



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

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 2011. 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 2011.

A2 Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the year ended 31 March 2011 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments:-

FRSs, Amendments to FRSs and IC Interpretations	Effective date
FRS 1, First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3, Business Combinations (revised)	1 July 2010
FRS 127, Consolidated and Separate Financial Statements (revised)	1 July 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2011
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	
- Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2, Share-based Payment	1 July 2010
Amendments to FRS 2, Group Cash-settled Share-based Payment	1 July 2011
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7, Financial Instruments: Disclosures	1 January 2011
- Improving Disclosures about Financial Instruments	
Amendments to FRS 138, Intangible Assets	1 July 2010
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12, Service Concession Agreements	1 July 2010
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17, Distribution of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18, Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010

The application of the above FRSs, amendments to FRSs and IC Interpretations are expected to have no significant financial impact on the financial statements of the Group and the Company.

A3 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2011 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

152,400 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 2011, 209,400 ordinary shares 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 2011, 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 302,800 shares was retained as treasury shares subsequent to the financial quarter ended 30 June 2011.

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 2012**

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

(b) In respect of the financial year ended 31 March 2011

An interim dividend of 4.8% less 25% tax and 5.5% tax exempt on 115,346,630 ordinary shares of RM1 each totalling RM10,496,543 for the financial year ended 31 March 2011 was paid on 27 May 2011.

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 2011 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM 96.45 million (31 March 2011: RM 96.45 million).

A14 Capital commitments approved and contracted for

	30-Jun-2011
	RM'000
Machinery	649
Land & Building	4,140

Lease commitments

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

	30-Jun-2011
	RM'000
Less Than one year	606
One to five years	3,954

A15 Net assets per share (sen)

	30-Jun-2011	31-Mar-2011
Shareholders' Fund (RM'000)	361,079	345,895
Share Capital (000) *	115,659	115,507
Treasury Shares (000)	(303)	(272)
	<u>115,356</u>	<u>115,235</u>
Net assets per share (sen)	313.01	300.16

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

During the quarter, the Group recorded a total turnover of RM 59.9 million as compared to RM 66.6 million achieved in the corresponding quarter last year. The drop in turnover was due to the general slowdown in the global economy.

As a result of a lower turnover, the Group's pretax profit (excluding share of profits of associate company) was at RM 13.4 million as compared to RM 16.1 million achieved in the corresponding quarter last year. Amidst the challenging economic climate, the Group has managed to maintain its operating profit margin at 22.4% (June 2010: 24.5%).

B2 Comparison of profit before taxation with preceding quarter

Despite a lower turnover, profit before tax for the quarter increased from RM 15.1 million in the preceding quarter to RM 15.6 million during the quarter. The improvement was due to higher operating margin and also a higher share of profits from the associate company.

B3 Current year prospects

Despite a general slowdown of the global economy, the Group is confident that its business will remain profitable for the financial ending 31 March 2012.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	3 months ended	
	2011	2010
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	2,853	1,844
- (Over)/under provision in respect of prior year	-	14
	<u>2,853</u>	<u>1,858</u>
Deferred tax expense		
- Current year	(480)	1,211
	<u>2,373</u>	<u>3,069</u>

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

B6 Disclosure of Realised and Unrealised Profit/ Losses

The retained profit as at 30 June 2011 is analysed as follows:

	Current Quarter Ended 30-Jun-2011 RM'000	Preceding Quarter Ended 31-Mar-2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	198,618	185,505
- Unrealised	(6,831)	(5,843)
	<u>191,787</u>	<u>179,662</u>
Total share of retained profit from associates:		
- Realised	18,086	16,435
- Unrealised	577	685
	<u>18,663</u>	<u>17,120</u>
Add: Consolidation adjustment	17,989	18,384
Total Group retained profit as per consolidated accounts	<u>228,439</u>	<u>215,166</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:

	As at 30-Jun-2011 RM'000
At cost	46,352
At book value	46,352
At market value	<u>50,034</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.

	As at 30-Jun-2011 RM('000)
a) Bank borrowing - Non current	
Term Loan	5,602
Finance lease	<u>80</u>
	<u>5,682</u>
b) Bank borrowing - current	
Bank overdraft	4,747
Foreign currency loan	19,644
Portion of term loan due within one year	7,457
Portion of finance lease due within one year	<u>186</u>
	<u>32,034</u>

B11 Derivative financial instruments

Details of outstanding derivative financial instruments as at 30 June 2011:

Forward foreign exchange contracts:

	Contract Value	Fair Value	Gain/(Loss)
	RM'000	RM'000	RM'000
Within 1 year	<u>15,845</u>	<u>15,356</u>	<u>489</u>

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 2011, the Group decided to recommend a final single tier dividend of 12.5% (2010: 16% less tax) subject to approval by shareholders. The date of payment of 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-2011	Current Year to Date 30-Jun-2011
Basic earnings per share		
Net profit for the period (RM'000)	13,266	13,266
Weighted average number of ordinary shares ('000)	115,353	115,353
Basic earnings per share (sen)	<u>11.50</u>	<u>11.50</u>

	Current Quarter ended 30-Jun-11	Current Year to Date 30-Jun-11
Diluted earnings per share		
Net profit for the period (RM'000)	13,266	13,266
Weighted average number of ordinary shares ('000)	115,353	115,353
Adjustment for share options ('000)	<u>507</u>	<u>507</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,860</u>	<u>115,860</u>
Diluted earnings per share (sen)	<u>11.45</u>	<u>11.45</u>

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