



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

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

6,000 and 28,600 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 31 December 2005, 2,200 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 financial year to date. Accordingly, a total of 595,800 shares was retained as treasury shares as at 31 December 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 paid 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.

A final dividend of 18% less 28% tax on 69,890,600 ordinary shares of RM 1 each totalling RM9,057,822 for the financial year ended 31 March 2005 was paid on 30 December 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

		31-Dec-2005
		RM'000
Machinery	Approved and contracted for	<u>2,256</u>
Building	Approved and contracted for	<u>1,517</u>

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

		31-Dec-2005
		RM'000
	Less Than one year	684
	One to two years	684
	Above two years	5,867

A14 Net assets per share (sen)

	31-Dec-05	31-Mar-05
Shareholders' Fund (RM'000)	164,164	155,092
Share Capital (000)	70,486	70,458
Treasury Shares (000)	<u>(596)</u>	<u>(596)</u>
	<u>69,890</u>	<u>69,862</u>

Net assets per share (sen) 234.89 222.00

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

B1 Review of performance

For the nine month period ended 31 December 2005, sales and pre-tax profit improved by 5.6% and 5.3% respectively when compared to the corresponding result in preceding year.

On quarterly basis, a drop of 6.6% and 4.9% were recorded in sales and pre tax figure in comparison with the corresponding quarter last year. The major reasons for the drop in figures were due to the postponement of a major order from Japan and the loss in turnover from the disposal of the diaper unit in the preceding quarter. Post tax profit for the quarter, however, registered an increase of 1.6%, resulted in an increase in earning per share from 11.17 sen in corresponding quarter last year to 11.31 sen in the current quarter.

B2 Comparison of profit before taxation with preceding quarter

Profit before tax decrease by 10.5% when compared with the preceding quarter ended 30 September 2005 on the back of a weaker turnover. A total sales of RM27.9 million was recorded during the quarter as compared to RM34.4 million in the preceding quarter.

Export sales in preceding quarter hit the record high due to the high sales achieved in the U.S market in view of the back to school season. In addition, the delay in receiving a major order from Japan in this quarter resulted in a drop in the export sales for the current quarter. The combination of the above two major factors contributed to the disparity in sales turnover for the current quarter when compared to the preceding quarter.

B3 Current year prospects

Based on the financial results achieved year to date, the Board expects the Group's performance for the financial year ending March 2006 to be satisfactory.

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	
	2005	2004
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	6,909	5,618
- Under provision in respect of prior year	268	269
	7,177	5,887
Deferred tax expense		
- Current year	(387)	(242)
	6,790	5,645

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:

9 months
3rd Quarter
31.12.05
RM'000

Purchase of quoted securities	14,696
Disposal of quoted securities	
Sales proceeds	22,968
Cost of investments	22,816
Gain on disposal	152

(b) Investment in quoted securities:

	As at
	31.12.2005
	RM'000
At cost	5,442
At book value	5,442
At market value	4,388

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 and foreign currency loan which are denominated in Ringgit Malaysia and USD respectively.

	As at	
	31.12.2005	
	USD('000)	RM('000)
Foreign currency loan	1,115	4,223
Bank overdraft	-	298
	1,115	4,521

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.

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 cash flow requirement for the Group and the net cash balance position, the Group has decided to recommend an interim dividend of 12% less 28% tax totalling RM6,038,548 for the quarter under review and financial year to date (previous corresponding quarter: an interim dividend of 10% less 28% tax totalling RM5,030,071). The dividend will be paid at a date to be determined later.

B13 Earnings per share

	Current	Current
	Quarter ended	Year to Date
	31-Dec-05	31-Dec-05
Basic earnings per share		
Net profit for the period (RM'000)	7,901	23,917
Weighted average number of ordinary shares ('000)	69,877	69,878
Basic earnings per share (sen)	11.31	34.23

	Current Quarter ended 31-Dec-05	Current Year to Date 31-Dec-05
Diluted earnings per share		
Net profit for the period (RM'000)	7,901	23,917
Weighted average number of ordinary shares ('000)	69,877	69,878
Adjustment for share options ('000)	62	76
Weighted average number of ordinary shares for diluted earnings per share ('000)	69,939	69,954
Diluted earnings per share (sen)	11.30	34.19

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