



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2009

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Basis of preparation

The interim financial statements are unaudited and has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2009.

A2 Changes in Accounting Policies

At the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs/Interpretations	Effective date
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosure	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 123, Borrowings Costs	1 January 2010
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13, Customer Loyalty Programmes	1 January 2010
IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010

The above FRS, amendment to FRS and Interpretations are expected to have no significant financial impact on financial statements of the Group and the Company.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statement upon initial application of FRS 7 and FRS 139.

The accounting policies used in the preparation of the interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 March 2009.

A3 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2009 was not subject to any qualification.

A4 Seasonal or cyclical factors

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

A5 Unusual items due to their Nature, Size or Incidence

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

A6 Material changes in accounting estimates

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

A7 Issuance or repayment of debts and equity securities

441,000 ordinary shares were issued pursuant to the Employee Share Option Scheme during the financial quarter and financial year to date. Subsequent to the financial quarter ended 30 June 2009, 88,290 ordinary share were issued pursuant to the Employee Share Option Scheme.

No ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme during the financial quarter and financial year to date.

Subsequent to the financial quarter ended 30 June 2009, a total of 100 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Share Buy Back Scheme. Accordingly, a total of 133,700 shares was retained as treasury shares subsequent to the financial quarter ended 30 June 2009.

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

A8 Dividend Paid**(a) In respect of the financial year ended 31 March 2010**

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

(b) In respect of the financial year ended 31 March 2009

An interim dividend of 10% less 25% tax on 113,806,440 ordinary shares of RM1 each totalling RM8,535,483 for the financial year ended 31 March 2009 was paid on 26 May 2009.

A9 Segment information**Business segment**

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

A10 Valuations of property, plant and equipment

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

A11 Material events subsequent to the end of the quarter

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

A12 Changes in composition of the Group

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

A13 Changes in contingent liabilities/assets

The total contingent liabilities as at 30 June 2009 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM93.3million (31 March 2009: RM89.7million).

A14 Capital commitments

	30-Jun-2009
Machinery	RM'000
Approved and contracted for	<u>669</u>

Lease commitments

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

	30-Jun-2009
	RM'000
Less Than one year	1,632
One to five years	2,141

A15 Net assets per share (sen)

	30-Jun-09	31-Mar-09
Shareholders' Fund (RM'000)	298,437	280,503
Share Capital (000) *	114,381	113,940
Treasury Shares (000)	(134)	(134)
	114,247	113,806
Net assets per share (sen)	261.22	246.47

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

During the quarter under review, the Group registered a total sales revenue of RM 62.2 million (June 2008: RM 84.8 M) and a pre tax profit of RM 18.9 million (June 2008: RM 17.1 M).

The drop in sales during the quarter when compared to the corresponding quarter in preceding year was mainly due to global economy slowdown in particular in U.S and Europe markets. In addition, the Group continues to focus on more value added product mix instead of the normal commodity items.

Despite the drop in sales, we were pleased to note that a healthy pre tax of RM 18.9 million (June 2008: RM 17.1 million) was attained during the quarter. Excluding the profit contribution from its associate company, the Group's pre tax margin improved from 20.2% to 28.7% when compared to the corresponding quarter in preceding year. The vast improvement in the profit margin during the quarter was attributable to the Group's continued focus on more value added product mix and its well planned inventory management.

B2 Comparison of profit before taxation with preceding quarter

In the preceding quarter, the group recorded a similar pre tax profit of RM 18.9 million. However, included in pre tax profit of preceding quarter was RM 6.8 million of exceptional gain in relation to increase in negative goodwill due to changes in inappropriate profit of the associate company as a result of adopting the revised FRS 112. Excluding this exceptional item, pre tax profit for the quarter would have been increased by 55.5 % when compared to the preceding quarter as the Group continued to focus on high margin product mix.

B3 Current year prospects

During this challenging economic environment, the Group will strive to improve its performance. The Group is confident that it will achieve a satisfactory performance for the financial year ending 31 March 2010.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	3 months ended	
	30-Jun	
	2009	2008
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	1,901	2,556
- (Over)/under provision in respect of prior year	2	(7,229)
	1,903	(4,673)
Deferred tax expense		
- Current year	1,299	284
	3,202	(4,389)

The lower tax rate in relation to the results of the Group for the financial year to date is mainly due to availability of certain tax incentives.

B6 Profit/loss on sale of unquoted investments and properties

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

B7 Purchase or disposal of quoted securities

(a) There was no purchase or disposal of quoted securities in the current financial period.

(b) Investment in quoted securities:

	As at 30-Jun-09 RM'000
At cost	45,240
At book value	45,240
At market value	<u>34,171</u>

B8 Status of corporate proposal announced

No corporate proposal was announced by the Group.

B9 Group borrowings and debt securities

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

	As at 30-Jun-09 RM('000)
a) Bank borrowing - Non current	
Term Loan	28,388
Finance lease	657
	<u>29,045</u>
b) Bank borrowing - current	
Bank overdraft	3,425
Foreign currency loan	6,866
Portion of term loan due within one year	11,428
Portion of finance lease due within one year	383
	<u>22,102</u>

B10 Off balance sheet financial instruments

As at the date of this report, the Group has not entered into any contract involving off balance sheet financial instruments.

B11 Changes in material litigation

There was no material litigation against the Group as at to date.

B12 Dividends Proposed

A final dividend of 15% less tax has been proposed by the Group in respect of the financial year ended 31 March 2009 subject to the approval of shareholders at the forthcoming Annual General Meeting.

B13 Earnings per share

	Current Quarter ended 30-Jun-09	Current Year to Date 30-Jun-09
Basic earnings per share		
Net profit for the period (RM'000)	15,684	15,684
Weighted average number of ordinary shares ('000)	113,973	113,973
Basic earnings per share (sen)	<u>13.76</u>	<u>13.76</u>

	Current Quarter ended 30-Jun-09	Current Year to Date 30-Jun-09
Diluted earnings per share		
Net profit for the period (RM'000)	15,684	15,684
Weighted average number of ordinary shares ('000)	113,973	113,973
Adjustment for share options ('000)	1,550	1,550
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,523</u>	<u>115,523</u>
Diluted earnings per share (sen)	<u>13.58</u>	<u>13.58</u>

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