



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2010

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Basis of preparation

The interim financial statements are unaudited and has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2009. 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 2009.

A2 Changes in Accounting Policies

At the date of authorisation of these financial statements, the Group and Company has not applied the following new FRSs, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

FRSs/Amendments/Interpretations	Effective date
FRS 1, First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3, Business Combinations	1 July 2010
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosure	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 101, Presentation of Financial Statements (revised)	1 January 2010
FRS 123, Borrowings Costs	1 January 2010
FRS 127, Consolidated and Separate Financial Statements	1 July 2010
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2, Share-based Payment	1 July 2010
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7, Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 101, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010
Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 132, Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010
- Separation of Compound Instruments	1 January 2010
- Classification of Rights Issues	1 March 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement - Reclassification of Financial Assets	1 January 2010
- Collective Assessment of Impairment for Banking Institutions	
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12, Service Concession Agreements	1 July 2010
IC Interpretation 13, Customer Loyalty Programmes	1 January 2010
IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010
IC Interpretation 15, Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17, Distribution of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010

The above FRS, amendment to FRS and Interpretations are expected to have no significant financial impact on financial statements of the Group and the Company.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statement upon initial application of FRS 7 and FRS 139.

The accounting policies used in the preparation of the interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 March 2009.

A3 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2009 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

138,500 and 932,590 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 2010, 19,400 ordinary shares were issued pursuant to the Employee share Option Scheme.

127,800 and 138,500 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 respectively. Accordingly, a total of 272,100 shares was retained as treasury shares as at 31 March 2010.

Subsequent to the financial quarter ended 31 March 2010, a total of 30,400 shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme. Accordingly, a total of 302,500 shares was retained as treasury shares subsequent to the financial quarter ended 31 March 2010.

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 2010

An interim dividend of 12% less 25% tax on 114,872,630 ordinary shares of RM1 each totalling RM10,314,048 for the financial year ended 31 March 2010 was paid on 27 May 2010.

(b) In respect of the financial year ended 31 March 2009

An interim dividend of 10% less 25% tax on 113,806,440 ordinary shares of RM1 each totalling RM8,535,483 for the financial year ended 31 March 2009 was paid on 26 May 2009.

A final dividend of 15% less 25% tax on 114,517,780 ordinary shares of RM1 each totalling RM 12,883,250 for the financial year ended 31 March 2009 was paid on 28 December 2009.

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 31 March 2010 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM92.7million (31 March 2009: RM89.7million).

A14 Capital commitments approved and contracted for

	31-Mar-2010
	RM'000
Machinery	<u>4,611</u>
Land & Building	<u>4,140</u>

Lease commitments

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

	31-Mar-2010
	RM'000
Less Than one year	1,399
One to five years	786

A15 Net assets per share (sen)

	31-Mar-10	31-Mar-09
Shareholders' Fund (RM'000)	318,313	280,503
Share Capital (000) *	114,873	113,940
Treasury Shares (000)	<u>(272)</u>	<u>(134)</u>
	<u>114,601</u>	<u>113,806</u>
Net assets per share (sen)	277.76	246.47

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

During the quarter under review, the Group achieved a total revenue of RM72.7 million which represented an increase of 7% when compared with the corresponding quarter in preceding year. As a result of better market penetration and greater customers' support, local sales picked up by 20% against the same quarter last year. As for the export sales, we saw an increase in sales to market segments such as U.S.A, Australia, New Zealand and Japan. Overall export sales increase by 5% despite the impact from the weakening foreign currencies especially Sterling Pound and Euro.

In terms of operating profit, a total of RM 11.3 million (March 2009 : 14.2) was recorded during the quarter. The significant drop in Sterling pound and Euro has resulted in a foreign exchange loss of RM 4.8 million during the quarter. Excluding this negative impact, the Group's operating profit margin would have been increased to 21% (March 2009 : 22%).

B2 Comparison of profit before taxation with preceding quarter

Excluding the share of profit of associate company, profit before taxation for the quarter was at RM 11.2 million as compared to RM 14.8 million achieved in the preceding quarter. The main contributor for the decline in profit before tax was due to the substantial drop in Sterling pound and Euro during the quarter.

B3 Current year prospects

The current economy crisis in Europe will remain a business concern to most of the business communities today. However, we are glad to note a positive recovery in other markets such as U.S.A, Australia and New Zealand. Locally, the Group remains at its forefront position in terms of market shares due to its consistency in quality and services. With a well diversified market segments which span across different continents globally, the Group hopes that it will be well buffered to weather through the volatile operating environment in which businesses are compel to operate in today. Efforts will be taken by the Group to strive for continuous improvement in efficiency in all aspects of its operation. In view of the above, the Group is confident that its result will remain satisfactory for the quarters to come.

B4 Profit forecast or profit guarantee

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

B5 Tax expense

	Year ended	
	31-Mar	
	2010	2009
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	5,787	6,369
- (Over)/under provision in respect of prior year	3	(3,017)
	5,790	3,352
Deferred tax expense		
- Current year	2,537	(3,701)
	<u>8,327</u>	<u>(349)</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.

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:

	Current Year to Date 31-Mar-10 RM'000
Purchase of quoted securities	<u>1,045</u>

(b) Investment in quoted securities:

	As at 31-Mar-10 RM'000
At cost	46,285
At book value	46,285
At market value	<u>57,196</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 31-Mar-10 RM('000)
a) Bank borrowing - Non current	
Term Loan	15,754
Finance lease	<u>338</u>
	<u>16,092</u>
b) Bank borrowing - current	
Bank overdraft	265
Foreign currency loan	14,643
Portion of term loan due within one year	9,190
Portion of finance lease due within one year	<u>328</u>
	<u>24,426</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>22,298</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 would be 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 2010, the Group decided to recommend a final dividend of 16% less tax (2009: 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

	Current Quarter ended 31-Mar-10	Current Year to Date 31-Mar-10
Basic earnings per share		
Net profit for the period (RM'000)	11,664	57,689
Weighted average number of ordinary shares ('000)	114,220	114,337
Basic earnings per share (sen)	<u>10.21</u>	<u>50.46</u>
	Current Quarter ended 31-Mar-10	Current Year to Date 31-Mar-10
Diluted earnings per share		
Net profit for the period (RM'000)	11,664	57,689
Weighted average number of ordinary shares ('000)	114,220	114,337
Adjustment for share options ('000)	<u>1,304</u>	<u>1,309</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,524</u>	<u>115,646</u>
Diluted earnings per share (sen)	<u>10.10</u>	<u>49.88</u>

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