



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2010

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 2010. 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 2010.

**A2 Changes in Accounting Policies**

At the date of authorisation of these financial statements, the Group and Company has not applied the following new FRSs, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

<b>FRSs/Amendments/Interpretations</b>	<b>Effective date</b>
FRS 1, First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3, Business Combinations (revised)	1 July 2010
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosure	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 101, Presentation of Financial Statements (revised)	1 January 2010
FRS 123, Borrowings Costs (revised)	1 January 2010
FRS 127, Consolidated and Separate Financial Statements (revised)	1 July 2010
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards	1 January 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: Vesting Conditions and Cancellations	1 January 2010
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 2010
Amendments to FRS 7, Financial Instruments: Disclosures	1 January 2011
- Improving Disclosures about Financial Instruments	
Amendments to FRS 101, Presentation of Financial Statements	1 January 2010
- Puttable Financial Instruments and Obligations Arising on Liquidation	
Amendments to 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 132, Financial Instruments: Presentation	
- Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010
- Separation of Compound Instruments	1 January 2010
- Classification of Rights Issues	1 March 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
- Reclassification of Financial Assets	
- Collective Assessment of Impairment for Banking Institutions	
Improvement to FRSs (2009)	1 January 2010
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011

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 12, Service Concession Agreements	1 July 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
IC Interpretation 15, Agreements for the Construction of Real Estate	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 Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 April 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009, 1 January 2010 and 1 March 2010, except for FRS 4 and IC Interpretation 13 and 14 which are not applicable to the Group and to the Company; and
- from the annual period beginning 1 April 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, except for IC Interpretation 12, IC Interpretation 15 and IC Interpretation 16 which are not applicable to the Group and to the Company.

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, except for the following:

a) FRS 101 (revised), Presentation of Financial Statements

The revised FRS 101 introduces changes in the presentation and disclosure of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised directly in equity, either in one single statement, or in two statements. The Group has elected to present this statement in two statements. This Standard does not have any impact on the financial position and results of the Group.

b) FRS 117, Leases

The amendments requires entity with existing leases of land and building to reassess the classification of land as finance or operating lease. Following the amendments, the Group has reclassified the existing leasehold land to property, plant and equipment, with no effect on reported profit or equity. However, as a result of the adoption of the amendments, comparative balances as at 31 March 2010 has been restated as follows:

	<b>As previously stated RM'000</b>	<b>Effects of adopting amendments to FRS 117 RM'000</b>	<b>As restated RM'000</b>
Property, plant and equipment	93,991	1,756	95,747
Prepaid lease payments	1,756	(1,756)	-

c) FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments.

Financial Assets

*Loan and Receivables*

Prior to 1 January 2010, loan and receivables were carried at participated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amount as of balance sheet date. Under FRS 139, loan and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated comprehensive income statement when the loans and receivables are derecognised, impaired or through the amortised process.

## Financial Liabilities

### *Derivative Financial Instruments*

Prior to 1 January 2010, derivative were off-balance-sheet instruments and were not recognised in the financial statements. Under FRS 139, derivatives are required to be initially recognised at fair value on the contract date and subsequently remeasured its fair value at the balance sheet date. Derivatives that are not qualified for hedge accounting are classified as Financial Assets at fair value through profit and loss with any gain or loss arising from changes in fair value on these derivatives being recognised in the comprehensive income statement.

### Effect of Adoption of FRS 139

In accordance with the transitional provisions of FRS 139, the changes are applied prospectively and the comparatives as of 31 March 2010 are not restated. Instead, the changes have been accounted for by restating the opening retained earnings in the balance sheet as of 1 April 2010.

	<b>As at 1 April 2010</b>
	<b>Retained Earnings</b>
	<b>RM'000</b>
Previously stated at	318,312
<u>Effect under FRS 139:</u>	
Impairment of trade and sundry receivables	(67)
Gains on forward contract	8
Restated at	<u>318,253</u>

### **A3 Audit report of preceding annual financial statements**

The audit report of the Group's annual financial statements for the year ended 31 March 2010 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**

181,800 and 588,100 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 2010, 41,200 ordinary shares were issued pursuant to the Employee Share Option Scheme.

30,500 ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme during the financial year to date. Accordingly, a total of 302,600 shares was retained as treasury shares as at 31 December 2010.

Subsequent to the financial quarter ended 31 December 2010, a total of 100 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 302,700 shares was retained as treasury shares subsequent to the financial quarter ended 31 December 2010.

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 2011**

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

**(b) In respect of the financial year ended 31 March 2010**

An interim dividend of 12% less 25% tax on 114,600,530 ordinary shares of RM1 each totalling RM 10,314,048 for the financial year ended 31 March 2010 was paid on 27 May 2010.

A final dividend of 16% less 25% tax on 115,158,130 ordinary shares of RM1 each totalling RM 13,818,976 for the financial year ended 31 March 2010 was paid on 24 December 2010.

**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**

For the financial year to date, the Group disposed its 50% investment in an associate company, Mefajaya Sdn Bhd and the disposal has no significant impact on the financial position of the Group.

**A13 Changes in contingent liabilities/assets**

The total contingent liabilities as at 31 December 2010 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM 89.45 million (31 March 2010: RM 92.70 million).

**A14 Capital commitments approved and contracted for**

	<b>31-Dec-2010</b>
	<b>RM'000</b>
Land & Building	<u>4,140</u>

**Lease commitments**

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

	<b>31-Dec-2010</b>
	<b>RM'000</b>
Less Than one year	1,106

**A15 Net assets per share (sen)**

	<b>31-Dec-2010</b>	<b>31-Mar-2010</b>
Shareholders' Fund (RM'000)	331,212	318,312
Share Capital (000) *	115,461	114,873
Treasury Shares (000)	<u>(303)</u>	<u>(272)</u>
	<u>115,158</u>	<u>114,601</u>
Net assets per share (sen)	287.62	277.76

## B Additional information required by the Bursa Malaysia Securities Berhad's Listing Requirements

### B1 Review of performance

For the quarter ended 31 December 2010, the group achieved a total sales revenue of RM 58.9 million as compared to RM 70.9 million achieved in the corresponding quarter last year.

The market segment which experienced the biggest drop in sales in the quarter was the Europe market. The main reason for the drop in sales in this market was due to the weakening of the Euro currency against Ringgit Malaysia. In fact, the foreign exchange factor contributed to 88% of the total drop in sales in the Europe market while only 12% of the total drop in Europe sales was due to the weaker business sentiment in Europe.

Other than the above, sales to the local market remain consistent while sales to other overseas market segments suffered a minor drop of about 7% mainly due to the weakening of USD against the local currency.

In terms of pre tax profit which excludes share of profit of associate, the Group recorded a total profit of RM 11 million for the current quarter (2009: RM 14.8 million). The drop in pre tax profit is mainly attributable to a much lower sales figure achieved during the quarter. Despite the set back caused by the weakening of major foreign currencies in which the export sales of the group are denominated in, the Group has successfully achieved a satisfactory pre tax margin (excluding shares of profit of associate) of approximately 19% during the quarter (2009: 21%).

### B2 Comparison of profit before taxation with preceding quarter

Comparing with the preceding quarter, there was an improvement of 21% in pre tax profit. The pre tax profit increased from RM 11 million last quarter to RM 13.3 million in the current quarter.

The above improvement was mainly due to increase in sales of 5%, a better margin achieved during the quarter and also a higher share of profit of associate.

### B3 Current year prospects

For the period of nine months, the Group achieved a total pre tax profit of RM 43 million based on the total sales revenue of RM 182 million.

Based on its financial performance to date, the Group expects a consistent performance for the remaining quarter.

### 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	
	2010	2009
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	4,819	4,232
- (Over)/under provision in respect of prior year	(721)	3
	4,098	4,235
Deferred tax expense		
- Current year	1,232	2,723
	<u>5,330</u>	<u>6,958</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 and the reversal of provision in prior year.

**B6 Realised and Unrealised Profit/ Losses Disclosure**

The retained profit as at 31 December 2010 and 30 September 2010 is analysed as follows:

	<b>Current Quarter Ended 31-Dec-2010 RM'000</b>	<b>Preceding Quarter Ended 30-Sep-2010 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	175,879	176,135
- Unrealised	(6,528)	(5,882)
	<u>169,351</u>	<u>170,253</u>
Total share of retained profit from associates:		
- Realised	14,961	12,260
- Unrealised	623	511
	<u>15,584</u>	<u>12,771</u>
Add: Consolidation adjustment	18,284	18,656
	<u>203,219</u>	<u>201,680</u>
Total Group retained profit as per consolidated accounts	<u>203,219</u>	<u>201,680</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) Purchase and disposal of quoted securities were as follows:

	<b>Current Year to Date 31-Dec-2010 RM'000</b>
Purchase of quoted securities	<u>470</u>

(b) Investment in quoted securities:

	<b>As at 31-Dec-2010 RM'000</b>
At cost	46,755
At book value	46,755
At market value	<u>51,681</u>

**B9 Status of corporate proposal announced**

On 22 February 2011, the Company announced that the Company has resolved to extend its existing Employees' Share Option Scheme "ESOS" which is expiring on 22 April 2012 for another five year until 21 April 2017 in accordance with the terms of the ESOS By-Laws.

**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, EURO and USD.

	<b>As at 31-Dec-2010 RM('000)</b>
a) Bank borrowing - Non current	
Term Loan	9,050
Finance lease	164
	<u>9,214</u>
b) Bank borrowing - current	
Bank overdraft	98
Foreign currency loan	19,146
Portion of term loan due within one year	8,367
Portion of finance lease due within one year	230
	<u>27,841</u>

**B11 Derivative financial instruments**

Details of outstanding derivative financial instruments as at 31 December 2010:

Forward foreign exchange contracts:

	<b>Contract Value</b>	<b>Fair Value</b>	<b>Gain/(Loss)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Within 1 year	22,583	22,180	403

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, the Group decided to recommend an interim dividend of 4.8% less tax and 5.50% tax exempt for the quarter under review and financial year to date (previous corresponding quarter: an interim dividend of 12% less tax). The dividend will be paid at a date to be determined later.

**B14 Earnings per share**

	<b>Current Quarter ended 31-Dec-2010</b>	<b>Current Year to Date 31-Dec-2010</b>
<b>Basic earnings per share</b>		
Net profit for the period (RM'000)	11,461	37,795
Weighted average number of ordinary shares ('000)	114,905	114,882
Basic earnings per share (sen)	9.97	32.90
<b>Diluted earnings per share</b>		
Net profit for the period (RM'000)	11,461	37,795
Weighted average number of ordinary shares ('000)	114,905	114,882
Adjustment for share options ('000)	784	810
Weighted average number of ordinary shares for diluted earnings per share ('000)	115,689	115,692
Diluted earnings per share (sen)	9.91	32.67

By Order of The Board

Lam Voon Kean (Company Secretary)