CHINA STATIONERY LIMITED

CHINA STATIONERY LIMITED
(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)
(Company Registration No.: 40535)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysian Branch Registration No.: 995224-W)



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(Malaysian Branch Registration No.: 995224-W)

Donglou Village, Wuli Ting, Jiangkou Town,
Hanjiang District, Putian, China
(中国莆田市涵江区江口镇五里亭东楼村)

Tel: (86) 594 369 7883

annual report **2012**

cstationery.com

annual report
2012

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CORPORATE PROFILE

Our Company was incorporated as an exempted company with limited liabilities in Bermuda on 14 August 2007 under the Bermuda Companies Act with the name of China Stationery Limited ("China Stationery" or the "Company"). On 26 October 2009, our Company was registered in Malaysia under the Malaysian Companies Act 1965 as a foreign company.

Our current Group Structure is as follows:



- *BVI - British Virgins Islands*
- *PRC - The People's Republic of China*
- *Sunwealth Group Limited*
- *Campus Developments Limited*
- *Ruiyuan (Fujian) Enterprise Co., Ltd*
- *Sakura (Fujian) Plastics Enterprise Co., Ltd*
- *Sakura (Fujian) Packaging & Stationery Co., Ltd*

CORPORATE PROFILE
cont'd

Established in Putian, Fujian Province, People's Republic of China ("PRC"), China Stationery Limited ("China Stationery" or the "Company") is an integrated plastic stationery company with its own brands of plastic stationery products, proprietary products and technical know-how.

Our Group focuses on design, manufactures and sells a broad assortment of more than 450 plastic filing and storage products such as expandable files, pocket files with sheet protectors, compact disc holder files, business card holders and albums as well as our own patented products under its own brands, namely "SAKURA", "NACHI", and "FOLDERSYS". Currently, the tape printer is our main proprietary and patented product that is capable of printing customised adhesive tape labels containing company logo or advertisement taglines, which are used to seal corrugated or packaging boxes. Apart from selling products under our own branding, the Group also undertake Original Equipment Manufacturing for our customers.

The Company's house-brand products are marketed in China and globally in over 56 countries to more than 400 customers including distributors, retailers and corporations located in China, Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan excluding China), Europe, America and other regions.

China Stationery's manufacturing plant is located in Putian, Fujian Province, China and is used for manufacturing of Polypropylene ("PP") sheets, production of plastic filing and storage products, production of its patented products and for administration purposes. Our current production capacity of PP sheets stand at approximately 44,400 tonnes.

Led by Mr Chan Fung @ Kwan Wing Yin with more than 20 years of industry experience, the Group has built a reputation for its ability to consistently offer high quality products to our customers. China Stationery Group has obtained numerous awards, accolades and certification for our products and brand, which the Company believes is testament to the quality, reliability and excellence of its products and processes.

The Company's SAKURA brand of products has won numerous awards, certifications and accolades including Fujian Province Branded Products (福建省名牌产品) (valid for 3 years until 2009) awarded by the Fujian Provincial People's Government (福建省人民政府), and Fujian Province Famous Trademark (福建省著名商标) (valid for 3 years) awarded by the Fujian Administration for Industry & Commerce (福建省工商行政管理局).

In 2006, China Stationery was one of only 5 manufacturers in China invited to co-author the industry standards for files published by the State Development and Reform Commission (中华人民共和国国家发展和改革委员会) in China.

OUR AWARD WINNING BRANDS

SAKURA 樱花 NACHI Foldersys

CORPORATE PROFILE
cont'd

OUR PRODUCTS

Plastic filing and storage products


Expandable Files


Document Files


Movable Document Cases


Expandable Folders


CD Holders


Filing Bags


Display Books


Pocket Files


Lever Clip Files

PATENTED PRODUCTS

Plastic tape printer









CORPORATE INFORMATION

BOARD OF DIRECTORS

Chan Fung @ Kwan Wing Yin
Executive Chairman

Jiang Danping
Chief Executive Officer

Angus Kwan Chun Jut
Executive Director

Datuk Tan Choon Hwa, *JP, JMK*
Non-Independent Non-Executive Director

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman
Independent Non-Executive Director

Dr. Risambessy Izaac
Independent Non-Executive Director

COMPANY SECRETARY

Secretarius Services Sdn Bhd

ASSISTANT COMPANY SECRETARY IN BERMUDA

Appleby Services (Bermuda) Ltd

AUDIT COMMITTEE

Dr. Risambessy Izaac *(Chairman)*
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman *(Member)*
Datuk Tan Choon Hwa, *JP, JMK (Member)*

REMUNERATION COMMITTEE

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman *(Chairman)*
Datuk Tan Choon Hwa, *JP, JMK (Member)*
Dr. Risambessy Izaac *(Member)*
Chan Fung @ Kwan Wing Yin *(Member)*

NOMINATION COMMITTEE

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman *(Chairman)*
Datuk Tan Choon Hwa, *JP, JMK (Member)*
Dr. Risambessy Izaac *(Member)*

REGISTERED OFFICE IN BERMUDA

Canon's Court
22 Victoria Street
Hamilton HM12, Bermuda
Tel No. : 1 441 295 2244
Fax No. : 1 441 296 9825

REGISTERED OFFICE IN MALAYSIA

Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel No. : (603) 2264 8888
Fax No. : (603) 2282 2733

PRINCIPAL PLACE OF BUSINESS/HEAD OFFICE

Donglou Village, Wuli Ting
Jiangkou Town
Hanjiang District, Putian City
Fujian Province China
Tel No. : (86594) 4369 7883
Email : hq@cstationery.com
Website : cstationery.com

BERMUDA SHARE REGISTRAR

Appleby Management (Bermuda) Ltd
Argyle House
41a Cedar Avenue
P.O.Box HM1179
Hamilton HM11, Bermuda
Tel No. : 1 441 296 3695
Fax No. : 1 441 295 3328

MALAYSIAN SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Garden North Towers
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel No. : (603) 2264 3883
Fax No. : (603) 2282 1886

COMPANY AGENT IN MALAYSIA

PFA Corporate Consultants Sdn Bhd
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel No. : (603) 2264 8888
Fax No. : (603) 2282 2733

PRINCIPAL BANKERS

Agricultural Bank of China
Hanjiang Branch, 313 Xinhan Street
Hanjiang District
Putian, Fujian Province
The People's Republic of China
Tel No. : (86594) 4336 2535

AUDITOR

Foo Kon Tan Grant Thornton LLP
47 Hill Street, #05-01
Chinese Chamber of Commerce & Industry Building
Singapore 179365
Tel No. : (65) 6336 3355

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock name : CSL
Stock Code : 5214

FINANCIAL HIGHLIGHTS

PROFIT AFTER TAX (PAT) AND PROFIT BEFORE TAX (PBT) FOR FYE2008 – FYE2012

	FYE2008 (RMB'000)	FYE2009 (RMB'000)	FYE2010 (RMB'000)	FYE2011 (RMB'000)	FYE2012 (RMB'000)
PBT	332,900	411,290	518,716	650,337	**657,692**
PAT	262,085	327,029	397,626	464,706	**465,489**

REVENUE FOR FYE2008 – FYE2012

- 4 years CAGR of 23.27%

	FYE2008 (RMB'000)	FYE2009 (RMB'000)	FYE2010 (RMB'000)	FYE2011 (RMB'000)	FYE2012 (RMB'000)
Revenue	857,812	1,079,573	1,408,786	1,774,710	**1,980,628**

GROSS PROFIT AND GROSS PROFIT MARGIN BY PRODUCT MIX

Gross Profit

	FYE 2008		FYE2009		FYE2010		FYE2011		FYE2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	187,465	44.1	210,139	40.3	236,220	36.6	280,523	35.3	**345,161**	**39.7**
Non-Patented Products	237,749	55.9	311,250	59.7	408,428	63.4	514,980	64.7	**524,947**	**60.3**
Total	**425,214**	**100.0**	**521,389**	**100.0**	**644,648**	**100.0**	**795,503**	**100.0**	**870,108**	**100.0**

Gross profit margin

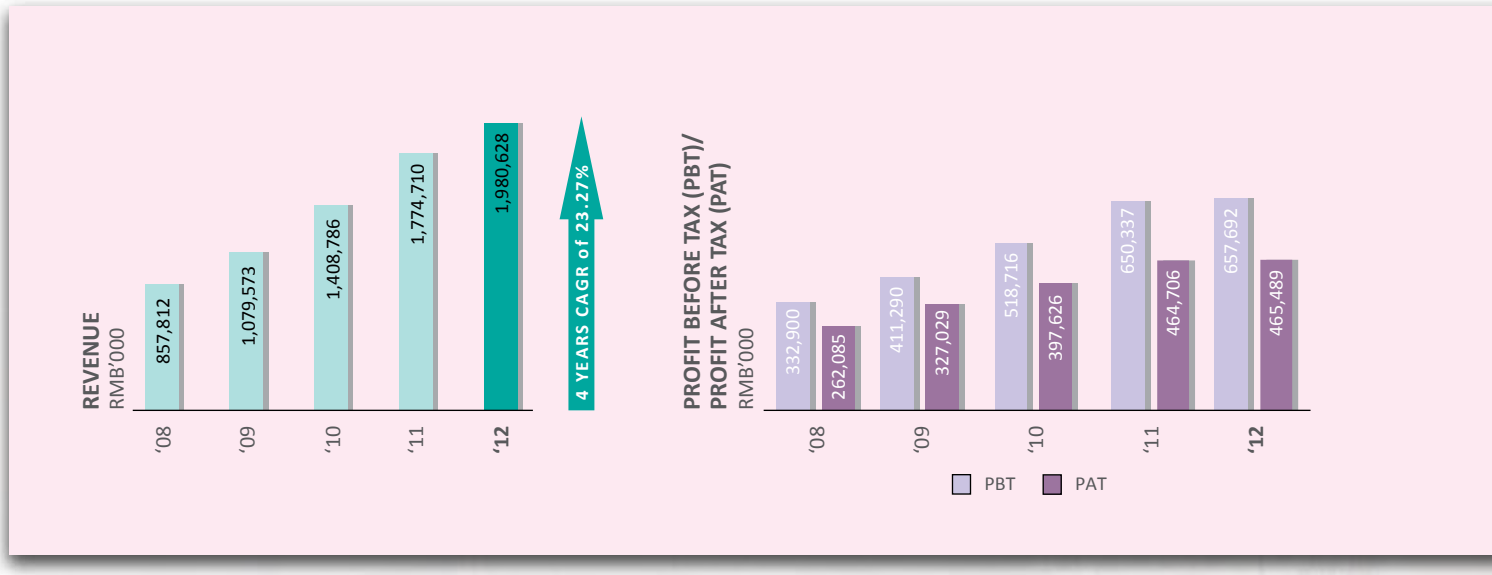
	FYE2008	FYE2009	FYE2010	FYE2011	FYE2012
Patented Products	61.1%	60.9%	59.5%	58.1%	**55.3%**
Non-Patented Products	43.1%	42.4%	40.4%	39.9%	**38.7%**
Overall	**49.6%**	**48.3%**	**45.8%**	**44.8%**	**43.9%**



FINANCIAL HIGHLIGHTS
cont'd

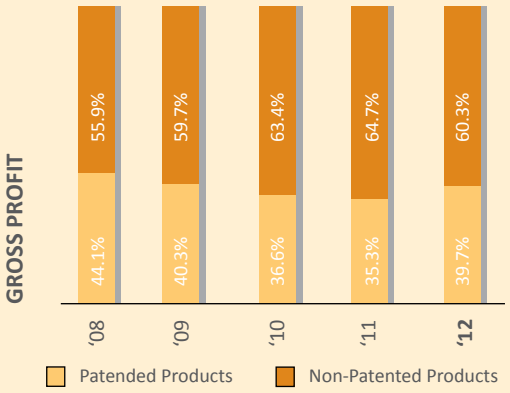
REVENUE BY PRODUCT MIX

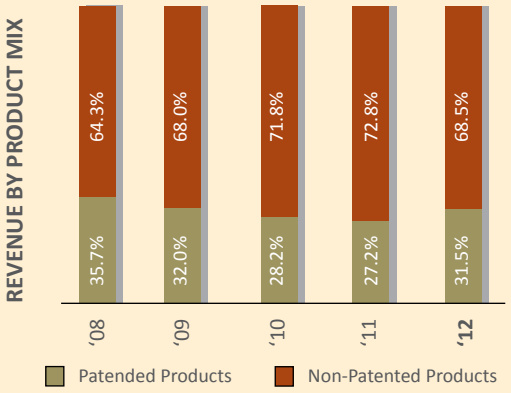
	FYE 2008		FYE2009		FYE2010		FYE2011		FYE2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	306,657	35.7	345,240	32.0	396,836	28.2	482,793	27.2	**624,055**	**31.5**
Non-Patented Products	551,155	64.3	734,333	68.0	1,011,950	71.8	1,291,917	72.8	**1,356,573**	**68.5**
Total	**857,812**	**100.0**	**1,079,573**	**100.0**	**1,408,786**	**100.0**	**1,774,710**	**100.0**	**1,980,628**	**100.0**

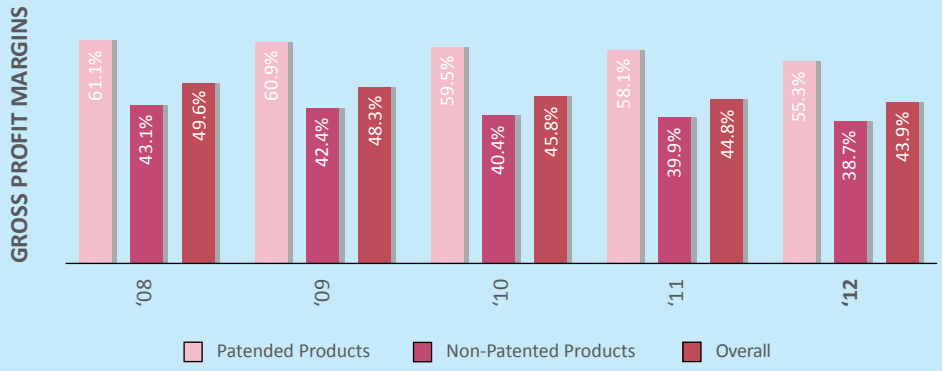




FINANCIAL HIGHLIGHTS
cont'd







CORPORATE MILESTONES

91 Formation of our group via Sakura Stationery

92 Sakura Stationery's products were conferred the "Outstanding Products Award: by the Organising Committee for the National Foreign-invested Enterprise Daily Necessities Expo

93 Moved from the leased premises to our first production plant at Zhenfu Road, Jiangkou Town, Hanjing District, Putian, China

Sakura Plastic was established as our upstream operation for PP sheet production

94 In May 1994 and May 1995, we obtained trademark registrations for our "櫻花" mark and our "SAKURA" mark in China

95 Overseas expansion to diversify income and reduce dependency

05 Expanded capacity by constructing our second plant with GFA of approximately 8,200.3 sq m due to demand

06 Successfully commercialised our plastic tape printer, our main patented product

07 Our sales to overseas distributors peaked to about 81% of total

08 Advertising efforts to increase presence in PRC Established

10 Moved to our new plant with a GFA of approx. 22,938.8 sq m and production in new plant commenced

12 Listed on the Main Market of Bursa Malaysia Securities Berhad on Feb 24

Launched of Second Generation Plastic Tape Printer

Acquired 50 million shares in Pelikan International Corporation Berhad, representing a 9.79 per cent equity interest in the Company

Signed dealership agreement with Pelikan International Corporation Berhad

KEY ACHIEVEMENTS AND AWARDS

Year	Name of award/certificate/accolade	Conferred by
2011	Consumer Products Satisfaction in Fujian Province in 2010 (2010 年福建省用户满意产品)	Fujian Province Quality Association (福建省质量协会)
2011	Consumer Products Satisfaction in Fujian Province in 2010 (2010 年福建省用户满意产品)	Fujian Province Quality Association (福建省质量协会)
2011	2009 - 2010 Putian Municipal Creditworthy Enterprise (莆田市守合同重信用企业)	Putian City Administration for Industry and Commence and Putian City Creditworthy Enterprises Association (莆田市工商行政管理局和莆田市守合同重信用企业协会)
2010	Top 10 Enterprises of Educational and Cultural Goods Industry in China Light Industries, 2010 (2010 年度中国轻工业文教用品行业十强企业)	China Nation Light Industry Council and China Educational, Cultural and Sports Goods Association (中国轻工业联合会和中国文教体育用品协会)
2009	2009 Key Enterprises Ranking in Stationery Production Industry Rank No.3 – Total Sales in Stationary Production Industry Rank No.2 – Total Profits in Stationary Production Industry (2009年文具制造行业重点企业排名)	National Bureau of Statistics of China and Ican Data Research Center (国家统计局 和艾凯数据研究中心)
2009	Putian Municipal Creditworthy Enterprise (莆田市守合同重信用企业)	Putian City Administration for Industry and Commence and Putian City Creditworthy Enterprises Association (莆田市工商行政管理局和莆田市守合同重信用企业协会)
2009	China Association of Enterprises with Foreign Investment Certificate of Enterprise Membership	China Enterprises with Foreign Investment Association (中国外商投资企业协会)
2009	Top 100 Brand of Fujian Province (2009 年度福建省品牌100 强)	China Brand Research Institute (中国品牌研究院)
2009	Consumer Products Satisfaction in Fujian Province in 2008 (2008年福建省用户满意产品)	Fujian Province Quality Association (福建省质量协会)

KEY ACHIEVEMENTS AND AWARDS
cont'd

Year	Name of award/certificate/accolade	Conferred by
2008	Putian Municipal Outstanding Enterprise to Promote Creditworthy (2006-2007 年度莆田市创建诚信企业先进单位)	Putian City Creditworthy Promotion Association; Putian Enterprises and Entrepreneurs Association; Putian City Administration for Industry and Commerce; Putian Ethics Promotion Office; Bank of China, Putian Central Sub-branch; Putian State Taxation Bureau; Putian Local Taxation Bureau; Putian Economic and Trade Commission; Putian Quality Technology Supervision Bureau; Putian Construction Bureau; Putian Environmental Protection Bureau; Putian Customs; Putian Labor and Social Security Bureau; Putian Food and Drug Administration; Putian General Labor Union; Meizhou Daily; Putian Broadcast and Television Center; Putian Work Safety Administration Bureau 市诚信促进会;市企业与业家联合会;市工商局;市委文明办;中国人民银行莆田市中心支行;市国家税务局;市地方税务局;市经贸委;市质量技术监督局;市建设局;市环境保护局;莆田海关;市劳动和社会保障局;市食品药品监督管理局;市总工会;湄州日报社;市广播电视中心;市安全生产监督管理局
2008	Fujian Province Branded Products in 2008 (2008年福建省名牌产品)	Fujian Provincial People's Government (福建省人民政府)
2008	Top Fujian Province Industrial Enterprises (福建工业行业榜首) Top 10 Fujian Province Industrial Enterprises (福建工业主要行业前十强)	Fujian Province Enterprises Assessment Centre (福建省评价企业中心) Fujian Province Enterprises Assessment Association (福建省企业评价协会)
2008	Putian Municipal Well-known Trademark (莆田市知名商标)	Putian City Well-known Trademark Determination Committee (莆田市知名商标认定委员会)
2008	Fujian Province Creditworthy Progressive Enterprise (诚信经营先进单位)	Fujian Province Creditworthy Promotion Association (福建省诚信促进会)
2007	Fujian Province Creditworthy Enterprise (2005-2006年度"福建省守合同重信用单位)	Fujian Province Administration for Industry and Commence (福建省工商行行政管理局)
2007	Fujian Province Putian City Contractual Integrity (2005-2006年度守合同重信用单位)	Putian City Municipal Government (莆田市人民政府)
2007	Fujian Province Famous Trademark (福建省著名商标(有效期三年))	Fujian Province Administration for Industry & Commerce (福建省工商行政管理局)
2006	Fujian Province Branded Products in 2005 (2005年福建省名牌产品)	Fujian Provincial People's Government (福建省人民政府)

KEY ACHIEVEMENTS AND AWARDS
cont'd

Year	Name of award/certificate/accolade	Conferred by
2006	Consumer Products Satisfaction in Fujian Province in 2005 (2005年福建省用户满意产品)	Fujian Province Quality Association (福建省质量协会)
2006	Provincial Trustworthy Entity (省级诚信单位)	Fujian Province Consumers Committee (福建省消费者委员会)
2005	AAA Credit Rating Client in 2004 (2004年度AAA级信用客户)	Enterprise Credit Assessment Commission of Agricultural Bank of China, Fujian Province Branch (中国农业银行福建省分行企业资信评审委员会)
2005	Certificate for Product Exemption from Quality Surveillance Inspection * (产品质量免检证书)	State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine (中华人民共和国国家质量监督检验检疫总局)
2005	Fujian Province Creditworthy Enterprise (2003-2004年度守合同重信用单位)	Putian City Municipal Government (莆田市人民政府)
2005	Fujian Province Creditworthy Enterprise (2003-2004年度福建省守合同重信用企业)	Fujian Province Administration for Industry and Commerce (福建省工商行政管理局)

Note:-

* *This certificate is valid from December 2005 to December 2008. This certificate is no longer in enforce pursuant to its abolishment by the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine in September 2008.*

In 2006, our Group was invited by the State Development and Reform Commission in China (中华人民共和国国家发展和改革委员会) to participate in co-authoring a book on the national industry standards for files.

NEWS CLIPPINGS



点股台

中国文具2送1凭单

中国文具（CSL，5214，主板消费股）周三建议以2送1的比例，派发总额5亿9629万5388张凭单予股东。该公司在文告中表示，此举旨在回馈现有股东，并加强流动量。这项活动预计在今年第三季完成。

CSL ejen Pelikan di China, Hong Kong

Pelikan International Corporation Bhd, antara peneraju pengeluar produk peralatan menulis dunia, melantik China Stationery Ltd (CSL) sebagai pengedar produknya di China dan Hong Kong bagi memanfaatkan kehadirannya di pasaran Asia.

Mengikut perjanjian pengedaran selama dua tahun itu, CSL akan mengedar dan menjual produk alat hiasi pejabat dan sekolah jenama Pelikan berdasarkan hukan eksklusif di kedua-dua negara itu.

Ketua Eksekutifnya, Loo Hooi Keat, berkata pelantikan CSL sebagai pengedar di kedua-dua negara itu juga adalah sebahagian daripada usaha Pelikan untuk meneroka peluang pertumbuhan di luar Eropah dan peralatan menulis itu sudah mencapai tang dan pertumbuhan menjadi semakin mencabar pada masa depan.

Beliau berkata ketika ini permintaannya di Eropah merakili hampir 80 peratus daripada perniagaan kumpulan.

"Pasaran China sangat besar. Perlantikan CSL sebagai pengedar kami di negara itu membolehkan kami meraih manfaat daripada rangkaian pengedaran CSL yang kukuh di China," katanya selepas majlis menandatangani perjanjian pelantikan itu di Kuala Lumpur semalam.

"Kami menyasarkan pertumbuhan jualan dua angka di China dalam tempoh dua hingga tiga tahun ini dengan perlantikan CSL sebagai pengedar kami di negara itu."

"Perlantikan CSL sebagai pengedar kami di negara itu membolehkan kami meraih manfaat daripada rangkaian pengedaran CSL yang kukuh di China"

bangunkan hab penyelidikan dan pembangunannya (R&D) sendiri di selatan China pada suku pertama tahun depan.

Bagaimanapun, beliau berkata pembangunan hab R&D itu tidak membabitkan jumlah pelaburan yang besar.

Pada Oktober lalu, CSL mengumumkan 9.79 peratus kepentingan ekuiti Pelikan International bernilai RM50 juta daripada Mahir Agresif (M) Sdn Bhd dan Persada Bina Sdn Bhd.

Pengerusi Eksekutif CSL, Chan Fung @ Kwan Wing Yin, berkata pengumuman itu memberi laluan untuk kedua-dua syarikat bekerjasama dalam mengembangkan pertumbuhan dalam perjualan, pengedaran dan pemerolehan produk Pelikan.

"Perjanjian perlantikan yang dimeterai hari ini (semalam) adalah hasil daripada pengumpulahan kepentingan itu. Kerjasama ini akan mengkayakan campuran produk

China Stationery to acquire 9.8% in Pelikan

KUALA LUMPUR: China Stationery Ltd (CSL) has proposed to acquire 50 million shares in Pelikan International Corp Bhd, representing a 9.79% equity interest, from Mahir Agresif (M) Sdn Bhd and Persada Bina Sdn Bhd for RM50 million.

CSL, in a filing to Bursa Malaysia yesterday, said the proposed acquisition will be satisfied by the issuance of up to 47,169,812 new shares at RM1.06 per share and an additional three million new shares as payment for the professional fees.

CSL said the proposed acquisition would provide both companies to grow the sales, procurement of Pe products in the m leverage on CSL network and acce

"It is also env proposed acquisi the strategic collab the two companie vide and create sy added enhancem ties in terms of sh market insights a it said.

It added that to cost effective eration of the res

— Bernama

中国文具净利飙 98%

（吉隆坡 19 日讯）中国文具（CSL，5214，主板消费产品股）截至2012年9月30日财年净利飙涨98%至1亿4738万令吉，上财年同期为4万令吉；每股盈利0.07令吉，上财年同期0.03令吉。

19%，达15亿2031万（约7亿4611万令吉），上财年同期为12亿7000万。

中国文具执行主席关永贤在文告中表示，在自有专利和非专利产品受出口需求销售下，预期2012财年将可维持良好。

展望未来，公司乐观自有专利产品增长前景，因为研究显示，全球圆珠笔书写产品市场2011至2014年间复合年增长率将达5.3%。

"为了加强作为领导者最大文具供应商的地位，公司已为新广告词入新机械高产能。"

中国文具董事在深圳开完董事会议后合照，左起为总财务长陈秀威、独立非执行董事依扎·关永贤、独立非执行董事丹斯里拿督尼哈斯欣、非独立非执行董事

中国文具出价5000万献购白利金 9.79%

（吉隆坡 22 日讯）中国文具（CSL，5214，主板消费产品股）献议以5000万令吉，收购白利金（Pelikan，5231，主板消费产品股）9.79%股权。

中国文具向马交所报备，已分别与Mahir Agresif私人有限公司与PBS Office Supplies拥有私人有限公司，以及Persada Bina私人有限公司签署买卖协议，

以6.48%股权。

中国文具在文告中指出，上述献购，让双方带来各方面的协同效益，当让白利金可以充分利用中国文具的网络，顺利走进华中国市场。

白利金营收涨7.6%

与中国文具签经销协议

白利金放眼销售双数增长

（吉隆坡 10 日讯）通过与中国文具（CSL，5214，主板消费产品股）签署两年经销协议，白利金（Pelikan，5231，主板消费产品股）放眼3至3年内中国销售额达双位数增长。

白利金今日与中国签署两年经销协议，委任后者（以非独家方式）在香港和中国分销和销售旗下"Pelikan"品牌办公室和学校文具；协议今日起生效，将于2014年12月31日到期，之后自动延长1年。

白利金主席兼总执行长吕少杰在协议签署仪式上表示，公司一直积极往欧洲以外地区拓展业务，欧洲区目前占公司业务近80%。

吕少杰说："协议代表白利金将进一步拓展亚洲市场分销网。"

创造额外收入

他预测，通过中国文具在中国的131个独立分销网，白利金预在这两年内录得1000万至2000万美元（约3087万至6114万令吉）销售额。

此外，双方也将于明年首季合作在中国南部设立研发中心。

吕少杰表示，这计划不会涉及大笔资金。

今年10月间，中国文具以5000万令吉向Mahir Agresif（马）私人有限公司和Persada Binapuri私人有限公司收购白利金的5000万股，相等于9.79%股权。

对此，中国文具执行主席关永贤表示，收购是策略性决策，他直接为两家公司在合作销售、分销和采购白利金产品建立桥梁。

随着与白利金合作，关永贤预计中国文具能在前者旗下著名的Pelikan和Herlitz品牌受惠。

关永贤也探悉，双方合作每改善中国文具产品组合之际，未来也将创造额外收入。

关永贤（左）与吕少杰交换协议。

百利金中國銷售額

翼2年内可達6000萬

中國文具

委代表入董事局

NEWS CLIPPINGS
cont'd



中國文具2送1憑單

（吉隆坡23日讯）中国文具（CSL, 5214, 主板消费品组）建议以2送1比例派发高达5亿9千629万5千张凭单。

该公司发表文告指出，凭单转换所筹得资金将用作营运资本。一旦凭单全面获转换，中国文具的股本将从119万3千新元，扩大至178万9千新元。

China firm buying 9.8pc of Pelikan

CHINA Stationery Ltd (CSL), which holds the largest market share for stationery files in China, is buying a 9.79 per cent stake in Pelikan International Corp Bhd for RM50 million via a share swap deal.

The company, the most valuable China-based firm listed on Bursa

藉中國文具銷售網進軍中國
百利金首季可轉虧為盈

与中国文具合作 百利金冀双位数销售成长

（吉隆坡10日讯）在中国文具（CSL，5214，主板消费股）签署委任经销商协议后，百利金国际（PELIKAN，5231，主板消费股）希望该协议能在未来两至三年为公司销售带来双位数成长。此外，公司内部预计在中国业务开始营运后的1至2年内，料带来1000至2000万美元的销售。

关永贤（左）与吕少杰在签署经销协议后，两人笑容满脸面对镜头。

有助于提升销量成长

中国文具较早前以与百利金国际3名股东进行股权交换，以5000万令吉收购百利金国际5000万股股票，或9.79%股权。至于吕少杰则在交易后持有中国文具1.28%股权。

China Stationery proposes bonus warrants

KUALA LUMPUR: China Stationery Ltd is proposing a bonus issue of 596.29 million warrants in a move to reward existing shareholders.

In a statement to Bursa Malaysia yesterday, the China-based stationery maker said the bonus issue is on the basis of one warrant for every two existing ordinary shares of 0.1 Singapore cent each in the company.

"The proposed bonus issue of warrants is to reward existing shareholders of the company while potentially enhancing the company's capital base," said China Stationery, which was listed on Bursa's Main Market in February.

The bonus issue will also increase the liquidity of its shares in the market while potentially raising new capital as and when the warrants are exercised. The warrants' exercise price shall be determined at a later date.

China Stationery closed 16 sen higher to RM1.51 yesterday, with 11.88 million shares traded.

CSL to buy 9.79% stake in Pelikan for RM50mil

KUALA LUMPUR: China Stationery Ltd (CSL) is buying a 9.79% stake in Pelikan International Corp Bhd for RM50mil via a share swap, which would enable both companies to collaborate to grow the business.

In a filing with Bursa Malaysia, CSL said it was acquiring the stake, comprising 50 million shares, from Mahir Agresif (M) Sdn Bhd, FBS Office Supplies Holding Sdn Bhd and Persada Bina Sdn Bhd.

The purchase of the Pelikan shares would be satisfied via the issuance of up to 47.169 million new CSL shares at an issue price of RM1.06 per share.

"The proposed acquisition represents a strategic move on the part of CSL and its subsidiary companies as it will immediately provide a pathway for both the CSL group and the Pelikan group to work together to grow the business in the sales, distribution and procurement of Pelikan's stationery products in the markets, and to fully leverage on the CSL group's strong market network and access, namely China," said CSL.

It said the Pelikan group had more than 170 years of experience and knowledge in the stationery industry.

"The proposed acquisition will also enhance the value and recognition of CSL as a global stationery player," it said.

CSL also said the proposed acquisition would enhance the strategic collaboration between the two groups and provide and create synergy and value-added enhancement to the parties in terms of sharing of resources, market insights and networking, which would lead to the added benefit of cost effectiveness in the operation of the respective groups.

The Star Online > Business

Thursday May 24, 2012

China Stationery proposes one warrant for two shares

PETALING JAYA: China Stationery Ltd has proposed to undertake a bonus issue on the basis of one warrant for every two existing shares.

In a filing with Bursa Malaysia, the company said it would issue 596.2 million warrants in a bid to reward existing shareholders while potentially enhancing the company's capital base.

CSL | Stock Watch | News

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CHAIRMAN'S STATEMENT



Dear Shareholders,

My dear shareholders, on behalf of the board of directors of China Stationery Limited ("China Stationery" or "the Company"), I present to you the Annual Report and Audited Financial Statements of the company for the financial year ended 31 December 2012.

The year just ended was a memorable one, with our company laying the foundation stones for a brighter future, as an international player in the stationary sector.

This material development will be dealt with later in this statement.

I would also like to add that your Board and Management have been guided by prudence, farsightedness and providence throughout the year, doing what's best for China Stationery.

We are of the opinion that the Company lies in good stead to benefit from the foundation laid over the years.

CHAIRMAN'S STATEMENT
cont'd

FINANCIAL REVIEW

As you may know, China Stationery turned in another profitable year for the year in review, raking in RM226.69 (RMB465.49) million in net profit from RM964.67 million (RMB1.98 billion) in revenue. Earnings per share for the 12 month period was RM0.19 (RMB0.39).

While net profits were largely flat (up 0.17%), revenue strengthened by 11.6% quantum, when compared to the corresponding 12 months a year earlier.

I am proud to say that China Stationery generated RM266.30 million (RMB562.41 million) in cash flow from operating activities, which is commendable.

Our company as at end December last year had cash and bank balances amounting to RM894.67 million (RMB1.89 billion). On the other side of the balance sheet, China Stationary had RM25.76 million (RMB54.4 million) in short term borrowings and negligible long term debt commitments.

To illustrate further our strength, China Stationery had shareholders' funds amounting to RM1.22 billion or RMB2.58 billion.

It is thus apparent that our company is in the pink of health financially, and is likely to continue to grow in the current year.

In 2012 among the key corporate exercises initiated was a cross shareholding with international stationary stalwarts Pelikan International Corp Berhad ("Pelikan").

THE EXERCISE WITH PELIKAN

In November last year China Stationery concluded an acquisition of 50 million shares or 9.8% in Pelikan from Mahir Agresif (M) Sdn Bhd, PBS Office Supplies Holding Sdn Bhd and Persada Bina Sdn, issuing 47.17 million shares in China Stationery.

The acquisition augurs well for China Stationery as the Pelikan group has more than 170 years of experience and knowledge in the stationery industry and is highly recognized as one of the leading stationery brand worldwide. The Proposed Acquisition will also enhance the value and recognition of China Stationery as a global stationery player.

The acquisition also enhances the strategic collaboration between the two groups and provides and creates synergy and value-added enhancements to both companies.

Pelikan has two internationally acclaimed brands, Pelikan and Herlitz, which will enable China Stationery to leverage on.

It is also noteworthy that we are buying in at a time when the European economy is in turmoil, which means that we have timed our acquisition, meaning the upside potential is huge.

I would also like to stress that other than Pelikan listed in Malaysia, Pelikan Holding AG is publicly traded in Switzerland and Herlitz AG is listed in Frankfurt.

We will reap the benefits of this acquisition in the years to come, I assure you.

Having such an international footprint is something China Stationery can be proud of, and I assure you, we will reap the benefits of this acquisition in the years to come.

CHAIRMAN'S STATEMENT
cont'd

STRATEGIES TO BE REVIEWED

Like the age old Chinese saying goes, "The journey of a thousand miles begins with a single step", China Stationery has made its first step to an international footprint.

With our acquisition we are now rethinking our strategies, as with our global footprint we can line up potential strategies to thrust China Stationery into the international arena.

Our award winning brands such as "Sakura", "Nachi" and "Foldersys" are already recognised in this part of the world, and efforts are being made to penetrate new markets. Considering these products are wholly recyclable, we expect the response to pick up in line with the global population being more conscious of the environment.

Considering our competitive edges, such as lower production costs and high quality, there is no real ceiling to what we can achieve.

I assure you the shareholders of China Stationery, that there is more excitement in the pipeline.

While we seek to break into new exciting markets, we will maintain our bread and butter business, participating in trade shows, sales fairs and advertising on billboards and other media in China.

OUR NEW PRODUCTS, OUR STRENGTH

I am very proud to say that China Stationery successfully launched the second generation plastic tape printer, during the year in review.

We commenced the development of the second generation plastic tape printer in mid-2009 and launched it in the first quarter of 2012. This new plastic tape printer is suitable for desktop as well as office use.

The total combined global market size for the plastic tape printer and ink market for SMEs is estimated at USD1.63 billion.

Frost & Sullivan has the market growing at a compounded annual growth rate of 6.13 % between 2010 till 2014.

I am also confident that we will be launching more products this year, which I'm sure will be successful.

My confidence stems from our large network of distributors.

Currently China Stationery has more than 351 distributors worldwide of which 14 are exclusive distributors, located largely in China.

While I mention only one of our new products, there are a whole host of others in the pipeline, which will elevate China Stationery to greater heights.

At China Stationery we pride ourselves in our research and development, our market analysis and our ability to produce items that the market requires. This of comes from having years of experience in the sector we are involved in.

CHAIRMAN'S STATEMENT
cont'd

FUTURE PROSPECTS

In FY2013, we forecast the group continuing to grow underpinned by our innovative products.

Also I must say that I am optimistic about the growth prospects of our company considering the global plastic stationery market is expected to achieve a compounded annual growth rate of approximately 5.3% from 2011 to 2014.

I also foresee that as consumers become more affluent and with the increasing level of literacy, demand for high quality plastic stationery market seems set to increase.

In a nutshell, I am optimistic about China Stationery's prospects for FY2013.

Research firm Frost & Sullivan, says that the global plastic stationery market is largely driven by innovative product designs, and increasing levels of literacy, supported by strong economic conditions and increased consumer spending. As such the industry is slated to grow at a compounded annual growth rate of 5.3% over the next two years, between 2013 and 2014.

CORPORATE GOVERNANCE

The board of China Stationery holds dear, values such as integrity, transparency and dedication among a whole host of other values.

We also pride ourselves in our high standards of corporate governance, while at the same time looking to create the utmost value for our shareholders.

CORPORATE SOCIAL RESPONSIBILITY OR CSR

China Stationery is very mindful of the impact its operations have on societies and market it operates in.

The Group's key corporate social responsibility platforms include areas of employees, stakeholders, the environment as well as the communities at large. We will continue to identify activities where our support can make a real difference to the world at large.

APPRECIATION

On behalf of the board of directors, I wish to extend my heartfelt gratitude to all our shareholders for their steadfast support and confidence in the group.

China Stationery, I promise you, will continue to deliver value to all shareholders.

To our management and employees, I know no words to describe your dedication and contributions toward the continued success of China Stationery. Without all of your hard work and dedication our prospects will surely be very dim in comparison to what we have now. I thank you all from the bottom of my heart.

Sincerely

Chan Fung @ Kwan Wing Yin
Executive Chairman

CHAIRMAN'S STATEMENT
cont'd

敬爱的股东，

本人谨代表中国文具有限公司（简称中国文具或公司）董事部，向各位提呈公司截至2012年12月31日止财政年的常年报告和财务报告。

过去的一年，令人难忘不已，我们的公司为了更加美好的未来奠定了基石，迈向国际文具集团的目标。

报告的后头，会进一步阐述这些重要的进展。

董事部和管理层一直秉持审慎、远见和远虑的做法，为中国文具鞠躬尽瘁。

我们看好公司可以在多年来的基础上占有先机。

财报回顾

各位股东可能已经知道，中国文具上一年继续获利，营业额达9亿6千467万令吉（19亿8千万人民币），净利报2亿2千669万令吉（4亿6千549万人民币）。12个月的每股盈利为19仙（0.39人民币）。

与前一年12个月比较，虽然净利增加0.17%，近乎持平，但营业额提高了11.6%。

中国文具从日常营运中获得了2亿6千630万令吉（5亿6千241万人民币）现金流量，这是难能可贵的。

截至去年12月底，公司的现金和银行结余报8亿9千467万令吉（18亿9千万人民币）。资产负债表也显示，中国文具的短期贷款和长期债务为2千576万令吉（5千440万人民币）。

中国文具的股东基金达12亿2千万令吉或25亿8千万人民币，这进一步展现了公司的财务实力。

显然，我们的公司财务非常健全，现财政年势必可以继续增长。

2012年，我们进行的重要企业活动是与跨国文具巨擘百利金国际（Pelikan International Corp Bhd）展开交叉持股。

百利金企业活动

去年11月，中国文具决定发行4千717万股新股，向Mahir Agresif（马）私人有限公司、PBS Office Supplies Holding私人有限公司和Persada Bina私人有限公司收购百利金的5千万股普通股或9.8%股权。

这项收购计划有利于中国文具，因为百利金在文具业拥有超过170年的经验与知识，是全世界备受认可的领先文具品牌之一，而且这项收购计划提升了中国文具作为全球文具集团的价值与知名度。

这项收购计划也加强了两大集团的战略合作，为双方创造了协同效应和提升附加价值。

百利金拥有两个知名品牌，分别是Pelikan和Herlitz，中国文具可以善用这些优势。

CHAIRMAN'S STATEMENT
cont'd

同样值得留意的是，我们在欧洲经济动荡之际展开这项极合时宜的收购计划，意味着上升潜能是巨大的。

百利金国际不仅在马来西亚挂牌，该公司属下百利金控股（Pelikan Holding AG）和Herlitz公司（Herlitz AG）也分别在瑞士和德国法兰克福上市。

拥有这些跨国业务，中国文具足以自豪。我向各位保证，我们未来必可从这项收购计划中受益。

战略回顾

俗语说，千里之行，始于足下，中国文具正正踏出了跨国的第一步。

完成收购计划后，我们开始重新思考战略，在走出国门后，我们将可以推动中国文具走向国际舞台。

我们获奖无数的品牌包括Sakura、Nachi和Foldersys，在部分地区获得认可后，目前正布局进军全新的市场。我们认为，这些可以回收再用的产品，符合全球越来越重视环保的趋势。

考虑到我们的众多优势，包括低成本、高品质等，我们的前景显然是毫无极限的。

我向各位中国文具的股东保证，我们将会带来更多令人振奋的消息。

在进军全新市场的同时，我们也会维持基本的业务运作，包括继续参与贸易展、展销会，并在中国的广告牌和其他媒体上展开广宣活动等。

全新产品、最强优势

我很自豪地说，中国文具上一年成功推出了第二代标签机。

我们在2009年中启动第二代标签机的研发活动，并在2012年第一季将这款产品推出市场。这款全新的标签机适用于桌面电脑和办公室。

全球中小企业的标签机和墨水市场规模达16亿3千万美元。

Frost & Sullivan看好上述市场在2010至2014年的累计成长率可达6.13%。

我有信心今年我们会推出更多成功的产品。

我的自信来自于公司庞大的经销网络。

目前，中国文具在全世界共有超过351个经销商，其中14是独家代理，主要坐落于中国市场。

除了强大的经销网络，我们也拥有多款卓越的产品，特别是防篡改塑胶信封。这款以取代信件快递行业惯用纸制信封为目标的产品，预期将在2013年面市。

这款信封采用了我们专有的防篡改密封技术，具备扩展、防水、耐用和实惠等特色。

CHAIRMAN'S STATEMENT
cont'd

业务展望

在2013年，我们寄望创新产品继续推动公司的业务成长。

鉴于全球塑胶文具市场料在2011至2014年取得近5.3%的累计常年成长，我对公司的业务成长感到乐观。

随着消费者的财富增加，教育也日益普及，我看好消费者对优质塑胶文具的需求将逐步提升。

简而言之，我乐观看待中国文具2013财政年的业务展望。

研究机构Frost & Sullivan表示，全球文具市场主要受到创新产品设计，以及教育普及化的带动，并获得经济条件强稳、消费开销增加等趋势的推动。有鉴于此，文具业可望在2013至2014年期间，取得5.3%的累计常年成长。

企业监管

中国文具董事部注重廉政、透明和诚信等价值观，这些都是我们优先考虑的事项。

我们也非常注重企业监管，时时寻求为股东创造最大价值的良机。

企业社会责任

中国文具非常关注公司业务对我们涉足社会与市场的影响。

集团的主要企业社会责任包括关心雇员、利益相关人、环境，以及社区等。我们将继续鉴定可以为世界带来实际转变的活动。

鸣谢

我谨代表董事部，衷心感谢所有的股东，感谢他们坚定不移的支持，以及对集团的信心。

我承诺，中国文具将继续捍卫全体股东的价值。

对于管理层和员工，我无言感激各位竭诚的付出和贡献，这成就了中国文具集团。少了各位辛勤的付出和奉献，我们不会拥有现在的成就。我打从心底感谢各位。

真挚的，

关永贤
执行主席

PROFILE OF DIRECTORS



MR CHAN FUNG @ KWAN WING YIN
(Executive Chairman)

Mr Chan Fung @ Kwan Wing Yin, aged 63, Hong Kong citizen, is our Executive Chairman. He was appointed to our Board on 31 August 2007. He is also a member of the Remuneration Committee of our Company.

Mr Chan is the founder of our Group and is responsible for the business strategy and development of our Group in foreign markets outside China. He has more than 20 years of experience in the plastic stationery industry. He has been both the Chairman of the Board of Directors and the General Manager of Sakura (Fujian) Packaging & Stationery Co., Ltd ("Sakura Stationery") since 1991 and Sakura (Fujian) Plastic Enterprise Co., Ltd ("Sakura Plastic") since 1993. He has also been the Chairman of the Board of Directors of Sunwealth Group Limited since 2005 and Campus Developments Limited ("Campus") since 2002. Prior to that he founded Kawan Kita (Hong Kong) Co., Ltd. ("Kawan Kita") in 1980, being the former holding company of Sakura Stationery, where he held the role of Chairman of the Board of Directors and General Manager. With his relevant expertise and experience in the plastic stationery industry, Mr Chan plays a key role in consolidating our Group's position in existing markets and in its expansion in new markets with his experiences and networking relationship. He received his middle school education from Putian Jingjiang Middle School. As at 31 December 2012, he is deemed interested in 893,000,000 shares (71.85%) in the Company by virtue of his interests in Lead Champion Group Limited ("Lead Champion"), the substantial shareholder of the Company.

Mr Chan is the father of Mr Angus Kwan Chun Jut, the Executive Director of our Company. Campus, a wholly-owned subsidiary of our Company, has entered into a related party transaction for renting a factory at a monthly rental of RMB10,000 with Kwan Chun Chu in which Kwan Chun Chu is the spouse of our Executive Chairman and Major Shareholder, Mr Chan and the mother of our Executive Director and Major Shareholder, Mr Angus Kwan Chun Jut. He has no convictions for offences within the past 10 years other than traffic offences.



MR JIANG DANPING
(Chief Executive Officer)

Jiang Danping, aged 53, Chinese, is our Chief Executive Officer. He was appointed to our Board on 31 August 2007. Mr Jiang is currently responsible for the business strategy and development of our Group in the China market, customer relationship management, investor relations and governmental related matters of the Group in The People's Republic of China. He has over 18 years of experience in the plastic stationery industry. He has been the General Manager of Campus since 2004. He had also previously held the post of Deputy General Manager of Kawan Kita, the former holding company of Sakura Stationery, from 1992 to 2004 and was in charge of the business development activities of Sakura Stationery during this period which accorded him vast knowledge in the business community in Fujian province. Prior to joining our Group, Mr Jiang was the Section Head (Enterprise Management) of the Economic Commission of Nanping City, Fujian Province (福建省南平经济委员会) which accorded him vast experience in the business community in the province. Jiang Danping graduated from Zhejiang University (浙江大学) in 1982 with a Bachelor's Degree in Engineering. In 1992, he was conferred the title, Engineer (Intermediate), by Technology Office of Nanping City, Fujian Province (福建省南平地区科技干部局). As at 31 December 2012, he is deemed interested in 893,000,000 shares (71.85%) in the Company by virtue of his interests in Lead Champion Group Limited ("Lead Champion"), the substantial shareholder of the Company.

Mr Jiang has no family relationship with any other Director and/or major shareholder of China Stationery Limited, has no conflict of interest with China Stationery Limited and has no convictions for offences within the past 10 years other than traffic offences.

PROFILE OF DIRECTORS
cont'd



MR ANGUS KWAN CHUN JUT
(Executive Director)

Angus Kwan Chun Jut, aged 42, Hong Kong citizen, is our Executive Director. He was appointed to our Board on 31 August 2007. He assists Mr Chan Fung @ Kwan Wing Yin in the day-to-day operations and management of the Group. Prior to joining our Group in 2007, Mr Kwan was in charge of information technology in Kawan Kita, the former holding company of Sakura Stationery from 2000 to 2007. From 1996 to 2003, he was a director of In2net Network Inc., a Canadian company which he co-founded in 1996. In2net Network Inc. was an internet service provider and later a web-hosting company. He was a director of Smart Printing Co Ltd from August 2006 to August 2007. Smart Printing Co Ltd was deregistered in Hong Kong in 2007. He received his secondary school diploma from Kingston College, Vancouver, Canada in 1994. Thereafter, he attended Kingston College, Vancouver, Canada reading Organisation Behaviour Course. As at 31 December 2012, he is deemed interested in 893,000,000 shares (71.85%) in the Company by virtue of his interests in Lead Champion Group Limited ("Lead Champion"), the substantial shareholder of the Company.

He is the son of Mr Chan Fung @ Kwan Wing Yin, Executive Chairman of the Company. Campus, a wholly-owned subsidiary of our Company, has entered into a related party transaction for renting a factory at a monthly rental of RMB10,000 with Kwan Chun Chu in which Kwan Chun Chu is the mother of our Executive Director and Major Shareholder, Mr Kwan and the spouse of our Executive Chairman and Major Shareholder, Mr Chan Fung @ Kwan Wing Yin. He has no convictions for offences within the past 10 years other than traffic offences.



TAN SRI DATO' NIK HASHIM BIN NIK AB RAHMAN
(Independent Non-Executive Director)

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman, aged 70, Malaysian, was appointed as our Senior Independent Non-Executive Director on 28 December 2011. He is the Chairman of Remuneration Committee and Nomination Committee and is also a member of Audit Committee. He was a Federal Court Judge from June 2005 until June 2009, and has a long and distinguished record of service with the Malaysian judiciary. He qualified as a Barrister-at-Law from Inner Temple, London in July 1970 and began his service at the Magistrates Court in Klang, Selangor in August 1970. He then became Senior Federal Counsel with the Attorney General's Chambers in Kuala Lumpur in 1989. In 1994, he was appointed as chairman of the Advisory Board, Prime Minister's Department based in Taiping, Perak.

Tan Sri Nik Hashim was appointed as Judicial Commissioner of High Court at Kota Bahru and Kuala Lumpur in October 1995 and January 1997 respectively. Between 1997 and 2003, Tan Sri Nik Hashim has served as Judge at the High Court of Malaya in Kuala Lumpur and Kuala Terengganu. This was followed with his appointment as a Court of Appeal Judge in August 2003 before being appointed as a Federal Court Judge from June 2005 until he retired from the Malaysian judiciary on 1 July 2009.

In July 2010, he attended and successfully completed an Executive Education program at Harvard Business School, Boston, USA.

Currently, he sits on the board of Olympia Industries Bhd, a company listed on Bursa Securities. He is also an independent non-executive chairman of RCG Holdings Limited, a company listed on the Hong Kong Stock Exchange. He is also the Chairman of the Disiplinary Committee of the Equestrian Association of Malaysia.

Tan Sri Nik Hashim has no family relationship with any other Director and/or major shareholder of China Stationery Limited, has no conflict of interest with China Stationery Limited and has no convictions for offences within the past 10 years other than traffic offences.

PROFILE OF DIRECTORS
cont'd



DATUK TAN CHOON HWA, JP, JMK
(Non-Independent Non-Executive Director)

Tan Choon Hwa, aged 55, Malaysian, was appointed as our Non-Independent Non-Executive Director on 28 December 2011. He is member of Audit Committee, Remuneration Committee and Nomination Committee. He is a director of Naim Indah Corporation Berhad, Harvest Court Industries Bhd, VTI Vintage Berhad and Aturmaju Resources Berhad, companies listed on the Main Market of Bursa Securities.

He is a businessman with twenty (20) years of experiences in various industries such as timber, mining, international trading and, housing and land development. He is the Executive Chairman of TCH International Resources Group Sdn Bhd and TCH Vision Trading Corporation Sdn Bhd as well as the non-executive director of VTI Vintage Berhad. He also holds directorship in Wazlian Group and CNB Auto Sdn Bhd. He holds other chairmanship in several associations, e.g. Persatuan Teo Chew Kelantan.

Datuk Tan has no family relationship with any other Director and/or major shareholder of China Stationery Limited, has no conflict of interest with China Stationery Limited and has no convictions for offences within the past 10 years other than traffic offences.



DR. RISAMBESSY IZAAC
(Independent Non-Executive Director)

Dr. Risambessy Izaac, aged 60, Indonesian, was appointed as our Independent Non-Executive Director on 28 December 2011. He is the Chairman of Audit Committee and member of Remuneration Committee and Nomination Committee. He graduated with a bachelor's degree in Economics (majoring in Accountancy) from Universitas Airlangga in 1982. He also obtained a master's degree in Science (in financial management) and a doctorate in Economics from Universitas Airlangga and 17 Agustus-45 University at Surabaya in 1990 and 2009 respectively.

Dr Risambessy was registered as an accountant in Indonesia in 1984. In addition, he was registered as an Indonesia Certified Public Accountants with the Indonesian Institute of Certified Public Accountants in 2009.

He began his career in 1976 as a branch manager with Bank Rakyat Indonesia. In 1978, he joined PT Petrokimia Gresik as a cost accountant. Two (2) years later, he left and joined Wolfrey Jademurni Public Accountant as a senior auditor until 1985. In the same year, Dr Risambessy had established Richard Risambessy & Rekan, an accounting firm in Indonesia providing audit, accounting services, management services and tax services. He is currently the Managing Partner of Richard Risambessy & Rekan.

Dr Risambessy has no family relationship with any other Director and/or major shareholder of China Stationery Limited, has no conflict of interest with China Stationery Limited and has no convictions for offences within the past 10 years other than traffic offences.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of China Stationery Limited is committed to ensuring that good corporate governance practices are applied throughout the Group to protect and enhance shareholders' value and safeguard the Group's assets. In accordance with Paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is pleased to provide a statement on the manner in which the Company has applied the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") in respect of its eight (8) principles and twenty-six (26) corresponding recommendations during the financial year.

THE BOARD OF DIRECTORS

The Board

The Board is responsible, amongst others, supervising its affairs to ensure its success within the defined parameter of acceptable risks and effective control and in compliance with the relevant laws, regulations, guidelines and directives in which it operates. It reviews management performance, ensures that the necessary resources are available to meet the Group's objectives. The Board has delegated day-to-day operational decisions to the Executive Directors and respective Heads of Department who are also responsible for monitoring daily operational matters.

The Board has entrusted the Nomination Committee and Remuneration Committee with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

The Board is in the midst of formalizing the Board Charter and Code of Conduct and Business Ethics which outline the principal role of the Board of Directors, the segregation of the roles, functions, responsibilities and powers of the Board, various Board Committees of the Company and matters reserved for decision-making by the Board; and the policies and practices of the Board in respect of matters such as conflicts of interest and convening of Board meetings. The Board Charter will be posted to the Company's website after obtaining the Board's approval. The Board Charter and Code of Conduct and Business Ethics are subject to periodical review by the Board from time to time.

Recommendation 1.4 of MCCG 2012 recommended that the board should ensure that the Company's strategies promote sustainability. Therefore, the Board acknowledges the importance of investment in corporate sustainability to the mutual benefit of both the Group and the public at large. The Board promotes good Corporate Governance in the application of sustainability practices through the Group, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognizance of the global environment, social, governance and sustainability agenda.

Board Balance and Independence

The Board consists of six (6) members comprising three (3) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The profile of each Director is presented on pages 22 to 24 of this Annual Report.

There is a clear separation of responsibility between the Executive Chairman and the Chief Executive Officer ("CEO") so as to ensure that there is a balance of power and authority. The Chairman is primarily responsible for ensuring the Board's effectiveness whilst the CEO is responsible for the efficient management of the businesses and operations.

The Board acknowledges the importance of board diversity, including gender diversity to the effective functioning of the Board as per Recommendation 2.2 of MCCG 2012. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

THE BOARD OF DIRECTORS *cont'd*

Board Balance and Independence *cont'd*

Recommendation 3.5 of MCCG 2012 states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Chairman of the Board is Mr Chan Fung @ Kwan Wing Yin, an Executive Chairman. He is the founder of the Group and is responsible for the business strategy and development of the Group in foreign markets outside China. He has approximately 20 years of experience in the plastic stationery industry.

The Board would require to increase the current size of the Board in comply with the Recommendation 3.5 of MCCG 2012. However, the current size and composition of the Board are considered adequate to provide an optimum mix of skills and experience. The Board will continue to monitor and review that Board size and composition as may be needed.Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman was appointed as the Senior Independent Non-Executive Director on 16 November 2012. In his role as the Senior Independent Director, he serves as an intermediary where by concerns may be conveyed by other Directors and shareholders if necessary.

Recommendation 3.2 of MCCG 2012 recommends that the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. Presently, there is no Independent Director of the Group whose tenure has exceeded a cumulative term of nine (9) years as the Company was listed on 24 February 2012.

Appointment and Re-election

Appointment of new Directors to the Board or Board Committee is recommended to the Nomination Committee and approved by the Board. Under Bye-Law 88(6) of the Company's Bye-Laws, newly appointed Directors shall retire at the next AGM and be eligible for re-election. According to Bye-Law 89(1) of the Bye-Laws of the Company, one-third of the Board members for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office at the Annual General Meeting ("AGM") and shall be eligible for re-election thereafter. In accordance with Bye-Law 89(2), each Director shall retire from office at least once in every three years, but shall be eligible for re-election. Notwithstanding the foregoing, a Director who is over the age of seventy years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting.

Board Meeting

The Board is scheduled to meet at least 4 times a year at quarterly intervals, with additional meetings to be convened when urgent and important decisions are to be made between the scheduled meetings. The agenda for each Board meeting is circulated to all the Directors for their perusal in advance of the Board meeting. Sufficient time and notice are provided so as to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

THE BOARD OF DIRECTORS *cont'd*

Board Meeting *cont'd*

During the financial year ended 31 December 2012, the Board met seven (7) times and the attendances of the Directors are as follows:

Name of Director	No. of Meeting Attended
Chan Fung @ Kwan Wing Yin *Executive Chairman*	7/7
Jiang DanPing *Chief Executive Officer*	4/7
Angus Kwan Chun Jut *Executive Director*	7/7
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman *Senior Independent Non-Executive Director*	7/7
Dr. Risambessy Izaac *Independent Non-Executive Director*	5/7
Datuk Tan Choon Hwa JP., JMK *Non-Independent Non-Executive Director*	7/7

Board Support and Information

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs so as to enable them to discharge their responsibilities. Prior to the Board meetings, the Directors are provided with the agenda together with the Board papers on issues to be discussed. A record of the Board's deliberation of issues discussed and conclusion reached are captured in the minutes of the meeting by the Company Secretary.

The Board, whether as a full Board or in their individual capacity, has a right to engage independent professional advice, if necessary, at the Group's expense. In addition, all Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board meeting procedures and applicable rules and regulations are adhered to.

Board Committees

The Board has delegated specific responsibilities to the following Board Committees, which operate within their defined terms of reference. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

THE BOARD OF DIRECTORS *cont'd*

Nomination Committee

The Nomination Committee consists of three (3) members:

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman
Senior Independent Non-Executive Directors – Chairman of the Committee

Dr Risambessy Izaac
Independent Non-Executive Director – Member of the Committee

Datuk Tan Choon Hwa JP., JMK
Non-Independent Non-Executive Director – Member of the Committee

The Nomination Committee is responsible for identifying, recruiting and recommending candidates for directorships and also to fill the seats of Board Committees. They are tasked with the responsibility of proposing new nominees to the Board and for assessing each Director's performance on an annual basis.

Subsequent to the financial year, the Board had on 24 April 2013 evaluated the performance of its committees and individual directors, with a view to enhancing the effectiveness and performance of the Board and its members. Nomination Committee also conducted an Independence assessment on the Independent Directors of the Company in April 2013. When assessing independence, the board focused beyond the independent director's background, economic and family relationships and consider whether the independent director can continue to bring independent and objective judgment to board deliberations.

In addition, the Company also complies with Recommendation 2.1 of MCCG 2012 as Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman, the Chairman of Nomination Committee, also being act as Senior Independent Director of the Company.

Recommendation 4.1 states that the Board should set out expectations on time commitment for its members and protocols for accepting new directorships. As such, the Board should obtain this commitment from its members at the time of appointment. Directors should notify the Chairman before accepting any new directorship.

The Nomination Committee met one (1) time during the year under review and the meeting was attended by all members.

Remuneration Committee

The Remuneration Committee consists of four (4) members:

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman
Senior Independent Non-Executive Directors – Chairman of the Committee

Dr Risambessy Izaac
Independent Non-Executive Director – Member of the Committee

Datuk Tan Choon Hwa JP., JMK
Non-Independent Non-Executive Director – Member of the Committee

Chan Fung @ Kwan Wing Yin
Executive Chairman – Member of the Committee

STATEMENT ON CORPORATE GOVERNANCE
cont'd

THE BOARD OF DIRECTORS *cont'd*

Remuneration Committee *cont'd*

The Remuneration Committee is empowered and authorised to carry out their functions pursuant to their terms of reference. The Remuneration Committee is an integral part of the process by which the Company attracts and retains the Directors needed to run the Company successfully.

The Directors' remuneration package is linked to the experience, scope of responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary and bonus whereby the Non-Executive Directors receive fixed director fees and other emoluments. Details of the Directors' remuneration in aggregate for financial year ended 31 December 2012 are tabulated as below:

	Salaries (RM)	Bonuses (RM)	Retirement Scheme Contribution (RM)	Total (RM)
Executive Directors	1,847,360	153,888	2,265	2,003,513
Non-Executive Directors	-	-	-	-

The number of Directors whose remuneration falls within the following bands is tabulated as below:

Remuneration bands per annum	Executive Director	Non-Executive Director
RM 600,001 to RM 650,000	2	-
RM 650,001 to RM 700,000	-	-
RM 700,001 to RM 750,000	-	-
RM 750,001 to RM 800,000	1	-

Recommendation 2.3 of MCCG 2012 recommends the Board should establish formal and transparent remuneration policies and procedures to attract and retain directors. However, the Board is of the view that the transparency and accountability are not compromised by the band disclosure as prescribed by the Bursa Securities Listing Requirements.

The Board as a whole determines the remuneration of the Non-Executive Directors. None of the Directors participate in determining their individual remuneration.

The Remuneration Committee met one (1) time during the year under review and the meeting was attended by all members.

Audit Committee

The composition of the Audit Committee, its terms of reference, attendance of meetings and summary of its activities are set out pages 32 to 37 of the Annual Report.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

THE BOARD OF DIRECTORS *cont'd*

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad in year 2012. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharging their duties and responsibilities as Directors. In addition, Tan Sri Dato' Nik Hashim has attended the one day programme on Forensic Accounting for Non-Executive Directors on 23 January 2013.

SHAREHOLDERS AND INVESTORS RELATIONS

The Company values dialogues with the investors and is constantly striving to improve its communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major developments of the Company. Information disseminated is in accordance to the disclosure rules and regulations of Bursa Securities and all others relevant laws and regulations. The Board has taken steps to ensure that no market sensitive information is disclosed to any party prior to making an official announcement to Bursa Securities. The Board support the use of information technology for the effective dissemination of information as per Recommendation 7.2 of MCCG 2012. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's website (cstationery.com).

The AGM or extraordinary general meeting are the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining to the issues and business of the Company and the Group and to consider the resolutions being proposed. The Board will put substantive resolutions to vote by poll when necessary. The Board will also evaluate the feasibility of carrying out electronic polling at its general meetings in future.

The Board takes the opportunity to present a comprehensive review of the progress and performance of the Company, and provides answers to the questions raised by the shareholders during the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities. The quarterly reports and financial statements are reviewed by the Audit Committee and approved by the Board of Directors to ensure accuracy, adequacy and completeness of information prior to release to regulatory authorities.

The Directors are responsible for ensuring that quarterly reports and annual financial statements of the Group and the Company are prepared with reasonable accuracy from accounting records of the Group and the Company so as to give a true and fair view of the state of affairs of the Group and the Company.

In preparing the annual audited financial statements, the Directors have:-

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

ACCOUNTABILITY AND AUDIT *cont'd*

Financial Reporting *cont'd*

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

Internal Control

The Board has the overall responsibility for maintaining a system of internal control and risk management that provides a reasonable assurance on the effective and efficient operations, and compliance with the relevant laws and regulations as well as with internal procedures and guidelines. The Statement on Risk Management and Internal Control as included on pages 38 and 39 of this Annual Report provides an overview of the internal control framework adopted by the Company for the current financial year.

Recommendation 6.1 states that the Board should establish a sound framework to manage risks. The Board is fully aware that the Board should determine the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. The CFO was in the midst of developing the risk register or risk management control sheet and would train the Head of Departments on the process and procedure of formally assessing the risks and recording the risks.

Currently, the internal auditors of the Company reported their findings to the Audit Committee directly as per Recommendation 6.2 of MCCG 2012.

Relationship with Auditors

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the external auditors. The Audit Committee has been explicitly accorded access to communicate directly with both the internal and external auditors.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report of the Audit Committee ("AC") for the financial year ended 31 December 2012.

ESTABLISHMENT AND COMPOSITION

The Audit Committee comprises the following members:-

Chairman:

Dr. Risambessy Izaac *(Independent Non-Executive Director)*

Members:

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman – Member
Independent Non-Executive Director

Datuk Tan Choon Hwa, JP, JMK – Member
Non-Independent Non-Executive Director

MEETINGS

During the financial year, the Audit Committee held five (5) meetings. Details of each member's meeting attendances are as follows:-

Name of Director	No. of Meeting Attended
Dr Risambessy Izaac	5/5
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman	5/5
Datuk Tan Choon Hwa, JP, JMK	5/5

The meetings were appropriately structured through the use of agendas, which were distributed to the members with sufficient notification.

Executive Directors, Chief Financial Officer, external auditors and internal auditors, at the invitation of the Committee, may attend the Committee meetings.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Audit Committee during the financial year including the following:-

1. Reviewed and recommended for Board approval the quarterly unaudited financial statements to the Bursa Malaysia Securities Berhad ("Bursa Securities");

2. Reviewed the Company's compliance with the Bursa Securities' Listing Requirement, accounting standards promulgated by Malaysian Accounting Standards Board and other legal and regulatory requirements;

AUDIT COMMITTEE REPORT
cont'd

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR *cont'd*

3. Reviewed the audit report and observations made by the external auditors on the audited financial statements that require appropriate management action and management's response thereon and reporting them to the Board;

4. Considered and recommended to the Board for approval of the audit fees payable to the external auditors.

5. Reviewed the external auditors' scope of work and audit plan for the financial year ended 31 December 2012;

6. Reviewed the independence and objectivity of the external auditors and the services provided, including non-audit services;

7. Reviewed the progress of the approved internal audit plan and internal audit reports, which highlighted internal audit findings, recommendations, management response and action plan as well as the follow-up on earlier reported agreed management action plans' implementation status. Discussed with management actions taken to improve and enhance the internal control systems based on the improvement opportunities highlighted in the internal audit reports.

8. Reviewed related part transactions entered into by the Group and ensured all transactions are at arms length's basis; and

9. Reviewed the annual report (which included the Corporate Governance Statement, Audit Committee Report and Statement on Internal Control), and the audited financial statements of the Group and recommended to the Board for approval.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group was outsourced to professional consulting firm to undertake independent, objective, regular and systematic reviews of the internal controls system. The outsourced internal auditors report directly to the Audit Committee and conduct internal audit reviews according to the internal audit plans approved by the Audit Committee to ensure the adequacy of the scope, function and resources being allocated to the internal audit function. The cost incurred in connection with the internal audit function during the financial year amounted to RMB82,562.43.

The Group's internal auditors table the results of their review to the Audit Committee at their scheduled meeting highlighting their findings, recommendations, areas of improvement opportunities, management response and action plan.

AUDIT COMMITTEE REPORT
cont'd

TERMS OF REFERENCE

Composition and Size

The Audit Committee should be appointed by the Board of Directors based on the recommendation of the Nomination Committee from amongst the Directors of the Company which fulfills the following requirements:

(i) the Audit Committee must be composed of no fewer than 3 members;

(ii) all Committee Members must be Non-Executive Directors, with a majority of them being Independent Directors;

(iii) all Committee Members should be financially literate; and

(iv) at least one member of the Audit Committee must fulfill the financial expertise requisite

  (a) he must be a member of the Malaysian Institute of Accountants ("MIA"); or

  (b) if he is not a member of the MIA, he must have at least 3 years' working experience and:

    (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

    (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

  (c) fulfils such other requirements as prescribed or approved by the Bursa Securities.

In the absence of a Nomination Committee, the Board appoints the Audit Committee Members from amongst its number.

The Board of Directors must ensure that no Alternate Director is appointed as a Committee Member.

In the event of any vacancy in the Committee resulting in the non-compliance of the LR pertaining to composition of Audit Committee, the Board of Directors must fill the vacancy within 3 months of the occurrence of that event.

The Board of Directors should assess the effectiveness of the Audit Committee and each of its Members at least once every 3 years to determine whether such Committee and Members have carried out their duties in accordance with their Terms of Reference.

Chairman

The Board of Directors or members of the Audit Committee must elect a Chairman among the Committee members who is an Independent Non-Executive Director.

In the absence of the Chairman of the Audit Committee in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

The Chairman of the Audit Committee should assume, amongst others, the following responsibilities:

(i) Planning and conducting meetings;
(ii) Overseeing reporting to the Board of Directors;
(iii) Encouraging open discussion during Meetings; and
(iv) Developing and maintaining an active on-going dialogue with Senior Management and both the Internal and External Auditors.

AUDIT COMMITTEE REPORT
cont'd

TERMS OF REFERENCE *cont'd*

Secretary

The Company Secretary shall be the Secretary of the Audit Committee or in his absence, the Chairman of the Committee or Chairman of the Meeting shall choose another person as the Secretary of the Meeting.

Meetings

(i) The Audit Committee should meet at least 4 times in each financial year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.

(ii) Sufficient time must be allocated to thoroughly address all items in the Agenda and for all parties involved to ask questions or provide input.

(iii) The quorum shall consist of a majority of the Independent Non-Executive Directors.

(iv) The Audit Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

(v) The Finance Director, the Internal Auditors and External Auditors should normally attend the Meetings. Other Board Members may attend any particular meeting only at the Committee's invitation.

(vi) The Audit Committee should meet with the External Auditors without the presence of the executive Board Members and employees at least twice a year and whenever deemed necessary.

(vii) Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the Audit Committee must convene a Meeting to consider any matter the Internal Auditors and/or External Auditors believe should be brought to the attention of the Board of Directors or the Shareholders.

(viii) The Minutes of each Meeting shall be made available to all members of the Board upon request.

(ix) The Board of Directors should be kept aware of the Committee's activities by way of the Committee Minutes being circulated together with the board meeting papers.

(xi) A resolution in writing signed or approved via letter, telex or facsimile by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

AUDIT COMMITTEE REPORT
cont'd

RIGHTS

(i) The Audit Committee should have explicit authority to investigate any matter within its Terms of Reference, the resources to do so and full access to information.

(ii) Each Committee Member has full and unrestricted access to information and is entitled to ask for further information required to make informed decisions and has right to obtain independent professional or other advice for the performance of its duties.

(iii) The Audit Committee may use the services of outside expertise or advisors and invite outsiders with relevant experience to attend Meeting, if necessary, at the cost of the Company in accordance with a procedure to be determined by the Board of Directors towards performance of its duties.

(iv) The Audit Committee must have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any, which can be outsourced).

(v) The Committee must be able to convene Meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

RESPONSIBILITIES AND HOW THE COMMITTEE WORKS

(i) The Terms of Reference of the Audit Committee should be reviewed by the Committee annually and updated as appropriate. The Committee should recommend any change to the Terms of Reference to the Board of Directors for approval. The annual review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the Audit Committee's responsibilities.

(ii) The Audit Committee is primarily responsible for, amongst others, the following:

   (a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response. Also ensure a clear and direct line of communication between the Board and the external auditors through meetings and discussions;

   (b) review the half yearly and annual, and quarterly financial statements and results announcements, if applicable, before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern assumption and compliance with accounting standards and compliance with the Bursa Securities LR and any other relevant statutory or regulatory requirements;

   (c) review the internal control procedure and ensure co-ordination between the external auditors and management, and review the assistance given by management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary); and

AUDIT COMMITTEE REPORT
cont'd

RESPONSIBILITIES AND HOW THE COMMITTEE WORKS *cont'd*

(ii) The Audit Committee is primarily responsible for, amongst others, the following: *cont'd*

(d) in relation to audit function, to do the following:-

- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendation of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of person exercising the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(e) review and discuss with the external auditors any problems and reservations which has or is likely to have a material impact on the Group's operating results or financial position, and management's response;

(f) consider and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(g) ensure the independence of the external and internal auditors function through active participation in the audit process;

(h) review related party transactions (if any) falling within the scope of the Bursa Securities LR;

(i) review potential conflict of interest (if any);

(j) review and approve all hedging policies and instruments (if any) to be implemented by the Group;

(k) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

(l) review and establish procedures for receipt, retention and treatment of complaints received by the Group;

(m) monitor the operations of subsidiaries operating in China and take appropriate actions if any issues are identified;

(n) undertake such other functions and duties as may be required by statute or the Bursa Securities LR, or by such amendments as may be made thereto from time to time; and

(o) monitor, review and assess the utilisation of proceeds are consistent with the intention presented to investors for any fund raising exercise.

(iii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the LR, the Committee must promptly report such matter to Bursa Securities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2012. For the purpose of disclosure, this Statement takes into account the Guidelines for Directors of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on the issuance of Internal Control Statement pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements.

BOARD'S RESPONSIBILITIES

The Board is responsible for the Group's internal control and risk management system to safeguard shareholders' investment and the Group's assets as well as for reviewing the adequacy and effectiveness of the said system. In this respect, the task of reviewing the adequacy and effectiveness of the internal control system has been delegated to the Audit Committee, which is empowered by its terms of reference to seek assurance on the adequacy and effectiveness of the internal control system through reports it receives from independent reviews conducted by the internal audit function and Management.

In view of the limitations inherent in any system of risk management and internal control, such system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business and corporate objectives. Hence, such system can therefore only provide reasonable, but not absolute assurance, against material errors, material misstatement, losses or fraud.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

1. Risk Management System

Risk Management is regarded by the Board to be an integral part of the business operations. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards. Regular management and operational meetings are held to deliberate key risks and the appropriate mitigating controls. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings. This ongoing process is undertaken at all the major subsidiaries of the Group, as well as collectively at the Group level.

The above-mentioned risk management practices of the Group serves as the on-going process used to identify, evaluate and managed significant risks for the year under review and up to the date of approval of this statement. In light of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers which was issued on 31 December 2012, the Board shall re-evaluate the Group's existing risk management process to ensure it is appropriate and continues to remain relevant to the Group's requirements.

2. Internal Audit Function

The Group's internal audit function is outsourced to a professional services firm to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2012, internal audit was carried out and the findings of the internal audit, including the recommended management actions plans were presented directly to the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM *cont'd*

2. Internal Audit Function *cont'd*

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

3. Other Elements of Internal Controls

The key elements of the Group's internal control system are described below:

- The Group has a well-defined organisational structure with clear lines of accountability as well as proper approval and control procedures to provide a sound structure within the organisation to facilitate decision making at the appropriate authority levels of Management including matters that require Board's approval.

- Documented policies and procedures are in place and are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

- Operational and Management meetings are conducted on a regular basis to deliberate on all operational issues as well as inform and update all Heads of Department on all major policies and business strategies directed by the Board.

- The Audit Committee reviews the quarterly financial reports, annual financial statements and the internal audit report on a periodic basis. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control matters identified by the outsourced internal audit function.

In line with the Guidelines, the Executive Chairman (by virtue of the highest ranking executive officer) and the Chief Financial Officer have provided assurance to the Board on 23 May 2013 that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, in line with the Group's objectives during the financial year under review.

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also mindful of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management internal control.

This statement was approved by the Board of Directors on 23 May 2013.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS AS AT 31 MARCH 2013

The gross proceeds received from the Initial Public Offering of RM85.5 million in conjunction with the Company's listing on the Main Market of Bursa Malaysia Securities Berhad on 24 February 2012 have been utilised in the following manner:-

Utilisation as at 31 March 2013	Proceeds Raised RMB'000	Amount Utilised RMB'000	Amounts Unutilised RMB'000	Intended time frame for utilisation
Advertising, branding and promotional activities	10,777	10,777	-	24 Months
Purchase of machineries	29,418	7,683	21,735	24 Months
Purchase of machineries for R&D department	25,005	-	25,005	24 Months
Working capital	10,000	10,000	-	12 Months
Estimated listing expenses	10,300	10,300	-	6 Months
Total	85,500	38,760		

SHARES BUY-BACK

The company did not undertake any share buy-back exercise during the financial year.

OPTIONS OR CONVERTILBLE SECURITIES

At the Special General Meeting held on 24 August 2012, the Company's shareholders approved warrant to be issued to the existing shareholders on a basis of one warrant for every two existing ordinary shares of SGD0.001 each in the Company held on an Entitlement date. The number of warrants outstanding as at 31 December 2012 are 596,295,388.

DEPOSITORY RECEIPT PROGRAMME

The company did not sponsor any depository receipt programme during the financial year.

SANCTIONS AND/OR PENALITIES

There were no sanctions and/or penalties imposed on the Company, its subsidiaries, the Directors and Management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

There is no non-audit fee paid to Foo Kon Tan Grant Thornton LLP for the year under review.

ADDITIONAL COMPLIANCE INFORMATION

cont'd

VARIATION IN RESULTS

There was no variation by 10% or more between the interim financial reports previously announced on the 4th Quarter results and the audited financial results for the financial year ended 31 December 2012.

PROFIT ESTIMATE/FORECAST/PROJECTION

There was no profit estimate, forecast or projection issued by the Company and the Group during the financial year.

PROFIT GUARANTEE

The Company did not provide any profit guarantee during the financial year.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

There was no RRPT conducted during the financial year.

MATERIAL CONTRACTS

During the year under review, the Company and its subsidiary has not entered into any material contracts involving Directors' and major shareholders.

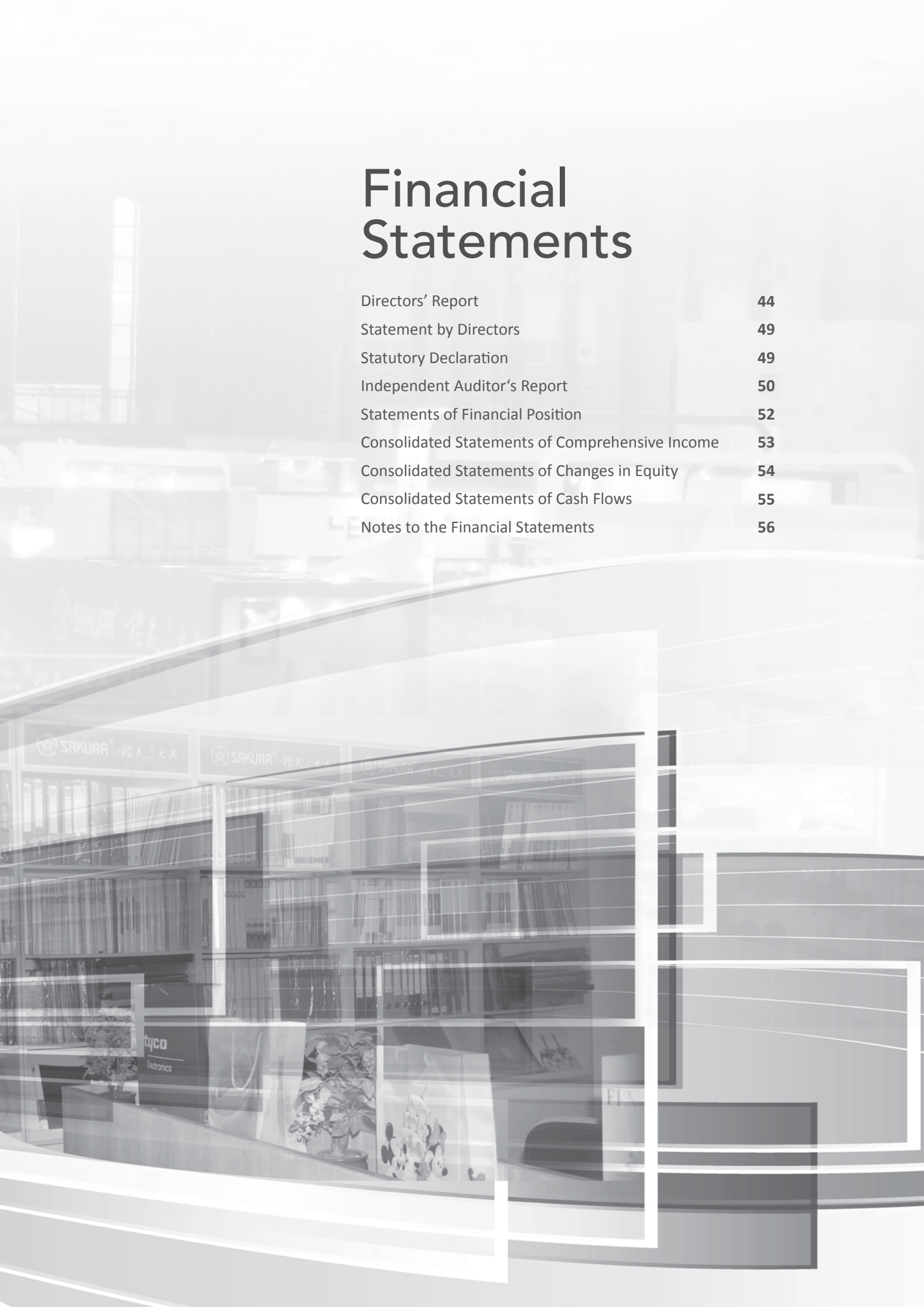
SHARE ISSUANCE SCHEME

The Company has not implemented any share issuance scheme.



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DIRECTORS' REPORT
for the Financial Year Ended 31 December 2012

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 1 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

The Group	Group	Company
	RMB'000	RMB'000
Profit/(loss) for the year attributable to owner of the parent	**465,489**	**(54,676)**

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS

Directors who served since the date of the last report are:-

Chan Fung @ Kwan Wing Yin
Jiang Danping
Angus Kwan Chun Jut
Tan Choon Hwa
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman
Dr Risambessy Izaac

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT
for the Financial Year Ended 31 December 2012
cont'd

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company, none of the directors who held office at the end of the financial year had interest in shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
The Company China Stationery Holdings Limited	**As at 1.1.2012**	**As at 31.12.2012**	**As at 1.1.2012**	**As at 31.12.2012**
	Number of ordinary shares'000			
Chan Fung @ Kwan Wing Yin [(1)]	-	**1,828**	**1,000,000**	**893,000**
Jiang Danping [(1)]	-	**-**	**1,000,000**	**893,000**
Angus Kwan Chun Jut [(1)]	-	**-**	**1,000,000**	**893,000**

(1) Deemed interest by virtue of their substantial interest in Lead Champion Group Limited.

The detail of the directors' interest on the warrant are set up in Note 30 of the financial statements.

ISSUE OF SHARES AND DEBENTURES

Save as disclosed below, there were no other issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial year to date.

DIRECTORS' REPORT
for the Financial Year Ended 31 December 2012
cont'd

ISSUE OF SHARES AND DEBENTURES *(cont'd)*

Details of the movements in the Company's shares since incorporation up to the financial period-to-date are as follows:

Date of allotment	No. of Shares allotted	Consideration	Cumulative Issued and Paid-Up Shares Capital	
			(No of Shares)	(SGD)
Ordinary Shares				
15.08.2007	1	Nil	1	Nil
17.09.2007	486,809	Cash	486,810	486,810
17.09.2007	114,190	Cash	601,000	601,000
17.09.2007	323,190	Cash	924,190	924,190
17.09.2007	75,810	Cash	1,000,000	1,000,000
17.09.2007	-	Subdivision of every 1 shares into 500 shares	500,000,000	1,000,000
04.04.2008	78,991,597	Cash [(1)]	578,991,597	1,157,983
27.01.2010	(51,291,597)	Cancelled [(1)]	527,700,000	1,055,400
02.11.2011	-	Subdivision of every 1 shares into 2 Shares	1,055,400,000	1,055,400
14.11.2011	49,926,316	Conversion [(2)]	1,105,326,316	1,105,326
06.01.2012	(2,735,540)	Cancelled	1,102,590,776	1,102,591
24.02.2012	90,000,000	Issue new shares	1,192,590,776	1,192,591
27.11.2012	50,169,812	Issue new shares [(5)]	1,242,760,588	1,242,761

Notes:

(1) Pursuant to a convertible loan agreement dated 28 September 2007, a group of fifteen (15) investors advanced a convertible loan amounting to SGD18.80 million to our Company as part of the previous proposed and subsequently aborted listing exercise in Singapore under a pre-listing scheme. The convertible loan was converted into 78,991,597 China Stationery Shares on 4 April 2008 and between November 2008 and December 2008, our Company purchased these shares from the fifteen (15) investors for an aggregate amount of approximately SGD20.30 million and kept the shares as treasury shares of our Company. On 27 January 2010, 51,291,597 treasury shares were cancelled. On 6 July 2010, 26,332,230 treasury shares were allotted to Lembaga Tabung Haji ("LTH") pursuant to the Investment Agreement.

(2) Pursuant to the conversion of the USD15.81 million (SGD19.67 million) loan by Liu Han Yun ("LHY").

(3) Pursuant to the cancellation of 2,735,540 treasury shares.

(4) Pursuant to the issue of 90,000,000 new shares at RM0.95 per share in connection with its initial public offering.

Pursuant to the issue of 50,169,812 new shares to acquired 9.79% Equity interest in Pelikan International Corporation Berhad ("Pelikan") for a total purchase consideration of RM 50,000,000.

The detail on the warrant issued are set up in Note 30 of the financial statements.

DIRECTORS' REPORT
for the Financial Year Ended 31 December 2012
cont'd

INFORMATION ON FINANCIAL STATEMENTS

Before the financial statements of the Group were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to write off any bad debts or to make any amount of the allowance for doubtful debts in respect of the financial statements of the Group and; or

(b) which would render the values attributed to current assets in the financial statements of the Group misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group misleading or inappropriate.

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may affect the ability of the Group to meet its obligations as and when they fall due.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group which has arisen since the end of the financial period which secures the liability of any other person; or

(b) any contingent liability of the Group which has arisen since the end of the financial period.

OTHER STATUTORY INFORMATION

The Directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of Directors:-

(a) the results of operations of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group for the current financial year in which this report is made.

DIRECTORS' REPORT
for the Financial Year Ended 31 December 2012
cont'd

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The Group has issued of 50,169,812 new shares to acquired 9.79% Equity interest in Pelikan International Corporation Berhad ("Pelikan") for a total purchase consideration of RM 50,000,000.

SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

There is no other item, transaction or event of a material or unusual nature has arisen in the interval between 31 December 2012 and the date of the report from the independent auditor.

INDEPENDENT AUDITOR

The independent auditor, Foo Kon Tan Grant Thornton LLP, Certified Public Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

CHAN FUNG @ KWAN WING YIN **ANGUS KWAN CHUN JUT**

Dated: 29 April 2013

STATEMENT BY DIRECTORS
for the Financial Year Ended 31 December 2012

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

CHAN FUNG @ KWAN WING YIN **ANGUS KWAN CHUN JUT**

Dated: 29 April 2013

STATUTORY DECLARATION
for the Financial Year Ended 31 December 2012
Pursuant to Paragraph 9.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

I, Angus Kwan Chun Jut, being the Director primarily responsible for the financial management of China Stationery Limited, do solemnly and sincerely declare that the accompanying financial statements set out on pages 52 to 92 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Oaths and Declarations Ordinance (Cap 11).

Subscribed and solemnly declared by the abovementioned
at 3rd Floor, Agricultural Bank of China Tower,
50 Connaught Road C., Central, Hong Kong
this 29th day of April 2013.

ANGUS KWAN CHUN JUT

Before me:

Commissioner for Oaths/Notary Public
CHENG KA WAI
Solicitor Hong Kong Special Administrative Region
LEUNG & LAU

INDEPENDENT AUDITOR'S REPORT
to the Members of China Stationery Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying financial statements of China Stationery Limited ("the Company") and its subsidiaries ("the Group") set out on page 52 to 92, which comprise the statement of financial position of the Group as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2012, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT
to the Members of China Stationery Limited
cont'd

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 28 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material aspects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

FOO KON TAN GRANT THORNTON LLP
Public Accountants and
Certified Public Accountants

WONG KIAN KOK
Partner in charge of the audit

Singapore

29 April 2013

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

		The Group	
		31 December 2012	31 December 2011
	Note	RMB'000	RMB'000
ASSETS			
Non-Current			
Land use rights	4	**14,889**	15,206
Property, plant and equipment	5	**321,081**	284,057
Non-current receivables	6	**1,163**	47,515
Investment property	7	**145**	145
Other investment	8	**74,974**	-
		412,252	346,923
Current			
Inventories	9	**53,012**	57,775
Trade and other receivables	10	**448,167**	461,655
Cash and bank balances	11	**1,889,491**	1,327,077
		2,390,670	1,846,507
Total assets		**2,802,922**	2,193,430
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12	**6,226**	5,777
Reserves	13	**2,577,280**	1,886,774
Total equity		**2,583,506**	1,892,551
Non-Current Liability			
Deferred tax liability	14	**29,650**	18,865
Current Liabilities			
Trade and other payables	15	**98,005**	110,063
Borrowings	16	**54,400**	49,100
Amount due to a shareholder	17	**38**	71,746
Current tax payable	20	**37,323**	51,105
		189,766	282,014
Total equity and liabilities		**2,802,922**	2,193,430

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the Financial Year Ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2011 RMB'000
Revenue	3	**1,980,628**	1,774,710
Cost of sales		**(1,110,626)**	(979,207)
Gross profit		**870,002**	795,503
Other income	3	**7,205**	5,266
Selling and distribution expenses		**(132,863)**	(77,211)
Administrative expenses		**(47,768)**	(30,750)
Other operating expenses		**(30,623)**	(563)
Finance costs	18	**(8,261)**	(41,908)
Profit before taxation	19	**657,692**	650,337
Taxation	20	**(192,203)**	(185,631)
Total comprehensive income attributable to the owner of the parent		**465,489**	464,706
Earnings per share (RMB cents)			
- Basic	21	**39.31**	42.04
- Diluted	21	**39.31**	42.04

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the Financial Year Ended 31 December 2012

	Share capital RMB'000 (Note12)	Capital reserve RMB'000 (Note 13)	Share premium RMB'000 (Note 13)	Treasury shares RMB'000 (Note 13)	Merger Deficit RMB'000 (Note 13)	Statutory Reserve RMB'000 (Note 13)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011	5,262	64	77,061	(1,645)	(4,150)	91,784	1,158,033	1,326,409
Conversion of convertible Loan	515	-	100,921	-	-	-	-	101,436
Total comprehensive income for the year	-	-	-	-	-	-	464,706	464,706
Transfer to statutory reserve	-	-	-	-	-	5,103	(5,103)	-
Balance at 31 December 2011	**5,777**	**64**	**177,982**	**(1,645)**	**(4,150)**	**96,887**	**1,617,636**	**1,892,551**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**465,489**	**465,489**
Issued additional shares	**462**	**-**	**287,784**	**-**	**-**	**-**	**-**	**288,246**
Share issue expenses	**-**	**-**	**(14,198)**	**-**	**-**	**-**	**-**	**(14,198)**
Cancelled treasury shares	**(13)**	**-**	**(1,632)**	**1,645**	**-**	**-**	**-**	**-**
Transfer to statutory reserves	**-**	**-**	**-**	**-**	**-**	**3,742**	**(3,742)**	**-**
Dividend paid (Note 29)	**-**	**-**	**-**	**-**	**-**	**-**	**(48,582)**	**(48,582)**
Balance at 31 December 2012	**6,226**	**64**	**449,936**	**-**	**(4,150)**	**100,629**	**2,030,801**	**2,583,506**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the Financial Year Ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2011 RMB'000
Cash flows from operating activities			
Profit before taxation		**657,692**	650,337
Adjustments for:			
Depreciation of property, plant and equipment	5	**24,753**	23,802
Amortisation of land use rights	4	**317**	271
Loss on disposal on property, plant and equipment	19	**-**	561
Interest expense	18	**8,261**	41,908
Interest income	3	**(7,014)**	(5,200)
Impairment loss on other investment		**30,623**	-
Acquisition cost for other investment by issuing share		**6,716**	-
Operating profit before working capital changes		**721,348**	711,679
Decrease in non-current receivables		**46,352**	11,815
Decrease/(increase) in inventories		**4,763**	(21,853)
Decrease/(increase) in trade and other receivables		**13,488**	(111,687)
(Decrease)/increase in trade and other payables		**(7,092)**	19,414
Net cash generated from operations		**778,859**	609,368
Interest paid		**(8,261)**	(8,981)
Income tax paid		**(195,198)**	(153,166)
Interest received		**7,014**	5,200
Net cash generated from operating activities		**582,414**	452,421
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(66,743)**	(24,079)
Acquisition of land use rights		**-**	(3,962)
Proceeds from disposal of property, plant and Equipment		**-**	34
Cash used in investing activities		**(66,743)**	(28,007)
Cash flows from financing activities			
Bank loans obtained		**64,900**	-
Repayment of bank loans		**(59,600)**	-
Proceed from issue if new shares, net of share issue expenses		**161,735**	-
Dividends paid		**(48,584)**	-
Repayment of shareholder's loan		**(71,708)**	-
Net cash used in financing activities		**46,743**	-
Net increase in cash and cash equivalents		**562,414**	424,414
Cash and cash equivalents at beginning		**1,327,077**	902,663
Cash and cash equivalents at end	11	**1,889,491**	1,327,077

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012

1 GENERAL INFORMATION

The financial statements of the Group for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The Company (Bermuda Company Registration No. 40535 and Malaysia Foreign Company Registration No. 995224-W) was incorporated in Bermuda on 14 August 2007 under the Bermuda Companies Act as an exempted company with limited liability under the name of China Stationery Limited and is listed on the Main Market of Bursa Malaysia Securities Berhad on 24 February 2012.

The registered office of the Company in Bermuda and Malaysia are Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda and Level 18, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at Donglou Village, Wuli Ting, Jiangkou Town, Hanjiang District, Putian City, Fujian Province, the People's Republic of China ("PRC").

The reorganisation exercise

The Group was formed as a result of the Reorganisation exercise undertaken in 2007 for the purpose of the Company's listing on the main market of the Bursa Malaysia Securities Berhad. The acquisition of the subsidiaries in the Reorganisation exercise under common control has been accounted for using the pooling-of-interests method of consolidation.

As at the date of this report, the Company has interests in the following wholly-owned subsidiaries. There are no other subsidiaries or associated companies of the Group.

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of Investment		Percentage of equity held		Principal activities
		2012	2011	2012	2011	
		RMB'000	RMB'000	%	%	
Directly Held						
Sunwealth Group Limited ("Sunwealth") [1]	BVI	**414**	414	**100**	100	Investment holding
Campus Developments Limited ("Campus") [2]	BVI	**414**	414	**100**	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

1 GENERAL INFORMATION *(cont'd)*

The reorganisation exercise *(cont'd)*

The subsidiaries are: *(cont'd)*

Name	Country of incorporation/ principal place of business	Cost of Investment		Percentage of equity held		Principal activities
		2012	2011	2012	2011	
		RMB'000	RMB'000	%	%	
Indirectly Held						
Ruiyuan (Fujian) Enterprise Co., Ltd ("Ruiyuan") [3]	The People's Republic of China	-	-	**100**	100	Production and sale of plastic tape printer and ink
Sakura (Fujian) Plastic Enterprise Co., Ltd ("Sakura Plastic") [3]	The People's Republic of China	-	-	**100**	100	Research, development and production of PP sheets
Sakura (Fujian) Packaging & Stationery Co., Ltd ("Sakura Stationery") [3]	The People's Republic of China	-	-	**100**	100	Production and sale of plastic stationery

(1) The financial statement for the year ended 31 December 2012 was audited by Foo Kon Tan Grant Thornton LLP for the purpose of expressing an opinion on the consolidated financial statements.

(2) The financial statement for the year ended 31 December 2012 was audited by Foo Kon Tan Grant Thornton LLP for the purpose of expressing an opinion on the consolidated financial statements.

(3) Audited by Shenzhen Xi He Certified Public Accountant for statutory purposes and Foo Kon Tan Grant Thornton LLP for the purpose of expressing an opinion on the consolidated financial statements.

2(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group's principal operations are conducted in the PRC and thus the financial statements are presented in Renminbi (RMB), being the measurement and presentation currency of the Group. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(A) BASIS OF PREPARATION *(cont'd)*

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. The carrying amounts of the Group's property, plant and equipment as at 31 December 2012 were RMB321,081,000 (2011 - RMB284,057,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment loss on other investment

Other investment is financial assets categorised as fair value through profit or loss. The fair value of other investment traded in active markets is based on quoted market prices at the end of the reporting period. The management deemed the quoted market price as the fair value of the other investment. The surplus or shortfall between the fair value with the carrying amount is recognised in profit or loss.

Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realizable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(A) BASIS OF PREPARATION *(cont'd)*

Significant accounting estimates and judgements *(cont'd)*

Critical assumption used and accounting estimates in applying accounting policies *(cont'd)*

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2012

On 1 January 2012, the Group adopted the new or amended IFRS and IFRS Interpretations Committee ("IFRSC") that are mandatory for application from that date. This includes the following IFRS and IFRSC, which are relevant to the Group:

Reference	Description
IAS 1	Presentation of Financial Statements - Amendments to review the way other comprehensive income is presented
IAS 24	Related Party Disclosure - Revised definition of related party
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues
Improvements to IFRSs 2010	

The adoption of these new/revised IFRS and IFRSC did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(C) IFRS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following IFRS and IFRSC were issued but not yet effective:

Reference	Description	Effective date (annual periods beginning on or after)
IFRS 1	Amendments for government loan with a below-market rate of interest when transitioning to IFRSs	1 January 2013
IFRS 7	Financial Instruments Disclosures: Amendments related to the offsetting of assets and liabilities	1 January 2013
IFRS 9	Financial Instruments - Classification of Financial Assets and Financial Liabilities	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 19 (as revised in 2011)	Employee Benefits- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 27 (as revised in 2011)	Separate Financial Statements	1 January 2013

The directors do not anticipate that the adoption of the above IFRS and IFRIC in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2012.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The financial statements of the Group and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 1.

The Group was formed as a result of the Restructuring exercise for the purpose of the Company's listing on the main market of the Bursa Malaysia Securities Berhad. The acquisition pursuant to the Restructuring exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the restructuring has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group's Restructuring exercise.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Consolidation *(cont'd)*

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combination is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over its remaining useful life of fifty years. Land use rights represent up-front payment to acquire long-term interests in the usage of land.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

No depreciation is provided on properties under construction work-in-progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Property, plant and equipment and depreciation *(cont'd)*

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Construction work-in-progress is stated at cost and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at end of each reporting period as a change in estimates.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 years and after taking into account their estimated residual values, using the straight-line method.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Research and development costs

Research costs are expensed as incurred, except for development costs which related to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets, if any.

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management and fixed deposit pledged to the bank for banking facilities.

Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share premium account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Group grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include trade payables, accrued liabilities and other payables, bank borrowings and convertible bonds.

Financial liabilities are recognised when the Group become a party to the contractual agreements of the instruments. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial liabilities *(cont'd)*

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statements of financial position.

Convertible bond

When convertible bonds are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the combined statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Provisions

Provisions are recognised when the the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Operating leases

Where the Group is the lessee

Rentals on operating leases are charged to statement of comprehensive income on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

Where the Group is the lessor

Assets leased out under operating leases are included in investment property. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Employee benefits

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Company in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Rental and related income from investment properties are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred. Contingent rents are mainly determined as a percentage of tenant's revenue during the month and/or based on the landlord's traffic movement during the month. These leases are for terms of two to three years with options to review at market rates thereafter.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group are presented in Renminbi, which is also the functional currency.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the financial position date are recognised in profit or loss. However in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognized in other comprehensive income and acculmulated in the currency translation reserve.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates at the date of the translation.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Conversion of foreign currencies *(cont'd)*

Group entities

The results and financial positions of all the entities within the Group that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rate at the reporting date;
(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) All resulting currency translation difference are recognized in other comprehensive income and accumulated in the currency translation reserve.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

3 PRINCIPAL ACTIVITIES, REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

An analysis of the Group's revenue and other income is as follows:

The Group	2012 RMB'000	2011 RMB'000
Revenue		
Sale of goods	**1,980,628**	1,774,710
Other income		
Interest income	**7,014**	5,200
Sale of scrap	**50**	29
Rental income from investment property	**37**	37
Others	**104**	-
	7,205	5,266

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
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4 LAND USE RIGHTS

The Group	Land use rights RMB'000
Cost	
At 1 January 2011	2,452
Additions	13,334
At 31 December 2011	15,786
Additions	-
At 31 December 2012	**15,786**
Accumulated amortisation	
At 1 January 2011	308
Amortisation for the year (Note 19)	272
At 31 December 2011	580
Amortisation for the year (Note 19)	317
At 31 December 2012	**897**
Net book value	
At 31 December 2012	**14,889**
At 31 December 2011	15,206

Land use rights represent leasehold interests in land located in Fujian province, PRC. Certain land use rights with net book value amounting to RMB141,000 and RMB138,000 are pledged to a bank as securities for borrowings granted to the Group for the years ended 31 December 2011 and 2012 respectively as set out in Note 16.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

5 PROPERTY, PLANT AND EQUIPMENT

The Group	Plant and machinery	Furniture, fixtures and office equipment	Buildings	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2011	193,512	1,676	139,547	1,055	17,150	352,940
Additions	202	274	-	218	18,419	19,113
Reclassification to investment property (Note 7)	-	-	(1,451)	-	-	(1,451)
Disposal	(5,863)	(98)	-	-	-	(5,961)
At 31 December 2011	187,851	1,852	138,096	1,273	35,569	364,641
Additions	31,942	265	5,335	697	23,538	61,777
Disposal	-	-	-	-	-	-
At 31 December 2012	**219,793**	**2,117**	**143,431**	**1,970**	**59,107**	**426,418**
Accumulated depreciation						
At 1 January 2011	58,133	479	4,056	775	-	63,443
Depreciation for the year	17,130	304	6,214	89	-	23,737
Reclassification to investment property (Note 7)	-	-	(1,230)	-	-	(1,230)
Disposal	(5,277)	(89)	-	-	-	(5,366)
At 31 December 2011	69,986	694	9,040	864	-	80,584
Depreciation for the year	18,027	276	6,390	136	-	24,829
Reclassification to investment property (Note 7)	-	-	(76)	-	-	(76)
Disposal	-	-	-	-	-	-
At 31 December 2012	**88,013**	**970**	**15,354**	**1,000**	**-**	**105,337**
Net book value						
At 31 December 2012	**131,780**	**1,147**	**128,077**	**970**	**59,107**	**321,081**
At 31 December 2011	117,865	1,158	129,056	409	35,569	284,057

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

5 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

All property, plant and equipment held by the Group are located in Fujian province, PRC.

Certain property, plant and equipment with net book value amounting to RMB39,879,000 and RMB31,486,076 as at 31 December 2011 and 2012 respectively, were pledged to a bank as securities for borrowings granted to the Group. (Note 16). Construction in progress consists of two factories located at Putian, Fujian provinces.

Depreciation expense

The Group	2012 RMB'000	2011 RMB'000
Depreciation expense charged to:		
Cost of sales	**21,190**	20,358
Administrative expenses	**3,563**	3,444
Selling and distribution expenses	**-**	-
	24,753	23,802

Included in the depreciation expenses is depreciation expenses of investment property depreciation expenses but the investment property had been fully depreciated in year 2011. Therefore no depreciation expense charges have been made for year 2012 (2011: depreciation charged for investment property amounted to approximate RMB65,000).

6 NON-CURRENT RECEIVABLES

The Group	2012 RMB'000	2011 RMB'000
Non-current receivables	**1,163**	47,515

As at 31 December 2012, non-current receivables include:

(a) An amount of RMB1,163,250 relating to renovation cost for a total of 52 shop in shop located in PRC which will have future economic benefits for a period of 5 years (2011 – RMB3,607,000).

Non-current receivables are denominated in Renminbi

In the opinion of the directors, the fair value has not been materially different from its carrying value.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

7 INVESTMENT PROPERTY

The Group	2012 RMB'000	2011 RMB'000
At 1 January	**145**	210
Depreciation during the year	**-**	(65)
At 31 December	**145**	145

Investment property comprises a factory building which is leased to a third party. This lease contains a non-cancellable period of 10 years with monthly rental of RMB3,078. This factory building has been transferred from property, plant and equipment (Note 5) to investment property, since the factory building was no longer used by the Group and as such it was decided that the factory building would be leased to a third party. There is no direct operating expenses incurred arising from the investment property that generates rental income.

As 31 December 2012, investment property of the Group with a carrying amount of RMB145,096 (2011 – RMB145,096) is pledged as security to secure bank borrowings (Note 16).

8 OTHER INVESTMENTS

On 27 November 2012, the Group issued of 50,169,812 new shares to acquired 9.79% Equity interest in Pelikan International Corporation Berhad ("Pelikan") for a total purchase consideration of RM 50,000,000 (Approximate RMB105,597,000)

	2012 RMB'000	2011 RMB'000
Investment in quoted shares in Malaysia-at cost	**105,597**	-
At market value		
Investment in quoted shares in Malaysia-market value	**74,974**	-
Impairment loss	**30,623**	-

9 INVENTORIES

The Group	2012 RMB'000	2011 RMB'000
Raw materials	**22,279**	24,036
Work-in-progress	**11,420**	11,550
Finished goods	**19,313**	22,189
	53,012	57,775

No inventory written off or allowance of inventory obsolescence was made during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

10 TRADE AND OTHER RECEIVABLES

Trade receivables generally have credit terms ranging from 30 days to 90 days.

The carrying amount of trade receivables is stated after allowance for doubtful debts:

The Group	2012 RMB'000	2011 RMB'000
Trade receivables – Gross	**421,679**	451,469
Other receivables		
Prepayments	**26,488**	10,186
	448,167	461,655

Trade and other receivables are denominated in the following currencies:

The Group	2012 RMB'000	2011 RMB'000
Renminbi	**203,182**	186,844
United States Dollar	**244,255**	269,145
Singapore Dollar	**-**	2,837
Malaysia Ringgit	**730**	2,828
Hong Kong Dollar	**-**	1
	448,167	461,655

The trade receivables ageing are neither past due and nor impaired as at 31 December 2011 and 31 December 2012 respectively.

Prepayments mainly consist of prepaid expenses related to marketing expenses.

11 CASH AND BANK BALANCES

The Group	2012 RMB'000	2011 RMB'000
Cash on hand	**42**	28
Cash at bank	**1,889,449**	1,327,049
	1,889,491	1,327,077

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

11 CASH AND BANK BALANCES *(cont'd)*

Cash and bank balances are denominated in the following currencies:

The Group	2012 RMB'000	2011 RMB'000
Renminbi	**1,888,615**	1,326,948
United States dollar	**547**	112
Hong Kong dollar	**2**	17
Ringgit Malaysia	**327**	-
	1,889,491	1,327,077

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

The cash at bank bears interest rates ranging from 0.36% to 0.50% and 0.35% to 0.50% per annum for the years ended 31 December 2011 and 2012 respectively.

12 SHARE CAPITAL

	Number of shares' 000		Amount SGD'000	
	2012	2011	2012	2011
Authorised:				
Balance at beginning of the year	**10,000,000**	5,000,000	**10,000**	10,000
Sub-division of shares into 2 shares of par value SGD0.001 each	**-**	5,000,000	**-**	-
Balance at beginning/end of the year	**10,000,000**	10,000,000	**10,000**	10,000
Issued and fully paid				
Ordinary share at par value SGD0.002 each				
Balance at beginning of the year	**1,105,326**	527,700	**1,105**	1,055
Cancellation of treasury shares			**-**	-
Sub-division of shares into 2 shares of par value SGD0.001 each	**-**	527,700	**-**	-
Conversion of convertible bond	**-**	49,926	**-**	50
Shares cancelled [(1)]	**(2,735)**	-	**(2)**	-
Issue new share (IPO) [(2)]	**90,000**	-	**35**	-
Issue new share (Pelikan share exchange) [(3)]	**50,170**	-	**54**	-
Balance at end of year	**1,242,761**	1,105,326	**1,192**	1,105

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

12 SHARE CAPITAL *(cont'd)*

	RMB'000	RMB'000
Equivalent to RMB	**6,226**	5,777

(1) *Pursuant to the cancellation of 2,735,540 treasury shares.*

(2) *Pursuant to the issue of 90,000,000 new shares at RM0.95 per share in connection with its initial public offering.*

(3) *Pursuant to the issue of 50,169,812 new shares to acquired 9.79% Equity interest in Pelikan International Corporation Berhad ("Pelikan") for a total purchase consideration of RM 50,000,000.*

13 RESERVES

The Group	2012 RMB'000	2011 RMB'000
Capital reserve	**64**	64
Share premium	**449,936**	177,982
Treasury shares	**-**	(1,645)
Merger deficit	**(4,150)**	(4,150)
Statutory reserve	**100,629**	96,887
Retained earnings	**2,030,801**	1,617,636
	2,577,280	1,886,774

Capital reserve

The capital reserve represents the premium arising from the issue of shares prior to 1 January 2008.

Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net off share issue expenses.

Treasury shares

The Company acquired 78,991,597 of its own shares in and around November and December 2008. The total amount paid to acquire the shares was RMB95,015,000 and has been presented as a component within shareholders' equity. 51,291,597 treasury shares are subsequently cancelled on 27 January 2010.

Pursuant to an Investment Agreement dated 14 June 2010, LTH subscribed for 26,332,230 treasury shares of the Company at an aggregate of RM36,340,000 (approximately RMB75,701,000) ("Investment Agreement"). The said shares were transferred to LTH on 6 July 2010 from the Company's treasury shares and the Investment Agreement was completed on the same day. On 6 January 2012, the Company had cancelled all its treasury shares of 2,735,540.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

13 RESERVES *(cont'd)*

Merger deficit

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

14 DEFERRED TAX LIABILITY

The Group	2012	2011
	RMB'000	RMB'000
Deferred tax liability	**29,650**	18,865
Movements:		
At 1 January	**18,865**	8,505
Charged to income statement during the year	**10,785**	10,360
At 31 December	**29,650**	18,865

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2011 and 2012, deferred tax liabilities arise from 10% withholding tax on 20% of the profit after tax of the PRC subsidiaries as dividends to the shareholders.

15 TRADE AND OTHER PAYABLES

The Group	2012	2011
	RMB'000	RMB'000
Trade payables	**76,074**	86,384
	76,074	86,384
Accruals	**4,272**	4,280
VAT payable	**2,304**	3,625
Advances from customers	**14,796**	15,213
Accrued IPO expenses	**5**	200
Property, plant and machinery payables	**554**	361
	98,005	110,063

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

15 TRADE AND OTHER PAYABLES *(cont'd)*

Trade payables generally settled on 30 to 60 days. Trade payables are denominated in Renminbi.

Accruals mainly comprise accrued salary and related tax.

Trade and other payables are denominated in the following currencies:

The Group	2012	2011
	RMB'000	RMB'000
Renminbi	**66,301**	74,304
United States dollar	**31,699**	35,759
Ringgit Malaysia	**5**	-
	98,005	110,063

16 BORROWINGS

The Group	2012	2011
	RMB'000	RMB'000
Bank loans		
Secured and repayable within one year	**54,400**	49,100

The Group's borrowings are guaranteed by:-

(i) Certain property, plant and equipment in Note 5;
(ii) Land use rights in Note 4;
(iii) Director's personal guarantee; and
(iv) Corporate guarantees by external companies and the Group's subsidiaries.

Short-term bank borrowings bear effective interest rates range from of 6.0% and 6.56% (2011 - 5.81% to 6.56%) as at 31 December 2012. Short term bank borrowings which are at fixed interest rates are contractually repriced at interval of 12 months.

17 AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand the fair value approximates its carrying amount as at 31 December 2011 and 2012 respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

18 FINANCE COSTS

The Group	2012 RMB'000	2011 RMB'000
Interest expense		
Bank borrowings	**8,261**	2,982
Convertible loan and convertible bond	**-**	38,926
	8,261	41,908

19 PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION

The Group	Note	2012 RMB'000	2011 RMB'000
Profit from continuing operations before taxation has been arrived at after charging:			
Depreciation	5	**24,753**	23,802
Amortization of land use rights	4	**317**	271
Loss on disposal on property, plant and equipment		**-**	561
Exchange loss		**3,512**	7,767
Research and development cost		**1,186**	645
Cost of inventories recognised as expenses		**1,102,539**	834,841
Directors' remuneration			
- salaries and related costs		**4,789**	4,688
- retirement scheme contribution		**9**	5
Key management personnel (other than directors)			
- salaries and related costs		**1,758**	1,543
- retirement scheme contribution		**43**	38
Other than directors and key management Personnel			
- salaries and related costs		**32,353**	22,177
- retirement scheme contribution		**4,563**	2,374
- staff welfare		**403**	389
Advertisement expense *		**79,507**	37,519
Operating lease expense		**120**	120
Listing expenses		**22,926**	148

* *These expenses are charged to selling and distribution expenses in the consolidated statement of comprehensive income.*

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

20 TAXATION

The Group	2012 RMB'000	2011 RMB'000
Current year provision		
- PRC income tax	**181,418**	175,271
	181,418	175,271
Deferred tax liability	**10,785**	10,360
	192,203	185,631

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

The Group	2012 RMB'000	2011 RMB'000
Profit before taxation	**657,691**	650,337
Tax at applicable tax rate of 25% (2011 - 25%)	**164,423**	162,584
Tax effect on non-deductible expenses	**16,995**	12,687
Withholding tax related to undistributed profit of PRC Subsidiaries	**10,785**	10,360
	192,203	185,631

Movement in current income tax liabilities is as follows:

The Group	2012 RMB'000	2011 RMB'000
At 1 January	**51,105**	29,000
Income tax paid	**(195,200)**	(153,166)
Current income tax	**181,418**	175,271
At 31 December	**37,323**	51,105

Note:

The provision for PRC income tax is calculated based on statutory income tax at a rate of 25% for years ended 31 December 2011 and 2012 in accordance with the relevant PRC income tax rules and regulations for the relevant periods.

Non-deductible expenses relate to expenses incurred by the Company and its subsidiaries which were incorporated in Bermuda and BVI, whereby there are no taxes on income or no deduction on expenses.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
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21 EARNINGS PER SHARE

The earnings per share is calculated based on the consolidated profits attributable to owners of the parent divided by the weighted average number of shares in issue of 1,184,147 (2011 – 1,105,326) shares during the financial year.

Fully diluted earnings per share were calculated on the consolidated profits attributable to owners of the parent divided by 1,184,147 (2011 – 1,105,326) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares in issue during the financial year adjusted for the effects of all dilutive share options and contingently issuable shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following tables reflects the profit or loss and share data used in the computation of basic and diluted earnings per share from continuing operations for the years ended 31 December:

The Group	2012 RMB'000	2011 RMB'000
Profit attributable to shareholders	**465,489**	464,706
	465,489	464,706
Basic earnings per share	**39.31**	42.04
Diluted earnings per share	**39.31**	42.04

	No. of shares '000	No. of shares '000
Issued ordinary shares at beginning of the year	**1,105,326**	1,105,326
Potential shares issuable and cancelled under:		
- Share cancelled	**2,736**	-
- IPO	**90,000**	-
- Pelikan share exchange	**50,170**	-
Weighted average number of ordinary shares at the end of the year	**1,184,147**	1,105,326

The warrant issued as set up in Note 29 have anti-dilution on the number of share of the company as the exercise price of the warrant was higher than the market price.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

22 COMMITMENTS

22.1 Capital commitments

The Group	2012 RMB'000	2011 RMB'000
Capital expenditure contracted but not provided for in the financial statements	**106,689**	137,553

22.2 Operating lease commitments

Leases as lessee

At the end of the reporting period, the Group was committed to making the following rental payments in respect of non-cancellable operating leases of office premises with an original term of more than one year.

The Group	2012 RMB'000	2011 RMB'000
Not later than one year	**30**	120
Later than one year and not later than five years	**-**	30
	30	150

The leases on the Group's office premise on which rental is payable was expired on 31 March 2013 and the current rent payable on the lease is RMB10,000 per month.

Leases as lessor

The Group leases out its investment property (Note 7). The future minimum lease payments under non-cancellable leases are as follows:

The Group	2012 RMB'000	2011 RMB'000
Not later than one year	**37**	37
Later than one year and not later than five years	**148**	148
Later than five years	**105**	142
	290	327

As at 31 December 2012, RMB37,000 was recognized as rental income in profit and loss by the Group (Note 3)(2011 – RMB37,000).

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

22 COMMITMENTS *(cont'd)*

22.3 Other commitments

(i) As at 31 December 2012, the Group has unpaid capital contribution in Ruiyuan amounting to US$5,600,000 (approximately RMB35,286,000) (2011 - US$5,600,000 (approximately RMB35,669,000).

(ii) As at 31 December 2012, the Group has unpaid capital contribution in Sakura Stationery amounting to US$5,920,000 (approximately RMB37,303,000) (2011 – USD5,920,000 (approximately RMB37,707,000).

(iii) As at 31 December 2012, the Group entered into agreements with two foreign companies, who will supply the subsidiary, Sakura Plastics, raw materials as required and at a market price to be determined. The agreements are for a period of one year commencing 1 November 2007 and are automatically renewable for one year unless terminated by either party.

(iv) As at 31 December 2012, the Group has entered into an agreement with a foreign company, who will supply the subsidiary, Sakura Plastics, raw materials not less than 250 metric tons per month and at a market price to be determined. The agreement is for a period of 1 year commencing 5 June 2007 and is automatically renewable for one year and so on hereafter unless otherwise terminated by either party.

(v) As at 31 December 2012, the Group has unpaid expenditure in Sakura Stationery of an amount approximately RMB2,850,000 (2011: RMB3,850,000) in relation to the advertisement expenses.

(vi) As at 31 December 2012, the Group has entered into an agreement with a local company, who will supply the subsidiary, Ruiyuan, raw materials not less than 2,500,000 pieces each for the ink and ink boxes and at a market price to be determined. The agreement is for a period of 2 years commencing 25 February 2011 and is automatically renewable for 2 years and so on hereafter unless otherwise terminated by either parties.

23 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in this report, the Group had the following transactions with related party at agreed rates:

The Group	2012 RMB'000	2011 RMB'000
Rental paid to a related party [(1)]	**120**	120

[(1)] *Related party relates to the wife of a director.*

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
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24 SEGMENT INFORMATION

24.1 Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segment is organized into two main business segments.

- ***Patent***

  Patented products comprise the plastic tape printer, net bag and files with cover that may be locked. The main patented product is the plastic tape printer.

- ***Non-patent***

  The Group designs, manufacture and sell a broad assortment of more than 450 plastic filing and storage products such as expandable files, document files, moveable document cases, expanding folders, CD holders, filing bags, display books, envelope bags and lever clip files. The Group also supplies the ink that is specially formulated for the patented tape printer.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
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24 SEGMENT INFORMATION *(cont'd)*

24.1 Business segments *(cont'd)*

Group assets and liabilities that are not related to any of the operating segments are not allocated to operating segments.

Year ended 31 December 2012	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	**624,055**	**1,356,573**	**-**	**1,980,628**
Inter-segment revenue	**128,227**	**278,739**	**(406,966)**	**-**
	752,282	**1,635,312**	**(406,966)**	**1,980,628**
Results				
Segment results	**345,161**	**524,947**	**-**	**870,108**
Other income	**2,270**	**4,935**		**7,205**
Corporate expenses				**(211,360)**
Finance costs				**(8,261)**
Profit before taxation				**657,692**
Income tax expenses				**(192,203)**
Profit after taxation				**465,489**
Other information				
Segment assets	**255,423**	**555,238**		**810,661**
Unallocated assets				
- Investment property				**145**
- Other investment				**74,974**
- Other receivables				**27,651**
- Cash and bank balances				**1,889,491**
Total assets				**2,802,922**
Segment liabilities	**23,969**	**52,105**		**76,074**
Unallocated liabilities				
- Other payables				**21,931**
- Borrowings				**54,400**
- Amount due to a shareholder				**38**
- Current tax payable				**37,323**
- Deferred tax liability				**29,650**
Total liabilities				**219,416**
Capital expenditure	**21,029**	**45,714**		**66,743**
Depreciation of property, plant and equipment	**7,799**	**16,954**		**24,753**
Amortisation of land use rights	**100**	**217**		**31**

Include in the corporate expenses was in relation to impairment loss on Pelikan of RMB 30,623,000, which cannot be allocated into the segment on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS
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cont'd

24 SEGMENT INFORMATION *(cont'd)*

24.1 Business segments *(cont'd)*

Year ended 31 December 2011	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	482,793	1,291,917	-	1,774,710
Inter-segment revenue	8,571	409,066	(417,637)	-
	491,364	1,700,983	(417,637)	1,774,710
Results				
Segment results	259,519	458,773	-	718,292
Other income	1,433	3,833		5,266
Corporate expenses				(31,313)
Finance costs				(41,908)
Profit before taxation				650,337
Income tax expenses				(185,631)
Profit after taxation				464,706
Other information				
Segment assets	232,866	623,133		855,999
Unallocated assets				
- Property, plant and equipment				23
- Investment property				145
- Other receivables				10,186
- Cash and bank balances				1,327,077
Total assets				2,193,430
Segment liabilities	27,639	73,958		101,597
Unallocated liabilities				
- Other payables				8,466
- Borrowing				49,100
- Amount due to a shareholder				71,746
- Current tax payable				51,105
- Deferred tax liability				18,865
Total liabilities				300,879
Capital expenditure	5,200	13,913		19,113
Depreciation of property, plant and equipment	6,453	17,269		23,722
Unallocated depreciation of property, plant and equipment				
Amortisation of land use rights	73	198		271

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

24 SEGMENT INFORMATION *(cont'd)*

24.2 Geographical segments

The Group's revenue contribution is mainly from five geographical regions, namely PRC, Asia, America, Europe and Africa.

Asia includes Hong Kong, United Arab of Emirates, Palestine, Pakistan, Qatar, Iran, Saudi Arabia, India, Indonesia, Japan, Kuwait, Philippines, Korea, Nepal, Fiji, Syria, Lebanon, Israel, Bangladesh, Thailand, Sri Lanka and Taiwan (excluding PRC).

Europe includes Germany, Greece, Italy, Turkey, France, Poland, Spain, Russia, Sweden, Portugal, Norway, Poland, Czech Republic, Ukraine, Swiss, Netherland, Belgium and the United Kingdom.

America includes Argentina, Canada, United States, Brazil, Peru, Mexico, Uruguay, Chile, Bolivia, Panama and Venezuela.

Africa includes Tunisia, South Africa, Nigeria, and Egypt.

Others include Australia and New Zealand.

In presenting information on the basis of geographical segments, segment revenue is based on where the goods are delivered to. Total segment assets and segment capital expenditure are shown by geographical location of the assets.

The Group	2012 Revenues[(a)] RMB'000	2011 Revenues[(a)] RMB'000
PRC	**650,630**	527,861
Asia	**577,632**	567,870
Americas	**289,323**	278,154
Europe	**326,641**	278,258
Africa	**67,243**	-
Others	**69,159**	122,467
Total	**1,980,628**	1,774,710

(a) Revenues are attributed to countries on the basis of the customer's location.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the Board of directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes.

As at 31 December 2012, the Group's financial instruments consisted mainly of cash and bank balances, trade receivables and other receivables, trade and bills payables, accrued liabilities and other payables and bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

25.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from short-term bank borrowings, and deposits with the bank. The Group's policy is to maintain all its borrowings on a fixed rate basis. The Group's exposure to the investment in other financial assets with floating rate is not expected to be significant. Thus, fluctuations in the interest rate will not have an impact on the Group's net profit for the years ended 31 December 2011 and 2012. Accordingly, there is no sensitivity analysis being presented.

25.2 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group's carried out its business in the PRC and most of the transactions are denominated in Renminbi United States dollar and Hong Kong dollar. The Group has not entered into any forward exchange contract to hedge it exposure to foreign exchange risk.

A 5% strengthening/weakening of the foreign currencies against the Renminbi for the years ended 31 December 2011 and 2012 respectively would have had the following impact on the profit by the amounts shown below:

	Increase/(Decrease) in profit for the years ended 31 December	
	2012	**2011**
The Group	**RMB'000**	**RMB'000**
strengthened	**10,665**	11,959
weakened	**(10,665)**	(11,959)

25.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

25.3 Liquidity risk *(cont'd)*

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cashflows:

The Group	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2012				
Trade and other payables	**93,728**	**-**	**-**	**93,728**
Amount due to a shareholder	**39**	**-**	**-**	**39**
Borrowings	**54,400**	**-**	**-**	**54,400**
	148,167	**-**	**-**	**148,167**
As at 31 December 2011				
Trade and other payables	94,850	-	-	94,850
Amount due to a shareholder	71,746	-	-	71,746
Borrowings	49,100	-	-	49,100
	215,696	-	-	215,696

The Group ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group maintains sufficient level of cash and cash equivalents and has available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

25.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables and bank deposits. For trade receivables, the Group adopt the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The carrying amounts of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group's top three trade receivables contributed in aggregate to 7.37% and 8.69% of the total trade receivable balances as at 31 December 2012 and 31 December 2011 respectively. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. Cash and bank balances of the Group are held by reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

25.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices. Accordingly, there is no sensitivity analysis being presented.

25.6 Fair value

The carrying amounts of short term receivables and payable, cash and bank balance and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

26 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency. The Group currently does not adopt any formal dividend policy.

27 FINANCIAL INSTRUMENTS

Fair value

The carrying amount of the financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

28 SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSS

The breakdown of the retained profits of the Group as at 31 December 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1., Determination of Realised and Unrealised Profits or Losses as issued by the Malaysia Institute of Accountants.

	The Group
	RMB'000
Total retained earnings of the Company and its subsidiaries	
- Realised	**2,028,814**
- Unrealised	**1,987**
	2,030,801
Less: Consolidation adjustments	**-**
Total retained earnings	**2,030,801**

29 DIVIDENDS

	The Group	
	2012	2011
	RMB'000	RMB'000
Interim tax-exempt dividend of RM 0.018 (approximately RMB 0.0367 per ordinary share paid in 2012)	**43,708**	-
10% withholding tax	**4,874**	
Total	**48,582**	

The financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year the shareholders approve the dividends.

NOTES TO THE FINANCIAL STATEMENTS
for the Financial Year Ended 31 December 2012
cont'd

30 WARRANT ISSUED

At the Extraordinary General Meeting ("EGM") held on 24 August 2012, the Company's shareholders approved Warrant to be issued to the exisiting shareholders on a basis of one warrant for every two existing ordinary shares of SGD0.001 each in the Company held on an entitlement date.

The exercise price per share was RM1.15.

The fair value of the warrant was determined to be zero.

The number of warrants outstanding as at 31 December 2012 are 596,295,388.

Exercisable period	Number of warrant
5 years	596,295,388

A summary of the warrants granted to the Directors of the Group or to the company where the directors have interest are set out below:

Name of Directors/company	Number of warrants '000
Chan Fung @ Kwan Wing Yin [(1)]	446,500
Jiang Danping [(1)]	446,500
Angus Kwan Chun Jut [(1)]	446,500

[(1)] *Deemed interest by virtue of their substantial interest in Lead Champion Group Limited.*

LIST OF PROPERTIES
as at 31 December 2012

Owner 公司	Location 地点	Tenure 期限	Use of Land per certificate of land use right	Use of Property per property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2012 净值 2012.12.31 Land 土地	Net book value as at FYE2012 净值 2012.12.31 Building 建筑	Detailed description and existing use
Sakura Stationery 文具	Zhenfu Road, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇镇府路)	50 years ending on 7 August 2053	Investment	Integrated Building (First Plant)	5,390.0	4,034.8	Please see Note 1 below	RMB137,887 (RM65,290)[2]	RMB145,096 (RM68,703)[2]	An individual designed 5 storey detached factory and vacant
				Workshop (Second Plant)		4,165.5	Please see Note 1 below		RMB1,026,108 (RM485,862)[2]	An individual designed 3 storey detached factory used for off set colour printing division
	No.5, 12th Group, Wu Xing Village, Jiangkou Town, Hanjiang District, Putian, China. (中国莆田市涵江区江口镇五星村十二组五号)	50 years ending on 10 January 2044	Residential Use	Residential Use	201.8	390.4	Nil		RMB92,426 (RM43,764)[2]	An individual designed 2 storey detached residential house and vacant
Sakura Plastic 塑胶	Wuxin & Donglou Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星, 东楼村)	50 years ending on 7 August 2053	Industrial land (New Plant)	Factory Building (New Plant)	21,597.0	2,692.9	Nil	RMB1,358,580 (RM643,287)[2]	RMB652,183 (RM308,808)[2]	An individual designed 2 storey detached factory building used for moulding and assembling of tape printer
						596.3	Nil		RMB5,235,445 (RM2,47,893)[2]	Joint bridge

LIST OF PROPERTIES
as at 31 December 2012
cont'd

Owner 公司	Location 地点	Tenure 期限	Use of Land per certificate of land use right	Use of Property per property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2012 净值 2012.12.31 Land 土地	Net book value as at FYE2012 净值 2012.12.31 Building 建筑	Detailed description and existing use
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		4,270.38	Nil		RMB13,524,098 **(RM6,403,660)**(2)	An individual designed 3 storey detached factory building used for production of PP sheets, warehouse for PP resin, PP sheets and recycle PP resin.
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		15,422.59	Nil		RMB41,124,281 **(RM19,472,347)**(2)	An individual designed 5 storey detached factory building used for manufacturing of PP films, warehouse for finished goods, accessories, parts and storage boxes, assembling line for stationery products and future production for envelopes.
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant		6,988.04	Nil		RMB23,123,589 **(RM10,949,019)**(3)	An individual designed 7 storey detached factory buildings used as a dormitory and cafeteria for our employees.
						-	Nil		RMB9,517,606 **(RM4,506,586)**(2)	Drainage work
						-	Nil		RMB30,357,351 **(RM14,374,205)**(2)	Plant Road

Owner 公司	Location 地点	Tenure 期限	Use of Land per certificate of land use right	Use of Property per property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2012 净值 2012.12.31 Land 土地	Net book value as at FYE2012 净值 2012.12.31 Building 建筑	Detailed description and existing use
						148	Nil		RMB3,422,637 **(RM1,620,618)**[2]	Power generator An individual designed 5 storey detached factory building is currently under construction. It will be used for manufacturing of PP films, warehouse for finished goods, accessories, parts and storage boxes, assembling line for stationery products and future production for envelopes.
Sakura Plastic 塑胶	Wuxin Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星村)	50 years ending on 31 December 2060	Industrial use[3] (New Plant)	-	45,600.6	-	Nil	RMB12,843,253 (RM6,081,280)[2]	-	Vacant piece of industrial land
Ruiyuan 瑞源	Within Putian City High-Tech Industrial Development Zone, China (中国莆田市高新技术产业开发区内)	50 years ending on 12 April 2057	Industrial use	-	6,530.9	-	Nil	RMB549,543 (RM260,209)[2]	-	-

Notes:

(1) Mortgaged together with First and Second Plant to Agriculture Bank of China, Hanjiang Branch for securing all loans not exceeding approximately RMB10.39 million obtained by Sakura Stationery from Agriculture Bank of China, Hanjiang Branch during the period commencing 2 December 2010 to 1 December 2013.

(2) Using exchange of RMB1.00: RM0.4735 as at FYE2012.

(3) The cost of this land is approximately RMB13.33 million and is financed using internal generated fund.

(4) We intend to construct a second factory building under Ruiyuan. Currently, land filing work and construction work has been completed and construction will commence after the completion of construction for Sakura Plastic's building as disclosed in the table above.

ANALYSIS OF SHAREHOLDINGS
as at 8 May 2013

Authorised Share Capital	:	SGD10,000,000.00
Issued and Fully Paid-up Capital	:	SGD1,242,760.588 comprising 1,242,760,588 ordinary shares of SGD0.001 each
Par value per share	:	SGD0.001
Class of Equity Securities	:	Ordinary shares of SGD0.001 each
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS AS AT 8 MAY 2013

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	6	0.132	155	0.000
100 – 1,000	420	9.289	218,486	0.017
1,001 – 10,000	1,957	43.286	12,137,093	0.976
10,001 – 100,000	1,836	40.610	64,531,726	5.192
100,001 – 62,138,028 *	299	6.613	344,255,512	27.700
62,138,029 AND ABOVE **	3	0.066	821,617,616	66.112
Total:	**4,521**	**100.000**	**1,242,760,588**	**100.000**

* *less than 5% of issued shares*
** *5% and above of issued shares*

INFORMATION ON SUBSTANTIAL SHAREHOLDERS AS AT 8 MAY 2013

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Lead Champion Group Limited	683,000,000	54.96	-	-
Chan Fung @ Kwan Wing Yin	1,827,700	0.14	683,000,000	54.96*
Angus Kwan Chun Jut	-	-	683,000,000	54.96*
Jiang Danping #	-	-	683,000,000	54.96*

* *Deemed interested via Lead Champion Group Limited applying Section 6A of the Malaysian Companies Act 1965.*
\# *Based on Lead Champion Group Limited's Shareholding in China Stationery Limited.*

ANALYSIS OF SHAREHOLDINGS
as at 8 May 2013
cont'd

INFORMATION ON DIRECTORS' SHAREHOLDINGS AS AT 8 MAY 2013

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Chan Fung @ Kwan Wing Yin	1,827,700	0.14	683,000,000	54.96*
Angus Kwan Chun Jut	-	-	683,000,000	54.96*
Jiang Danping #	-	-	683,000,000	54.96*

* *Deemed interested via Lead Champion Group Limited appplying Section 6A of the Malaysian Companies Act 1965.*
* *Based on Lead Champion Group Limited's Shareholding in China Stationery Limited.*

LIST OF TOP 30 HOLDERS AS AT 8 MAY 2013

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED*	543,000,000	43.693
2	KENANGA NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEAD CHAMPION GROUP LIMITED*	140,000,000	11.265
3	KENANGA NOMINEES (ASING) SDN BHD *EXEMPT AN FOR GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED*	138,617,616	11.154
4	KENANGA NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED*	60,000,000	4.827
5	UOBM NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	39,779,500	3.200
6	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LUA CHOON HANN*	26,795,906	2.156
7	M & A NOMINEE (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	25,241,000	2.031
8	JF APEX NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	24,717,000	1.988
9	M & A NOMINEE (ASING) SDN BHD *FOR ZHENG MAOLIN*	12,732,000	1.024
10	M & A NOMINEE (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LI XIULAN*	9,500,000	0.764
11	M & A NOMINEE (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LIN LIPING*	9,070,000	0.729
12	LONG ZHUAN REALTY SDN. BHD.	8,750,000	0.704
13	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PBS OFFICE SUPPLIES HOLDING SDN BHD*	8,405,991	0.676
14	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN*	5,500,000	0.442

ANALYSIS OF SHAREHOLDINGS
as at 8 May 2013
cont'd

LIST OF TOP 30 HOLDERS AS AT 8 MAY 2013 *(cont'd)*

No.	Name	Holdings	%
15	HO SWEE CHOON	5,228,800	0.420
16	SIM LI KEOW	3,550,000	0.285
17	WEE CHENG KWAN	3,350,000	0.269
18	CITIGROUP NOMINEES (ASING) SDN BHD *UBS AG*	2,483,100	0.199
19	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED*	2,119,000	0.170
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN ENG @ TAN CHIN HUAT*	2,070,900	0.166
21	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN*	2,000,000	0.160
22	CHAN FUNG	1,827,700	0.147
23	ECML NOMINEES (TEMPATAN) SDN. BHD *PLEDGED SECURITIES ACCOUNT FOR FOO LONG LOKE*	1,700,000	0.136
24	CITIGROUP NOMINEES (ASING) SDN BHD *GOLDMAN SACHS INTERNATIONAL*	1,549,600	0.124
25	OOI CHAI HOP	1,478,000	0.118
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG SIEW MING*	1,369,000	0.110
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR BATU BARA RESOURCES CORPORATION SDN BHD*	1,280,000	0.102
28	UOBM NOMINEES (ASING) SDN BHD *BANQUE DE LUXEMBOURG FOR REYL (LUX) GLOBAL FUNDS EMERGING MARKETS EQUITIES*	1,268,100	0.102
29	TAN ENG @ TAN CHIN HUAT	1,216,000	0.097
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN LIAN HONG*	1,190,100	0.095
Total		**1,085,789,313**	**87.369**

ANALYSIS OF WARRANT HOLDINGS
as at 8 May 2013

No. of Warrant	:	596,295,388
Exercise Price	:	RM1.15 per ordinary share of SGD0.001 each
Exercise Rights	:	One warrant for every two existing ordinary shares of SGD0.001 each
Exercise Period	:	5 years
No. of Warrant exercised during the year ended 31 December 2012	:	Nil

ANALYSIS BY SIZE OF HOLDINGS AS AT 8 MAY 2013

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	247	10.646	12,176	0.002
100 – 1,000	369	15.905	251,303	0.042
1,001 – 10,000	1,023	44.094	4,696,000	0.787
10,001 – 100,000	534	23.017	21,487,850	3.603
100,001 – 29,814,768 *	146	6.293	123,348,058	20.685
29,814,769 AND ABOVE **	1	0.043	446,500,001	74.878
Total:	**2,320**	**100.000**	**596,295,388**	**100.000**

* *less than 5% of issued shares*
** *5% and above of issued shares*

LIST OF TOP 30 HOLDERS AS AT 8 MAY 2013

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED*	446,500,001	74.878
2	KENANGA NOMINEES (ASING) SDN BHD *EXEMPT AN FOR GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED*	24,963,158	4.186
3	UOBM NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	19,349,300	3.244
4	JF APEX NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	12,358,500	2.072
5	JF APEX NOMINEES (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR KE JINBAI*	6,406,200	1.074
6	M & A NOMINEE (ASING) SDN BHD *FOR ZHENG MAOLIN*	6,366,000	1.067
7	M & A NOMINEE (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LI XIULAN*	4,750,000	0.796
8	M & A NOMINEE (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LIN LIPING*	4,750,000	0.796
9	M & A NOMINEE (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	2,599,650	0.435

ANALYSIS OF WARRANT HOLDINGS

as at 8 May 2013

cont'd

LIST OF TOP 30 HOLDERS AS AT 8 MAY 2013 *(cont'd)*

No.	Name	Holdings	%
10	OOI CHAI HOP	1,197,500	0.200
11	YOW HSIEN LOONG	1,117,600	0.187
12	LEE ASSOCIATED & CO.,COMMERCIAL SER.& PRINTING PRESS SDN BHD	1,100,000	0.184
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD *YEAP HOCK CHONG*	1,100,000	0.184
14	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED*	1,059,500	0.177
15	CHAN CHEE KEONG	1,000,000	0.167
16	HSBC NOMINEES (ASING) SDN BHD *J.P. MORGAN SECURITIES PLC*	1,000,000	0.167
17	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR SIM AH LEE*	800,000	0.134
18	KRISHNA BHATT @ ACHONG	800,000	0.134
19	AIBB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUA HWEE KOON*	700,000	0.117
20	ABU HASSAN BIN HASHIM	688,700	0.115
21	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEONG YIT WAI (M)*	681,900	0.114
22	NG FAAI @ NG YOKE PEI	650,000	0.109
23	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP KWOK MING*	650,000	0.109
24	MAYBANK NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEW LEOK CHUAN*	630,000	0.105
25	ZULKIFLI BIN OSMAN	600,000	0.100
26	ENG CHONG HENG	599,600	0.100
27	YII KIE CHEW	587,300	0.098
28	LIM CHIN HORNG	500,000	0.083
29	LOW KIEN NUNG	500,000	0.083
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SHO BOON CHIN*	475,000	0.079
	Total	**544,479,909**	**91.310**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN That the 2013 Annual General Meeting of the Company will be held at Banyan Room, Ground Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 28 June 2013 at 10.00 a.m., for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon. ***Please refer to Explanatory Note 1***

2. To approve the payment of Directors' fees of RM360,000.00 for the financial year ending 31 December 2013. ***Resolution 1***

3. To approve the payment of a tax exempt final dividend of RM0.016 per share for the financial year ended 31 December 2012 as recommended by the Directors. ***Resolution 2***

4. To re-elect the following Directors who retire pursuant to Bye-law 89 of the Company's Bye-Laws:

   (a) Chan Fung @ Kwan Wing Yin ***Resolution 3***
   (b) Datuk Tan Choon Hwa, JP, JMK ***Resolution 4***

5. To consider and if thought fit, to pass the following resolution pursuant to Bye-law 89(2) of the Company's Bye-laws:

   "THAT Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman who is over the age of seventy years and retiring in accordance with Bye-law 89(2) of the Company's Bye-laws be and is hereby re-appointed a Director of the Company and to hold office until the next Annual General Meeting." ***Resolution 5***

6. To re-appoint Messrs Foo Kon Tan Grant Thornton LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 6***

7. To transact any other business of which due notice shall be given.

As Special Business:

To consider and if thought fit, to pass the following resolutions with or without modifications:

8. **<u>Ordinary Resolution</u>** ***Resolution 7***
   Authority To Issue Shares

   "THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to the Company's Bye-law 12 to issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, PROVIDED THAT the aggregate nominal value of new ordinary shares to be issued pursuant to this resolution during the preceding 12 months does not exceed ten per centum (10%) of the total nominal value of the issued and paid-up share capital (excluding treasury

NOTICE OF ANNUAL GENERAL MEETING
cont'd

shares) of the Company for the time being and that such authority shall unless revoked or varied by an ordinary resolution by the shareholders of the Company in general meeting commence upon the passing of this resolution until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

9. **ORDINARY RESOLUTION** ***Resolution 8***

Proposed Authorisation to enable China Stationery Limited to purchase its own shares up to 10% of the issued and paid-up ordinary share capital of the Company

"THAT, subject always to, the provisions of the Bye-Laws of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Companies Act 1981 of Bermuda and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of SGD0.001 each in the Company's issued and paid-up share capital as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of shares purchased shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits and share premium; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") following the 2013 AGM at which the ordinary resolution for the Proposed Share Buy-Back was passed, at which time it shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING
cont'd

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the appointment of a stockbroker, the opening and maintaining of central depository account(s) designated as a Share Buy-Back Account under the Securities Industry (Central Depositories) Act 1991 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act 1981 of Bermuda, provisions of the Bye-Laws of the Company and the requirements and/or guidelines of Main Market Listing Requirements of Bursa Securities and all other relevant governmental and/or regulatory authorities."

10. **Special Resolution** ***Resolution 9***
Proposed Amendments to the Bye-Laws of the Company

"THAT alterations, modifications, additions or deletions to the Bye-Laws of the Company contained in Appendix I be and are hereby approved."

Notice of Dividend Entitlement and Payment

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 2013 Annual General Meeting of the Company to be held on Friday, 28 June 2013, a tax exempt final dividend of RM0.016 per share, for the financial year ended 31 December 2012 will be paid on Monday, 9 September 2013 to Depositors whose names appear in the Record of Depositors on Monday, 19 August 2013.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for the dividend entitlement only in respect of:

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on Monday, 19 August 2013 in respect of ordinary transfers; and

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Secretarius Services Sdn Bhd
Company Secretary

Dated: 6 June 2013

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Notes:

1. *Any Member entitled to attend and vote at a meeting of the Company who is the holder of two (2) or more shares shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him at the same general meeting provided that if the Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 of Malaysia, it may appoint at least one (1) proxy to attend and vote at the same general meeting in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of that Securities Account. A proxy need not be a Member.*

2. *In any case where an instrument of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand or an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.*

4. *The instrument appointing a proxy must be deposited at the Share Registrar of the Company in Malaysia at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding the meeting or adjourned meeting.*

5. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *For the purpose of determining a Member who shall be entitled to attend the 2013 Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Bye-Law 61(5) of the Company's Bye Laws and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 of Malaysia to issue a General Meeting Record of Depositor as at 21 June 2013. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his stead.*

Explanatory Note on Ordinary Business:

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 84 of the Bermuda Companies Act, 1981 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to shareholders for voting.

Explanatory Notes on Special Business:

2. Item 8 of the Agenda

Proposed Resolution 7 – Authority to issue shares

The Proposed Resolution 7 is for the purpose of granting a general mandate ("General Mandate") and empowering the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the nominal value of the issued and paid up Share Capital (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

The General Mandate will provide flexibility to the Company for issuance of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment project(s), working capital, acquisition(s) or such other applications that the Directors may in their absolute discretion deemed fit.

As at the date of this Notice, the Company has issued of 50,169,812 new shares to acquired 9.79% Equity Interest in Pelikan International Corporation Berhad for a total purchase consideration of RM50,000,000.

3. Item 9 of the Agenda

Proposed Resolution 8 – Proposed Authorisation to enable China Stationery Limited to purchase its own shares up to 10% of the issued and paid-up ordinary share capital of the Company

For further information on Proposed Resolution 8, please refer to Circular to Shareholders dated 6 June 2013 accompanying the Company's Annual Report for the year ended 31 December 2012.

4. Item 10 of the Agenda

Proposed Resolution 9 – Proposed Amendments to the Bye-Laws of the Company

The proposed amendments of Bye-Laws are in compliance with the enhancements issued by Bursa Malaysia Securities Berhad amending certain provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

APPENDIX I
Referred to in the Notice of 2013 Annual General Meeting

The Company proposes to implement the amendments to the Bye-Laws of the Company (for which differences are underlined and highlighted in bold below under the columns "Existing Bye-Laws" and "Amended Bye Laws" respectively).

No.	Existing Bye-Laws	No.	Amended Bye-Laws
2.	Insertion of new word and its interpretation.	2.	Word: **Dividend Reinvestment Scheme** — Meaning: **Means a scheme which enables members to reinvest cash dividend into new shares.**
12(6).	Subject to the Listing Requirements, no Director shall participate in a share scheme for employees unless the specific allotment to be made to such Director has been approved by the Company in general meeting.	12(6).	Subject to the Listing Requirements, no Director shall participate in a **share issuance scheme** unless the specific allotment to be made to such Director has been approved by the Company in general meeting.
80 (1)	Any Member entitled to attend and vote at a meeting of the Company who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting provided that if the Member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy to attend and vote at the same general meeting in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of that Securities Account.	80 (1)	Any Member entitled to attend and vote at a meeting of the Company who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting provided that if the Member is an authorised nominee as defined under the Central Depositories Act, it may appoint **not more than two (2) proxies** to attend and vote at the same general meeting in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of that Securities Account. **There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.** **Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.**

APPENDIX I
Referred to in the Notice of 2013 Annual General Meeting
cont'd

No.	Existing Bye-Laws	No.	Amended Bye-Laws
80(1)		80(1)	**An exempt authorised nominee refers to an authorised nominee defined under the Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Depositories Act.**
116	The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes (except where only four (4) Directors are present and form the quorum or when only two (2) Directors are competent to vote on the matter at issue) the chairman of the meeting shall have an additional or casting vote.	116	The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes (except where only four (4) Directors are present and form the quorum or when only two (2) Directors are competent to vote on the matter at issue) the chairman of the meeting shall **not have a casting vote.**
147(4)	Insertion of new Bye-law	148A	**Subject to the Listing Requirements and the approval being obtained from the members of the Company, the Company may issue shares pursuant to a Dividend Reinvestment Scheme to all its members who are entitled to dividend in accordance with the provisions of the Act and any rules, regulations and guidelines there under or issued by Bursa Securities and any other relevant authorities in respect thereof.**
174(7)	Insertion of new Bye-law	174 (7)	**For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendment to the Listing Requirements that may be made from time to time.**

STATEMENT ACCOMPANYING
Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements

DIRECTORS FOR ELECTION

No Director was appointed after the last Annual General Meeting held on 29 June 2012.

CDS Account No

No. of shares held

CHINA STATIONERY LIMITED
(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)
(Company Registration No.: 40535)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysian Branch Registration No.: 995224-W)

FORM OF PROXY

I/We _____ Tel: _____
[Full name in block, NRIC No./Company No. and telephone number]

of _____

_____
[Address]

being a member/members of **China Stationery Limited**, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us and on my/our behalf and, if necessary, to demand a poll at the 2013 Annual General Meeting of the Company to be held at Banyan Room, Ground Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 28 June 2013 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda			
1.	Receipt of Audited Financial Statements and Reports.			
	Agenda	**Resolution**	**FOR**	**AGAINST**
2.	Payment of Director's fee for the financial year ended 31 December 2013.	Resolution 1		
3.	Payment of final dividend	Resolution 2		
4.	Re-election of Chan Fung @ Kwan Wing Yin as Director.	Resolution 3		
5.	Re-election of Datuk Tan Choon Hwa, JP, JMK as Director.	Resolution 4		
6.	Re-appointment of Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman as Director.	Resolution 5		
7.	Re-appointment of Foo Kon Tan Grant Thornton LLP as Auditors of the Company.	Resolution 6		
8.	Authority to issue shares.	Resolution 7		
9.	Proposed Share Buy-Back.	Resolution 8		
10.	Proposed Amendments to Bye-Laws.	Resolution 9		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this _____ day of _____ , 2013

_____
Signature of Shareholder/Common Seal

Notes:

1. *Any Member entitled to attend and vote at a meeting of the Company who is the holder of two (2) or more shares shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him at the same general meeting provided that if the Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 of Malaysia, it may appoint at least one (1) proxy to attend and vote at the same general meeting in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of that Securities Account. A proxy need not be a Member.*
2. *In any case where an instrument of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand or an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.*
4. *The instrument appointing a proxy must be deposited at the Share Registrar of the Company in Malaysia at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding the meeting or adjourned meeting.*
5. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *For the purpose of determining a Member who shall be entitled to attend the 2013 Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Bye-Laws 61(5) of the Company's Bye Laws and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 of Malaysia to issue a General Meeting Record of Depositor as at 21 June 2013. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his stead.*

Fold this flap for sealing

Then Fold Here

AFFIX
STAMP
RM0.80

The Share Registrar
CHINA STATIONERY LIMITED
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

1st Fold Here

CHINA STATIONERY LIMITED

(Incorporated in Bermuda under the Companies Act 1981)
(Company Registration Number 40535)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysian Branch Registration Number 995224-W)

To: All the shareholders of China Stationery Limited ("CSL")

Dear Sir/Madam

RE: ERRATA TO THE EXPLANATORY NOTE IN THE NOTICE OF 2013 ANNUAL GENERAL MEETING

We refer to the Notice of the 2013 Annual General Meeting of CSL as set out in pages 104 and 105 of the Annual Report 2012 ("Notice"). Please be advised that the existing item 2 of the Explanatory Note in the Notice should be replaced with the following revised item 2:

Explanatory Notes on Special Business

2. Item 8 of the Agenda

Proposed Resolution 7 – Authority to issue shares

The Proposed Resolution 7 is a renewal of the general mandate in relation to authority to issue shares ("General Mandate") and empowering the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the nominal value of the issued and paid up Share Capital (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

The General Mandate will provide flexibility to the Company for issuance of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment project(s), working capital, acquisition(s) or such other applications that the Directors may in their absolute discretion deemed fit.

As at the date of this Notice, the Company had issued 50,169,812 new shares for the acquisition of 9.79% equity interest in Pelikan International Corporation Berhad ("Pelikan") for a total purchase consideration of RM50,000,000 in satisfaction via the issuance of 47,169,812 new ordinary shares of SGD0.001 each in the Company ("CSL Shares") at an issue price of RM1.06 per CSL Share ("Issue Price") and additional 3,000,000 new CSL Shares at the Issue Price as payment for the professional fees to the joint project managers, Kenanga Investment Bank Berhad and Sadec Advisors Sdn Bhd. In view that the new shares were issued for the exchange of shares in Pelikan and the payment for the professional fees, no proceeds were received from the previous mandate.

By Order of the Board

Secretarius Services Sdn Bhd
Company Secretary

Dated: 6 June 2013