



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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

183,700 and 794,090 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 31 December 2009, 49,250 ordinary shares were issued pursuant to the Employee share Option Scheme.

10,600 and 10,700 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 respectively. Accordingly, a total of 144,300 shares was retained as treasury shares as at 31 December 2009.

Subsequent to the financial quarter ended 31 December 2009, a total of 114,900 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 259,200 shares was retained as treasury shares subsequent to the financial quarter ended 31 December 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 paid 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.

A final dividend of 15% less 25% tax on 114,517,780 ordinary shares of RM1 each totalling RM 12,883,250 for the financial year ended 31 March 2009 was paid on 28 December 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 31 December 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

	31-Dec-2009
	RM'000
Machinery	<u>240</u>
Land & Building	<u>4,140</u>

Lease commitments

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

	31-Dec-2009
	RM'000
Less Than one year	1,561
One to five years	1,267

A15 Net assets per share (sen)

	31-Dec-09	31-Mar-09
Shareholders' Fund (RM'000)	311,319	280,503
Share Capital (000) *	114,734	113,940
Treasury Shares (000)	(144)	(134)
	<u>114,590</u>	<u>113,806</u>
Net assets per share (sen)	271.68	246.47

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

During the quarter under review, sales revenue dropped by 4% from RM 74 million to RM 71 million when compared with the corresponding quarter in previous year. The drop was mainly attributed to a lower sales revenue from the European market. However, we have noted some recovery in the above market segment in recent months.

Despite the slight drop in revenue, operating profit improved significantly from RM 6.5 million in the quarter ended 31 December 2008 to RM 15 million in the current quarter. This represented an improvement of 131% for the quarter. The enhancement in operating profit was mainly due to increase in sales of product with higher margin during the quarter and a more favorable exchange factor for the quarter.

B2 Comparison of profit before taxation with preceding quarter

Excluding share of profit of associate, profit before tax improved by 25% from RM 11.8million to RM 14.8million due to increased sales revenue and better margin.

B3 Current year prospects

With the gradual stabilization in sales revenue, the Group is confident of improving its overall operating profit for the 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

	9 months ended	
	31-Dec	
	2009	2008
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	4,232	5,031
- (Over)/under provision in respect of prior year	3	(3,017)
	4,235	2,014
Deferred tax expense		
- Current year	2,723	(151)
	<u>6,958</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 31-Dec-09 RM'000
Purchase of quoted securities	<u>912</u>

(b) Investment in quoted securities:

	As at 31-Dec-09 RM'000
At cost	46,152
At book value	46,152
At market value	<u>48,044</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 31-Dec-09 RM('000)
a) Bank borrowing - Non current	
Term Loan	18,419
Finance lease	<u>472</u>
	<u>18,891</u>
b) Bank borrowing - current	
Bank overdraft	1,979
Foreign currency loan	12,804
Portion of term loan due within one year	10,192
Portion of finance lease due within one year	<u>366</u>
	<u>25,341</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>2,787</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

After taking into consideration the net cash position, the Group decided to recommend an interim dividend of 12% less tax for the quarter under review and financial year to date (previous corresponding quarter: an interim dividend of 10% less tax). The dividend will be paid at a date to be determined later.

B13 Earnings per share

	Current Quarter ended 31-Dec-09	Current Year to Date 31-Dec-09
Basic earnings per share		
Net profit for the period (RM'000)	18,649	46,025
Weighted average number of ordinary shares ('000)	114,245	114,272
Basic earnings per share (sen)	<u>16.32</u>	<u>40.28</u>
	Current Quarter ended 31-Dec-09	Current Year to Date 31-Dec-09
Diluted earnings per share		
Net profit for the period (RM'000)	18,649	46,025
Weighted average number of ordinary shares ('000)	114,245	114,272
Adjustment for share options ('000)	<u>1,430</u>	<u>1,374</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,675</u>	<u>115,646</u>
Diluted earnings per share (sen)	<u>16.12</u>	<u>39.80</u>

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