



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

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

98,500 and 361,460 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 September 2008, 153,900 ordinary shares were issued pursuant to the Employee Share Option Scheme.

86,400 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. Accordingly, a total of 133,500 shares was retained as treasury shares as at 30 September 2008.

There was no shares purchased and retained as treasury shares subsequent to the financial quarter ended 30 September 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

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 30 September 2008 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM89.7million (31 March 2008: RM78.7million).

A14 Capital commitments

Machinery

30-Sep-2008

RM'000

Approved and
contracted for

3,567

Building

Approved and
contracted for

5,954

Lease commitments

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

	30-Sep-2008 RM'000
Less Than one year	1,772
One to five years	3,652

A15 Net assets per share (sen)

	30-Sep-08	31-Mar-08
Shareholders' Fund (RM'000)	240,463	224,552
Share Capital (000) *	113,773	113,411
Treasury Shares (000)	(134)	(47)
	<u>113,639</u>	<u>113,364</u>
Net assets per share (sen)	211.60	198.08

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

B1 Review of performance

During the quarter under review, sales increased from RM 44.1 million to RM 72.5 million when compared with the corresponding quarter last year. The main contributor towards the sale growth was from the Europe sector.

Despite the increase in sales, profit before tax remain flat at RM 12.8 million. This was mainly due to lower profit margin from its Germany operation and unfavorable exchange rate factor.

B2 Comparison of profit before taxation with preceding quarter

When compare with the preceding quarter which has the best quarterly results achieved by the Group so far, profit before tax for the current quarter dropped from RM 17.1 million to RM 12.8 million. The main reasons for the drop in pretax profit were due to weaker sales for the quarter which dropped from RM 84.8 million in the preceding quarter to RM 72.5 million as well as a lower margin achieved during the quarter.

The current quarter experienced high degree of volatility in terms of fluctuation in currency and material costs. In addition, it was also an off peak period in terms of sales activity for its Europe operation due to summer break.

B3 Current year prospects

The Board of Directors expect the Group's overall financial performance for the year to be better when compare to the yearly result last year.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	6 months ended 30-Sep	
	2008 RM'000	2007 RM'000
Current year tax expense		
- Based on results for the year	5,031	4,323
- (Over)/under provision in respect of prior year	(3,017)	27
	<u>2,014</u>	<u>4,350</u>
Deferred tax expense		

- Current year

(151)	58
<u>1,863</u>	<u>4,408</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. 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.

The higher tax charge for the quarter is due to changes in the commencement period of the tax incentive given by the relevant authority.

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 30.9.2008 RM'000
Purchase of quoted securities	<u>45,240</u>
 (b) Investment in quoted securities:	
	As at 30.9.2008 RM'000
At cost	45,240
At book value	45,240
At market value	<u>41,241</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 30.9.2008 RM('000)
a) Bank borrowing - Non current	
Term Loan	38,678
Finance lease	938
	<u>39,616</u>
b) Bank borrowing - current	
Bank overdraft	260
Foreign currency loan	16,548
Portion of term loan due within one year	10,226
Portion of finance lease due within one year	474
	<u>27,508</u>

B10 Off balance sheet financial instruments

As at the date of this report, the Group has not entered into any contract involving off balance sheet financial instruments except for a structured foreign exchange hedging with licensed bank for a total contract sum of up to a maximum of USD 27 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

At the Annual General Meeting held on 30 September 2008, the shareholders of Asia File Corporation Bhd. had approved a final dividend of 15% less 25% tax in respect of the financial year ended 31 March 2008. The dividend will be paid on 29 December 2008.

B13 Earnings per share

For comparative purpose the earnings per share for last year has been adjusted by taking into consideration bonus shares.

	Current Quarter ended 30-Sep-08	Current Year to Date 30-Sep-08
Basic earnings per share		
Net profit for the period (RM'000)	6,525	28,032
Weighted average number of ordinary shares ('000)	113,493	113,561
Basic earnings per share (sen)	<u>5.75</u>	<u>24.68</u>
	Current Quarter ended 30-Sep-08	Current Year to Date 30-Sep-08
Diluted earnings per share		
Net profit for the period (RM'000)	6,525	28,032
Weighted average number of ordinary shares ('000)	113,493	113,561
Adjustment for share options ('000)	<u>1,524</u>	<u>1,613</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,017</u>	<u>115,174</u>
Diluted earnings per share (sen)	<u>5.67</u>	<u>24.34</u>

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