



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2008

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Basis of preparation

The interim financial report has been prepared under the historical cost convention except for the revaluation of certain property, plant and equipment.

The interim financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Reporting and the additional disclosure requirements as in part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2008. 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 2008.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2008 except for the adoption of the following new and revised Financial Reporting Standards ("FRS"), amendment to FRS and Interpretations effective for financial period beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 119 2004 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above FRS, amendment to FRS and Interpretations do not have significant financial impact on the financial statements of the Group.

A3 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2008 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

262,960 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 June 2008, 98,500 ordinary shares were issued pursuant to the Employee Share Option Scheme.

No ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme for the quarter and financial year to date.

Subsequent to the financial quarter ended 30 June 2008, a total of 86,400 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 133,500 shares was retained as treasury shares subsequent to the financial quarter ended 30 June 2008.

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 2009

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

(b) In respect of the financial year ended 31 March 2008

An interim dividend of 10% less 25% tax on 113,364,180 ordinary shares of RM1 each totalling RM8,502,314 for the financial year ended 31 March 2008 was paid on 28 May 2008.

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

Subsequent to the quarter, Muda Holdings Berhad (a listed company on Bursa) became the associate company of the the Group after it has succesfully acquired an equity interest of more than 20% in Muda Holdings Berhad.

As at to date , the Group has acquired a total of 58.5 million shares of RM 0.50 each in Muda Holdings Berhad for a total consideration of RM 44.9 million.

A13 Changes in contingent liabilities/assets

Since the last audited financial statements as at 31 March 2008, the Group does not have any contingent liabilities/assets.

A14 Capital commitments

	30-Jun-2008
	RM'000
Machinery	
Approved and contracted for	<u>5,083</u>
Building	
Approved and contracted for	<u>11,409</u>

Lease commitments

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

	30-Jun-2008
	RM'000
Less Than one year	1,834
One to five years	4,239

A15 Net assets per share (sen)

	30-Jun-08	31-Mar-08
Shareholders' Fund (RM'000)	247,754	224,552
Share Capital (000) *	113,674	113,411
Treasury Shares (000)	<u>(47)</u>	<u>(47)</u>
	<u>113,627</u>	<u>113,364</u>
Net assets per share (sen)	218.04	198.08

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

The current quarter's financial results represented the best quarterly results achieved by the Group. During the quarter under review, the Group achieved a total pre tax profit of RM 17.1 million (June 2007 : RM11.8 million) based on the turnover of RM84.8 million (June 2007 : RM43.6 million). Profit after tax rose to RM21.5 million (June 2007 : RM10.3 million) due to recognition of certain tax incentive granted by the government recently.

In comparison with the June quarter last year, export sales generated by the Group's Malaysia operations (excluding sales contribution from the Germany subsidiary) increased by 16% while the local market has recorded a similar double digit increase of 12%. The main increase for the export market comes from U.S, Russia and Middle East. Together with the result attained from its Germany operation, revenue and pre tax profit increased by an impressive quantum of 95% and 45% respectively when compared with the corresponding quarter last year. The lower percentage of increment in pre tax profit as compared to the increment in sales is mainly due to lower profit margin from its Germany operation.

B2 Comparison of profit before taxation with preceding quarter

When compared with the preceding quarter, pre tax profit for the quarter increased by 32% from RM12.98 million to RM17.12 million. The improvement in margin are mainly due to better pricing as a result of price increase as well as increase in turnover.

B3 Current year prospects

The Board of Directors expect the Group's financial performance to be consistent and satisfactory in the coming quarters.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	3 months ended 30-Jun	
	2008 RM'000	2007 RM'000
Current year tax expense:		
- Based on results for the year	2,556	2,085
- (Over)/under provision in respect of prior year	(7,229)	
	(4,673)	2,085
Deferred tax expense		
- Current year	284	(536)
	(4,389)	1,549

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. The Group has recently obtained the approval for one major tax incentive from the authority. This resulted in the huge amount of over provision of tax in respect of prior years.

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:

	3 months 1st quarter 30.6.2008 RM'000
Purchase of quoted securities	26,961

(b) Investment in quoted securities:

	As at 30.6.2008 RM'000
At cost	26,961
At book value	26,961
At market value	29,189

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 30.6.2008 RM('000)
a) Bank borrowing - Non current	
Term Loan	28,133
Finance lease	1,089
	29,222

b) Bank borrowing - current	
Bank overdraft	3,687
Foreign currency loan	19,376
Portion of term loan due within one year	8,120
Portion of finance lease due within one year	496
	<u>31,679</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>9,929</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 has been 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.

b) Structured Foreign Exchange Hedging

The Group has entered into the above structure contract with licensed bank for a total contract sum of up to a maximum of USD 36 million at a predetermined rate subject to certain terms and conditions.

B11 Changes in material litigation

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

B12 Dividends Proposed

A final dividend of 15% less tax has been proposed by the Group in respect of the financial year ended 31 March 2008 subject to the approval of shareholders at the forthcoming Annual General Meeting.

B13 Earnings per share

For comparative purpose the earnings per share for last year has been adjusted by a similar number of bonus shares.

	Current Quarter ended 30-Jun-08	Current Year to Date 30-Jun-08
Basic earnings per share		
Net profit for the period (RM'000)	21,507	21,507
Weighted average number of ordinary shares ('000)	113,452	113,452
Basic earnings per share (sen)	<u>18.96</u>	<u>18.96</u>

	Current Quarter ended 30-Jun-08	Current Year to Date 30-Jun-08
Diluted earnings per share		
Net profit for the period (RM'000)	21,507	21,507
Weighted average number of ordinary shares ('000)	113,452	113,452
Adjustment for share options ('000)	1,805	1,805
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,257</u>	<u>115,257</u>
Diluted earnings per share (sen)	<u>18.66</u>	<u>18.66</u>

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