



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2005

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2005.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 March 2005.

A2 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2005 was not subject to any qualification.

A3 Seasonal or cyclical factors

The operation of the Group is not subject to any effects of seasonality or cyclicity.

A4 Unusual items

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 changes in accounting estimates of amounts reported in prior financial years.

A6 Issuance or repayment of debts and equity securities

12,600 and 22,600 ordinary shares were issued pursuant to the Employee Share Option Scheme during the quarter and financial year to date. Subsequent to the financial period ended 30 September 2005, 6,000 ordinary shares were issued pursuant to the Employee Share Option Scheme.

A total of 100 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme for the current quarter and financial year to date. Accordingly, a total of 595,800 shares was retained as treasury shares as at 30 September 2005.

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 quarter and financial year to date.

A7 Dividend Paid

(a) In respect of the financial year ending 31 March 2006

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

(b) In respect of the financial year ended 31 March 2005

An interim dividend of 10% less 28% tax on 69,862,100 ordinary shares of RM 1 each totalling RM 5,030,071 for the financial year ended 31 March 2005 was paid on 27 May 2005.

A8 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.

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 current financial year to date.

A12 Changes in contingent liabilities/assets

Since the last audited financial statements as at 31 March 2005, the Group does not have any contingent liabilities/assets.

A13 Capital commitments

	30-Sept-2005
	RM'000
Machinery	
Approved and contracted for	<u>1,105</u>
Building	
Approved and contracted for	<u>132</u>

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

	30-Sept-2005
	RM'000
Less Than one year	695
One to two years	695
Above two years	6,140

A14 Net tangible assets per share (sen)

	30-Sept-05	31-Mac-05
Shareholders' Fund (RM'000)	171,317	155,092
Share Capital (000)	70,480	70,458
Treasury Shares (000)	<u>(596)</u>	<u>(596)</u>
	<u>69,884</u>	<u>69,862</u>
Net tangible assets per share (sen)	245.14	222.00

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

Sales and pre-tax profit for the six-month period increased by 11.85% and 10.82% respectively when compared with the corresponding period in preceding year.

On quarterly basis, sales and pre-tax profit increased by 16.33% and 13.52% respectively when compared with the corresponding quarter in preceding year. Export sector make up a total of 75% of total sales in the quarter. Major market segments that enjoyed robust sales growth during the quarter are U.S.A. and New Zealand .

On overall basis, export sector enjoyed an increase in sales of 18.5% while local sales registered an improvement of 10.3% when compared to the corresponding quarter in preceding year.

B2 Comparison of profit before taxation with preceding quarter

There was an increase of 7.87% in the pre-tax profit when compared to the preceding quarter ended 30 June 2005 as a result of an increase in turnover of 8.84%.

B3 Current year prospects

In view of the positive improvement in the financial results achieved so far, the Group is confident of an overall better performance for the financial year ending March 2006.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	6 months ended 30-Sept	
	2005 RM'000	2004 RM'000
Current year tax expense		
- Based on results for the year	5,227	4,338
- Under provision in respect of prior year	268	-
	5,495	4,338
Deferred tax expense		
- Current year	(537)	(1,148)
	4,958	3,190

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 incentive.

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:

	6 months 2nd Quarter 30.9.2005 RM'000
Purchase of quoted securities	14,187
Disposal of quoted securities	
Sales proceeds	8,350
Cost of investments	8,043

(b) Investment in quoted securities:

	As at 30.09.2005 RM'000
At cost	19,715
At book value	19,715
At market value	<u>19,063</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 short term banker acceptance, bank overdraft and foreign currency loan which are denominated in Ringgit Malaysia and USD respectively.

	As at 30.09.2005	
	USD('000)	RM('000)
Foreign currency loan	1,460	5,522
Bank overdraft	-	189
	<u>1,460</u>	<u>5,711</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 :-

Currency	Contract Amount	Equivalent in RM	Contract Due in
	('000)	('000)	
USD	88	329	Nov-05
USD	600	2,250	Dis-05

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, no adjustment has been made for the above forward contracts to account for the difference between the contracted rate and the prevailing market rate as the amount is immaterial.

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 30 September 2005, the shareholders of Asia File Corporation Bhd

had approved a final dividend of 18% less 28% tax in respect of the financial year ended 31 March 2005. The dividend will be paid on 30 December 2005.

B13 Earnings per share

	Current Quarter ended 30-Sept-05	Current Year to Date 30-Sept-05
Basic earnings per share		
Net profit for the period (RM'000)	8,073	16,016
Weighted average number of ordinary shares ('000)	69,875	69,873
Basic earnings per share (sen)	<u>11.55</u>	<u>22.92</u>

	Current Quarter ended 30-Sept-05	Current Year to Date 30-Sept-05
Diluted earnings per share		
Net profit for the period (RM'000)	8,073	16,016
Weighted average number of ordinary shares ('000)	69,875	69,873
Adjustment for share options ('000)	<u>76</u>	<u>87</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>69,951</u>	<u>69,960</u>
Diluted earnings per share (sen)	<u>11.54</u>	<u>22.89</u>

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