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China Stationery focuses on wooing back clients

More pressing is getting PN17 status lifted, says chairman

BY CHEN SHAUA FUI

KUALA LUMPUR: China Stationery Ltd (CSL) will focus on turning around its business back to profitability this year, after a fire incident led to the China-based stationery maker to incur a loss for the financial year ended Dec 31, 2014 (FY14).

CSL chairman Chan Fung said the fire that broke out at one of its plants in Fujian Province, China in April last year had seriously affected its production capacity, causing interruption to some of its operations.

The fire incident had ravaged 12,000 sq m of the total floor area of 16,500 sq m at production plant No 4.

Chan said the group is in the process of winning back its old clients and has secured four of them to date.

"We are back to [normal] operation now. Four clients have come back to us," he told reporters after CSL's annual general meeting (AGM) yesterday.

The plant's maximum capacity is 40,000 tonnes.

In light of this, Chan said he is unable to give a growth projection for FY15, but that the group is unlikely to achieve the financial performance seen in FY13.

CSL swung to a net loss of 302.4 million yuan (RM183 million) in FY14 as the fire damage had resulted in a loss of 518.76 million yuan. This compared to a net profit of 388.03 million yuan in FY13.

CSL is involved in designing, manufacturing and selling a broad assortment of plastic filing and storage products. It carries its own brands Sakura, Nachi and Foldersys.

Chan also said the economic slowdown in China has impacted the group, but the management plans to up its advertisement and promotion spending this year to 90 million yuan from 70 million yuan in FY13.

Apart from rebuilding it business back to the FY13 level, Chan said the more pressing matter for CSL is to have its Practice Note 17 (PN17) status lifted.

CSL slipped into PN17 classification on July 8, 2014 after its external auditors Messrs RT LLP expressed a "disclaimer of opinion" on its accounts for FY13.

Chan says the economic slowdown in China has impacted the group. **Photo by Patrick Goh**

It has recently sought a one-month extension from Bursa Malaysia on the submission of its request for a waiver and implementation of a regularisation plan to lift its PN17 status.

CSL chief financial officer Chin Siew Weng said the group is working towards fulfilling Bursa's requirement to be lifted from the PN17 list.

"The Bursa requirement for the upliftment of the PN17 status is that we need to make a profit for two consecutive quarters. Actually, we are half-way there.

"For the fourth quarter of 2014 and the first quarter of 2015, we have made a profit," Chin added.

CSL (fundamental: 1.2; valuation: 0.9) shares closed down 5.56% at nine sen, giving it a market capitalisation of RM104.79 million.

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