



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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 2011. 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 2011.

A2 Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the year ended 31 March 2011 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments:-

FRSs, Amendments to FRSs and IC Interpretations	Effective date
FRS 1, First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3, Business Combinations (revised)	1 July 2010
FRS 127, Consolidated and Separate Financial Statements (revised)	1 July 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2011
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	
- Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2, Share-based Payment	1 July 2010
Amendments to FRS 2, Group Cash-settled Share-based Payment	1 January 2011
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 2011
- Improving Disclosures about Financial Instruments	
Amendments to FRS 138, Intangible Assets	1 July 2010
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12, Service Concession Agreements	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
IC Interpretation 18, Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
Improvements to FRSs (2010)	1 January 2011

The application of the above FRSs, amendments to FRSs and IC Interpretations are expected to have no significant financial impact on the financial statements of the Group and the Company.

A3 Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 March 2011 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

209,400 and 361,800 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 2011, 103,400 ordinary shares were issued pursuant to the Employee Share Option Scheme.

96,900 ordinary shares of Asia File Corporation Bhd was purchased and retained as treasury shares pursuant to the Shares Buy Back Scheme for the financial quarter and financial year to date. Accordingly, a total of 399,600 shares was retained as treasury shares as at 30 September 2011.

There was no shares purchased and retained as treasury shares subsequent to the financial quarter ended 30 September 2011.

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 2012**

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

(b) In respect of the financial year ended 31 March 2011

An interim dividend of 4.8% less 25% tax and 5.5% tax exempt on 115,346,630 ordinary shares of RM1 each totalling RM10,496,543 for the financial year ended 31 March 2011 was paid on 27 May 2011.

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 period under review except for the following :-

On 9 September 2011, the Group acquired a shelf company in United Kingdom, namely Higher Kings Mill Limited (previously known as Trissi Brissi Limited) to become its wholly owned subsidiary for a purchase consideration of GBP 1 (equivalent to approximately RM 5).

A13 Changes in contingent liabilities/assets

The total contingent liabilities as at 30 September 2011 for the Company are corporate guarantees for banking facilities granted to subsidiaries of RM 96.45 million (31 March 2011: RM 96.45 million).

A14 Capital commitments approved and contracted for

	30-Sep-2011
	RM'000
Machinery	130
Land & Building	4,140

Lease commitments

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

	30-Sep-2011
	RM'000
Less Than one year	735
One to five years	3,751

A15 Net assets per share (sen)

	30-Sep-2011	31-Mar-2011
Shareholders' Fund (RM'000)	355,848	345,895
Share Capital (000) *	115,869	115,507
Treasury Shares (000)	(400)	(272)
	<u>115,469</u>	<u>115,235</u>
Net assets per share (sen)	308.18	300.16

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

During the quarter under review, the group's turnover was at RM 53.3 million as compared to RM 56.1 million achieved in the corresponding quarter last year. The drop in turnover was mainly due to softening in demand from the export market.

Despite the drop in turnover, profit for the quarter remain consistent at RM 10.81 million (September 2010: 10.98 million). This was mainly attributable to higher profit from its associate.

B2 Comparison of profit before taxation with preceding quarter

Profit before tax has dropped from RM 15.6 million in the preceding quarter to RM 10.8 million in the current quarter. The drop in profit was mainly due to a much lower sales figure which drove up the average fixed costs for the quarter.

B3 Current year prospects

The struggling economies of both US and Europe have created a lot of uncertainties in the world market. As a global player in the industry, the Group foresees a challenging business environment in the quarters to come. Nevertheless, the Group is confident that its operation will remain profitable.

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	
	2011	2010
	RM'000	RM'000
Current year tax expense		
- Based on results for the year	4,242	2,701
- (Over)/under provision in respect of prior year	(18)	(721)
	<u>4,224</u>	<u>1,980</u>
Deferred tax expense		
- Current year	(449)	1,476
	<u>3,775</u>	<u>3,456</u>

The lower tax rate in relation to the results of the Group for the last financial year to date is mainly due to availability of certain tax incentives.

B6 Disclosure of Realised and Unrealised Profit/ Losses

The retained profit as at 30 September 2011 is analysed as follows:

	Current	Preceding
	Quarter Ended	Quarter Ended
	30-Sep-2011	31-Mar-2011
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	194,668	185,505
- Unrealised	(8,137)	(5,843)
	<u>186,531</u>	<u>179,662</u>
Total share of retained profit from associates:		
- Realised	19,431	16,435
- Unrealised	1,211	685
	<u>20,642</u>	<u>17,120</u>
Add: Consolidation adjustment	16,251	18,384
	<u>223,424</u>	<u>215,166</u>
Total Group retained profit as per consolidated accounts		

B7 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.

B8 Purchase or disposal of quoted securities

(a) There were no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

(b) Investment in quoted securities:

	As at 30-Sep-2011 RM'000
At cost	46,453
At book value	46,453
At market value	<u>50,132</u>

B9 Status of corporate proposal announced

On 19 September 2011, the Group announced its acquisition of the business of manufacturing coloured manilla paper, sugar papers and soap stiffener which is carried on at Higher Kings Mill, Cullompton, Devon, the United Kingdom and at Silverton Mill, Killerton, the Devon, the United Kingdom ("Business") AND the assets which are utilised in connection with the Business from DS Smith PLC (Vendor") (Company No.58614) by its wholly owned subsidiary, Higher Kings Mill Limited (previously known as Trissi Brissi Limited).

Based on the management accounts of the Business as at 30 April 2011, a total purchase consideration of GBP 4,611,889 (approximately RM 22.4 million) was paid subject to a positive or negative adjustment subsequent to the valuation of stocks, prepayments, accruals and cash as at completion date on 30 September 2011.

Although the final consideration is currently under negotiation with the Vendor, the final purchase consideration is expected to be in the range of GBP 4.5 million (approximately RM 21.86 million).

B10 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, USD, EURO and HKD.

	As at 30-Sep-2011 RM('000)
a) Bank borrowing - Non current	
Term Loan	4,479
Finance lease	<u>32</u>
	<u>4,511</u>
b) Bank borrowing - current	
Bank overdraft	2,260
Foreign currency loan	13,025
Portion of term loan due within one year	6,440
Portion of finance lease due within one year	<u>186</u>
	<u>21,911</u>

B11 Derivative financial instruments

Details of outstanding derivative financial instruments as at 30 September 2011:

Forward foreign exchange contracts:

	Contract Value RM'000	Fair Value RM'000	Gain/(Loss) RM'000
Within 1 year	8,429	8,694	<u>(265)</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.

B12 Changes in material litigation

Since the last reporting quarter, there is no changes in the status of the litigation currently involved by its subsidiary.

B13 Dividends Proposed

At the Annual General Meeting held on 28 September 2011, the shareholders of Asia File Corporation Bhd had approved a final single tier dividend of 12.5% (2010: 16% less tax) in respect of the financial year ended 31 March 2011. The dividend will be paid on 27 December 2011.

B14 Earnings per share

	Current Quarter ended 30-Sep-2011	Current Year to Date 30-Sep-2011
Basic earnings per share		
Net profit for the period (RM'000)	9,408	22,674
Weighted average number of ordinary shares ('000)	115,514	115,436
Basic earnings per share (sen)	<u>8.14</u>	<u>19.64</u>

	Current Quarter ended 30-Sep-11	Current Year to Date 30-Sep-11
Diluted earnings per share		
Net profit for the period (RM'000)	9,408	22,674
Weighted average number of ordinary shares ('000)	115,514	115,436
Adjustment for share options ('000)	<u>280</u>	<u>366</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>115,794</u>	<u>115,802</u>
Diluted earnings per share (sen)	<u>8.12</u>	<u>19.58</u>

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