



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

Reconciliation of equity as at 31 March 2012

	FRSs as at 31-Mar-12 RM'000	Effect of adopting MFRSs RM'000	MFRSs as at 31-Mar-12 RM'000
<u>Equity</u>			
Exchange fluctuation reserve	(7,556)	5,186	(2,370)
Retained earnings	240,144	(5,713)	234,431
<u>Non-current assets</u>			
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

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

Lease commitments

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

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

A14 Net assets per share (sen)

	30-Jun-2012	31-Mar-2012	1-Apr-2012
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

	3 months ended	
	30-Jun	
	2012	2011
	RM'000	RM'000
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:

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

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:

	As at 30-Jun-2012 RM'000
At cost	46,771
At book value	46,771
At market value	51,018

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.

	As at 30-Jun-2012 RM('000)
a) Bank borrowing - Non current	
Term Loan	1,508
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
	25,234

B11 Financial instruments

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

Forward foreign exchange contracts:

	Contract Value RM'000	Fair Value RM'000	Gain / (Loss) RM'000
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

	Current Quarter ended 30-Jun-2012	Current Year to Date 30-Jun-2012
Basic earnings per share		
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>
	Current Quarter ended 30-Jun-12	Current Year to Date 30-Jun-12
Diluted earnings per share		
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:

	Current Quarter Ended 6/30/2012 RM'000	Cumulative Year To Date 6/30/2012 RM'000
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 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
