



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 March 2009

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 129 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

Other than the exceptional items as explained under Note B1, 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

11,400 and 528,760 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 March 2009, 61,600 ordinary shares were issued pursuant to the Employee Share Option Scheme.

100 and 86,500 ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme during the financial quarter and financial year to date. Accordingly, a total of 133,600 shares was retained as treasury shares as at 31 March 2009.

There was no shares purchased and retained as treasury shares subsequent to the financial quarter ended 31 March 2009.

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**

An interim dividend of 10% less 25% tax on 113,940,040 ordinary shares of RM1 each totalling RM8,535,483 for the financial year ended 31 March 2009 was paid on 26 May 2009.

(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.

A final dividend of 15% less 25% tax on 113,793,140 ordinary shares of RM1 each totalling RM 12,801,728 for the financial year ended 31 March 2008 was paid on 29 December 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

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

A13 Changes in contingent liabilities/assets

The total contingent liabilities as at 31 March 2009 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM89.7million (31 March 2008: RM78.7million).

A14 Capital commitments

	31-Mar-2009
	RM'000
Machinery	
Approved and contracted for	<u>673</u>

Lease commitments

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

	31-Mar-2009
	RM'000
Less Than one year	1,482
One to five years	2,314

A15 Net assets per share (sen)

	31-Mar-09	31-Mar-08
Shareholders' Fund (RM'000)	276,663	224,552
Share Capital (000) *	113,940	113,411
Treasury Shares (000)	<u>(134)</u>	<u>(47)</u>
	<u>113,806</u>	<u>113,364</u>
Net assets per share (sen)	243.10	198.08

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

Sales revenue recorded for the quarter stood at RM 67 million as compared to RM 78 million achieved during the same quarter last year. As an export oriented company, sales revenue was affected by the general slowdown in global economy. However, despite the contraction in sales of about 14% in the quarter, pre tax profit remained resilient with RM 18.9 million being achieved during the current quarter as compared to RM 13.0 million recorded in the corresponding quarter last year. The Group's pre tax margin rose from 16.6% to 28.2% during the same period.

In terms of local sales, despite the bearish local business sentiment, the Group has successfully attained a modest increase of 3% in its sales through effective marketing strategy and consistency in delivery and product quality. As for the export market, contraction of sales was experienced in markets such as New Zealand and Asia .

The improvement achieved in pre-tax margin during the quarter was due to increase in production efficiency and less volatility in raw material prices. Included in the pre-tax profit is exception item of RM 6.8 million in relation to increase in negative goodwill due to changes in upappropriated profit of the associate company as a result of adopting the revised FRS112.

B2 Comparison of profit before taxation with preceding quarter

Profit before taxation achieved for the quarter was RM 18.9 million as compared to RM 27.4 million achieved in the preceding quarter.

The drop in pre tax profit was mainly due to inclusion of exceptional item of RM 21.5 million in the results of the preceding quarter. Excluding this amount of exceptional item which is of non recurrence nature, profits for the quarter would have improved by RM 6.2 million.

B3 Current year prospects

The current state of global economy has been a challenging period for the Group. While the overall business environment has become more competitive, it has also given rise to various business opportunities for the Group to explore further. The Board is confident that the Group will be able to achieve a satisfactory financial result for the year .

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	Year ended 31-Mar	
	2009 RM'000	2008 RM'000
Current year tax expense		
- Based on results for the year	6,769	8,902
- (Over)/under provision in respect of prior year	(3,017)	(1)
	3,752	8,901
Deferred tax expense		
- Current year	(134)	(356)
	3,618	8,545

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 year.

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:

	Year ended 31.03.2009 RM'000
Purchase of quoted securities	45,240

(b) Investment in quoted securities:

	As at 31.03.2009 RM'000
At cost	45,240
At book value	45,240
At market value	35,350

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 31.03.2009 RM('000)
a) Bank borrowing - Non current	
Term Loan	31,203
Finance lease	733
	31,936
b) Bank borrowing - current	
Bank overdraft	231
Foreign currency loan	3,140
Portion of term loan due within one year	10,856
Portion of finance lease due within one year	404
	14,631

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>1,895</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.

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 net cash position for the current financial year ended 31 March 2009, the Group decided to recommend a final dividend of 15% less tax (2008: 15% less tax) for approval by shareholders. The date of payment of the recommended final dividend shall be determined by the directors and to be announced at a later date.

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 31-Mar-09	Current Year to Date 31-Mar-09
Basic earnings per share		
Net profit for the period (RM'000)	17,040	72,638
Weighted average number of ordinary shares ('000)	113,645	113,679
Basic earnings per share (sen)	<u>14.99</u>	<u>63.90</u>
	Current Quarter ended 31-Mar-09	Current Year to Date 31-Mar-09
Diluted earnings per share		
Net profit for the period (RM'000)	17,040	72,638
Weighted average number of ordinary shares ('000)	113,645	113,679
Adjustment for share options ('000)	<u>1,201</u>	<u>1,353</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>114,846</u>	<u>115,032</u>
Diluted earnings per share (sen)	<u>14.84</u>	<u>63.15</u>

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