



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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2012**

**A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - MFRS 134**

**A1 Basis of preparation**

These condensed consolidated interim financial reports, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134: Interim financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial reports also comply with IAS 34: Interim financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 Mar 2012, the Company prepared its financial statements in accordance with Financial Reporting Standards ( "FRS").

Those condensed consolidated interim financial reports are the Company's first MFRS condensed consolidated interim financial reports for part of the period covered by the company's first MFRS annual financial statements for the year ending 31 Mar 2013. MFRS 1: First time adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 April 2011 ( which is also date of transition ), the Company has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Company's financial position is as set out below. These notes include reconciliations of equity for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

**(a) Foreign currency translation reserve**

Under FRS, the Group recognized translation differences on foreign operations as a separate component of equity. At the date of transition to MFRS, cumulative foreign currency translation differences for all foreign operations are deemed to be nil and reclassified to retained earnings.

Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences of RM 5,186,267 as at 1 April 2011 were adjusted to retained earnings.

**(b) Prepaid land lease payments**

In accordance with MFRS 117 leases, prepaid land lease payments of an associate company were restated to its original cost. This will result in a reduced amortisation which has an impact of approximately RM 4,000 per quarter in the Group's income statement.

The impact arising from the above on the statement of financial position are summarised as follows:-

**Reconciliation of equity as at 1 April 2011**

|                                  | FRSs as at<br>1-Apr-11<br>RM'000 | Effect of<br>adopting MFRSs<br>RM'000 | MFRSs as at<br>1-Apr-11<br>RM'000 |
|----------------------------------|----------------------------------|---------------------------------------|-----------------------------------|
| <b><u>Equity</u></b>             |                                  |                                       |                                   |
| Exchange fluctuation reserve     | (5,186)                          | 5,186                                 | -                                 |
| Retained earnings                | 215,165                          | (5,729)                               | 209,436                           |
| <b><u>Non-current assets</u></b> |                                  |                                       |                                   |
| Investment in associate          | 110,448                          | (543)                                 | 109,905                           |

**Reconciliation of equity as at 31 March 2012**

|                                  | FRSs as at<br>31-Mar-12<br>RM'000 | Effect of<br>adopting MFRSs<br>RM'000 | MFRSs as at<br>31-Mar-12<br>RM'000 |
|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| <b><u>Equity</u></b>             |                                   |                                       |                                    |
| Exchange fluctuation reserve     | (7,556)                           | 5,186                                 | (2,370)                            |
| Retained earnings                | 240,144                           | (5,713)                               | 234,431                            |
| <b><u>Non-current assets</u></b> |                                   |                                       |                                    |
| Investment in associate          | 118,358                           | (527)                                 | 117,831                            |

**A2 Audit report of preceding annual financial statements**

The audit report of the Group's annual financial statements for the year ended 31 March 2012 was not subject to any qualification.

**A3 Seasonal or cyclical factors**

The operation of the Group is not subject to any major effects of seasonality or cyclicity.

**A4 Unusual items due to their Nature, Size or Incidence**

There were no unusual items that have a material effect on the assets, liabilities, equity, net income or cash flow reported in the interim financial report.

**A5 Material changes in accounting estimates**

There were no material changes in accounting estimates of amounts reported in prior financial years.

**A6 Issuance or repayment of debts and equity securities**

87,800 ordinary shares were issued pursuant to the Employee Share Option Scheme during the financial quarter and financial year to date. Subsequent to the financial quarter ended 30 June 2012, 5,000 ordinary shares were issued pursuant to the Employee Share Option Scheme.

100 ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme for the financial year to date. Accordingly, a total of 399,700 shares was retained as treasury shares as at 30 June 2012.

There was no shares purchased and retained as treasury shares subsequent to the financial quarter ended 30 June 2012.

Other than the above, there were no issuances or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter and financial year to date.

**A7 Dividend Paid****(a) In respect of the financial year ended 31 March 2013**

No dividend was declared during the current financial quarter and financial year to date.

**(b) In respect of the financial year ended 31 March 2012**

An interim single-tier dividend of 8% on 115,626,130 ordinary shares of RM1 each totalling RM9,250,090 for the financial year ended 30 March 2012 was paid on 29 May 2012.

**A8 Segment information****Business segment**

The Group is principally involved in the manufacture and trading of stationery and paper products. Business segmental information has therefore not been prepared as the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortization as well as non-cash expenses are mainly confined to one business segment.

**A9 Valuations of property, plant and equipment**

The valuations of land and buildings have been brought forward without amendment from the previous annual report.

**A10 Material events subsequent to the end of the quarter**

There were no material events subsequent to the end of the quarter.

**A11 Changes in composition of the Group**

There were no changes in the composition of the Group for the quarter.

**A12 Changes in contingent liabilities/assets**

The total contingent liabilities as at 30 June 2012 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM 76.45 million (31 March 2012: RM 76.45 million) and also corporate guarantee of RM 9.8 million provided to a supplier of the subsidiary in UK.

**A13 Capital commitments approved and contracted for**

|                 | <b>30-Jun-2012</b> |
|-----------------|--------------------|
|                 | <b>RM'000</b>      |
| Land & Building | <u>6,901</u>       |
| Machinery       | <u>1,664</u>       |

**Lease commitments**

The Group's subsidiaries have entered into the following lease commitment:-

|                    | <b>30-Jun-2012</b> |
|--------------------|--------------------|
|                    | <b>RM'000</b>      |
| Less Than one year | 1,583              |
| One to five years  | 3,221              |

**A14 Net assets per share (sen)**

|                             | <b>30-Jun-2012</b> | <b>31-Mar-2012</b> | <b>1-Apr-2012</b> |
|-----------------------------|--------------------|--------------------|-------------------|
| Shareholders' Fund (RM'000) | 384,935            | 370,479            | 345,352           |
| Share Capital (000) *       | 116,114            | 116,026            | 115,507           |
| Treasury Shares (000)       | (400)              | (400)              | (272)             |
|                             | <u>115,714</u>     | <u>115,626</u>     | <u>115,235</u>    |
| Net assets per share (sen)  | 332.66             | 320.41             | 299.69            |

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

Group revenue for the three months ended 30 June 2012 recorded an increase of 44% to RM 86.2 million against a much lower revenue of RM 59.9 million achieved in the corresponding period in the preceding year.

Excluding the share of profits from associate, the Group's profit before tax has improved from RM 13.4 million in the quarter ended June 2011 to RM 18.1 million in the current quarter.

The improvement in both revenue and profit was due to the contribution from new subsidiaries and also the vertical integration in production.

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

For the quarter under review, profit before tax (excluding share of profits from associate) improved from RM 13.4 million in the preceding quarter to RM 18.1 million in the current quarter while revenue increased from RM 86.1 million to RM 86.2 million.

Improvement in operating efficiency and product mix of better margin have enhanced the operating margin for the quarter.

**B3 Current year prospects**

Following on the acquisition of the two overseas subsidiaries in UK, the Group has successfully mapped out a synergistic business module which will enhance the competitiveness of the Group especially in the international markets.

The Board of directors is confident that the financial result of the Group would remain positive for the coming quarters.

**B4 Profit forecast or profit guarantee**

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

**B5 Tax expense**

|   | <b>3 months ended</b> |               |
|---|-----------------------|---------------|
|   | <b>30-Jun</b>         |               |
|   | <b>2012</b>           | <b>2011</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| Current year tax expense                          |                       |               |
| - Based on results for the year                   | 4,346                 | 2,853         |
| - (Over)/under provision in respect of prior year | -                     | -             |
|   | 4,346                 | 2,853         |
| Deferred tax expense                              |                       |               |
| - Current year                                    | 252                   | (480)         |
|   | <u>4,598</u>          | <u>2,373</u>  |

**B6 Disclosure of Realised and Unrealised Profit/ Losses**

The retained profit as at 30 June 2012 is analysed as follows:

|   | <b>Current<br/>Quarter Ended<br/>30-Jun-2012<br/>RM'000</b> | <b>Preceding<br/>Quarter Ended<br/>31-Mar-2012<br/>RM'000</b> |
|---|---|---|
| Total retained profits of the Company and its subsidiaries: |   |   |
| - Realised  | 215,623   | 202,449   |
| - Unrealised  | (7,668)   | (8,034)   |
|   | <u>207,955</u>  | <u>194,415</u>  |
| Total share of retained profit from associates:             |   |   |
| - Realised  | 26,167  | 22,837  |
| - Unrealised  | 1,964   | 2,538   |
|   | <u>28,131</u>   | <u>25,375</u>   |
| Add: Consolidation adjustment                               | 13,185  | 14,641  |
| Total Group retained profit as per consolidated accounts    | <u><u>249,271</u></u>                                       | <u><u>234,431</u></u>   |

**B7 Profit/loss on sale of unquoted investments and properties**

There were no sales of unquoted investments and properties for the current quarter and financial year to date.

**B8 Purchase or disposal of quoted securities**

(a) There were no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

(b) Investment in quoted securities:

|                 | <b>As at<br/>30-Jun-2012<br/>RM'000</b> |
|-----------------|---|
| At cost         | 46,771                                  |
| At book value   | 46,771                                  |
| At market value | <u>51,018</u>                           |

**B9 Status of corporate proposal announced**

No corporate proposal was announced by the Group.

**B10 Group borrowings and debt securities**

Group borrowings relate to bank overdraft, foreign currency loan, term loan and hire purchase which are denominated in Ringgit Malaysia, USD, EURO and HKD.

|  | <b>As at<br/>30-Jun-2012<br/>RM('000)</b> |
|--|---|
| a) Bank borrowing - Non current              |   |
| Term Loan                                    | <u>1,508</u>                              |
| b) Bank borrowing - current                  |   |
| Bank overdraft                               | 7,293                                     |
| Foreign currency loan                        | 13,875                                    |
| Portion of term loan due within one year     | 3,993                                     |
| Portion of finance lease due within one year | 73  |
|  | <u><u>25,234</u></u>                      |

**B11 Financial instruments**

Details of outstanding derivative financial instruments as at 30 June 2012:-

Forward foreign exchange contracts:

|               | <b>Contract Value<br/>RM'000</b> | <b>Fair Value<br/>RM'000</b> | <b>Gain / (Loss)<br/>RM'000</b> |
|---------------|----------------------------------|------------------------------|---------------------------------|
| Within 1 year | 1,258                            | 1,276                        | (18)                            |

Forward foreign exchange contracts are entered into with licensed banks to hedge part of the Group's sales from exchange rate movements. As the exchange rates are pre-determined under such contracts, the Group is not exposed to any market risk. Given that the contracts are entered into with licensed banks, we are of the view that credit risk is minimal.

**B12 Changes in material litigation**

Since the last reporting quarter, there is no changes in the status of the litigation currently involved by its subsidiary.

**B13 Dividends Proposed**

After taking into consideration the net cash position for the current financial year ended 31 March 2012, the Board of Directors decided to recommend a final single tier dividend of 13.5% (2011: 12.5%) subject to approval by shareholders. The payment date for the recommended final dividend shall be determined by the Directors and to be announced at a later date.

**B14 Earnings per share**

|  | <b>Current<br/>Quarter ended<br/>30-Jun-2012</b> | <b>Current<br/>Year to Date<br/>30-Jun-2012</b> |
|--|--|---|
| <b>Basic earnings per share</b>  |  |   |
| Net profit for the period (RM'000)   | 14,814   | 14,814  |
| Weighted average number of ordinary shares ('000)                                | 115,685  | 115,685   |
| Basic earnings per share (sen)   | <u>12.81</u>                                     | <u>12.81</u>                                    |
| <br>   |  |   |
|  | <b>Current<br/>Quarter ended<br/>30-Jun-12</b>   | <b>Current<br/>Year to Date<br/>30-Jun-12</b>   |
| <b>Diluted earnings per share</b>  |  |   |
| Net profit for the period (RM'000)   | 14,814   | 14,814  |
| Weighted average number of ordinary shares ('000)                                | 115,685  | 115,685   |
| Adjustment for share options ('000)  | <u>724</u>                                       | <u>724</u>                                      |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | <u>116,409</u>                                   | <u>116,409</u>                                  |
| Diluted earnings per share (sen)   | <u>12.73</u>                                     | <u>12.73</u>                                    |

**B16 Notes to the Condensed Consolidated Statement of Comprehensive Income**

Profit before tax is arrived at after (charging) / crediting the following items:

|  | <b>Current<br/>Quarter Ended<br/>6/30/2012<br/>RM'000</b> | <b>Cumulative<br/>Year To Date<br/>6/30/2012<br/>RM'000</b> |
|--|---|---|
| a) interest income   | 110   | 110   |
| b) other income including investment income                                      | 145   | 145   |
| c) interest expense  | (108)   | (108)   |
| d) depreciation and amortisation   | (2,532)   | (2,532)   |
| e) provision for and write off of receivables                                    | (20)  | (20)  |
| f) provision for and write off of inventories                                    | -   | -   |
| g) gain or (loss) on disposal of quoted or unquoted investments<br>or properties | -   | -   |
| h) impairment of assets  | -   | -   |
| i) foreign exchange gains  | 275   | 275   |
| j) gain or (loss) on derivatives   | (18)  | (18)  |
| k) exceptional items   | -   | -   |

**B15** The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 August 2012.

**By Order of The Board**

Tai Yit Chan (MAICSA 7009143)

Ong Tze-En (MAICSA 7026537)

Joint Company Secretaries

30 August 2012

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