



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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

169,390 and 610,390 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 September 2009, 101,050 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 quarter and financial year to date. Accordingly, a total of 133,700 shares was retained as treasury shares as at 30 September 2009.

There was no shares purchased and retained as treasury shares subsequent to the financial quarter ended 30 September 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 current financial year to date.

A13 Changes in contingent liabilities/assets

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

A14 Capital commitments approved and contracted for

	30-Sep-2009
	RM'000
Machinery	89
Land & Building	4,140

Lease commitments

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

	30-Sep-2009
	RM'000
Less Than one year	1,578
One to five years	1,676

A15 Net assets per share (sen)

	30-Sep-09	31-Mar-09
Shareholders' Fund (RM'000)	299,678	280,503
Share Capital (000) *	114,550	113,940
Treasury Shares (000)	(134)	(134)
	<u>114,416</u>	<u>113,806</u>
Net assets per share (sen)	261.92	246.47

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

During the quarter, sales revenue dropped by approximately 15% from RM 72.5 million for the quarter ended September 2008 to RM 61.7 million in the current quarter. However, pre tax margin (excluding share of profit of associate company) has improved significantly from 17.6% to 19.2% when compared to the corresponding quarter in the preceding year. Despite the drop in sales revenue, overall profit before tax for the Group has registered an improvement of 11.6% from RM12.8 million to RM14.3 million.

The drop in sales was mainly due to the spill over effect of the global economy slow down which affected its overall export sales for the quarter. Sales in developed countries such as U.S and Europe have dropped when compared to the corresponding quarter in the preceding year.

As the Group continues to stream line its production to raise its efficiency level and re-strategize its sales and marketing to focus on more value add items, this has resulted in an overall improved margin on its bottom line.

B2 Comparison of profit before taxation with preceding quarter

Pre tax profit dropped from RM18.9 million to RM14.3 million. This was mainly due to a more favorable exchange movement in Sterling pound in the preceding quarter as compared to the current quarter.

B3 Current year prospects

As a result of all the hard work and extra effort put in by the Group to address the economy crisis, the Group is pleased to note a significant increase in quantum of orders received from its customers recently. The Group has successfully launched new products and secured new major accounts. Based on this encouraging development, the Group is confident of achieving a better result for the remaining quarters of its 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

	6 months ended	
	30-Sep	
	2009	2008
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	3,086	5,031
- (Over)/under provision in respect of prior year	3	(3,017)
	3,089	2,014
Deferred tax expense		
- Current year	2,675	(151)
	<u>5,764</u>	<u>1,863</u>

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) Purchase and disposal of quoted securities were as follows:

	Current Year to Date 30-Sep-09 RM'000
Purchase of quoted securities	<u>321</u>

(b) Investment in quoted securities:

	As at 30-Sep-09 RM'000
At cost	45,561
At book value	45,561
At market value	<u>43,301</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-Sep-09 RM('000)
a) Bank borrowing - Non current	
Term Loan	26,100
Finance lease	<u>583</u>
	<u>26,683</u>
b) Bank borrowing - current	
Bank overdraft	343
Foreign currency loan	9,840
Portion of term loan due within one year	11,064
Portion of finance lease due within one year	<u>376</u>
	<u>21,623</u>

B10 Off balance sheet financial instruments

During the period under review, the Group has not entered into any contract involving off balance sheet financial instruments except for the following foreign currency contracts which will be used to hedge the Group's committed sales in foreign currency :-

a) Forward foreign exchange contracts:

	Contract Amount RM'000
Within 1 year	<u>285</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.

As at balance sheet date, adjustment would be made for the above forward contracts to account for the difference between the contracted rate and the prevailing market rate if the amount is material.

B11 Changes in material litigation

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

B12 Dividends Proposed

At the Annual General Meeting held on 29 September 2009, the shareholders of Asia File Corporation Bhd. had approved a final dividend of 15% less 25% tax in respect of the financial year ended 31 March 2009. The dividend will be paid on 28 December 2009.

B13 Earnings per share

	Current Quarter ended 30-Sep-09	Current Year to Date 30-Sep-09
Basic earnings per share		
Net profit for the period (RM'000)	11,692	27,376
Weighted average number of ordinary shares ('000)	114,058	114,154
Basic earnings per share (sen)	<u>10.25</u>	<u>23.98</u>
	Current Quarter ended 30-Sep-09	Current Year to Date 30-Sep-09
Diluted earnings per share		
Net profit for the period (RM'000)	11,692	27,376
Weighted average number of ordinary shares ('000)	114,058	114,154
Adjustment for share options ('000)	<u>1,380</u>	<u>1,414</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,438</u>	<u>115,568</u>
Diluted earnings per share (sen)	<u>10.13</u>	<u>23.69</u>

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