive Chairman	4/4	-	-	-
Mr. Lim Soon Wah	Non-Independent Executive Director	4/4	-	-	-
Mr. Ng Chin Nam	Independent Non-Executive Director	4/4	4/4	1/1	1/1
Puan Nurjannah Binti Ali	Independent Non-Executive Director	4/4	4/4	1/1	1/1
Madam Lam Voon Kean	Independent Non-Executive Director	4/4	4/4	1/1	1/1

**During the year, the Remuneration Committee (“RC”) was set up and integrated into the existing Nomination Committee (“NC”) and renamed as Nomination & Remuneration Committee (“NRC”).*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Calendar of meetings are tabled as below:-

Types of meeting	31 May 2017	26 Aug 2017	30 Nov 2017	28 Feb 2018
Board	✓	✓	✓	✓
AC	✓	✓	✓	✓
NC	✓	-	-	-
NRC	-	-	-	✓

The Group is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner. The Groups has established a set of Code of Conduct and Ethics which governs the standard of ethics and conducts expected from the Directors and employees of the Group. In addition, the Group's employee handbook also outlines the moral responsibilities of the employees in discharging their duties in an ethical manner.

The Group has also put in place a Whistleblowing Policy which serves as an early warning system to detect 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 and stakeholders of the Group to disclose any irregularities and the protection accorded to whistle blowers who disclose such allegations in good faith.

Chairman of the Board

The Chairman is responsible to lead the Board and ensure its effectiveness. 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 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 LR. 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 guidance when deliberating on key issues or during discussions on latest developments.

Members of the Board have direct access to the Senior Management and are also given unrestricted access to the advices and services of 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 Securities Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Board Composition

The present Board composition comprises of two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Alternate Director. The two (2) 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 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 (9) years, remains as Independent Non-Executive Director.

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 should remain a priority so as not to compromise on capabilities, experience and qualification. Nevertheless, the current Board composition reflects a balanced diversity with the fulfilment of at least 30% of woman participation at the Board level.

A summary of the Board composition is set out below:-

Independence	Gender	Ethnicity	Age Group	Length of Service
Non-Independent (40%)	Male (60%)	Malay (20%)	> 60 years (40%)	> 20 years (40%)
Independent (60%)	Female (40%)	Chinese (80%)	56 – 60 years (20%)	10 – 19 years (20%)
			< 55 years (40%)	< 9 years (40%)

Nomination & Remuneration Committee (“NRC”)

During the year, Remuneration Committee (“RC”) was set up to review and recommend to the Board a transparent and equitable remuneration policy and framework for the directors and Senior Management. The Committee was integrated into the existing Nomination Committee (“NC”) and renamed as Nomination & Remuneration Committee (“NRC”). The Committee is headed by Mr. Ng Chin Nam, an Independent Non- Executive Director.

The existing terms of reference for NC was revised to incorporate the newly set up of the RC. The revised terms of reference for NRC were adopted by the Board on 30 November 2017 to replace the previous terms of reference for NC which was approved earlier by the Board on 28 February 2013. The terms of reference for NRC are available at the Company’s website (www.asia-file.com).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

During the year, the NC met once on 31 May 2017 while the newly set up NRC conducted another meeting on 28 February 2018. Both meetings were attended by all members of the Board Committees.

The activities undertaken by the NC and NRC for the financial year ended 31 March 2018 were as follows:-

1. Reviewed the overall structure, size and composition of the Board with an aim to achieve a balance of views from the Board;
2. Reviewed the required mix of skills and experiences and other qualities including core competencies and time commitment of the members of the Board;
3. Assessed and reviewed the independence of the directors in delivering their judgment and decisions;
4. Reviewed the criteria for evaluating Board and Board Committees' performance and recommended to the Board the adoption of the revised Board Evaluation & Assessment Form for the annual performance review of the Directors for the financial year 2018;
5. Conducted annual performance evaluation and assessment on the effectiveness of the Board and each Board Committee in discharging its duties and responsibilities;
6. Reviewed and recommended to the Board a transparent and equitable remuneration policy and framework for the directors and Senior Management of the Group which will link rewards to company and individual performances;
7. Reviewed and endorsed the Board's approval on the salary increment framework and annual bonus for the directors and Senior Management of the Group and ensured alignment of compensation to company performance and compensation offered is in line with market practice;
8. Made recommendation to the Board for the adoption of the amended terms of reference of the NRC.

Board Assessment

Board assessment and evaluation is performed annually by the NRC with the objective to enhance its effectiveness, strength and to identify areas that require improvement. The assessment of independence of the Independent Directors is carried out upon appointment, annually and when any new interest or relationship develops.

During the financial year ended 31 March 2018, self-assessment was conducted on the Board, Board Committees and individual Directors based on the following criteria:-

- (i) Board and Board Committees Evaluation
- (ii) Assessment of Character, Experience, Integrity, Competence and Time Commitment
- (iii) Assessment on Mix of Skill and Experience
- (iv) Evaluation of Level of Independence of a Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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 Malaysia.

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:-

Directors	Programmes	Organizer	Date
Dato' Lim Soon Huat	➤ The 9 th Beijing International Printing Technology Exhibition	China Print 2017, Beijing	May 11-15, 2017
	➤ The 31 st – Asia's No. 1 & World's No. 2 International Exhibition on Plastic & Rubber Industries	CHINAPLAS 2017, Guangzhou	May 16-19, 2017
	➤ Updates on MFRS 15 – Revenue from Contracts With Customers	In-house	Aug 29, 2017
Mr. Lim Soon Wah	➤ Updates on MFRS 15 – Revenue from Contracts with Customers	In-house	Aug 29, 2017
Mr. Ng Chin Nam	➤ Corporate Governance and Listing Requirements Market Talk	KPMG	May 15, 2017
	➤ Key Disclosure Obligations Of A Listed Company	CKM Advisory Sdn Bhd, Chee Kai Mun	May 30, 2017
	➤ Key Amendments To Listing Requirements 2016		
Puan Nurjannah Binti Ali	➤ Tax Seminar on Budget 2018	Grant Thornton	Nov 8, 2017
	➤ Malaysia International Retail, Franchise & Licensing Fair 2017	Malaysia Retail Chain Association	Jul 13-16, 2017
	➤ Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide	Bursa Malaysia	Mar 16, 2018
Madam Lam Voon Kean	➤ CG and Listing Requirements Market Talk	KPMG	May 15, 2017
	➤ Fraud Risk Management Workshop	Bursa Malaysia	Jul 13, 2017
	➤ MCCG - New Dimension Roadshow	Securities Industry Development Corporation (SIDC)	Aug 21, 2017
	➤ Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers - Corporate Disclosure Framework	Bursa Malaysia	Sep 6, 2017
Mr. Lim Soon Hee	➤ Updates on MFRS 15 – Revenue from Contracts with Customers	In-house	Aug 29, 2017

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Directors' Remuneration

NRC is responsible to review and recommend to the Board a transparent and equitable remuneration policy and framework for the directors and Senior Management of the Group.

Specific disclosure of the directors and Senior Management's remuneration in relation to Practice 7.1 and 7.2 of the MCCG are provided separately in the Corporate Governance Report.

Principle B: Effective Audit and Risk Management

Audit Committee ("AC")

The AC of the Group comprises of three (3) Independent Non-Executive Directors. It is chaired by Mr. Ng Chin Nam, who is a member of the Chartered Institute of Management Accountants and possessed more than 20 years of experience in accounting related field. The remaining two (2) members of the committee also come from strong accounting and financial background. This will enable them to understand matters discussed during the AC meetings in particular on accounts related and financial reporting issues.

During the year, AC organised two (2) private sessions with the external auditor, Messrs. KPMG PLT ("KPMG") without the presence of Executive Directors and management. The meetings with the auditors provide a direct communication and enable the members of the Committee to assess the suitability, objectivity and independence of the external auditors. The AC is satisfied that KPMG will be able to carry out their responsibilities in an unbiased and professional manner.

The detailed composition and summary of activities of the AC are set out separately under Audit Committee Report in this Annual Report.

Risk Management and Internal Control Framework

The Board assumes the overall responsibility for the Group's risk management and internal control system. AC will assist the Board in evaluating the adequacy of the effectiveness of the risk management and internal control framework adopted by the Group. This evaluation 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.

Details of Risk Management and Internal Control which provides an overview of the Group's risk management and internal control framework is set out in the Statement on Risk Management and Internal Control in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Communication with Stakeholders

a) 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 on-going effort to strengthen relationship with its shareholders, the Group continuously 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.

b) 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.

c) Announcements to Bursa Securities

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

d) 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 which the institutional investors and analysts may have with respect to the business or operations of the Group.

e) Company Website

The Company's 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 LR.

Other corporate information such as profile of Directors, Board Charter, Code of Ethics and Conduct, Whistleblowing Policy and Terms of Reference for AC and NRC are also made available to the shareholders and public on the website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Conduct of General Meetings

The Board views the Annual General Meeting (“AGM”) as the primary forum to communicate with shareholders. AGM held each year provide an excellent platform for shareholders to participate in the question and answer session.

The Company issued the Notice of its AGM at least 28 days ahead as per requirement of Companies Act 2016 and Main Market LR providing sufficient time for shareholders to review the Notice of AGM and appoint proxies to attend the AGM if necessary.

All Board members, senior management and the Group’s external auditors are available to respond to shareholders’ questions during the AGM.

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

This Corporate Governance Overview Statement was approved by the Board of Directors on 2 July 2018.

AUDIT COMMITTEE REPORT

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 31 March 2018.

Audit Committee Composition and Attendance

The Audit Committee comprises of three members, all of whom 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"). 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.

Composition and attendance at the Audit Committee meetings during the year are as follows:-

Name of member	Position	Attendance
Mr. Ng Chin Nam	Chairman, Independent Non-Executive Director	4/4
Puan Nurjannah Binti Ali	Member, Independent Non-Executive Director	4/4
Madam Lam Voon Kean	Member, Independent Non-Executive Director	4/4

The Audit Committee meets at least four times annually. In addition, at least twice a year, the Audit Committee meets with the external auditors without the Executive Directors and management being present. The meetings for the Audit Committee were held on 31 May 2017, 26 August 2017, 30 November 2017, and 28 February 2018.

Meetings of the Audit Committee were attended by the Company Secretary. Minutes of each meeting were distributed and confirmed by all members.

Summary of Activities during the Year

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

a) Financial Reporting

Reviewed the unaudited quarterly and annual audited financial statements of the Group and recommended them to the Board for approval. The reviews were carried out together with the Chief Financial Officer who will provide any explanation or clarification required by the members of the Audit Committee.

The focus of review was on:-

- Changes in implementation of major accounting policies;
- Introduction of new accounting standards and additional statutory / regulatory disclosure requirements;
- Significant adjustments arising from the audit;
- Significant and unusual events; and
- Compliance with accounting standards and other legal / statutory requirements.

AUDIT COMMITTEE REPORT

(cont'd)

b) External Audit

- i) Reviewed with the external auditors:-
 - Their audit plan which includes the audit strategy and scope of work for the year; and
 - The results of their annual audit, audit report and management letter together with management's response to their findings.
- ii) Hold two (2) meetings with the external auditors without the presence of the Executive Directors or management to reinforce the independence of the external audit function of the Company.
- iii) Evaluated the performance, effectiveness and independence of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.

On 28 February 2018, prior to the commencement of the audit, the external auditors presented a summary of their audit plan and strategy which outline the engagement team, materiality, audit scope, methodology, potential key audit matters and focus areas to the Audit Committee. An audit status presentation by the external auditors to the Audit Committee was carried out on 31 May 2018. The presentation provided a summary of the external auditors' key findings arising from the audit of consolidated financial statements as at and for the year ended 31 March 2018. No major issues which warrant any specific attention was highlighted during the meetings with the external auditors.

c) Internal Audit

- i) 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.

During the year, the annual Audit Plan for the calendar year 2018 was presented by the Head of the Internal Audit Department and was subsequently approved by the Audit Committee on 30 November 2017.

- ii) 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.
- iii) Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control weaknesses have been addressed.

d) Related Party Transactions

Reviewed the related party transactions to ensure that they were properly accounted for and disclosed in the Annual Report.

e) Annual Reporting

Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and Corporate Governance Report prior to recommending to the Board for approval.

AUDIT COMMITTEE REPORT

(cont'd)

Training

During the financial year 2018, all members of the Audit Committee have attended various seminars, training programs and conferences. The details of trainings attended are disclosed in the Corporate Governance Overview Statement of this Annual Report.

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 Group'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 key operating units and follow-up audits on all key departments and operations, including subsidiaries within the Group 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 Head of the Internal Audit Department to the Audit Committee on a quarterly basis.

During the financial year 2018, total costs incurred for the Internal Audit function comprising staff payroll and benefits, training, travelling and incidental costs amounted to approximately RM 225,000.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 2 July 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

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 Group does not adopt any one risk management standard or guideline as it believes that it will be more beneficial to tailor the approach based on the specific circumstances of the Group.

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, and product diversification are managed at the top management level.

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

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");
- Ensure the adequacy and effectiveness of the Group's internal control systems in order to accommodate the changes in business environment or regulatory requirements.

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

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.

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.

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. It is headed by Ms Lim Hooi Cheng who has an in depth knowledge of the Group's operation. She obtained her Master in Business Administration from University Utara Malaysia and is also a member of Malaysian Institute of Accountants.

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.

The said yearly plans were reviewed and approved by the Audit Committee on:-

Approved on:	Period Covered:
26 November 2016	1 January 2017 - 31 December 2017
30 November 2017	1 January 2018 - 31 December 2018

Internal audits are carried out on all departments and key operating units, the frequency of which is determined by the level of risk assessed. During the year, a total of thirteen (13) departments and / or operating units within the Group were audited by IAD.

The 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.

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

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. 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 2 July 2018.

SUSTAINABILITY STATEMENT

Introduction

The Board of Directors of Asia File Corporation Berhad and its subsidiaries (“the Group”) are pleased to present this Sustainability Statement for the financial year ended 31 March 2018. This statement has been prepared in accordance with Paragraph 29 of Part A Appendix 9C and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Sdn Bhd.

The Group recognizes the importance of integrating sustainability in the Group’s operations when developing business strategy and management process. The Group believes in striking a balance between achieving operational profitability whilst simultaneously managing sustainability related risks in the area of economic, environmental and social in order to enhance investor perception and public trust.

Governance Structure and Scope of Coverage

The Group’s sustainability strategy will be driven by the Board who is involved in formulating plans to identify, evaluate and manage sustainability matters within the Group. The Board will be assisted by Senior Management who oversees the implementation of sustainability at their respective operation units to ensure that intended goals and objectives are met. Internal Audit Department helps to monitor to ensure compliance by all operation units. Non compliance which results in significant impact to the Group’s operation will be reported to the Audit Committee.

This statement is applicable for the financial year ended 31 March 2018 and covers all major plants in Malaysia and overseas.

Economic Sustainability

The Groups prides itself in its ability to generate sustainable profit from its operation over the years. With a strong cash flow, the Group is able to pay out consistent dividends and thus creating positive return to its shareholders. For the financial year 2018, the Group has declared a total dividend of fifteen (15) sen for every one (1) existing ordinary share held.

The expansion of the Group’s business provides a wide range of employment opportunities to the local communities. The growth of the Group’s business has also assisted the Small and Medium Enterprises working in partnership with the Group through their supplies of materials and services. This result in creation of economic value to the surrounding community.

To ensure that the Group will continue to be in a position to deliver economic value to its stakeholders and its local communities, the Group will continuously engage with its customers, suppliers and business partners and conduct its business in an ethical manner. Beside the filing products, the Group has also diversified into other consumer products such as disposable food wares.

SUSTAINABILITY STATEMENT

(cont'd)

Environmental Sustainability

The Group is committed in minimizing the potential impact of its operations on the environment by adopting and applying environmentally responsible practices in achieving long term sustainability growth.

The Group has considered safety and environmental factors in all its operating decisions and explores possible opportunities to minimize any adverse impact from manufacturing operations, waste disposal and energy consumption. As the Group is in the business dealing with papers and plastics, it places great emphasis on compliance with the environmental rules and regulations set by the various governing authorities both locally and abroad.

In terms of managing waste disposal, the Group has implemented procedures to reuse and recycle waste products whenever possible. The Group has a recycling unit at its Permatang Tinggi plant that recycles plastic wastes to be reused in production in order to optimize the consumption of plastic material. In addition, the core business objective of our paper mill in the United Kingdom is to manufacture environmental friendly bio-degradable paper products from recycled materials in order to reduce environmental impact from its operation. In order to promote sustainable forest management, the paper mill is not only accredited with ISO14001, it also offers products with strong environmental ethics such as Blue Angel, Program for The Endorsement of Forest Certification ("PEFC") and Forest Steward Council ("FSC"). For materials or wastes that cannot be reused or recycled, the Group has appointed government approved waste contractors to dispose them. The Group ensures that all hazardous materials or waste such as ink and solvents are to be stored in safe places and to be disposed off in an appropriate manner through authorised contractors.

For energy and water consumption, the Group solely depends on local electricity and water supplies. The Group has been continuously devoting efforts to reduce the usage of electricity and water and also the carbon footprint. As part of its initiatives to save energy, the Group minimizes the fuel consumption by forklifts by replacing the old ones with rechargeable forklifts, replacing the factory's lightings to energy saving LED tubes, shutting down unnecessary machines during off-peak period, regularly monitoring the usage of electricity and water and carrying out routine checks to ensure all piping, water valves and relevant equipment are in good condition and no wastage occurs.

In order to minimize the use of new resources, the Group creates awareness among employees on environment conservation by encouraging them to adopt the choice of 3R lifestyle, "Reduce, Reuse and Recycle" whenever possible. A mini campaign was carried out to encourage employees to segregate recyclable and non-recyclable wastes into different coloured waste bins. To support the campaign "Save Paper Save Tree", employees are also urged to print documents on double-sided or recycled printed papers to reduce paper consumption.

SUSTAINABILITY STATEMENT

(cont'd)

Social Sustainability

The Group evaluates social sustainability from two aspects:-

a) Employees

The Group strives to continue providing and maintaining a safe and healthy workplace for all its employees, contractors and visitors. To achieve this, steps were taken to ensure that equipment and building safety systems were functioning properly and well maintained. To increase the safety awareness among the employees, several health and safety programs had been initiated. Among them were safety awareness training, fire drill practices, enforcing regulation requiring employees (at certain units) to wear personal protective equipment, setting up of Emergency Response Team at each plant, compliance with occupational health and safety regulations and regular inspection on machines and building structures.

During the year, various programmes have also been organised by the Group for the benefit of its employees. A “Free Health Screening Campaign” was conducted by the Group at BP Diagnostic Centre to promote healthy workforce. The Group also organized festive celebrations and events to encourage employees to mingle and interact with one another to foster team spirit and build a closer working relationship. During the year, the Group hold a team building event at one of the beach hotels located at Batu Ferringhi, Penang. Sport activity such as badminton had also been organized to encourage employees to adopt a healthy and balanced lifestyle. A talk on “Motor Insurance and Claim Procedure” by MSIG Insurance Company was conducted during the year to enhance understanding among employees on how to deal with claim procedures for personal motor insurance.

The Group acknowledges that the sustainability of the Group is highly dependent on a strong human capital. 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.

b) Community

The Group continues its support to the various local charitable organizations. During the year, the Group organized a fund raising campaign for House of Hope, a non-profit organisation providing aids to underprivileged families in Penang. Employees had voluntarily set aside their time to plan and coordinate for the campaign.

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

In addition, the Group has also taken initiative to hire handicapped employees who are keen to seek employment to sustain their livings.

SUSTAINABILITY STATEMENT (cont'd)

Going Forward

The Group is committed to embedding sustainability into its business by considering the impact of its operation on economy, environmental and society. To fulfil its role as a responsible employer and corporate citizen, the Group shall adopt and apply effective economic approach, environmental friendly practises, caring social policies and good corporate governance.

This Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 2 July 2018.



We are One Team!



Prizes awarded by our Executive Chairman, Dato' Lim Soon Huat

ADDITIONAL COMPLIANCE INFORMATION

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 100 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	Lowest Price Paid	Average Price Paid	Total Consideration
		RM	RM	RM	RM
June 2017	100	3.35	3.35	3.35	364.10

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. Audit and Non-audit Fees

Fees for statutory audit paid to KPMG or its affiliates by the Company and the Group for the financial year amounted to RM 20,000 and RM 216,380 respectively.

Fees for non-audit services paid to KPMG or its affiliates by the Company and the Group for the financial year amounted to RM 14,000 and RM 36,372 respectively.

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 2018.

8. Profit Guarantee

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

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

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 practices of the MCCG in so far as they are applicable to the Group. The explanation for departure from the practices are available in the Corporate Governance Report.



**FINANCIAL
STATEMENTS
2018**

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

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 2018.

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	59,149,167	32,672,847
Non-controlling interests	148,649	-
	<u>59,297,816</u>	<u>32,672,847</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 2018 (cont'd)

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 2017 as reported in the Directors' Report of that year :
 - 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;
 - 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; and
 - a final ordinary dividend of 9 sen per ordinary share totalling RM17,528,315 declared on 28 September 2017 and paid on 26 October 2017.
- ii) In respect of the financial year ended 31 March 2018 :
 - an interim ordinary dividend of 3 sen per ordinary share totalling RM5,842,772 declared on 30 November 2017 and paid on 8 February 2018; and
 - a second interim ordinary dividend of 4 sen per ordinary share totalling RM7,790,362 declared on 28 February 2018 and paid on 24 May 2018.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 March 2018 is 8 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' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

Directors of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, the directors who served in the subsidiaries during the financial year and up to the date of this report are as follows :

Datin Khoo Saw Sim
Dato' Lim Soon Huat
Lim Soon Wah
Lim Soon Hee
Chan Sook Chin
Goh Phaik Ngoh
Lim Chin Chin
Rodney Christopher Martin
Hubertus Rohe
Lim Mei Chin (Appointed on 15 January 2018)
Uwe Smidt (Resigned on 31 December 2017)

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 :

	Balance at 1.4.2017	Number of ordinary shares			Balance at 31.3.2018
		Bought	ESOS# Exercised	(Sold)	
Interest in the Company :					
<i>Dato' Lim Soon Huat</i>					
- own	2,478,705	52,250	352,000	-	2,882,955
- others*	4,345,960	-	32,000	-	4,377,960
<i>Lim Soon Wah</i>					
- own	2,984,720	-	206,400	(52,250)	3,138,870
- others*	210,712	-	-	-	210,712
<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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

Directors' interests in shares (cont'd)

	Number of options over ordinary shares			
	Balance at 1.4.2017	Granted	(Exercised) (Lapsed)	Balance at 31.3.2018
Interest in the Company :				
<i>Dato' Lim Soon Huat</i>				
- own	352,000	-	(352,000)	-
- others*	32,000	-	(32,000)	-
<i>Lim Soon Wah</i>				
- own	206,400	-	(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.

Employees' Share Option Scheme ("ESOS")

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 2018 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").

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

Issue of shares and debentures

During the financial year, the issued and paid-up share capital of the Company was increased from 193,710,960 ordinary shares to 194,759,560 ordinary shares through the issuance of 1,048,600 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	142,800
Exercise of options under ESOS	2.57	160,000
Exercise of options under ESOS	1.94	524,260
Exercise of options under ESOS	2.44	221,540

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.

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;

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

Employees' share option scheme (cont'd)

The main features of the Scheme are as follows (cont'd) :

- 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.

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

Employees' share option scheme (cont'd)

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

Number of options over ordinary shares						
Date of offer	Expiry date	Exercise price	Balance at 1.4.2017	Exercised	Lapsed due to expiration	Balance at 31.3.2018
27.4.2007	21.4.2017	1.96	142,800	(142,800)	-	-
20.4.2009	21.4.2017	2.57	472,000	(160,000)	(312,000)	-
3.10.2011	21.4.2017	1.94	524,260	(524,260)	-	-
27.3.2014	21.4.2017	2.44	225,140	(221,540)	(3,600)	-
			1,364,200	(1,048,600)	(315,600)	-

Indemnity and insurance costs

There was no indemnity given to or insurance effected for Directors or officers or auditors of the Company during the financial year.

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

Other statutory information (cont'd)

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 2018 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 2018 (cont'd)

Auditors

The auditors, KPMG PLT 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 : 13 July 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	2018 RM	2017 RM
Assets			
Property, plant and equipment	3	104,470,120	102,485,668
Prepaid lease payments	4	1,445,199	1,484,079
Investment properties	5	1,346,140	1,387,471
Intangible assets	7	31,113,723	31,455,081
Investment in an associate	8	148,901,290	140,746,644
Deferred tax assets	9	6,923	14,396
Total non-current assets		<u>287,283,395</u>	<u>277,573,339</u>
Inventories	10	114,672,330	105,939,906
Other investments	11	84,558,258	125,155,624
Current tax assets		796,090	200,215
Trade and other receivables	12	71,339,782	69,281,873
Derivative financial assets	13	11,859	-
Cash and cash equivalents	14	116,587,382	72,437,718
Total current assets		<u>387,965,701</u>	<u>373,015,336</u>
Total assets		<u>675,249,096</u>	<u>650,588,675</u>
Equity			
Share capital	15	202,330,568	199,333,534
Treasury shares	16	(2,131)	(1,767)
Reserves	17	383,185,583	358,210,945
Total equity attributable to owners of the Company		<u>585,514,020</u>	<u>557,542,712</u>
Non-controlling interests		499,692	364,614
Total equity		<u>586,013,712</u>	<u>557,907,326</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (cont'd)

	Note	2018 RM	2017 RM
Liabilities			
Deferred tax liabilities	9	10,351,289	9,609,562
Total non-current liabilities		<u>10,351,289</u>	<u>9,609,562</u>
Bank borrowings	18	30,117,698	29,159,174
Trade and other payables	19	37,974,119	41,910,064
Current tax liabilities		3,001,916	4,212,183
Dividend payable		7,790,362	7,790,366
Total current liabilities		<u>78,884,095</u>	<u>83,071,787</u>
Total liabilities		<u>89,235,384</u>	<u>92,681,349</u>
Total equity and liabilities		<u>675,249,096</u>	<u>650,588,675</u>

The notes on pages 58 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 2018

	Note	2018 RM	2017 RM
Revenue	21	351,813,861	350,324,087
Cost of sales		(216,662,708)	(211,841,408)
Gross profit		<u>135,151,153</u>	<u>138,482,679</u>
Distribution costs		(15,145,298)	(14,055,625)
Administrative expenses		(67,933,893)	(68,176,516)
Other operating expenses		(2,389,870)	(2,414,717)
Other operating income		10,435,740	12,184,317
		<u>(75,033,321)</u>	<u>(72,462,541)</u>
Results from operating activities		<u>60,117,832</u>	<u>66,020,138</u>
Share of profit of equity-accounted associate, net of tax		11,837,418	5,183,162
Interest expense		(585,585)	(357,023)
Profit before tax	22	<u>71,369,665</u>	<u>70,846,277</u>
Tax expense	24	(12,071,849)	(14,782,341)
Profit for the year		<u>59,297,816</u>	<u>56,063,936</u>
Other comprehensive (expense)/ income, net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation differences for foreign operations		(428,180)	4,402,705
Fair value of available-for-sale financial assets		-	(782,703)
		<u>(428,180)</u>	<u>3,620,002</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

	Note	2018 RM	2017 RM
Item that will not be reclassified subsequently to profit or loss			
Share of other comprehensive (expense)/income of equity-accounted associate		(1,850,147)	2,453,526
Other comprehensive (expense)/ income for the year, net of tax	25	<u>(2,278,327)</u>	<u>6,073,528</u>
Total comprehensive income for the year		<u>57,019,489</u>	<u>62,137,464</u>
Profit attributable to:			
Owners of the Company		59,149,167	55,921,240
Non-controlling interests		148,649	142,696
Profit for the year		<u>59,297,816</u>	<u>56,063,936</u>
Total comprehensive income attributable to :			
Owners of the Company		56,884,411	62,005,038
Non-controlling interests		135,078	132,426
Total comprehensive income for the year		<u>57,019,489</u>	<u>62,137,464</u>
Basic earnings per ordinary share (sen)	26	<u>30.37</u>	<u>29.07</u>
Diluted earnings per ordinary share (sen)	26	<u>30.37</u>	<u>28.98</u>

The notes on pages 58 to 136 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Attributable to owners of the Company									
	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 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 translations 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 associate	-	-	-	-	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

\longleftrightarrow Attributable to owners of the Company \longleftrightarrow
 \longleftrightarrow Non-distributable \longleftrightarrow 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
Contributions by and distributions to owners of the Company										
- Treasury shares acquired	-	(851)	-	-	-	-	-	(851)	-	(851)
- Share-based payment transactions (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 to owners of the Company (Note 27)	-	-	-	-	-	-	(30,859,279)	(30,859,279)	-	(30,859,279)
Total transactions with owners of the Company	3,278,835	(851)	1,456,543	70,592	-	-	(30,859,279)	(26,054,160)	-	(26,054,160)
Transfer from share option reserve for 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

Contributions by and distributions to owners of the Company

- Treasury shares acquired
- Share-based payment transactions (Note 20)
- Issue of shares pursuant to ESOS
- Dividends to owners of the Company (Note 27)

Total transactions with owners of the Company

Transfer from share option reserve for options exercised

Transfer from share option reserve for options lapsed

Transfer in accordance with Section 618(2) of the Companies Act 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

	Attributable to owners of the Company			Distributable		
	Non-distributable					
	Share	Treasury	Translation	Retained	Non-	Total
	capital	shares	reserve	earnings	controlling	equity
	RM	RM	RM	RM	interests	RM
At 1 April 2017	199,333,534	(1,767)	16,064,173	341,284,281	364,614	557,907,326
Foreign exchange translation differences for foreign operations	-	-	(414,609)	-	(13,571)	(428,180)
Share of other comprehensive expense of equity-accounted associate	-	-	(1,850,147)	-	-	(1,850,147)
Total other comprehensive expense for the year	-	-	(2,264,756)	-	(13,571)	(2,278,327)
Profit for the year	-	-	-	59,149,167	148,649	59,297,816
Total comprehensive income/(expense) for the year	-	-	(2,264,756)	59,149,167	135,078	57,019,489
<i>Contributions by and distributions to owners of the Company</i>						
- Treasury shares acquired	-	(364)	-	-	-	(364)
- Issue of shares pursuant to ESOS	2,248,710	-	-	-	-	2,248,710
- Dividends to owners of the Company (Note 27)	-	-	-	(31,161,449)	-	(31,161,449)
Total transactions with owners of the Company	2,248,710	(364)	-	(31,161,449)	-	(28,913,103)
Transfer from share option reserve for options exercised	748,324	-	-	-	-	-
Transfer from share option reserve for options lapsed	-	-	-	114,167	-	-
At 31 March 2018	202,330,568	(2,131)	13,799,417	369,386,166	499,692	586,013,712

The notes on pages 58 to 136 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before tax		71,369,665	70,846,277
Adjustments for :			
Depreciation			
- Property, plant and equipment	3	9,817,230	9,462,641
- Investment properties	5	41,331	41,332
Amortisation of prepaid lease payments	4	38,880	38,873
Amortisation of intangible assets	7	359,650	354,018
Gain on disposal of property, plant and equipment		(390,127)	(37,666)
Intangible assets written off		-	40,826
Interest expense		585,585	357,023
Interest income		(5,640,206)	(6,463,387)
Share of profit of equity-accounted associate, net of tax		(11,837,418)	(5,183,162)
Share-based payment transactions	20	-	70,592
Derivative financial assets		(11,859)	4,207,312
Plant and equipment written off		873	2,801
Unrealised foreign exchange gain on trade loans		(756,684)	(246,534)
Operating profit before changes in working capital		63,576,920	73,490,946
Changes in working capital :			
Inventories		(8,909,663)	3,633,275
Trade and other receivables		(2,351,312)	14,241,615
Trade and other payables		(4,133,267)	(8,492,283)
Cash generated from operations		48,182,678	82,873,553
Tax paid		(13,122,308)	(16,666,949)
Net cash from operating activities		35,060,370	66,206,604

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

	Note	2018 RM	2017 RM
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(11,770,040)	(9,906,676)
Proceeds from disposal of property, plant and equipment		497,119	86,914
Dividends received from associate		1,832,625	1,832,625
Interest received		5,640,206	6,463,387
Decrease/(Increase) in other investments		40,597,366	(37,741,258)
Net cash from/(used in) investing activities		36,797,276	(39,265,008)
Cash flows from financing activities			
Drawdown of short term borrowings		1,715,208	975,592
Proceeds from shares issued under ESOS		2,248,710	4,735,378
Repurchase of treasury shares	16	(364)	(851)
Dividends paid		(31,161,453)	(36,461,149)
Interest paid		(585,585)	(357,023)
Net cash used in financing activities		(27,783,484)	(31,108,053)
Net increase/(decrease) in cash and cash equivalents		44,074,162	(4,166,457)
Cash and cash equivalents at 1 April		72,437,718	75,576,622
Effect of exchange rate fluctuations on cash and cash equivalents		75,502	1,027,553
Cash and cash equivalents at 31 March	14	116,587,382	72,437,718

The notes on pages 58 to 136 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	2018 RM	2017 RM
Assets			
Investments in subsidiaries	6	202,187,056	202,187,056
Investment in an associate	8	5,192,167	5,192,167
Total non-current assets		<u>207,379,223</u>	<u>207,379,223</u>
Current tax assets		55,834	21,082
Other receivables	12	23,540,839	19,665,656
Cash and cash equivalents	14	1,679,787	2,195,651
Total current assets		<u>25,276,460</u>	<u>21,882,389</u>
Total assets		<u>232,655,683</u>	<u>229,261,612</u>
Equity			
Share capital	15	202,330,568	199,333,534
Treasury shares	16	(2,131)	(1,767)
Reserves	17	22,128,056	21,364,982
Total equity		<u>224,456,493</u>	<u>220,696,749</u>
Liabilities			
Other payables	19	408,828	774,497
Dividend payable		7,790,362	7,790,366
Total current liabilities		<u>8,199,190</u>	<u>8,564,863</u>
Total equity and liabilities		<u>232,655,683</u>	<u>229,261,612</u>

The notes on pages 58 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 2018

	Note	2018 RM	2017 RM
Revenue	21	35,853,999	32,955,716
Administrative expenses		(3,200,020)	(2,905,191)
Other operating expenses		(23,977)	(67,268)
Other operating income		47,177	189,919
Profit before tax	22	<u>32,677,179</u>	<u>30,173,176</u>
Tax expense	24	(4,332)	(26,487)
Profit for the year representing total comprehensive income for the year		<u><u>32,672,847</u></u>	<u><u>30,146,689</u></u>

The notes on pages 58 to 136 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital RM	Treasury shares RM	Non-distributable		Distributable		Total equity RM
			Share premium RM	Share option reserve RM	Retained earnings RM		
At 1 April 2016	191,317,860	(916)	2,020,317	2,165,885	21,101,074		216,604,220
Profit for the year representing total comprehensive income for the year	-	-	-	-	30,146,689		30,146,689
<i>Contributions by and distributions to owners of the Company</i>							
- Treasury shares acquired	-	(851)	-	-	-		(851)
- Share-based payment transactions (Note 20)	-	-	-	70,592	-		70,592
- Shares issued pursuant to ESOS	3,278,835	-	1,456,543	-	-		4,735,378
- Dividends to owners of the Company (Note 27)	-	-	-	-	(30,859,279)		(30,859,279)
Total transactions with owners of the Company	3,278,835	(851)	1,456,543	70,592	(30,859,279)		(26,054,160)
Transfer from share option reserve for 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 15.1)	4,736,839	-	(4,736,839)	-	-		-
At 31 March 2017	199,333,534	(1,767)	-	892,229	20,472,753		220,696,749

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018 (cont'd)

	← Non-distributable →		Distributable →		
	Share capital RM	Treasury shares RM	Share option reserve RM	Retained earnings RM	Total equity RM
At 1 April 2017	199,333,534	(1,767)	892,229	20,472,753	220,696,749
Profit for the year representing total comprehensive income for the year	-	-	-	32,672,847	32,672,847
<i>Contributions by and distributions to owners of the Company</i>					
- Treasury shares acquired	-	(364)	-	-	(364)
- Shares issued pursuant to ESOS	2,248,710	-	-	-	2,248,710
- Dividends to owners of the Company (Note 27)	-	-	-	(31,161,449)	(31,161,449)
Total transactions with owners of the Company	2,248,710	(364)	-	(31,161,449)	(28,913,103)
Transfer from share option reserve for options exercised	748,324	-	(748,324)	-	-
Transfer from share option reserve for options lapsed	-	-	(143,905)	143,905	-
At 31 March 2018	202,330,568	(2,131)	-	22,128,056	224,456,493

The notes on pages 58 to 136 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before tax		32,677,179	30,173,176
Adjustments for :			
Dividend income		(32,734,857)	(30,083,476)
Interest income		(36,566)	(164,911)
Operating loss before changes in working capital		(94,244)	(75,211)
Changes in working capital :			
Other receivables		(3,875,183)	2,103,917
Other payables		(365,669)	(937,084)
Cash (used in)/generated from operations		(4,335,096)	1,091,622
Tax paid		(39,084)	(51,719)
Dividends received		32,734,857	30,083,476
Interest received		36,566	164,911
Net cash from operating activities		28,397,243	31,288,290
Cash flows from financing activities			
Proceeds from shares issued under ESOS		2,248,710	4,735,378
Repurchase of treasury shares	16	(364)	(851)
Dividends paid		(31,161,453)	(36,461,149)
Net cash used in financing activities		(28,913,107)	(31,726,622)
Net decrease in cash and cash equivalents		(515,864)	(438,332)
Cash and cash equivalents at 1 April		2,195,651	2,633,983
Cash and cash equivalents at 31 March	14	1,679,787	2,195,651

The notes on pages 58 to 136 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Asia File Corporation Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of 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 2018 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 13 July 2018.

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 STATEMENTS

(cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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 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*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable, 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 and the Company will apply MFRS 15 based on cumulative effect transition approach.

The Group and the Company have assessed the estimated impact that the initial application of MFRS 15 will have on their financial statements as at 1 April 2018 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because:

- the Group and the Company have not finalised the testing and assessment of controls over their new accounting systems; and
- the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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

Group	As reported at 31 March 2018 RM'000	Estimated adjustments due to adoption of MFRS 15 RM'000	Estimated adjusted opening balance at 1 April 2018 RM'000
Inventories	114,672	(4,820)	109,852
Contract assets	-	6,193	6,193
Retained earnings	369,386	1,373	370,759

The Company does not expect the application of MFRS 15 to have a significant impact on its financial statements.

(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.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. MFRS 9 also introduces a new impairment model with a forward-looking expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group and the Company have assessed the estimated impact that the initial application of MFRS 9 will have on their financial statements as at 1 April 2018. Based on the assessment, the Group and the Company do not expect the application of MFRS 9 to have a significant impact on their financial statements.

(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*.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

(iii) MFRS 16, *Leases* (cont'd)

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are 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.

(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 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 7 - Intangible assets and Note 10 - Inventories.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) *Business combinations (cont'd)*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) *Associates (cont'd)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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.

(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 period, 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(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.

Foreign currency differences are recognised in other comprehensive income and accumulated in the 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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Initial recognition and measurement (cont'd)

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) *Financial instrument categories and subsequent measurement (cont'd)*

Financial assets (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) *Derecognition (cont'd)*

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.

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 operating income" and "other operating 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(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	2 - 10
Plant and machinery	6.66 – 25
Office equipment, furniture and fittings	8 – 33.33
Motor vehicles	15 - 25

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

(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 statements 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 period in which they are incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(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.

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 life for the current and comparative periods is 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(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, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(h) Impairment (cont'd)

(ii) *Other assets*

The carrying amounts of other assets (except for inventories and deferred tax assets) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(h) Impairment (cont'd)

(ii) Other assets (cont'd)

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 calculated using the first-in, first-out method 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(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 statements of changes in equity.

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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(m) Borrowing costs (cont'd)

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 discounts 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 STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(n) Revenue and other income (cont'd)

(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 statements 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 STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(o) Income tax (cont'd)

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 STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(p) Employee benefits (cont'd)

(iii) Share-based payment transactions (cont'd)

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 officer 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. Significant accounting policies (cont'd)

(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.

(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 values 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 STATEMENTS

(cont'd)

3. Property, plant and equipment - Group

	Land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Asset under construction RM	Total RM
Cost							
At 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 2017/1 April 2017	15,279,009	86,467,661	166,015,074	20,107,191	9,517,652	5,121,980	302,508,567
Additions	-	243,347	9,258,244	687,610	986,131	594,708	11,770,040
Disposals	-	-	(828,341)	(241,388)	(1,759,823)	-	(2,829,552)
Write off	-	-	-	(2,105)	-	-	(2,105)
Reclassifications	2,100,000	3,629,601	(21,523)	8,610	-	(5,716,688)	-
Effect of movements in exchange rates	29,750	152,334	398,492	123,922	14,058	-	718,556
At 31 March 2018	17,408,759	90,492,943	174,821,946	20,683,840	8,758,018	-	312,165,506

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment - Group (cont'd)

	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 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 2017/1 April 2017	-	37,933,810	135,686,369	17,721,747	8,680,973	-	200,022,899
Depreciation for the year	-	2,285,617	6,121,297	780,477	629,839	-	9,817,230
Disposals	-	-	(759,790)	(241,345)	(1,721,425)	-	(2,722,560)
Write off	-	-	-	(1,232)	-	-	(1,232)
Effect of movements in exchange rates	-	140,390	339,090	93,839	5,730	-	579,049
At 31 March 2018	-	40,359,817	141,386,966	18,353,486	7,595,117	-	207,695,386

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment - Group (cont'd)

Carrying amounts		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 2016		15,073,117	49,508,021	32,729,386	2,411,553	890,552	-	100,612,629
At 31 March 2017/1 April 2017		15,279,009	48,533,851	30,328,705	2,385,444	836,679	5,121,980	102,485,668
At 31 March 2018		17,408,759	50,133,126	33,434,980	2,330,354	1,162,901	-	104,470,120

3.1 Asset under construction

Included in asset under construction is freehold land with carrying amount of RM Nil (2017: RM 2,100,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. Prepaid lease payments – Group

	Unexpired period less than 50 years RM
Cost	
At 1 April 2016/31 March 2017/1 April 2017/31 March 2018	<u>2,294,116</u>
Amortisation	
At 1 April 2016	771,164
Amortisation for the year	38,873
At 31 March 2017/1 April 2017	<u>810,037</u>
Amortisation for the year	38,880
At 31 March 2018	<u>848,917</u>
Carrying amounts	
At 1 April 2016	<u>1,522,952</u>
At 31 March 2017/1 April 2017	<u>1,484,079</u>
At 31 March 2018	<u>1,445,199</u>

5. Investment properties - Group

	RM
Cost	
At 1 April 2016/31 March 2017/1 April 2017/31 March 2018	<u>2,066,583</u>
Accumulated depreciation	
At 1 April 2016	637,780
Depreciation for the year	41,332
At 31 March 2017/1 April 2017	<u>679,112</u>
Depreciation for the year	41,331
At 31 March 2018	<u>720,443</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. Investment properties - Group (cont'd)

RM

Carrying amounts

At 1 April 2016	<u>1,428,803</u>
At 31 March 2017/1 April 2017	<u>1,387,471</u>
At 31 March 2018	<u>1,346,140</u>

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 :

	2018 RM	2017 RM
Rental income	256,500	244,625
Direct operating expenses		
- income generating investment properties	<u>14,642</u>	<u>15,583</u>

Fair value information

The fair value of the investment properties as at 31 March 2018 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 of property being valued, the fair value of the investment properties of the Group is approximately RM4,000,000 (2017 : RM4,000,000).

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).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. Investment properties - Group (cont'd)

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 values of the Group's investment properties and changes in Level 3 fair values are analysed by management annually.

6. Investments in subsidiaries - Company

	2018 RM	2017 RM
Unquoted shares, at cost	198,068,043	198,068,043
Add: Share-based payments allocated to subsidiaries	4,119,013	4,119,013
	202,187,056	202,187,056

Details of the subsidiaries are as follows :

Name of subsidiary	Effective ownership interest and voting interest		Country of incorporation	Principal activities
	2018	2017		
Asia File Products Sdn. Bhd.	100%	100%	Malaysia	Manufacture and sale of stationery products and disposable food ware
Sin Chuan Marketing Sdn. Bhd.	100%	100%	Malaysia	Dormant
Lim & Khoo Sdn. Bhd.	100%	100%	Malaysia	Investment holding
Formosa Technology Sdn. Bhd.	100%	100%	Malaysia	Trading of disposable food ware
ABBA Marketing Sdn. Bhd.	100%	100%	Malaysia	Trading of stationery products, graphic designing and desktop publishing

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. Investments in subsidiaries - Company (cont'd)

Details of the subsidiaries are as follows (cont'd) :

Name of subsidiary	Effective ownership interest and voting interest		Country of incorporation	Principal activities
	2018	2017		
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
<i>Subsidiary of Asia File Products 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. Intangible assets - Group

	Goodwill RM	Customer contracts RM	Total RM
Cost			
At 1 April 2016	30,234,456	2,608,864	32,843,320
Write off	-	(52,259)	(52,259)
Effect of movements in exchange rates	-	164,523	164,523
At 31 March 2017/1 April 2017	30,234,456	2,721,128	32,955,584
Effect of movements in exchange rates	-	23,060	23,060
At 31 March 2018	30,234,456	2,744,188	32,978,644
Amortisation			
At 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 April 2017	-	1,500,503	1,500,503
Amortisation for the year	-	359,650	359,650
Effect of movements in exchange rates	-	4,768	4,768
At 31 March 2018	-	1,864,921	1,864,921
Carrying amounts			
At 1 April 2016	30,234,456	1,525,544	31,760,000
At 31 March 2017/1 April 2017	30,234,456	1,220,625	31,455,081
At 31 March 2018	30,234,456	879,267	31,113,723

Goodwill has been allocated to the Group's cash-generating units ("CGU") identified in a foreign subsidiary's operations acquired in the past. The aggregate carrying amount of goodwill allocated was RM30.2 million (2017: RM30.2 million).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. Intangible assets - Group (cont'd)

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 its 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 rate applied of approximately 6% (2017 : 9%). Discount rate used is 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.

8. Investment in an associate

	2018 RM	2017 RM
Group		
At cost		
Quoted shares	47,041,909	47,041,909
Share of post acquisition reserves	101,859,381	93,704,735
	<u>148,901,290</u>	<u>140,746,644</u>
Market value of quoted shares	<u>114,844,500</u>	<u>100,794,375</u>
Company		
At cost		
Quoted shares	<u>5,192,167</u>	<u>5,192,167</u>
Market value of quoted shares	<u>11,771,432</u>	<u>10,331,310</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. Investment in an associate (cont'd)

Details of the associate are as follows :

Name of entity	Effective ownership interest and voting interest		Country of incorporation	Principal activity
	2018 %	2017 %		
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.

	2018 RM'000	2017 RM'000
Muda Holdings Berhad		
Summarised financial information		
As at 31 March		
Non-current assets	917,043	887,015
Current assets	686,413	564,971
Non-current liabilities	(183,823)	(153,191)
Current liabilities	(652,995)	(570,956)
Non-controlling interests	(23,248)	(25,147)
Net assets	<u>743,390</u>	<u>702,692</u>
Year ended 31 March		
Profit from continuing operations	59,112	25,877
Other comprehensive (expense)/income	(9,239)	12,242
Total comprehensive income	<u>49,873</u>	<u>38,119</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. Investment in an associate (cont'd)

	2018 RM'000	2017 RM'000
<i>Included in the total comprehensive income is :</i>		
Revenue	<u>1,503,325</u>	<u>1,243,974</u>
Reconciliation of net assets to carrying amount as at 31 March		
Group's share of net assets representing carrying amount of the associate in the statement of financial position	<u>148,901</u>	<u>140,747</u>
Group's share of results for the year ended 31 March		
Group's share of profit or loss from continuing operations	11,837	5,183
Group's share of other comprehensive (expense)/income	(1,850)	2,454
Group's share of total comprehensive income	<u>9,987</u>	<u>7,637</u>
Other information		
Dividends received by the Group	<u>1,833</u>	<u>1,833</u>

There is no share of associate's contingent liabilities incurred jointly with other investors.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. Deferred tax assets/(liabilities) – Group

Recognised deferred tax assets/(liabilities)

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

	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment						
- revaluation	-	-	(879,464)	(879,464)	(879,464)	(879,464)
- capital allowances	6,923	14,396	(8,095,627)	(7,310,640)	(8,088,704)	(7,296,244)
- fair value adjustment	-	-	(1,820,474)	(1,820,474)	(1,820,474)	(1,820,474)
Provisions	-	-	444,276	401,016	444,276	401,016
	6,923	14,396	(10,351,289)	(9,609,562)	(10,344,366)	(9,595,166)

Movement in temporary differences during the year

	At 1.4.2016 RM	Recognised in profit or loss (Note 24) RM	Translation difference RM	At 31.3.2017/ 1.4.2017 RM	Recognised in profit or loss (Note 24) RM	Translation difference RM	At 31.3.2018 RM
Property, plant and equipment							
- revaluation	(879,464)	-	-	(879,464)	-	-	(879,464)
- capital allowances	(7,417,756)	263,782	(142,270)	(7,296,244)	(789,647)	(2,813)	(8,088,704)
- fair value adjustment	(1,820,474)	-	-	(1,820,474)	-	-	(1,820,474)
Provisions	1,189,721	(788,705)	-	401,016	43,260	-	444,276
	(8,927,973)	(524,923)	(142,270)	(9,595,166)	(746,387)	(2,813)	(10,344,366)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. Inventories – Group

	2018 RM	2017 RM
Raw materials	66,953,056	63,792,256
Work-in-progress	5,132,101	4,808,118
Manufactured inventories	42,587,173	37,339,532
	<u>114,672,330</u>	<u>105,939,906</u>

11. Other investments - Group

	Note	2018 RM	2017 RM
Available-for-sale financial assets :			
Short term funds	11.1	2,239	32,521,032
Financial assets at fair value through profit or loss :			
Investments in dual currency structured product		52,331,689	38,401,271
Equity-linked investments		32,224,330	54,233,321
		84,556,019	92,634,592
		<u>84,558,258</u>	<u>125,155,624</u>
Market value of other investments		<u>84,558,258</u>	<u>125,155,624</u>

11.1 Short term funds

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. Trade and other receivables

	Note	2018 RM	2017 RM
Group			
Trade			
Trade receivables	12.1	63,800,991	59,980,760
Non-trade			
Other receivables		5,053,732	6,528,017
Deposits		250,261	504,167
Prepayments		2,234,798	2,268,929
		7,538,791	9,301,113
		<u>71,339,782</u>	<u>69,281,873</u>
Company			
Non-trade			
Amount due from subsidiaries	12.2	23,540,839	19,663,347
Other receivables		-	2,309
		<u>23,540,839</u>	<u>19,665,656</u>

12.1 Trade receivables

Included in trade receivables of the Group is an amount due from companies in which a Director and his family members collectively have controlling interests of RM88,307 (2017 : RM53,882) which is subject to the normal credit terms.

12.2 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest- free and repayable on demand other than an amount of RM Nil (2017: RM450,242) due from a subsidiary which carries interest at the rate of Nil (2017: 4.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. Derivative financial assets - Group

	2018		2017	
	Nominal value RM	Assets RM	Nominal value RM	Assets RM
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	1,097,012	11,859	-	-

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.

14. Cash and cash equivalents

	Note	2018 RM	2017 RM
Group			
Short term deposits with licensed banks		12,300,000	4,720,000
Short term funds	14.1	23,743,623	7,565,603
Cash and bank balances		80,543,759	60,152,115
		<u>116,587,382</u>	<u>72,437,718</u>
Company			
Short term funds	14.1	1,623,090	762,216
Cash and bank balances		56,697	1,433,435
		<u>1,679,787</u>	<u>2,195,651</u>

14.1 Short term funds

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. Share capital - Group/Company

	2018		2017	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares, issued and fully paid:				
Balance at 1 April	199,333,534	193,710,960	191,317,860	191,317,860
Issued under ESOS, for cash at :				
RM1.96 per share	279,888	142,800	934,091	530,200
RM2.57 per share	411,200	160,000	-	-
RM1.94 per share	1,017,064	524,260	2,180,424	1,698,580
RM2.44 per share	540,558	221,540	164,320	164,320
	2,248,710	1,048,600	3,278,835	2,393,100
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 15.1)	-	-	4,736,839	-
Transfer from share option reserve for options exercised	748,324	-	-	-
Balance at 31 March	<u>202,330,568</u>	<u>194,759,560</u>	<u>199,333,534</u>	<u>193,710,960</u>
	Note 15.2		Note 15.2	

15.1 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.

15.2 Included in share capital is share premium amounting to RM4,736,839 (2017 : 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 STATEMENTS

(cont'd)

15. Share capital - Group/Company (cont'd)

15.3 The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

16. 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 100 (2017 : 200) of its issued share capital from the open market at an average price of RM3.35 (2017: RM3.95) per share. The total consideration paid was RM364 (2017 : RM851) including transaction costs of RM29 (2017 : RM62). The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

As at 31 March 2018, the ordinary shares held as treasury shares were 500 (2017: 400). The number of outstanding ordinary shares in issue and fully paid-up after deducting the treasury shares held is 194,759,060 (2017 : 193,710,560). Treasury shares held have no rights to voting, dividends and participation in other distribution.

17. Reserves

	2018 RM	2017 RM
Group		
Non-distributable :		
Translation reserve	13,799,417	16,064,173
Share premium on ordinary shares		
Balance at 1 April	-	2,372,295
Issue of shares at :		
- RM1.96 per share	-	105,101
- RM2.57 per share	-	-
- RM1.94 per share	-	1,114,821
- RM2.44 per share	-	236,621
Share options exercised	-	1,259,979
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016 (Note 15.1)	-	(4,736,839)
Transfer to retained earnings	-	(351,978)
Balance at 31 March	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. Reserves (cont'd)

	2018 RM	2017 RM
Group		
Non-distributable (cont'd) :		
Share option reserve	-	862,491
Distributable :		
Retained earnings	369,386,166	341,284,281
	<u>383,185,583</u>	<u>358,210,945</u>
Company		
Non-distributable :		
Share premium on ordinary shares		
Balance at 1 April	-	2,020,317
Issue of shares at :		
- RM1.96 per share	-	105,101
- RM2.57 per share	-	-
- RM1.94 per share	-	1,114,821
- RM2.44 per share	-	236,621
Share options exercised	-	1,259,979
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016 (Note 15.1)	-	(4,736,839)
Balance at 31 March	-	-
Share option reserve	-	892,229
Distributable :		
Retained earnings	22,128,056	20,472,753
	<u>22,128,056</u>	<u>21,364,982</u>

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Bank borrowings – Group

	2018 RM	2017 RM
<i>Unsecured</i>		
Foreign currency trade loans	<u>30,117,698</u>	<u>29,159,174</u>

18.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1.4.2017 RM	Net changes from financing cash flows RM	Foreign exchange movement RM	At 31.3.2018 RM
Foreign currency trade loans	<u>29,159,174</u>	1,715,208	(756,684)	<u>30,117,698</u>

19. Trade and other payables

	Note	2018 RM	2017 RM
Group			
Trade			
Trade payables	19.1	20,682,265	21,935,324
Non-trade			
Other payables		7,771,904	8,193,459
Accrued expenses		9,519,950	11,781,281
		17,291,854	19,974,740
		<u>37,974,119</u>	<u>41,910,064</u>
Company			
Non-trade			
Other payables		113,674	477,175
Accrued expenses		295,154	297,322
		<u>408,828</u>	<u>774,497</u>

19.1 Trade payables

Trade payables include amounts due to companies related to the associate of the Group and companies in which a Director and his close family members collectively have controlling interests of RM601,710 (2017: RM855,732) and RM38,017 (2017 : RM37,171) respectively which are subject to the normal credit terms.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 2018 RM	Number of options 2018	Weighted average exercise price 2017 RM	Number of options 2017
Outstanding at 1 April	1.96	142,800	1.96	788,200
Outstanding at 1 April	2.57	472,000	2.57	472,000
Outstanding at 1 April	1.94	524,260	1.94	2,264,920
Outstanding at 1 April	2.44	225,140	2.44	413,220
		1,364,200		3,938,340
Exercised during the year	1.96	(142,800)	1.96	(530,200)
Exercised during the year	2.57	(160,000)	2.57	-
Exercised during the year	1.94	(524,260)	1.94	(1,698,580)
Exercised during the year	2.44	(221,540)	2.44	(164,320)
Total exercised during the year		(1,048,600)		(2,393,100)
Lapsed due to expiration/resignation	1.96	-	1.96	(115,200)
Lapsed due to expiration/resignation	2.57	(312,000)	2.57	-
Lapsed due to expiration/resignation	1.94	-	1.94	(42,080)
Lapsed due to expiration/resignation	2.44	(3,600)	2.44	(23,760)
Total lapsed due to expiration/resignation		(315,600)		(181,040)
Outstanding at 31 March	-	-	2.24	1,364,200
Exercisable at 31 March		-		1,364,200

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. Employee benefits - Group/Company (cont'd)

Share Option Plan (cont'd)

The outstanding options as at 31 March 2017 had exercise prices of RM1.96, RM2.57, RM1.94 and RM2.44 respectively. The option was expired on 21 April 2017.

During the year, 1,048,600 (2017 : 2,393,100) share options were exercised. The weighted average share price for the year was RM3.09 (2017 : RM3.86).

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			
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 of share options and assumptions			
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 STATEMENTS (cont'd)

20. Employee benefits - Group/Company (cont'd)

Value of employee services received for issue of share options

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Recognised as staff cost in profit or loss (Note 23)	-	70,592	-	-
Additions to investments in subsidiaries	-	-	-	70,592
	<u>-</u>	<u>70,592</u>	<u>-</u>	<u>70,592</u>

21. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Invoiced value of goods sold less discounts and returns	351,714,172	350,218,809	-	-
Gross dividends from				
- subsidiaries	-	-	32,547,015	29,895,634
- associate	-	-	187,842	187,842
Commission income	99,689	105,278	99,689	105,278
Management fees				
- subsidiaries	-	-	3,019,453	2,766,962
	<u>351,813,861</u>	<u>350,324,087</u>	<u>35,853,999</u>	<u>32,955,716</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging :				
Auditors' remuneration				
- Audit fee				
KPMG PLT in Malaysia				
- Current year	95,000	90,000	20,000	18,000
- Prior year	-	4,000	-	-
Overseas affiliate of KPMG PLT in Malaysia	121,380	113,280	-	-
Other auditors	132,495	146,284	-	-
- Non-audit fees				
KPMG PLT in Malaysia				
- Current year	14,000	14,000	14,000	14,000
Overseas affiliate of KPMG PLT in Malaysia	22,372	22,858	-	-
Consultancy fee paid to a company in which a Director of a subsidiary has a substantial financial interest	227,374	250,699	-	-
Amortisation of prepaid lease payments (Note 4)	38,880	38,873	-	-
Amortisation of intangible assets (Note 7)	359,650	354,018	-	-
Depreciation				
- property, plant and equipment (Note 3)	9,817,230	9,462,641	-	-
- investment properties (Note 5)	41,331	41,332	-	-
Rental expense	1,505,102	1,558,870	-	-
Loss on foreign exchange				
- realised	-	1,287,609	17,341	59,266
- unrealised	415,485	1,264,189	-	7,611

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. Profit before tax (cont'd)

Profit before tax is arrived at (cont'd) :

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging (cont'd) :				
Interest expense	585,585	357,023	-	-
Plant and equipment written off	873	2,801	-	-
Bad debts written off	-	13,623	-	-
Intangible assets written off	-	40,826	-	-
Fair value loss on equity-linked investments	2,008,991	766,679	-	-
Fair value loss on short term funds	-	-	5,995	-
and after crediting :				
Interest income				
- subsidiary	-	-	5,091	99,379
- financial institutions	5,640,206	6,463,387	31,475	65,532
Gain on disposal of property, plant and equipment	390,127	37,666	-	-
Fair value gain on short term funds	192,895	2,041,434	-	894
Rental income on premises	262,260	250,385	-	-
Reversal of impairment loss on trade receivables	59,078	18,384	-	-
Gain on foreign exchange				
- realised	<u>2,178,987</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. Employee information

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Staff costs	61,424,862	61,930,774	2,779,082	2,479,268
Share-based payments	-	70,592	-	-
	<u>61,424,862</u>	<u>62,001,366</u>	<u>2,779,082</u>	<u>2,479,268</u>

Included in staff costs of the Group and of the Company is an amount of RM3,656,082 (2017 : RM3,682,628) and RM296,364 (2017 : RM266,104) respectively representing contributions made to the statutory pension funds.

24. Tax expense

Recognised in profit or loss

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense				
- current year	11,845,867	14,240,495	3,499	26,237
- prior year	(520,405)	16,923	833	250
Total current tax	11,325,462	14,257,418	4,332	26,487
Deferred tax expense				
- current year	719,387	519,923	-	-
- prior year	27,000	5,000	-	-
Total deferred tax	746,387	524,923	-	-
Total tax expense	<u>12,071,849</u>	<u>14,782,341</u>	<u>4,332</u>	<u>26,487</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. Tax expense (cont'd)

Reconciliation of tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	71,369,665	70,846,277	32,677,179	30,173,176
Less : share of results of equity-accounted associate, net of tax	(11,837,418)	(5,183,162)	-	-
	<u>59,532,247</u>	<u>65,663,115</u>	<u>32,677,179</u>	<u>30,173,176</u>
Income tax at Malaysian tax rate of 24%	14,287,739	15,759,148	7,842,523	7,241,562
Effect of different tax rates in foreign jurisdictions	(245,710)	(256,097)	-	-
Non-deductible expenses	320,377	428,240	26,998	44,945
Income not subject to tax	(467,750)	(751,379)	(7,867,490)	(7,265,780)
Tax incentives	(1,292,526)	(403,974)	-	-
Others	(36,876)	(15,520)	1,468	5,510
(Over)/Under provision in prior year	(493,405)	21,923	833	250
	<u>12,071,849</u>	<u>14,782,341</u>	<u>4,332</u>	<u>26,487</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Other comprehensive (expense)/income - Group

Items that are or may be reclassified subsequently to profit or loss

Foreign currency translation differences for foreign operations
Fair value of available-for-sale financial assets

	2018		2017
	Before tax RM	Tax expense RM	Net of tax RM
	(428,180)	-	4,402,705
	-	-	(782,703)
	(428,180)	-	3,620,002
	(1,850,147)	-	2,453,526
	(2,278,327)	-	6,073,528

Items that will not be reclassified subsequently to profit or loss

Share of other comprehensive (expense)/income of equity-accounted associate

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 RM59,149,167 (2017 : RM55,921,240) and a weighted average number of ordinary shares outstanding of RM194,759,077 (2017 : 192,381,339) calculated as follows :

	2018	2017
Issued ordinary shares at 1 April	193,710,960	191,317,860
Effect of shares issued during the year	1,048,600	1,063,812
Effect of treasury shares held	(483)	(333)
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 March	<u>194,759,077</u>	<u>192,381,339</u>

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 RM59,149,167 (2017 : RM55,921,240) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows :

	2018	2017
Weighted average number of ordinary shares at 31 March	194,759,077	192,381,339
Effect of dilution of unexercised share options	-	572,172
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 March	<u>194,759,077</u>	<u>192,953,511</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

27. Dividends

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

	Sen per share	Total amount RM	Date of payment
2018			
2017 final dividend on 194,759,060 ordinary shares	9.0	17,528,315	26 October 2017
2018 interim dividend on 194,759,060 ordinary shares	3.0	5,842,772	8 February 2018
2018 second interim dividend on 194,759,060 ordinary shares	4.0	7,790,362	24 May 2018
		<u>31,161,449</u>	
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>	

A final dividend of 9 sen per ordinary share amounting to RM17,528,315 proposed in the last financial year and approved by the members in the last Annual General Meeting was paid on 26 October 2017 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 8 sen per ordinary share in respect of the financial year ended 31 March 2018 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 in the financial year ending 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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 associate 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 interest - 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 12 and 19.

Group

- a) Transaction with associate

	2018 RM	2017 RM
- Dividend income	<u>1,832,625</u>	<u>1,832,625</u>

- b) Transaction with companies related to an associate

	2018 RM	2017 RM
- Purchases	<u>2,542,459</u>	<u>2,199,377</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. Related parties - Group/Company (cont'd)

Significant related party transactions (cont'd)

Group

- c) Transactions with companies in which a Director and his close family members collectively have controlling interests

		2018 RM	2017 RM
Sales	- AEESB	<u>211,008</u>	<u>232,766</u>
Purchases	- AEESB	52,198	45,003
	- DOSB	67,296	94,333
	- DCESB	<u>98,279</u>	<u>12,980</u>

- d) Transactions with key management personnel

The key management personnel compensations are as follows :

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
- Fees	271,000	271,000	256,000	256,000
- Remuneration	1,554,720	1,415,354	1,554,720	1,415,354
Other Directors				
- Fees	30,990	51,810	-	-
- Remuneration	2,001,147	2,178,795	-	-
	<u>3,857,857</u>	<u>3,916,959</u>	<u>1,810,720</u>	<u>1,671,354</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.

The estimated monetary value of benefits received by Directors of the Company and other Directors otherwise than in cash amounted to RM31,000 (2017 : RM38,291) and RM198,383 (2017 : RM241,248) respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. Related parties - Group/Company (cont'd)

Significant related party transactions (cont'd)

Group

d) Transactions with key management personnel (cont'd)

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

	2018 RM	2017 RM
Consultancy fee paid to a company in which a Director of a subsidiary has substantial financial interest	227,374	250,699
Rental paid to a Director of a subsidiary	<u>9,600</u>	<u>9,600</u>

Company

a) Transactions with subsidiaries

	2018 RM	2017 RM
- Dividend income	32,547,015	29,895,634
- Management fee receivable	<u>3,019,453</u>	<u>2,766,962</u>

b) Transaction with associate

	2018 RM	2017 RM
- Dividend income	<u>187,842</u>	<u>187,842</u>

29. Capital commitment - Group

	2018 RM	2017 RM
Property, plant and equipment Contracted but not provided for	<u>619,000</u>	<u>6,028,000</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	2018 RM'000	2017 RM'000
Less than 1 year	1,432	1,456
Between 1 and 5 years	1,551	3,033
	2,983	4,489

The Group leases properties 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 RM118,540,000 (2017 : RM125,597,000) of which RM30,117,698 (2017: RM29,159,174) 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 RM10,860,000 (2017 : RM11,040,000) to a supplier of its subsidiary, Higher Kings Mill Limited of which RM2,284,000 (2017 : RM2,805,000) was utilised at the end of the reporting period.

32. Operating segments - Group

The Group's 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 Officer 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 major operating segment.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

32. Operating segments - Group (cont'd)

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

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	33,712,537	33,621,908	57,532,572	53,209,833
Asia (excluding Malaysia)	9,896,058	9,475,679	-	-
Europe	282,779,102	277,203,229	80,842,610	83,602,466
America	6,231,875	11,842,791	-	-
Others	19,194,289	18,180,480	-	-
Consolidated	<u>351,813,861</u>	<u>350,324,087</u>	<u>138,375,182</u>	<u>136,812,299</u>

Major customer

A major customer of the Group, with revenue equal or more than 10% of the Group's revenue, contributes approximately RM64,886,925 (2017 : RM56,743,753) of the Group's revenue.

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").

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.1 Categories of financial instruments (cont'd)

Group	Carrying amount RM	L&R RM	FVTPL RM	AFS RM
Financial assets				
2018				
Other investments	84,558,258	-	84,556,019	2,239
Trade and other receivables	69,104,984	69,104,984	-	-
Derivative financial assets	11,859	-	11,859	-
Cash and cash equivalents	116,587,382	116,587,382	-	-
	<u>270,262,483</u>	<u>185,692,366</u>	<u>84,567,878</u>	<u>2,239</u>
2017				
Other investments	125,155,624	-	92,634,592	32,521,032
Trade and other receivables	67,012,944	67,012,944	-	-
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>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.1 Categories of financial instruments (cont'd)

	Carrying amount RM	L&R RM
Company		
Financial assets		
2018		
Other receivables	23,540,839	23,540,839
Cash and cash equivalents	1,679,787	1,679,787
	<u>25,220,626</u>	<u>25,220,626</u>
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>
	Carrying amount RM	FL RM
Group		
Financial liabilities		
2018		
Bank borrowings	(30,117,698)	(30,117,698)
Trade and other payables	(37,974,119)	(37,974,119)
Dividend payable	(7,790,362)	(7,790,362)
	<u>(75,882,179)</u>	<u>(75,882,179)</u>
2017		
Bank borrowings	(29,159,174)	(29,159,174)
Trade and other payables	(41,910,064)	(41,910,064)
Dividend payable	(7,790,366)	(7,790,366)
	<u>(78,859,604)</u>	<u>(78,859,604)</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.1 Categories of financial instruments (cont'd)

	Carrying amount RM	FL RM
Company		
Financial liabilities		
2018		
Other payables	(408,828)	(408,828)
Dividend payable	(7,790,362)	(7,790,362)
	<u>(8,199,190)</u>	<u>(8,199,190)</u>
2017		
Other payables	(774,497)	(774,497)
Dividend payable	(7,790,366)	(7,790,366)
	<u>(8,564,863)</u>	<u>(8,564,863)</u>

33.2 Net gains and losses arising from financial instruments

	2018 RM	2017 RM
Group		
Net gains/(losses) arising on :		
Loans and receivables	(1,067,753)	278,606
Fair value through profit or loss	2,683,871	4,288,489
Available-for-sale financial assets :		
- reclassified from equity to profit or loss	-	(782,703)
- recognised in profit or loss	264,415	3,158,557
	<u>264,415</u>	<u>2,375,854</u>
Financial liabilities measured at amortised cost	3,180,572	(2,891,570)
	<u>5,061,105</u>	<u>4,051,379</u>
Company		
Net gains arising on :		
Loans and receivables	<u>13,230</u>	<u>98,928</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

33. Financial instruments (cont'd)

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 statements of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.4 Credit risk (cont'd)

Receivables (cont'd)

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 :

	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
Group				
2018				
Not past due	46,218,797	-	(29,479)	46,189,318
Past due 1 - 30 days	13,542,163	-	-	13,542,163
Past due 31 - 60 days	3,107,992	-	-	3,107,992
Past due 61 - 90 days	985,569	-	-	985,569
Past due more than 90 days	476,519	(403,123)	(97,447)	(24,051)
Net trade receivables	64,331,040	(403,123)	(126,926)	63,800,991
2017				
Not past due	47,434,417	(37,640)	(33,081)	47,363,696
Past due 1 - 30 days	10,617,789	-	-	10,617,789
Past due 31 - 60 days	1,708,092	-	-	1,708,092
Past due 61 - 90 days	189,641	-	-	189,641
Past due more than 90 days	615,000	(409,131)	(104,327)	101,542
Net trade receivables	60,564,939	(446,771)	(137,408)	59,980,760

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

33. Financial instruments (cont'd)

33.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

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

	2018 RM	2017 RM
At 1 April	584,179	572,889
Impairment loss recognised	-	16,508
Impairment loss reversed	(59,078)	(34,892)
Translation difference	4,948	29,674
At 31 March	<u>530,049</u>	<u>584,179</u>

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 RM30,117,698 (2017: RM29,159,174) 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 STATEMENTS

(cont'd)

33. Financial instruments (cont'd)

33.4 Credit risk (cont'd)

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 subsidiaries 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 and bank borrowings.

The Group maintains a level of cash and cash equivalents and banking 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 STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.5 Liquidity risk (cont'd) *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 undiscounted contractual payments:

2018	Carrying amount RM	Contractual interest rate per annum %	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	30,117,698	1.65 - 2.85	30,216,269	30,216,269	-	-	-
Trade and other payables	37,974,119	-	37,974,119	37,974,119	-	-	-
Dividend payable	7,790,362	-	7,790,362	7,790,362	-	-	-
	<u>75,882,179</u>		<u>75,980,750</u>	<u>75,980,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
Outflow	-	-	1,085,153	1,085,153	-	-	-
Inflow	(11,859)	-	(1,097,012)	(1,097,012)	-	-	-
	<u>75,870,320</u>		<u>75,968,891</u>	<u>75,968,891</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.5 Liquidity risk (cont'd) *Maturity analysis (cont'd)*

2017	Carrying amount RM	Contractual interest rate per annum %	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	-	-	-
Dividend payable	7,790,366	-	7,790,366	7,790,366	-	-	-
	<u>78,859,604</u>		<u>78,917,505</u>	<u>78,917,505</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.5 Liquidity risk (cont'd) *Maturity analysis (cont'd)*

2018	Carrying amount RM	Contractual interest rate per annum %	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	408,828	-	408,828	408,828	-	-	-
Dividend payable	7,790,362	-	7,790,362	7,790,362	-	-	-
Corporate guarantee	-	-	32,401,698	32,401,698	-	-	-
	<u>8,199,190</u>		<u>40,600,888</u>	<u>40,600,888</u>	<u>-</u>	<u>-</u>	<u>-</u>
2017							
Company							
<i>Non-derivative financial liabilities</i>							
Other payables	774,497	-	774,497	774,497	-	-	-
Dividend payable	7,790,366	-	7,790,366	7,790,366	-	-	-
Corporate guarantee	-	-	31,964,174	31,964,174	-	-	-
	<u>8,564,863</u>		<u>40,529,037</u>	<u>40,529,037</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

33. Financial instruments (cont'd)

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			
2018			
Other investments	14,321,689	-	38,010,000
Trade and other receivables	1,505,536	2,747,588	1,628,625
Cash and cash equivalents	3,219,414	20,417,139	28,586,431
Foreign currency trade loans	(30,117,698)	-	-
Trade and other payables	(1,882,027)	(796,872)	(194,887)
	<u>(12,953,086)</u>	<u>22,367,855</u>	<u>68,030,169</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.6 Market risk (cont'd)

33.6.1 Currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

	USD RM	Denominated in EUR RM	GBP RM
Group			
2017			
Other investments	-	2,762,375	35,638,896
Trade and other receivables	3,367,393	3,374,291	977,463
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>

Currency risk sensitivity analysis

A 10% (2017 : 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	
	2018 RM'000	2017 RM'000
Group		
USD	984	1,953
EUR	(1,700)	(1,262)
GBP	<u>(5,170)</u>	<u>(4,187)</u>

A 10% (2017 : 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 STATEMENTS

(cont'd)

33. Financial instruments (cont'd)

33.6 Market risk (cont'd)

33.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of changes 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 and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2018 RM	2017 RM
Fixed rate instruments		
Group		
Financial assets	96,856,019	92,634,592
Financial liabilities	(30,117,698)	(29,159,174)
	<u>66,738,321</u>	<u>63,475,418</u>
Company		
Financial assets	<u>-</u>	<u>450,242</u>
Floating rate instruments		
Group		
Financial assets	<u>23,745,862</u>	<u>40,086,635</u>
Company		
Financial assets	<u>1,623,090</u>	<u>762,216</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.6 Market risk (cont'd)

33.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

A change in interest rates at the end of the reporting period would not affect profit or loss, except for the Group's fixed rate financial assets measured at fair value through profit or loss amounted to RM84,556,019 (2017 : RM92,634,592) as shown below.

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		
2018		
Fixed rate instruments	643	(643)
2017		
Fixed rate instruments	704	(704)

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.6 Market risk (cont'd)

33.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis (cont'd)

(b) Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2018				
Floating rate instruments	<u>180</u>	<u>(180)</u>	<u>12</u>	<u>(12)</u>
2017				
Floating rate instruments	<u>305</u>	<u>(305)</u>	<u>6</u>	<u>(6)</u>

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 8% (2017 : 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 8.40% to 9.00% (2017 : 9.06% to 10.50%) per annum, or

Scenario B – If the equity price of the underlying asset increases less than 8% (2017 : 5% to 8%) or decreases less than 16% to 35% (2017: 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 8.40% to 9.00% (2017 : 9.06% to 10.50%) per annum, or

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

33. Financial instruments (cont'd)

33.6 Market risk (cont'd)

33.6.3 Other price risk (cont'd)

Scenario C – If the equity price of the underlying asset decreases more than 16% to 35% (2017 : 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 8.40% to 9.00% (2017 : 9.06% to 10.50%) per annum, or

Scenario D – If the equity price of the underlying asset decreases more than 16% to 35% (2017 : 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 8.40% to 9.00% (2017 : 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 the Directors of the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.6 Market risk (cont'd)

33.6.3 Other price risk (cont'd)

At any observation dates as specified in the contracts :

Scenario	Impact to profit or loss
A	The Group will receive monthly coupon of RM252,000 up to the relevant coupon payment date where early termination occurs.
B	The Group will receive a total coupon of RM1,514,000 up to the maturity date.
C	The Group will receive a total coupon of RM1,514,000 up to the maturity date.
D	<p>The Group will receive a total coupon of RM1,514,000 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% (2017: 10%) 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 RM2,660,000 (2017: RM4,180,000) 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 STATEMENTS (cont'd)

33. Financial instruments (cont'd)

33.7 Fair value information (cont'd)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2018										
Financial assets										
Available-for-sale financial assets	-	2	-	2	-	-	-	-	2	2
Forward exchange contracts	-	12	-	12	-	-	-	-	12	12
Financial assets at fair value through profit or loss	-	84,556	-	84,556	-	-	-	-	84,556	84,556
	-	84,570	-	84,570	-	-	-	-	84,570	84,570
2017										
Financial assets										
Available-for-sale financial assets	-	32,521	-	32,521	-	-	-	-	32,521	32,521
Financial assets at fair value through profit or loss	-	92,635	-	92,635	-	-	-	-	92,635	92,635
	-	125,156	-	125,156	-	-	-	-	125,156	125,156

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

33. Financial instruments (cont'd)

33.7 Fair value information (cont'd)

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 (2017 : no transfer in either directions).

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.

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

In the opinion of the Directors, the financial statements set out on pages 44 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 2018 and of their financial performance and cash flows for the financial year then ended.

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 : 13 July 2018

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

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 44 to 136 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, MIA CA11330, at George Town in the State of Penang on
13 July 2018.

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.

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 2018 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 44 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 2018, 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.

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

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 10 to the financial statements.

The key audit matter

The Group's inventories amounted to RM114,672,330 as at 31 March 2018 in the consolidated 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.

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 of 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.

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

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

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.

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.

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

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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.
- 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 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

Penang

Date : 13 July 2018

Lim Su Ling
Approval Number: 03098/12/2019 J
Chartered Accountant

LIST OF PROPERTIES

LOCATION	DESCRIPTION	LAND AREA (sq.meters)	TENURE	AGE (years)	NET BOOK VALUE (RM'000)	DATE OF REVALUATION/ ACQUISITION (*)
1) No 81 & 81A Jalan Sungai Pinang Lots P1473-1476, Section 9-W, Georgetown Daerah Timur-Laut Penang	Factory cum warehouse	2,442	Freehold	27	6,285	June 1994
2) P.T. No 1870 (Plot 16) Hilir Sungai Keluang 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	23	8,738	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	23	835	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	23	765	April 2000 (*)
5) Lot 1310, Mukim 14, Daerah Seberang Prai Tengah, Penang	Office, Factory cum warehouse	27,688.91	Freehold	27	11,260	March 2004 (*)
6) PT 43263, H.S.(D) 128696 Mukim Petaling, Daerah Petaling, Selangor	Office, Factory cum warehouse	2,023	Freehold	12	2,294	April 2004 (*)
7) Kasseler Landstraße 12 D-37213 Witzhausen Germany	Office, Factory cum warehouse	11,983	Freehold	45	4,627	January 2008 (*)
8) Zur Furthmühle 4 D-37318 Kirchgandern Germany	Office, Factory cum warehouse	21,840	Freehold	27	10,676	January 2008 (*) March 2009 (*) (Additional Warehouse)
9) Cullompton, Devon EX 15 1Q3 United Kingdom	Office, Factory cum warehouse	52,609	Freehold	-	6,852	September 2011 (*) March 2013 (*) (Additional Warehouse)
10) Ashton Road Denton, Manchester M34 3LR United Kingdom	Office, Factory cum warehouse	18,000	Freehold	-	3,783	April 2012 (*)
11) Lot 1309, Mukim 14, Daerah Seberang Prai Tengah, Penang	Office, Factory cum warehouse	30,495	Freehold	27	8,194	December 2012 (*) (Land) March 2014 (Building)
12) 2A, 6 & 8, Lorong Industri Ringan Permatang Tinggi 14, Taman Industri Ringan Permatang Tinggi, Penang	Office, Factory cum warehouse	2,319	Freehold	-	5,699	September 2017(*)

SHAREHOLDING STATISTICS AS AT 29 JUNE 2018

ISSUED SHARE CAPITAL : RM194,759,560 (*inclusive of 500 treasury shares*)
 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	55	2,281	0.0011
100 - 1,000	416	304,136	0.1561
1,001 - 10,000	1,571	7,223,341	3.7088
10,001 - 100,000	571	16,756,878	8.6040
100,001 - 9,737,977	78	49,075,373	25.1980
9,737,978 to 194,759,560	2	121,397,551	62.3320
TOTAL	2,693	194,759,560	100.0000

SHAREHOLDING STATISTICS

AS AT 29 JUNE 2018 (cont'd)

Top 30 Largest Depositors

According to the Register of Depositors as at 29 June 2018

NAME	NO. OF SHARES	% OF ISSUED CAPITAL
1. PRESTIGE ELEGANCE (M) SDN BHD	83,738,951	42.9961
2. AMANAH RAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	37,658,600	19.3359
3. CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	5,188,800	2.6642
4. CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY LOW-PRICED STOCK FUND (PRIN ALLSEC SUB)	4,480,000	2.3003
5. LIM SIEW LEE	4,122,560	2.1167
6. LIM SOON HEE	4,117,996	2.1144
7. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	3,579,840	1.8381
8. LIM SOON WAH	3,122,870	1.6034
9. LIM SOON HUAT	2,882,955	1.4803
10. KHOO SAW SIM	2,588,672	1.3292
11. CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND F9LJ FOR FIDELITY GLOBAL INTRINSIC VALUE INVESTMENT TRUST	1,713,700	0.8799
12. GOH PHAIK NGOH	1,333,772	0.6848
13. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN)	900,000	0.4621
14. FOO NIAN CHOU	835,584	0.4290
15. CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY LOW - PRICED STOCK COMMINGLEDPOOL	601,160	0.3087
16. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	535,000	0.2747
17. CHIA KUO CHUNG	435,700	0.2237
18. OH PHAIK WEE	418,080	0.2147
19. CHEONG YUEN LAI	408,000	0.2095
20. CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH HAW KUANG (PENANG-CL)	349,692	0.1796
21. LUCY KHOO	334,360	0.1717
22. LIM PEI TIAM @ LIAM AHAT KIAT	329,500	0.1692
23. AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR ASIA HUMANISTIC CAPITAL INC	325,000	0.1669
24. CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH PHAIK NGOH (PENANG-CL)	316,800	0.1627
25. SUSY DING	310,000	0.1592
26. HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG TIAM (CCTS)	305,000	0.1566
27. SYNERGY MOTION SDN. BHD.	300,000	0.1540
28. GOH YU TIAN	279,200	0.1434
29. KOH KOK CHOON	263,800	0.1354
30. AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	261,692	0.1344
TOTAL:	162,037,284	83.1986

ANALYSIS OF SHAREHOLDING AS AT 29 JUNE 2018

SUBSTANTIAL SHAREHOLDERS

No	Name	◀----- Direct Interest -----▶		◀----- Indirect Interest -----▶	
		No. of Shares	% of total issued capital ^(a)	No. of Shares	% of total issued capital ^(a)
1.	Datin Khoo Saw Sim	2,588,672	1.329	83,738,951 ^(b)	43.000
2.	Dato' Lim Soon Huat	2,882,955	1.480	83,738,951 ^(b)	43.000
3.	Prestige Elegance (M) Sdn Bhd	83,738,951	43.000	-	-
4.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputra	37,658,600	19.336	-	-
5.	FMR LLC	-	-	12,238,760 ^(c)	6.284

(a) This excluded treasury shares.

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

(c) Deemed interest via various investment amount managed.

DIRECTORS' SHAREHOLDINGS

No	Name	◀----- Direct Interest -----▶		◀----- Indirect Interest -----▶	
		No. of Shares	% of total issued capital ^(a)	No. of Shares	% of total issued capital ^(a)
1.	Dato' Lim Soon Huat	2,882,955	1.480	88,116,911 ^(b)	45.244
2.	Nurjannah Binti Ali	-	-	-	-
3.	Lim Soon Wah	3,138,870	1.612	210,712 ^(c)	0.108
4.	Lam Voon Kean	-	-	-	-
5.	Ng Chin Nam	-	-	-	-
6.	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 (11)(c) of the Companies Act, 2016.

(c) These are shares held in the name of spouse pursuant to Section 59 (11)(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

NOTICE IS HEREBY GIVEN that the Twenty-Fourth (24th) Annual General Meeting (“AGM”) of shareholders of ASIA FILE CORPORATION BHD (“AFC” or “the Company”) will be held at Merbah Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Friday, 28 September 2018, 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 2018 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) Ms Lam Voon Kean Ordinary Resolution 1
 - (b) Mr. Lim Soon Wah Ordinary Resolution 2
3. To approve a final single tier dividend of 8 sen per ordinary share for the year ended 31 March 2018. Ordinary Resolution 3
4. To approve the payment of Directors' benefits payable up to RM 50,000 for the period commencing this AGM through to the next AGM of the Company in year 2019. Ordinary Resolution 4
5. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 5

As Special Business:

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

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT 2016** Ordinary Resolution 6

“THAT pursuant to Section 75 and 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 (excluding treasury shares) 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 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.”

7. **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** Ordinary Resolution 7

“THAT subject to the compliance with all applicable rules,

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 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 total number of issued 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 RM22.13 million as at 31 March 2018 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 ("AGM") 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 Asia File Shares by the Company, the Asia File 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."

8. RETENTION AS INDEPENDENT DIRECTOR

Ordinary Resolution 8

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

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 9 October 2018 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 dividend, if approved will be paid on 1 November 2018 to depositors registered in the Records of Depositors at the close of business on 9 October 2018.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
ONG TZE-EN (MAICSA 7026537)
Joint Company Secretaries
Penang, 31 July 2018

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 an authorised 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 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 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote in his/her behalf.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

2. Explanatory Notes:

(a) **Resolution 4 : Payment of Directors' benefits**

The proposed Ordinary Resolution 4, if passed, will facilitate the payment of the Directors' benefits payable to the Directors for the period commencing this AGM through the next AGM of the Company in 2019. Details of the Directors' benefits payable to the Directors for the financial year ended 31 March 2018 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2018.

The Directors' benefits proposed for the period commencing this AGM through 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' 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' benefits structure.

(b) **Resolution 6: Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016**

The proposed Ordinary Resolution 6 is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will empower the Directors of the Company, pursuant to Section 75 and 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 (excluding treasury shares) 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 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.

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 AGM held on 28 September 2017 and which will lapse at the conclusion of this Twenty-Fourth AGM.

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 7: Proposed Renewal of Authority To Buy Back Its Own Shares By The Company**

The Ordinary Resolution No. 7, 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 AGM of the Company.

(d) **Resolution 8: Retention As Independent Director**

The Ordinary Resolution No. 8, if passed, will allow Puan Nurjannah Binti Ali to be retained and continue acting as Independent Director to fulfill the requirements of Paragraph 3.04 of the Bursa Securities' Main Market Listing Requirements and in line with the Practice 4.2 of the Malaysian Code on Corporate Governance issued by the Securities Commission on 26 April 2017. Full details of the Board's justifications and recommendation for the retention of Puan Nurjannah Binti Ali are set out under the Corporate Governance Overview Statement in the Company's 2018 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-Fourth Annual General Meeting of the Company.

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

PROXY FORM
Twenty-Fourth
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-FOURTH ANNUAL GENERAL MEETING of the Company to be held at Merbah Room, Hotel Equatorial, No. 1 Jalan Bukit Jambul, 11900 Penang on Friday, 28 September 2018 at 10.00 a.m. and at any adjournment thereof.

Ordinary Resolutions								
	1	2	3	4	5	6	7	8
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 _____ 2018

Signature of Shareholder

Common Seal to be affixed here if
Shareholder is a Corporation

Note:

1. 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.
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 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.
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 it 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 seal or under the hand of an officer or attorney duly authorised.
5. For a proxy to be valid, the Proxy Form duly completed 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 or at any adjournment thereof.
6. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 19 September 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her 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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Plot 16, Kawasan Perindustrian Bayan Lepas, Fasa IV, Mukim 12,
Bayan Lepas, 11900 Penang, Malaysia.
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Website: *www.asia-file.com*