

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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CORPORATE STRUCTURE

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:

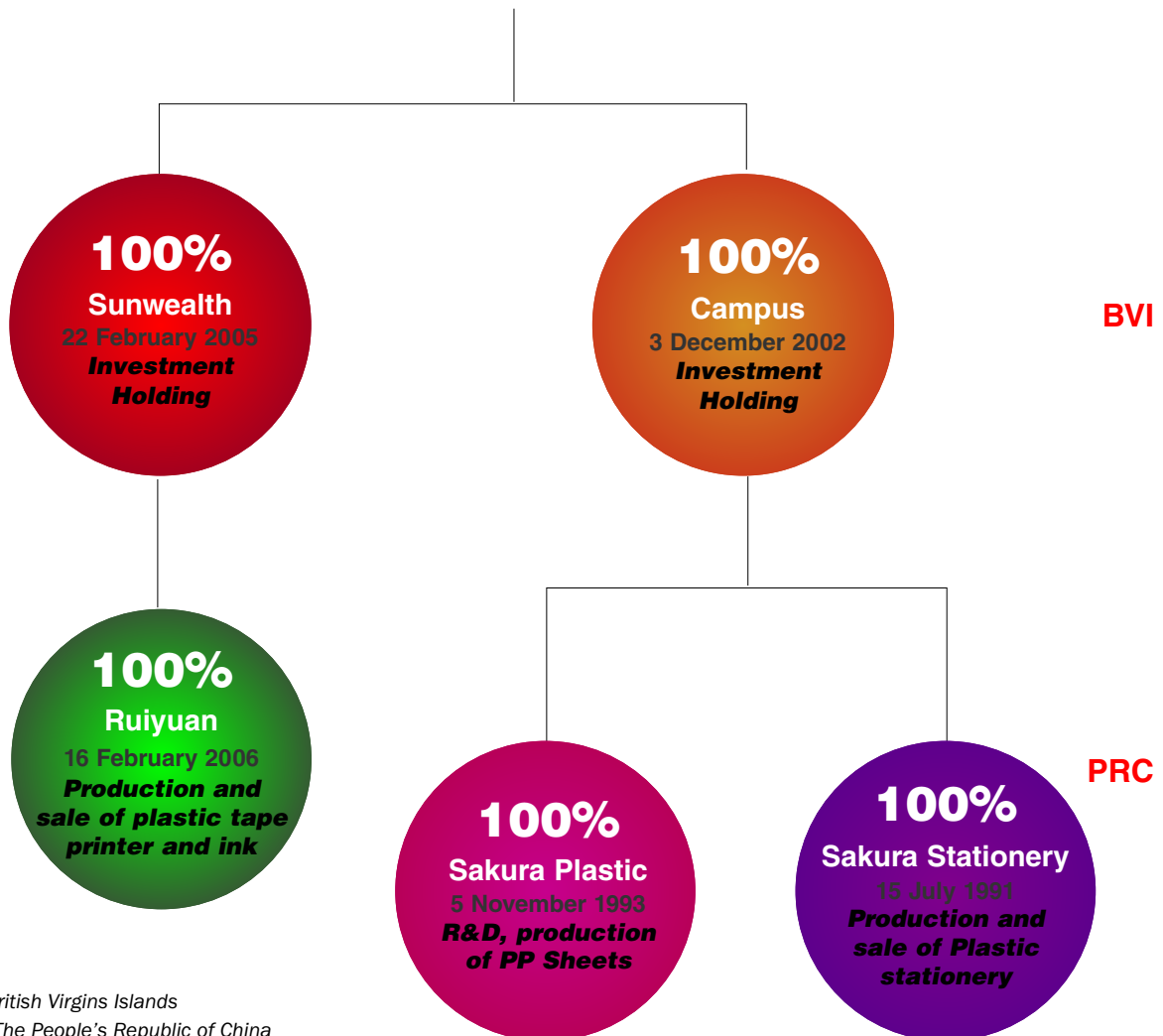


CHINA STATIONERY LIMITED

Incorporated as a holding company to hold our direct subsidiaries, Sunwealth and Campus

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14 August 2007

Jurisdiction of Incorporation
Bermuda



- BVI - British Virgin 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

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



OUR PRODUCTS

Plastic filing and storage products



Expandable Files



Document Files



Movable Document Cases



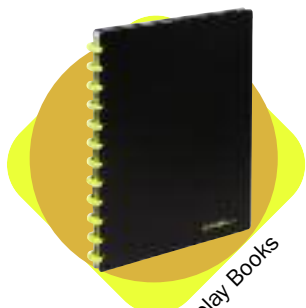
Expandable Folders



CD Holders



Filing Bags



Display Books



Pocket Files



Lever Clip Files

Patented Products

Plastic tape printer



CORPORATE INFORMATION

AS AT 6 MAY 2015

BOARD OF DIRECTORS

Chan Fung @ Kwan Wing Yin
Angus Kwan Chun Jut
Dr Risambessy Izaac
Herman Widjaja
Ang Wei Chuan
Lim Kim Huat

Executive Chairman and Chief Executive Officer
Executive Director
Senior Independent Non-Executive Director
Independent Non-Executive Director
Indendepent Non-Executive Director
Indendepent Non-Executive Director

COMPANY SECRETARY

Secretarius Services Sdn Bhd

ASSISTANT COMPANY SECRETARY IN BERMUDA

Appleby Services (Bermuda) Ltd

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

MALAYSIA 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

AUDIT COMMITTEE

1. Dr. Risambessy Izaac
(Chairman)
2. Herman Widjaja
(Member)
3. Ang Wei Chuan
(Member)
4. Lim Kim Huat
(Member)

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

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

REMUNERATION COMMITTEE

1. Dr. Risambessy Izaac
(Chairman)
2. Chan Fung @ Kwan Wing Yin
(Member)
3. Lim Kim Huat
(Member)

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

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

NOMINATION COMMITTEE

1. Dr. Risambessy Izaac
(Chairman)
2. Herman Widjaja
(Member)
3. Ang Wei Chuan
(Member)

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

AUDITORS

RT LLP
Certified Public Accountants
1 Raffles Places
#17-02 One Raffles Place
Singapore 048616
Tel No: +65 62260080
Fax No: +65 62263345

BUSINESS OFFICE IN MALAYSIA

Lot A, Level 8
Tower 2, Etiqa Twins
11, Jalan Pinang
50450 Kuala Lumpur

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 FYE2010 – FYE2014

	FYE2010	FYE2011	FYE2012	FYE2013	FYE2014
PBT (RMB'000)	518,716	650,337	657,692	547,704	(379,364)
PAT (RMB'000)	397,626	464,706	465,489	388,207	(302,395)

REVENUE FOR FYE2010 – FYE2014

	FYE2010	FYE2011	FYE2012	FYE2013	FYE2014
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	1,408,786	1,774,710	1,980,628	1,799,687	602,748

GROSS PROFIT AND GROSS PROFIT MARGIN BY PRODUCT MIX

Gross Profit

	FYE2010		FYE2011		FYE2012		FYE2013		FYE2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	236,220	36.6	280,523	35.3	345,161	39.7	239,373	30.2	71,722	25.6
Non-Patented Products	408,428	63.4	514,980	64.7	524,947	60.3	555,563	69.8	208,089	74.4
Total	644,648	100.0	795,503	100.0	870,108	100.0	794,936	100.0	279,811	100.0

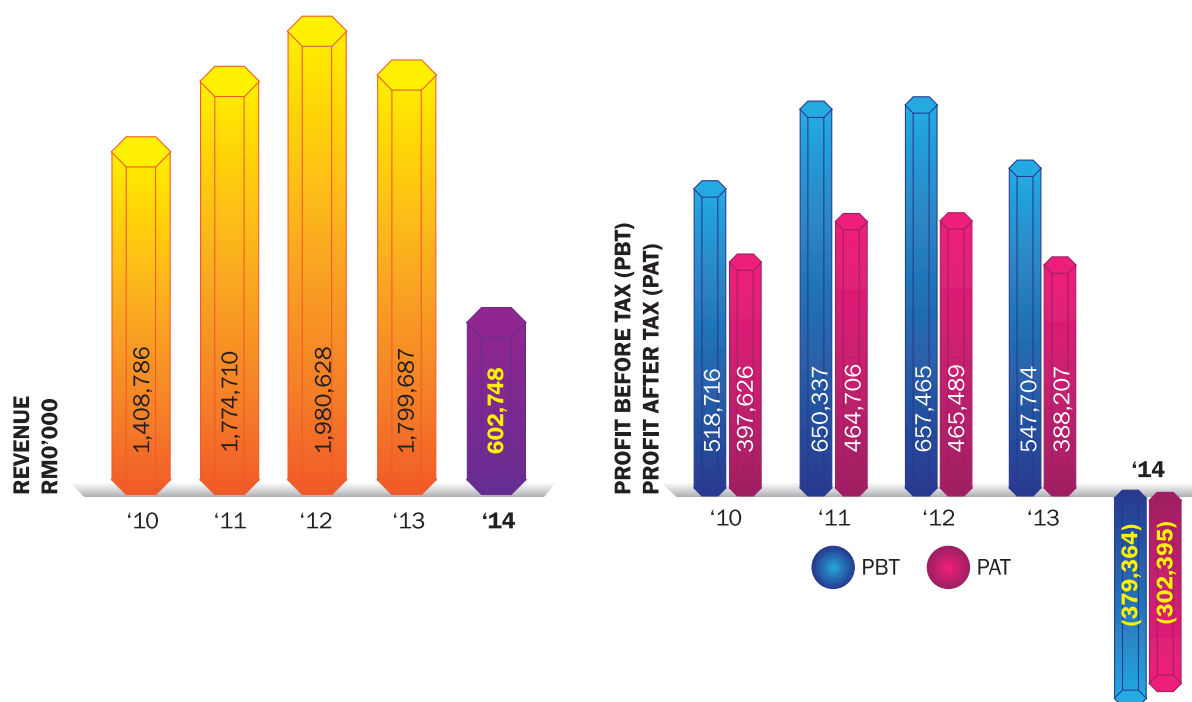
FINANCIAL HIGHLIGHTS (cont'd)

Gross profit margin

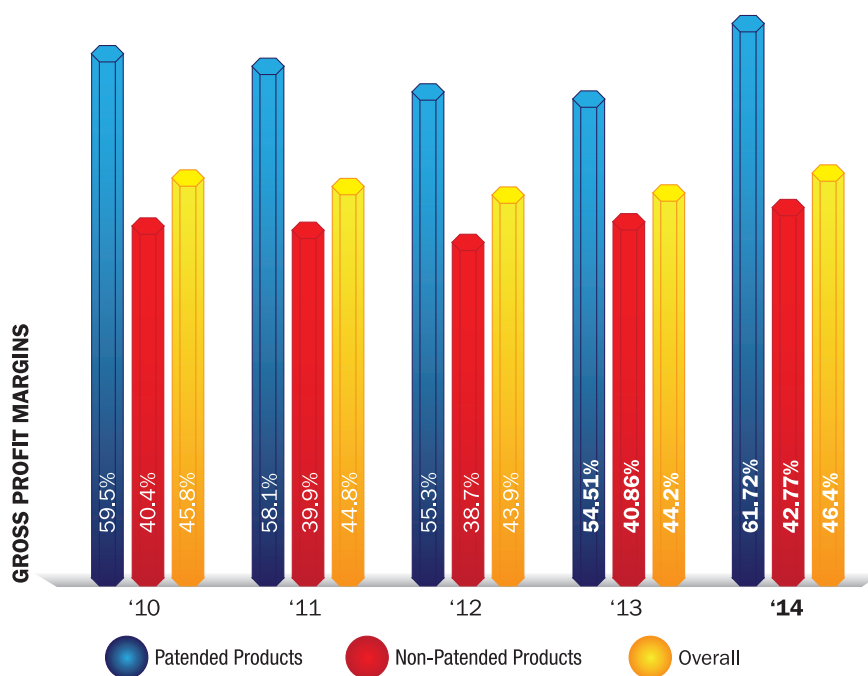
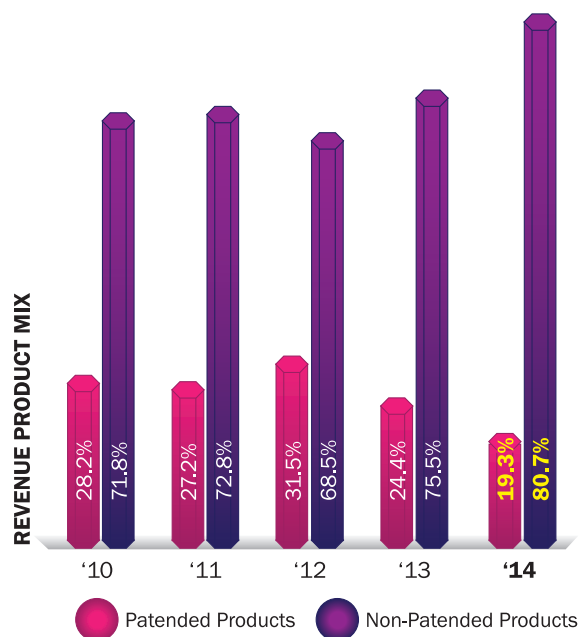
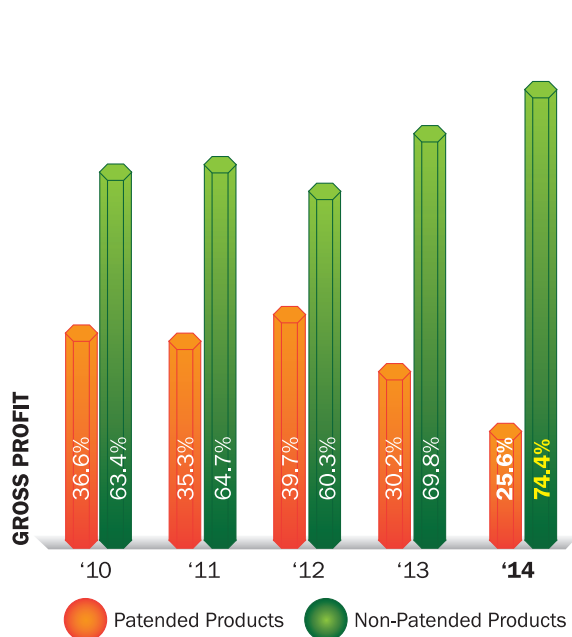
	FYE2010	FYE2011	FYE2012	FYE2013	FYE2014
Patented Products	59.5%	58.1%	55.3%	54.51%	61.72%
Non-Patented Products	40.4%	39.9%	38.7%	40.86%	42.77%
Overall	45.8%	44.8%	43.9%	44.2%	46.4%

REVENUE BY PRODUCT MIX

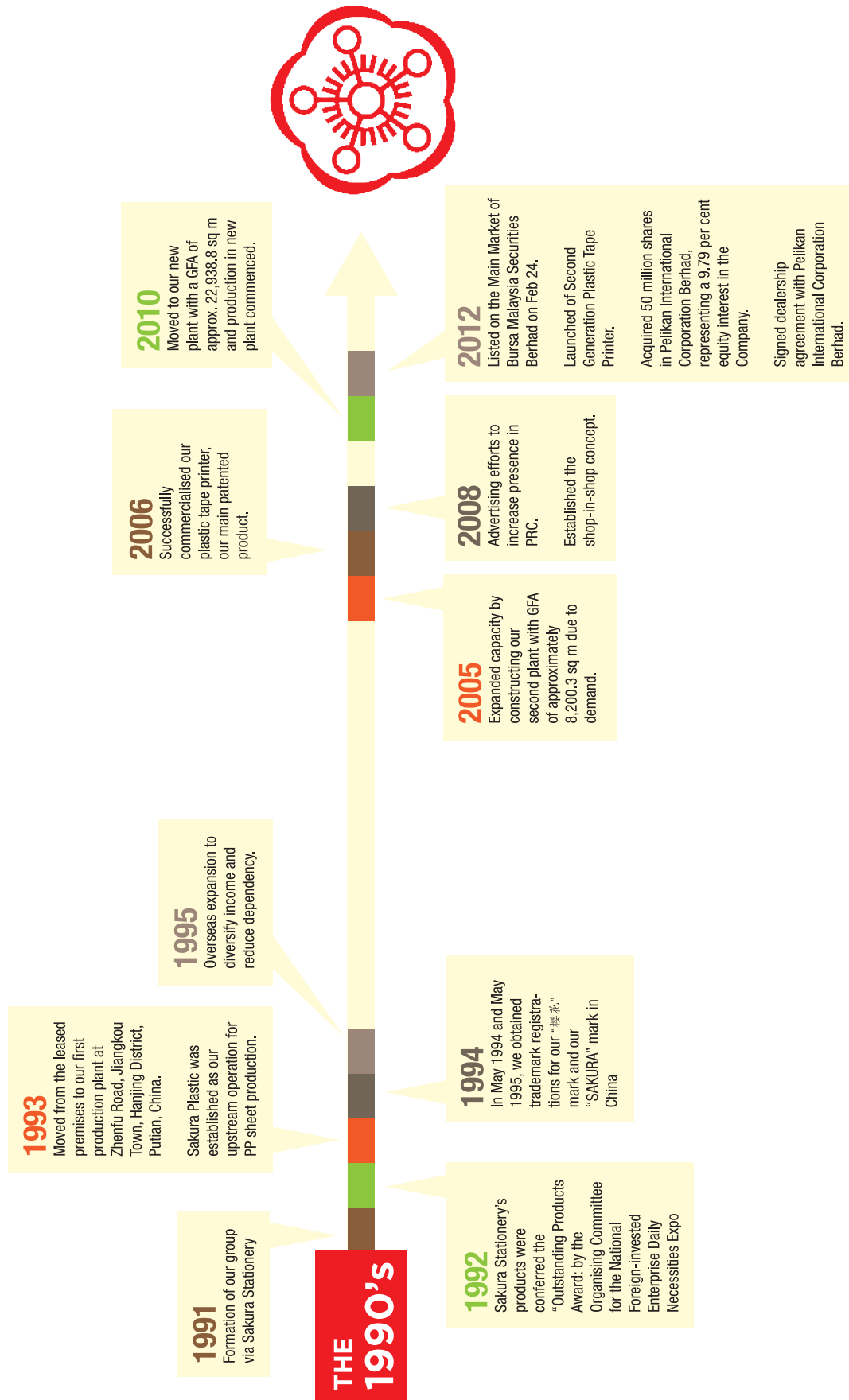
	FYE2010		FYE2011		FYE2012		FYE2013		FYE2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	396,836	28.2	482,793	27.2	624,055	31.5	440,049	24.5	116,208	19.3
Non-Patented Products	1,011,950	71.8	1,291,917	72.8	1,356,573	68.5	1,359,638	75.5	486,540	80.7
Total	1,408,786	100.0	1,774,710	100.0	1,980,628	100.0	1,799,687	100.0	602,748	100.0



FINANCIAL HIGHLIGHTS (cont'd)



CORPORATE MILESTONES



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 Commerce 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 Commerce 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 Commerce (福建省工商行政管理局)
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.

CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

On behalf of the Board of Directors and the Management of China Stationery Limited ("China Stationery" or "the Company"), I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2014 ("FYE2014").

The year has been a challenging period for the Group's operations in view of the fire incident in China Stationery's production plant located at No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, The People's Republic of China ("PRC") on 4 April 2014 which have caused adverse impacts to the Group's financial results in the reporting period.

The plant involved is an individual designed five-storey detached factory building and is used for the production of polypropylene (PP) sheets as well as a warehouse for PP resin, PP sheets and recycled PP resin.

China Stationery has a total of five (5) production plants located in the PRC measuring approximately 50,000 square metres in total area. According to the Police Investigation Report issued on 23 July 2014, approximately 12,000 square metres out of the total floor area of 16,500 square metres was gutted by the fire. The extent of loss arising from the fire incident is estimated at RMB332.73 million.



CHAIRMAN'S STATEMENT (cont'd)

Based on the Police Investigation Report, the fire was caused by electrical short circuit at a section of the production area of Plant No. 4. The ignited electrical cable fell on the easily inflammable semi-finished products kept within the production floor.

The Company had immediately started the remedial works in the affected area a day after the Police Investigation Report was issued. Subsequently, in September 2014, the Company had acquired 12 difference types of 135 units of equipment, costing approximately RMB284.97 million mainly to replace the equipments destroyed by the fire. The renovation in the affected area as well as the installation and tuning of the equipment were completed end of December 2014.

The services offered by the insurance company in PRC, do not cover for loss of business income applies to the loss suffered by the Company during the time required to repair or replace the damaged property.

Therefore, the total loss on the fixed assets and inventories damaged by the fire after taken the fire insurance claim of RMB125.10 million into consideration was RMB207.64 million. Apart from that, at the same time, the Company had also compensate RMB311.12 million to customers for not able to supply the products on time due to the fire incident.

On the Practice Note 17 ("PN 17") status, China Stationery had on 15 August 2014 appointed M & A Securities Sdn Bhd as an Adviser to the Company to work on a regularisation plan. The Company will make the necessary announcement on the regularisation plan in due course.

Also, the External Auditors Messrs RT LLP had on 12 January 2015 completed its special audit on the financial statement of the Company and its subsidiaries for the nine-month financial period ended 30 September 2014.

According to the special audit report, China Stationery's audited net loss for the nine-month period ended 30 September 2014 was lower at RMB330.59 million compared to its previously announced unaudited net loss for the none-month period ended 30 September 2014 of RMB396.72 million. The variance of RMB66.13 million represents a 16.67% difference.

The deviation was mainly due to the recognition of deferred tax assets from losses of RMB128.29 million from the Company's indirect wholly-owned subsidiaries

namely Sakura (Fujian) Plastics Enterprise Co., Ltd and Sakura (Fujian) Packaging & Stationery Co., Ltd.

The deviation was also reconciled with a provision for doubtful debts of RMB60.36 million for debts more than 90 days in the Company indirect wholly-owned subsidiary namely Ruiyuan (Fujian) Enterprise Co., Ltd. Moving forward, we see ourselves facing more challenges under the current economic environment and after the fire incident. We have started taking order from our customers after the completion of the renovation in the affected area as well as the installation and tuning of the equipment. The production plant was operational in April 2015.

Meanwhile, China Stationery will be investing in the research and development in order for the Company to come up with more innovative products as well as exploring new markets to further expand its product presence.

FINANCIAL REVIEW

For FYE2014, China Stationery reported a net loss of RMB302.39 million compared with a net profit of RMB388.03 million in the previous corresponding period mainly due to the recognized impairment and financial losses in the fire incident which amounted to RMB518.76 million.

The Company's revenue decreased to RMB602.75 million compared with the previous year's RMB1.80 billion due to the lower sales of its patented and non-patented products.

Sales of our Patented Products decreased by RMB323.84 million or 73.6% to RMB116.21 million in FYE2014 from RMB440.05 million a year ago due to the decrease in sales volume for plastic tape printers. Meanwhile, sales of our Non-Patented Products decreased by RMB873.10 million or 64.22% to RMB486.54 million in FYE2014 from RMB1.359 billion previously due to the fire incident on 4 April 2014. The production plant was sealed off by the police department for investigation until the issuance of the Police Investigation Report on 23 July 2014. Therefore, there was no production and sale on Non-Patented products in the second, third and fourth quarter of FY2014.

FUTURE PROSPECTS

In FYE2015, we foresee a challenging year under the current economic environment and impact by reduced orders from customers affected by the fire incident.

Nevertheless, we forecast the Group continuing to grow underpinned by our innovative products. 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 comes from having years of experience in the sector we are involved in.

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.

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.

Barring unforeseen circumstances, the Group is optimistic about its performance in FYE2015.

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.

Measures taken and implemented have been outlined further in our Statement on Corporate Governance, the Audit Committee Report and Statement on Risk Management and Internal Control found further in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group recognises that it has responsibilities to all stakeholders which include the interests of employees; the need to foster the Group's business relationships with customers, suppliers and others and the impact of the Group's operations on the surrounding environment where it operates. Employees are highly regarded and valued, and their employment and other rights are respected. The Group is committed to the important principle of equal opportunity which is reflected in the Group's recruitment and disciplinary policies. The Group is dedicated to supplying products of high quality to meet its customers' needs.

The Group continues its promotion and support of practices for the use of resources in an environmentally friendly manner. The employees are encouraged to maximise efficiency and opportunities, and to minimise environmental impact through our working practices. We will also continue to identify activities where our support can make real difference to the world at large.

APPRECIATION

On behalf of the Board, I am pleased to welcome on the Board, Mr Ang Wei Chuan and Mr Lim Kim Huat who joined us as our Independent Non-Executive Directors with effect from 16 April 2015.

I also take this opportunity to thank Datuk Tan Choon Hwa who has stepped down as the Non-Independent Non-Executive Director of the Company on 20 January 2015 for his contribution towards the Group for past years.

On behalf of the Board, I wish to extend my heartfelt gratitude to all our Shareholders for their steadfast support and confidence in the Group. Rest assured that China Stationery will continue to deliver value.

My sincere appreciation also goes to the Government and regulatory authorities, our clients, bankers and other partners for their continued support for the Group.

To our management and employees, a big heartfelt thank you, for your dedication and contributions toward the continued success of China Stationery Group.

Chan Fung @ Kwan Wing Yin

Executive Chairman and Chief Executive Officer

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2014年12月31日止2014财政年的常年报告和财务报告。

今年对中国文具而言充满挑战，因为公司位于No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, The People's Republic of China的制造厂在2014年4月4日发生大火，这对中国文具本财政年造成非常不利的影响。

发生火灾的工厂是一座独立的5层办公楼连厂房建筑，主要用以生产聚丙烯（polypropylene，PP）薄片，也是聚丙烯树脂、聚丙烯薄片成品和聚丙烯回收树脂的仓库。

中国文具在中国境内一共有5座涵盖约5万平方公尺的制造厂。根据2014年7月23日公布的警察侦查报告，在面积总共1万6千500平方公尺的工厂中，大火烧毁了1万2千平方公尺，也造成总值3亿3千273万元（人民币，下同，约1亿9千658万令吉）的损失。

根据警察侦查报告，这次的火患是位于第4工厂生产线内的电路短线所引起。由于燃烧的电线掉在收藏于厂房内的易燃半成品上，才引起了这场大火。

公司在警方发出侦查报告后立刻开始了补救活动。截至2014年9月，公司已经以2亿8千497万元（约1亿6千849万令吉）买入135台12类别的机器，以取代在火患中损坏的设施。受影响区域的装修及机器的组装和调整工作也已在2014年12月底完成。

虽然公司得到保险公司理赔，但因为火灾后修复工作而失去的收入，却不在中国保险公司的保障范围以内。

在计算后，纳入保险公司理赔的1亿2千510万元（约7千396万令吉），因火灾而损失的固定资产及库存总值达2亿零764万元（约1亿2千272令吉）。此外，公司也因为火患不能为客户提供产品，而赔偿3亿1千112万元（约1亿8千393万令吉）。

在落入PN17的问题上，中国文具已在2014年8月15日委任M&A证券行为顾问，为公司提供合理化的计划。在合理化计划上，公司将会在适当的时候做出相关宣布。

除此之外，外部稽核员Messrs RT LLP已在2015年1月12日完成对中国文具及其子公司截至2014年9月30日财务报告的特殊审计。

根据该特殊审计报告，中国文具截至2014年9月30日的9个月净亏损为3亿3千零59万元（约1亿9千544万令吉），比之前宣布的截至2014年9月30日的9个月净亏损3亿9千672万元（约2亿3千455万令吉）低，两者的差距为6千613万元（约3千909万令吉）或16.67%。

当中的偏差在于纳入了中国文具子公司Sakura (Fujian) Plastics Enterprise Co., Ltd及Sakura (Fujian) Packaging & Stationery Co., Ltd亏损的1亿2千829万元（约7千585万令吉）的延期税务资产。

此外，偏差也在于公司和解了间接拥有的独资子公司，Ruiyuan (Fujian) Enterprise Co., Ltd总值6千零36万元（约3千569万令吉）的90天呆账。

展望未来，我们预见刚经历火患的公司在目前的经济情况下将面对更严峻的考验。我们在装潢、安装及调整机器后，已开始接受顾客的订单。生产线也在2015年4月投入运作。

同时，中国文具会继续研发工作，以便公司在未来可以推出更多创新的产品，及探索更多公司还没发现的市场。

财报回顾

2014财政年，中国文具因为火灾而造成总值5亿1千876万元（约3亿零700万令吉）的财务损失，导致中国文具全年由盈转亏，写下3亿零239万元（约1亿7千877万令吉）的净亏损，2013同期为净利3亿8千803万元（约2亿2千940万令吉）。

公司的专利及非专利产品销量下跌，也导致公司的营业额从去年同期的18亿元（约10亿6千372万令吉）下跌至6亿零275万元（3亿5千630万令吉）。

在2014财政年里，因为塑料带打印机销量下跌，导致专利产品的营业额下跌73.6%或3亿2千384万元（约1亿9千141万令吉），从一年前的4亿4千零5万元（约2亿6千零3万令吉）下跌至1亿1千621万元（约6千874万令吉）。

同时，非专利产品亦因为2014年4月4日的火灾，在2014财政年的营业额从13亿5千900万元（约8亿3千430万令吉）下跌至4亿8千654万元（约2亿8千764万令吉），共挫64.22%或8亿7千310万元（约5亿1千629万令吉）。在发生火灾后，警方把发生事故的地点封锁，直至2014年7月23日发出侦查报告后才正式解封。这导致2014财政年第二、第三及第四季期间非专利产品的生产及销售全面暂停。

未来展望

在整体经济环境及火灾后顾客减少订单下，我们预见，2015财政年将极具挑战。

虽然如此，我们仍预计公司可以在创新产品的带动下继续成长。中国文具因为研发工作、市场分析及能够制造市场需要的产品而感到自豪。这都是我们多年来在这领域里取得的丰富经验所结下的果实。

我们得奖的品牌如“Sakura”，“Nachi”及“Foldersys”在中国已经得到相当的肯定，公司也会继续努力，把产品推向新的市场。这些产品都可全面回收，我们相信，全球环保意识提升，将推动我们公司的产品继续成长。

把我们的强项如低制造成本和高品质考虑在内，我相信我们的成长没有极限。

在我们努力发掘新市场的同时，我们会保护我们原有的市场，在中国参加贸易展、展销会，并在中国各种媒体如广告牌刊登广告。

排除不能预见的意外，中国文具乐观看待2015财政年的业绩表现。

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。

在不断为股东创造最高价值的同时，我们对公司高标准的企业监管感到自豪。

想理解更多关于公司为更完善的企业管理而实行的措施，可在年报中的企业监管、审计委员会报告和风险管理及内部管理声明部分得到更详尽的资料。

企业社会责任(CSR)

公司认为我们有责任照顾包括雇员在内所有利益相关人的权益；必须加强公司与客户、供应商等方面的商业联系，以及关注公司业务对所处环境的保护等。我们非常重视员工，也尊重他们的就业和其他权益。公司致力于建设机会均等的重要原则，这反映在我们的招聘和纪律政策上。公司致力于为客户提供符合需求的优质产品。

公司将继续加强与支持环保原料的运用。我们鼓励员工通过作业方式，尽力提高效率和争取应用环保原料，减少对环境的影响。我们将继续鉴定可以为世界带来实际转变的活动。

鸣谢

本人谨代表董事部，欢迎洪伟川和林金发担任我们的独立非执行董事。

本人也借此机会，感谢2015年1月20日卸下非独立非执行董事职位的拿督陳春華局绅，谢谢他的贡献。

本人谨代表董事部，衷心感谢所有股东对公司不离不弃的支持及信心。我承诺，中国文具将为股东创造更多的价值。

我真挚的感谢政府及相关执法单位、客户、银行家及其他伙伴对公司的支持。

对于管理层和员工，我无言感激，因为各位的付出和贡献，中国文具才能继续走在成功的道路上。

陈峰

执行主席兼首席执行官

PROFILE OF DIRECTORS

MR CHAN FUNG @ KWAN WING YIN

(Executive Chairman and Chief Executive Officer)

Mr Chan Fung @ Kwan Wing Yin, aged 64, Hong Kong citizen, is our Executive Chairman and Chief Executive Officer. 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 2014, he is direct interested in 1,827,700 shares (0.14%) and deemed interested in 289,100,000 shares (23.45%) in the Company by virtue of his own name and 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 Chief Executive Officer 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.





MR ANGUS KWAN CHUN JUT
(Executive Director)

Mr Angus Kwan Chun Jut, aged 44, 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 2014, he is deemed interested in 289,100,000 shares (23.45%) 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 and Chief Executive Officer 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 Chief Executive Officer and Major Shareholder, Mr Chan Fung @ Kwan Wing Yin. He has no convictions for offences within the past 10 years.

DIRECTORS OF PROFILE (cont'd)

DR. RISAMBESSY IZAAC

(Senior Independent Non-Executive Director)



Dr. Risambessy Izaac, aged 62, Indonesian, was appointed as our Independent Non-Executive Director on 28 December 2011 and appointed as Senior Independent Director on 30 July 2014. He is the Chairman of Audit Committee, 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.

MR HERMAN WIDJAJA

(Independent Non-Executive Director)



Mr Herman Widjaja, aged 64, Indonesian, was appointed as our Independent Non-Executive Director on 5 December 2013. He is also appointed as member of Audit Committee and Nomination Committee. He holds a Master Degree (MBA) in Business Administration from California State University, Los Angeles in 1980 and a Bachelor of Science Degree (BSc) from University of Southern California in 1978. Both are majoring in Business Finance. From 1980 to 1989, he was the Managing Director of Intralube Corporation, a California chartered private limited company which involved in exporting automotive and industrial lubricating oil to South East Asia.

He joined Lippo Group, one of the prominent Indonesian Financial Conglomerate. As a Director in the Group units in 1990, he was responsible for various Group's business development. Initially was appointed as an Executive Director of Bankers Lease Company, a joint venture Corporate Financial Leasing between Lippo Group and Bankers Trust of New York. In 1991 Lippo Group diversified into Real Estate Development, he was appointed as Director of PT. Gunung Cermani Inti, now known as PT. Lippo Cikarang Tbk., a public listed company engaged in developing a new township in East of Jakarta. Subsequently, he was appointed as a Director of PT. Hyundai Inti, a joint venture of Industrial Estate Development between Lippo Group and a Korean Conglomerate Hyundai Corporation. After the project had been

successfully completed in 1994, he was given the responsibility to take charge in Lippo's Hotel and Country Club Development as Chief Executive Officer of PT. Hotel Prapatan Tbk, a public listed company engaged in the operation and management of several five star hotels, restaurant, country club and golf course.

He was a Partner and Managing Director of Clarion Golden Hotel in Jakarta under PT. Prudential Golden Asia which involved in hotel management and development from 2001 to 2004.

He was also a Partner and Director of PT. Sarijaya Batamsantoso, a property development company involved in developing residential housing in Batam Island from 1999 to 2010.

Mr Herman 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.

MR ANG WEI CHUAN

(Independent Non-Executive Director)



Mr Ang Wei Chuan, aged 40, Malaysian, was appointed as our Independent Non-Executive Director on 16 April 2015. He is also a member of Audit Committee and Nomination Committee.

He graduated with a bachelor's degree in Commerce (Majoring in Accounting and Information Systems) from Curtin University of Technology, Perth, Australia. Subsequently, he obtained a master's degree in Business Administration from Deakin University, Australia in 2005.

He began his career as an Assistant Treasury Manager with Cargill - CTP Holdings Pte Ltd from 2002 to 2007. He was the Treasury Manager at Fuji Xerox Asia Pacific Pte Ltd from 2008 to 2012 before moving to Sumitomo Corporation Asia Pte Ltd as a Senior Treasury Manager. He is currently the Group Treasury Manager in InterOil Corporation.

Currently, he sits on the board of Multi Sports Holdings Ltd as an Independent Non-Executive Director.

Mr Ang 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.

MR LIM KIM HUAT

(Independent Non-Executive Director)



Mr Lim Kim Huat, aged 39, Malaysian, was appointed as our Independent Non-Executive Director on 16 April 2015. He is also a member of the Audit Committee and Remuneration Committee.

Mr Lim is a member of the Association of Chartered Certified Accountants and Institute of Singapore Chartered Accountants. He has more than 15 years' experience in the areas of financial reporting, tax, corporate finance, treasury, risk management and audit.

He started his career as Audit Senior at Foo Kon Tan Grant Thornton, Singapore from 1999 to 2002. Thereafter, he joined Delifrance Asia Limited, Singapore as an Accountant from 2002 to 2003. Subsequently, Mr Lim moved to join Asia Food & Properties Ltd, Singapore as an Internal Auditor from 2003 to 2005. He was the Finance Manager at Tiong Woon Corporation Holding Ltd, Singapore before moving to Sembcorp Parks Management Pte Ltd in 2007. Mr Lim is currently serving as Chief Financial Officer in Aquatic Foods Group Plc. Prior to that, he was the Finance Manager in Multi Sports Holdings Ltd.

Mr Lim 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.



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 explaining the manner in which the Company has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") during the financial year ended 31 December 2014, including where otherwise indicated, explanations of its alternative measures and processes.

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 has formalised the Board Charter and Code of Conduct and Business Ethics on 22 August 2013 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. In the Board Charter listed that any staff who knows of a suspected contravene or violation of the Code of Conduct, is encouraged to whistle-blow or report the guilty party or parties to his/her immediate superior or head of Department or the Chief Operating Officer or the Board.

The Board Charter and Code of Conduct and Business Ethics are available on the Company's website. The Board Charter and Code of Conduct and Business Ethics are reviewed periodically by the Board from time to time to ensure their relevance and compliance.

Recommendation 1.4 of MCCG 2012 recommends 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 cognisance of the global environment, social, governance and sustainability agenda.

Board Balance and Independence

The Board consists of six (6) members comprising two (2) Executive Directors and four (4) Independent Non-Executive Directors. The profile of each Director is presented on pages 18 to 21 of this Annual Report.

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.

The Board takes the view that, for the time being, the status quo of the Board, in terms of composition and structure, should be maintained. The Board is, however, open to board changes as and when appropriate. The Board is of the view that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender. The Board is committed to diversity and has an equal opportunity policy and there are no barriers by reason of an individual's gender, race, and religion and age.

THE BOARD OF DIRECTORS *cont'd*

Board Balance and Independence *cont'd*

The Group has no immediate plan to implement a diversity policy as it is of the view that employment is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender and age. However, the Board is committed to diversity and has had an equal employment opportunity policy in promoting diversity in the Group. There are no barriers in employment or development in the Group because of an individual's gender, race, religion and age. As the Board believe that employees with diverse cultural backgrounds bring unique experiences and perceptions to the work team and benefit of the Group by strengthening productivity and responsiveness to changing conditions.

The Group's workforce statistics in terms of age, ethnic, gender and nationality as at 31 December 2014 are disclosed under "Additional Compliance Information" as stated in page 38 of this Annual Report.

Recommendation 3.5 of MCGG 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 21 years of experience in the plastic stationery industry.

The Board has also appointed Mr Ang Wei Chuan and Mr Lim Kim Huat as Independent Non-Executive Directors and Members of Audit Committee on 16 April 2015, to strengthen the independence of the Board composition of the Company. Both of them are resident Independent Directors and therefore, the Company has complied with Paragraph 4A.04(2) of Listing Requirement of Bursa Securities.

The Board took note on the 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.

Therefore, the Board is mindful of the dual role of Chairman and CEO held by Mr Chan Fung @ Kwan Wing Yin, and takes cognisance of Recommendation 3.4 of MCGG 2012 whereby the position of chairman and CEO should be assumed by different persons. The Board is of the view that there are experienced and independent minded Directors on the Board to provide the assurance that there is sufficient check and balance. With the presence of a Senior Independent Non-Executive Director on the Board to whom concerns of shareholders and other Directors may be conveyed, there is a strong independent element on the Board to ensure the check and balance of the perceived ascendancy and influence of the Executive Chairman. Nevertheless, the ultimate responsibility for the final decision on all matters lies with the Board.

The appointment of Mr Chan Fung @ Kwan Wing Yin as CEO is not a permanent basis. The Company will make announcement immediately to Bursa Securities upon the Board has approved the appointment of new CEO.

The Board acknowledges and takes cognisance that 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. Following the resignation of Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman, as the former Senior Independent Non-Executive Director on 2 July 2014, the Board has appointed Dr Risambessy Izaac as the Senior Independent Non-Executive Director as his replacement on 30 July 2014. 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 MCGG 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. Nevertheless, the said independent director may retain as independent director subject to Board's justification and shareholders' approval. 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 by the Nomination Committee to the Board for approval. 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS *cont'd*

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.

During the financial year ended 31 December 2014, the Board met seven (7) times and the attendances of the Directors are as follows:

Name of Director	No. of meetings attended
Chan Fung @ Kwan Wing Yin <i>Executive Chairman and Chief Executive Officer</i> (Appointed as Chief Executive Officer on 16 April 2014)	7/7
Angus Kwan Chun Jut <i>Executive Director</i>	6/7
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman <i>Senior Independent Non-Executive Director</i> (Resigned on 2 July 2014)	2/2
Dr. Risambessy Izaac <i>Senior Independent Non-Executive Director</i> (Appointed as Senior Independent Director on 30 July 2014)	7/7
Datuk Tan Choon Hwa JP., JMK <i>Non-Independent Non-Executive Director</i> (Resigned on 20 January 2015)	6/7
Herman Widjaja <i>Independent Non-Executive Director</i>	7/7
Ang Wei Chuan <i>Independent Non-Executive Director</i> (Appointed on 16 April 2015)	—
Lim Kim Huat <i>Independent Non-Executive Director</i> (Appointed on 16 April 2015)	—

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 meeting 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.

THE BOARD OF DIRECTORS *cont'd*

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.

Nomination Committee

A summary about the activities of the Nomination Committee in the discharge of its duties during the financial year ended 31 December 2014 are set out in the Statement of Nomination Committee in pages 39 to 40 of the Annual Report.

In compliance with Recommendation 2.1 of MCGG 2012, Dr Risambessy Izaac, who is the Senior Independent Director of the Company, is the Chairman of Nomination Committee. Dr Risambessy Izaac was appointed as Senior Independent Director of the Company on 30 July 2014 following the resignation of Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman. Further, Mr Ang Wei Chuan has been appointed as Member of Nomination Committee following his appointment as Director on 16 April 2015.

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.

Remuneration Committee

As of the date of this Annual Report, the Remuneration Committee consists of three (3) members:

Chairman

Dr Risambessy Izaac*
Independent Non-Executive Director

Member

Chan Fung @ Kwan Wing Yin
Executive Chairman and Chief Executive Officer

Lim Kim Huat**
Independent Non-Executive Director

Note:

*appointed as Senior Independent Director and redesignated as Chairman of Remuneration Committee on 30 July 2014.

**appointed as Member of Remuneration Committee on 16 April 2015.

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman who was the Chairman of Remuneration Committee, had tendered his resignation on 2 July 2014. Following his resignation, the Board resolved the appointment of Dr Risambessy Izaac as Senior Independent Director and redesignation from a member of Remuneration Committee to Chairman of Remuneration Committee on 30 July 2014.

Datuk Tan Choon Hwa JP., JMK who was a member of Remuneration Committee, had resigned as Non-Independent Non-Executive Director on 20 January 2015. Following his resignation, he shall cease to be a member of the Remuneration Committee with immediate effect accordingly. Then, the Board had appointed Mr Lim Kim Huat as Member of Remuneration Committee on 16 April 2015.

The Remuneration Committee is empowered and authorised to carry out its functions pursuant to its 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS *cont'd*

Details of the Directors' remuneration in aggregate for financial year ended 31 December 2014 and 31 December 2013 are tabulated as below:

Year 2014

	Salaries (RM)	Bonuses (RM)	Fees (RM)	Contribution (RM)	Total (RM)
Executive Directors	1,787,328	—	—	—	1,787,328
Non-Executive Directors	—	—	—	210,000	210,000

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 750,001 to RM 800,000	1	—
RM 800,001 to RM 850,000	0	—
RM 850,000 to RM 900,000	0	—
RM 900,000 to RM 950,000	0	—
RM 950,000 to RM 1,000,000	1	—

Year 2013

	Salaries (RM)	Bonuses (RM)	Fees (RM)	Retirement Scheme Contribution (RM)	Total (RM)
Executive Directors	1,943,016	165,339	—	2,233	2,110,588
Non-Executive Directors	—	—	180,000	—	180,000

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 500,001 to RM 550,000	1	—
RM 550,001 to RM 600,000	0	—
RM 600,001 to RM 650,000	0	—
RM 650,001 to RM 700,000	0	—
RM 700,001 to RM 750,000	1	—
RM 750,001 to RM 800,000	0	—
RM 800,001 to RM 850,000	1	—

Recommendation 2.3 of MCG 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 29 to 34 of the Annual Report.

Directors' Training

Save for Mr Ang Wei Chuan and Mr Lim Kim Huat who appointed as Independent Directors on 16 April 2015, all the Directors have attended the in-house corporate training in respect of continuous obligations of directors and officers of listed corporations conducted by Tricor Knowledge House Sdn Bhd on 28 August 2014. The Board recognises the need and importance of continuous education for its Board Members. 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. The Nomination Committee would also assess the training needs of the Board from time to time.

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 (www.cstationery.com).

The Annual General Meeting ("AGM") is 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 answers to the questions raised by the shareholders during the general meeting. The Board recognises the rights of shareholders. In order to continue encouraging shareholders' participation in the general meetings, the Board would ensure that the Notice of the AGM is sent to shareholders at least 21 days ahead of the date of general meeting and to provide sufficient time and opportunities to the shareholders to seek clarification during general meetings on any matters pertaining to the business activities and financial performance of the Company.

Items of special business included in the notice of AGM will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for separate issues at the meeting and the Chairman declares the percentage of proxy votes received both for and against each separate resolution where appropriate.

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 External Auditors, 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 Board reviewed the independence, performance and remuneration of the External Auditors based on the recommendation of the Audit Committee before recommending them to the shareholders for re-appointment in the AGM on an annual basis. The External Auditors would provide written assurance to the Board in respect of its independence to act as the External Auditors of the Group.

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 Group's internal audit function is outsourced to professional consulting firm. The Statement on Risk Management and Internal Control as included on page 35 of this Annual Report provides further details of the activities of the internal audit function for the current financial year.

Recommendation 6.1 of MCCG 2012 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.

On 22 August 2013, the Board has adopted the Group Risk Management Policy and authorised Management to proceed with the necessary action for the implementation of the policy. Hence the Risk Register or risk management control sheet would be reviewed by the Head of Departments quarterly to identify, assess, monitor and record the key business risks. The Group Risk Management reports are tabled to the Audit Committee for review and the Board for notation on quarterly basis.

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” or “Committee”) for the financial year ended 31 December 2014.

ESTABLISHMENT AND COMPOSITION

At the date of this Annual Report, the Audit Committee comprises the following members:-

Chairman:

Dr. Risambessy Izaac*
Senior Independent Non-Executive Director

Members:

Herman Widjaja
Independent Non-Executive Director

Ang Wei Chuan**
Independent Non-Executive Director

Lim Kim Huat**
Independent Non-Executive Director

Note:

*appointed as Senior Independent Director on 30 July 2014.

**appointed as Independent Non-Executive Director on 16 April 2015.

MEETINGS

During the financial year, the Audit Committee held six (6) meetings. Details of each member’s meeting attendances are as follows:-

NAME OF COMMITTEE MEMBERS	Attendance
Dr. Risambessy Izaac (Chairman) (Senior Independent Non-Executive Director)	6/6
Herman Widjaja (Independent Non-Executive Director)	6/6
Tan Sri Dato’ Nik Hashim Bin Nik Ab Rahman (Senior Independent Non-Executive Director) (Resigned on 2 July 2014)	2/2
Datuk Tan Choon Hwa, JP, JMK (Non-Independent Non-Executive Director) (Resigned on 20 January 2015)	5/6
Ang Wei Chuan (Independent Non-Executive Director) (appointed as Member on 16 April 2015)	—
Lim Kim Huat (Independent Non-Executive Director) (appointed as Member on 16 April 2015)	—



AUDIT COMMITTEE REPORT (cont'd)

MEETINGS *cont'd*

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

The Chief Financial Officer, the Internal Auditors and External Auditors should normally attend the Meetings. Other Board Members and Management may attend AC meeting only at the Committee's invitation.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee carried out its duties in accordance with its terms of reference and the following activities were carried by the Audit Committee during the financial year ended 31 December 2014:

1. Reviewed the quarterly financial results and annual unaudited financial statements to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), applicable approved accounting standards in Malaysia and other statutory and regulatory requirements, before recommending for approval by the Board;
2. Reviewed the quarterly risk management report prior to submission to the Board for notation;
3. Reviewed with the external auditors on the findings and observations of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit;
4. Reviewed the external auditors' scope of work and audit plan for the financial year ended 31 December 2014 and recommended the proposed audit fees to the Board for approval;
5. Reviewed the independence and objectivity of the external auditors and the services provided, including non-audit services;
6. 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;
7. Reviewed related party transactions within the Group;
8. Deliberated and monitored the Practice Note 17 status of the Company;
9. Reviewed and revised the Terms of Reference of AC; and
10. Reviewed the Corporate Governance Statement, Audit Committee Report and Statement on Risk Management and Internal Control, prior to submission to the Board for consideration and approval for inclusion in the Company's annual report.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is 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 ended 31 December 2014 amounted to RMB62,043 [RM35,271].

The outsourced internal auditors table the results of their reviews to the Audit Committee at their scheduled meetings by highlighting their findings, recommendations, areas of improvement opportunities, management response and action plan.

STATEMENT ON SHARE ISSUANCE SCHEME BY AUDIT COMMITTEE

There was no Share Issuance Scheme in place during the financial year ended 31 December 2014.

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 of the Bursa Securities Main Market Listing Requirements ("LR") as follows:
 - (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)

SECRETARY

The Secretary to the Audit Committee, shall but need not, be the Company Secretary.

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 Chief Financial Officer, 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.
- (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 updates (including verbal reports) from the Chairman of AC during the Board Meeting.
- (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.

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.

KEY FUNCTIONS AND RESPONSIBILITIES

- (i) The Terms of Reference of the Audit Committee should be reviewed by the Committee and updated as appropriate. The Committee should recommend any changes to the Terms of Reference to the Board of Directors for approval. The 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 quarterly interim results, and annual financial statements before submission to the Board for approval, focusing in particular on changes in or implementation of major accounting policies, significant adjustments and unusual events arising from the audit, the going concern assumption and compliance with accounting standards, 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
 - (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; and
 - ensure that the internal audit function is independent of the activities it audits and free from interference in determining the scope of internal audit, performing work and communicating results.
 - (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 after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit, and matters relating to the resignation or dismissal of the auditors;
 - (g) ensuring 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;



AUDIT COMMITTEE REPORT (cont'd)

KEY FUNCTIONS AND RESPONSIBILITIES *cont'd*

- (ii) The Audit Committee is primarily responsible for, amongst others, the following: *cont'd*
 - (l) generally 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
 - (m) verify the allocation of options under a share issuance scheme (where applicable) at the end of each financial year as being in compliance with the criteria of allocation pursuant to the share issuance scheme and to issue a statement verifying such allocation to be included in the annual report.
- (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”) pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements (“LR”), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2014 as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and taking into consideration the recommendations underlying Principle 6 of the Malaysian Code on Corporate Governance 2012.

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 and risk management system has been delegated to the Audit Committee, which is empowered by Audit Committee's 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 and risk management 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. CONTROL ENVIRONMENT AND RISK MANAGEMENT FRAMEWORK

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 major subsidiaries of the Group, as well as collectively at the Group level.

The Board has put in place a formal risk management framework that allows more structured and focused approach to identify evaluate, monitor and report the principal risks that affect the achievement of the Group's business objectives and enables the adoption of a risk-based internal control system.

The following activities have taken place as part of establishing this formal framework:

- Risk profile has been developed for the Company.
- Risk Management Policy has been developed which incorporates amongst others a structure process for identifying, evaluating and prioritising risks as well as clearly defining the risk responsibilities and escalation process.
- Quarterly Group Risk Management Reports are tabled to the Audit Committee and Board summarising identified risks and controls taken to mitigate or manage the identified risks on quarterly basis.

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

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 2014, internal audit reviews were carried out and the findings of the reviews, including the recommended management actions plans were presented directly to the Audit Committee.

Based on the internal audit reviews 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 to 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, quarterly group risk management reports and the internal audit reports on quarterly basis. Discussions with Management were held to deliberate on the actions that are required to be taken to address any internal control matters identified by the outsourced internal audit function.

In line with the Guidelines, the Executive Chairman and Chief Executive Officer and the Chief Financial Officer have provided assurance to the Board 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 and up to the date of approval of this Statement.

The Board is of the view that the Group's internal control system and risk management 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.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the LR, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2014. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants. Their review has been conducted to assess whether this Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management of the Group.

This statement was approved by the Board of Directors on 16 April 2015.

ADDITIONAL COMPLIANCE INFORMATION

STATUS OF UTILISATION OF PROCEEDS

There were no corporate proposals carried out during the financial year under review. The proceeds raised from the Initial Public Offering in conjunction with the Company's listing on the Main Market of Bursa Malaysia Securities Berhad had been fully utilised in 2014.

SHARES BUY-BACK

During the financial year ended 31 December 2014, the Company repurchased 10,000,300 of its own shares at the total transaction cost of RMB3,992,233 equivalent to approximately RM2,073,565.52. The repurchased shares were held as treasury shares in accordance with Section 67A of the Companies Act, 1965. None of the treasury shares held were re-sold or cancelled during the financial year under review.

Details of the share buy-back transactions undertaken during the financial year are as follows:

	Number of Shares Repurchased	Average cost per share (RM)	(Total consideration including transaction cost)
27 February 2014	100	0.21	62.01
8 September 2014	100	0.13	54.01

OPTIONS OR CONVERTIBLE SECURITIES

At the Special General Meeting held on 24 August 2012, the Company's shareholders approved the proposed bonus issue of 596,295,388 warrants to the existing shareholders on a basis of one (1) warrant for every two (2) existing ordinary shares of SGD0.001 each in the Company held on an entitlement date to be determined later ("Bonus Issue of Warrants").

The Bonus Issue of Warrants was completed following the listing of and quotation for the 596,295,388 warrants on the Main Market of Bursa Securities on 28 September 2012.

No warrants were exercised during the financial year ended 31 December 2014. The number of warrants outstanding as at 31 December 2014 is 596,295,388.

DEPOSITORY RECEIPT PROGRAMME

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

SANCTIONS AND/OR PENALTIES

There were no public 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 Messrs RT LLP, the External Auditors of the Company, and its affiliates by the Group for the year under review.

VARIATION IN RESULTS

There is no variation by 10% or more in the audited financial results for the financial year ended 31 December 2014 from the unaudited results as previously announced.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

PROFIT ESTIMATE/FORECAST/PROJECTION

The Company has not released or announced any estimated profit, financial forecast or projection during the financial year ended 31 December 2014.

PROFIT GUARANTEE

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

RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of a revenue or trading nature conducted by the Group during the financial year ended 31 December 2014 did not exceed the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

MATERIAL CONTRACTS

There are no material contracts (not being contracts entered in the ordinary course of business), entered into by the Company and its subsidiary, involving Directors' and major shareholders' interests during the financial year ended 31 December 2014.

SHARE ISSUANCE SCHEME

The Company has not implemented any share issuance scheme during the financial year ended 31 December 2014.

WORKFORCE DIVERSITY

The Group's workforce statistics in terms of age, ethnicity, gender and nationality as at 31 December 2014 are disclosed below:

Nationality	Number of Staff	%
Indonesian	1	0.26
China	385	98.21
Hong Kong	5	1.28
Malaysian	1	0.26
Total	392	100.00

Gender	Number of Staff	%
Male	252	64.29
Female	140	35.71
Total	392	100.00

Ethnicity	Number of Staff	%
Buyi	1	0.26
Tai	2	0.51
Tong	1	0.26
Han	382	97.44
Miao	2	0.51
Tujia	4	1.02
Total	392	100.00

Age	Number of Staff	%
Less than 30	166	42.35
30 to 39	124	31.63
40 to 49	66	16.84
More than 50	36	9.18
Total	392	100.00

NOMINATION COMMITTEE STATEMENT

The Board has established the Nomination Committee (“NC” or “Committee”), comprising wholly Non-Executive Directors with majority of them being Independent Non-Executive Directors pursuant to its Terms of Reference.

As at the date of this Annual Report, the members of the Nomination Committee are:

Chairman

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

Members

Herman Widjaja
(Independent Non-Executive Director)

Ang Wei Chuan**
(Independent Non-Executive Director)

Note:

*appointed as Senior Independent Director and redesignated as Chairman of Nomination Committee on 30 July 2014.

**appointed as Independent Non-Executive Director on 16 April 2015.

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determines the skill matrix to support the strategic direction and needs of the Company.

In the selection process to appoint new Board Member, the Board is assisted by the Nomination Committee to consider, among others, the following aspects:

- Integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- Competence and capability – the person must have the necessary qualification and experience, skills, ability and commitment to carry out the role.

The Nomination Committee met once during the financial year ended 31 December 2014 and details of attendance of members of the Nomination Committee are as follows:

Name of Committee Members	Attendance
Dr Risambessy Izaac (Chairman) (Senior Independent Non-Executive Director) (Re-designated as Chairman on 30 July 2014)	1/1
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Senior Independent Non-Executive Director) (Resigned on 2 July 2014)	1/1
Datuk Tan Choon Hwa, JP, JMK (Non-Independent Non-Executive Director) (Resigned on 20 January 2015)	1/1
Herman Widjaja (Independent Non-Executive Director) (appointed as Member on 16 April 2014)	–
Ang Wei Chuan (Independent Non-Executive Director) (appointed as Member on 16 April 2015)	–



NOMINATION COMMITTEE STATEMENT (cont'd)

The Board takes note of the recommendation 2.2 of Malaysian Code on Corporate Governance 2012 pertaining to the need to establish a policy formalising the approach to boardroom diversity and to set targets and measures for the adoption of the said recommendation. The Board takes the view that, for the time being, the status quo of the Board, in terms of composition and structure, should be maintained. The Board is, however, open to board changes as and when appropriate. The Board is of the view that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender. The Board is committed to diversity and has an equal opportunity policy and there are no barriers by reason of an individual's gender, race, and religion and age.

The Nomination Committee is guided by its terms of reference, among others, the responsibilities of the Nomination Committee include:

- To recommend candidates for all directorships to be approved by the Board;
- To recommend to the Board the directors to fill the seats on the various Board committees;
- To review the mix of skills, knowledge, expertise and experience of the Directors and other qualities, including core competencies required for the Board;
- To develop and maintain the criteria to be used in the recruitment process and the annual assessment of Directors;
- To assist the Board in an annual review of the independence of the Independent Non-Executive Directors;
- To review and recommend the re-election of directors who are subject to retirement by rotation at the Annual General Meeting;
- To assess the effectiveness of the Board as a whole, as well as that of the Board Committees and the contribution of each individual Director; and
- To consider other matters as referred to the Committee by the Board.

BOARD EFFECTIVENESS ASSESSMENT

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises Audit Committee Members' Self and Peer evaluation, Assessment of Independence of the Independent Directors, Board Assessment and Individual Self-Assessment.

The assessment of the Board and Audit Committee is based on specific criteria, covering areas such as the Board/Audit Committee structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. For Individual Self-Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role. The assessment on the independence of the Independent Directors is mainly to assess the independence of every Independent Director.

The Nomination Committee conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director and Board Committees in respect of the financial year ended 31 December 2014. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary were tabled to the Nomination Committee and Board for review and deliberation.

The Board was satisfied with the results of the assessment and the current size and composition of the Board is appropriate and well-balanced with the right mix of skills with the Board composition comprising individuals of high caliber, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.

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FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

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

	Group RMB'000	Company RMB'000
Loss for the financial year attributable to owners of the Company	(302,395)	(428)

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 other than those disclosed in the significant events during the year in note 30 of the financial statements.

Dividends

The Company and the Group	2014 RMB'000	2013 RMB'000
Final tax-exempt dividend of RM 0.016 (approximate RMB 0.0297 per ordinary share paid in 2013) in respect of financial year ended 31 December 2012	—	36,937
10% withholding tax	—	4,104
Total	—	41,041

DIRECTORS

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

Chan Fung @ Kwan Wing Yin

Angus Kwan Chun Jut

Datuk Tan Choon Hwa (Resigned on 20 January 2015)

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014)

Dr Risambessy Izaac

Herman Widjaja

Ang Wei Chuan (Appointed w.e.f. 16.04.2015)

Lim Kim Huat (Appointed w.e.f. 16.04.2015)

DIRECTORS (Cont'd)

Directors' Benefits

Neither at the end of the financial year, nor at any time during the financial year did there subsist any arrangements to which the Company was 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 other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 19 to the financial statements 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, except as disclosed in Note 23 to the financial statements.

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	
	As at 1.1.2014	As at 31.12.2014	As at 1.1.2014	As at 31.12.2014
The Company				
	Number of ordinary shares '000			
Chan Fung @ Kwan Wing Yin ⁽¹⁾	1,828	1,828	289,100	289,100
Angus Kwan Chun Jut ⁽¹⁾	—	—	289,100	289,100

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:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2014	As at 31.12.2014	As at 1.1.2014	As at 31.12.2014
The Company				
	Number of warrants '000			
Chan Fung @ Kwan Wing Yin ⁽¹⁾	—	—	446,500	446,500
Angus Kwan Chun Jut ⁽¹⁾	—	—	446,500	446,500

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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

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.

During the Company's annual general meeting held on 28 June 2014, shareholders of the Company have approved the Company to repurchase its own shares. During the financial year, the Company repurchased 200 shares at the cost of RMB 218 / RM 116, which are held as treasury shares.

Movement in the treasury shares is as follow:

	Number of shares	RMB	RM	Average cost per share RM
As at 1 January 2014	10,000,100	4,006,421	2,073,452	0.2073
Repurchase of shares during the year	200	218	116	0.5800
As at 31 December 2014	10,000,300	4,006,639	2,073,568	0.2073

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and the Company 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 realise their value as shown in the accounting records in the ordinary course of business had 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 allowance for doubtful debts in respect of the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (a) any charge on the assets of the Group or of the Company 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 or of the Company which has arisen since the end of the financial period.

OTHER STATUTORY INFORMATION (Cont'd)

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;
- (b) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
- (c) except for the fire incident as disclosed in Note 30, 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 30 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The significant events subsequent to the balance sheet date are disclosed in Note 31 to the financial statements.

INDEPENDENT AUDITOR

The independent auditor, RT LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

CHAN FUNG @ KWAN WING YIN

ANGUS KWAN CHUN JUT

Date: 23rd April 2015
Putian City, Fujian Province, PRC



STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors, the accompanying statements of financial position of the Group and of the Company, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up in accordance with the provisions of the International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2014 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended.

The information set out in Note 28 of the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or 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.

On behalf of the Directors

CHAN FUNG @ KWAN WING YIN

ANGUS KWAN CHUN JUT

Date: 23rd April 2015
Putian City, Fujian Province, PRC

STATUTORY DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 11 to 46 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) of Laws of Hong Kong.

Subscribed and solemnly declared by the abovementioned
Mr. Angus Kwan Chun Jut in Hong Kong
Date: 23rd April 2015

ANGUS KWAN CHUN JUT

Before me:

Commissioner for Oaths/Notary Public
Solicitor Hong Kong Special Administrative Region

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA STATIONERY LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of China Stationery Limited ("the Company") and its subsidiaries ("the Group"), set out on pages 11 to 46, which comprise the statements of financial position of the Company and of the Group as at 31 December 2014, 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of 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 conducting 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 about 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 consolidated 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 consolidated 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 consolidated 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 accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

OTHER MATTER

Our audit report dated 8 July 2014 described four matters which formed the Basis for Disclaimer of Opinion on the financial statements for the financial year ended 31 December 2013.

In arriving at our opinion on the financial statements for the financial year ended 31 December 2014, we have considered and taken into account the following developments pertaining to the above four matters:

- i) The Company has successfully reconstructed the financial records for the financial period from 1 January 2014 to 30 April 2014 that were lost due to the fire;
- ii) The management has received the reports from the relevant authorities and insurance company and management was able to estimate the financial losses to its subsidiary arising from the fire and has recognised impairment losses and financial losses amounting to RMB 518,762,000 in the financial statements for the financial year ended 31 December 2014;
- iii) We have received confirmation replies from circularized trade receivables for the balance as at 31 December 2014 and performed alternative tests for the amount owing to the Group since 31 December 2013 which are considered as reasonable estimates of their respective recoverable amounts as at 31 December 2013;



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA STATIONERY LIMITED (cont'd)

OTHER MATTER (Cont'd)

- iv) We have received confirmation replies from circularized trade payables for the balance as at 31 December 2014 and performed alternative tests for the amount owing by the Group since 31 December 2013 which are considered as reasonable completeness of the trade payables as at 31 December 2013; and
- v) We have received confirmation from an external law firm, which is domiciled in Fujian Province, PRC who has carried out an investigation to establish if there is any further liabilities not recognised in the financial statements and there was no report of liabilities not recorded as at 31 December 2013.

Therefore, the four matters reported in our earlier report did not have an effect on the financial statements for the financial year ended 31 December 2014 or on our opinion on those financial statements.

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.

This report is made solely to the members of the Company, as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

RT LLP
Public Accountants and Chartered Accountants

Partner in charge of audit: **Su Chun Keat**

Singapore, 23rd April 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	The Group		The Company	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-Current					
Investment in subsidiary companies	1	—	—	828	828
Land use rights	4	14,256	14,573	—	—
Property, plant and equipment	5	492,351	368,282	—	—
Investment property	6	145	145	—	—
Deferred tax assets	7	131,115	—	—	—
		637,867	383,000	828	828
Current					
Inventories	8	13,223	37,019	—	—
Trade and other receivables	9	314,412	326,308	374,966	374,834
Amount due from a shareholder	16	—	276	—	—
Cash and bank balances	10	1,751,719	2,366,087	19	579
		2,079,354	2,729,690	374,985	375,413
Total assets		2,717,221	3,112,690	375,813	376,241
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	11	6,226	6,226	6,226	6,226
Reserves	12	2,617,865	2,920,260	227,167	227,595
Total equity		2,624,091	2,926,486	233,393	233,821
Non-Current Liability					
Deferred tax liability	13	38,623	38,623	38,623	38,623
Current Liabilities					
Trade and other payables	14	41,974	66,046	103,758	103,758
Borrowings	15	—	54,400	—	—
Amount due to a shareholder	16	1,575	4,113	39	39
Current tax payable	20	10,958	23,022	—	—
		54,507	147,581	103,797	103,797
Total equity and liabilities		2,717,221	3,112,690	375,813	376,241

Approved by the Board of Directors and signed of its behalf by:

Chan Fung @ Kwan Wing Yin
Director
Date: 23rd April 2015

Angus Kwan Chun Jut
Director
Date: 23rd April 2015

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Revenue	3	602,748	1,799,687
Cost of sales		(322,937)	(1,004,751)
Gross profit		279,811	794,936
Other income	3	51,657	7,287
Selling and distribution expenses		(80,724)	(158,265)
Administrative expenses		(109,395)	(52,814)
Other operating expenses	17	(518,762)	(40,025)
Finance costs	18	(1,951)	(3,415)
(Loss) / profit before taxation	19	(379,364)	547,704
Taxation	20	76,969	(159,677)
Net (loss)/profit for the year and total comprehensive (loss)/income		(302,395)	388,027
(Loss)/ Earnings per share (RMB cents)			
-Basic	21	(24.33)	31.22
-Diluted	21	(24.33)	31.22

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 2014

	Share capital RMB'000 (Note 11)	Capital reserve RMB'000 (Note 12)	Share premium RMB'000 (Note 12)	Treasury shares RMB'000 (Note 12)	Merger Deficit RMB'000 (Note 12)	Statutory Reserve RMB'000 (Note 12)	Retained earnings RMB'000	Total RMB'000
Balance at								
1 January 2013	6,226	64	449,936	-	(4,150)	100,629	2,030,801	2,583,506
Total comprehensive income	-	-	-	-	-	-	388,027	388,027
Purchase of treasury shares	-	-	-	(4,006)	-	-	-	(4,006)
Transfer to statutory reserves	-	-	-	-	-	1,320	(1,320)	-
Dividend paid (Note 12)	-	-	-	-	-	-	(41,041)	(41,041)
Balance at								
31 December 2013	6,226	64	449,936	(4,006)	(4,150)	101,949	2,376,467	2,926,486
Total comprehensive loss	-	-	-	-	-	-	(302,395)	(302,395)
Purchase of treasury shares	-	-	-	*	-	-	-	*
Balance at								
31 December 2014	6,226	64	449,936	(4,006)	(4,150)	101,949	2,074,072	2,624,091

* amount less than RMB 1,000

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Cash flows from operating activities			
(Loss)/ profit before taxation		(379,364)	547,704
Adjustments for:			
Depreciation of property, plant and equipment	5	28,410	30,600
Impairment losses on trade receivables	9	60,152	—
Amortisation of land use rights	4	317	316
Loss on disposal on property, plant and equipment	19	—	438
Interest expense	18	1,951	3,415
Property, plant and equipment written off	17	256,023	—
Inventory written off	17	76,712	—
Interest income	3	(50,980)	—
Impairment loss on other investment		(7,157)	40,025
Operating (loss) / profit before working capital changes		(6,779)	615,341
Decrease in non-current receivables		—	1,163
(Increase) / decrease in inventories		(52,916)	15,993
(Increase) / decrease in trade and other receivables		(173,351)	121,859
Decrease in trade and other payables		(24,072)	(31,959)
Net cash (used in) / generated from operations		(257,118)	722,397
Interest paid	18	(1,951)	(3,415)
Income tax paid	20	(66,210)	(165,005)
Interest received	3	50,980	7,157
Compensation from insurance company - inventories	17	26,485	—
Net cash (used in) / generated from operating activities		(247,814)	561,134
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(408,502)	(78,239)
Compensation from insurance company - PPE	17	98,610	—
Proceeds from disposal of other investment		—	34,949
Cash used in investing activities		(309,892)	(43,290)
Cash flows from financing activities			
Bank loans obtained		—	87,000
Repayment of bank loans		(54,400)	(87,000)
Dividends paid		—	(41,041)
(Repayment)/Advances to shareholder's loan		(2,262)	3,799
Purchase of treasury shares		*	(4,006)
Net cash used in financing activities		(56,662)	(41,248)
Net (decrease) / increase in cash and cash equivalents		(614,368)	476,596
Cash and cash equivalents at beginning		2,366,087	1,889,491
Cash and cash equivalents at end	10	1,751,719	2,366,087

* Amount less than RMB 1,000

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 2014

1 GENERAL INFORMATION

The financial statements of the Group for the year ended 31 December 2014 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 respectively. 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").

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
		2014	2013	2014	2013	
		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
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 polypropylene 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 statements for the year ended 31 December 2014 were audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

(2) The financial statements for the year ended 31 December 2014 were audited by RT 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 RT LLP for the purpose of expressing an opinion on the consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

2(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) including related interpretations. 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 functional and presentation currency of the Group. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Significant accounting estimates, assumptions 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 end of the reporting period 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 areas involving a higher degree of judgements are described below:

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 2014 were RMB 492,351,000 (2013 - RMB368,282,000). 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.

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 the end of each reporting period, 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.

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 the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2014

On 1 January 2014, the Company and the Group adopted the new or amended IFRS and IFRIC interpretations that are mandatory for application from that date. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs and IFRIC interpretations.

The adoption of these new or amended IFRS and IFRIC Interpretations did not result in substantial changes to the Company's and the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2(C) IFRSS AND IFRICS ISSUED BUT NOT YET EFFECTIVE

Below are the mandatory new or amended IFRS and IFRIC interpretations that have been published, and are relevant for the Company's and the Group's accounting periods beginning on or after 1 January 2015 and which the Company and the Group have not early adopted:

Effective for the Company's and the Group's annual accounting period beginning on 1 January 2015

- Various improvements to IFRSs (Annual Improvements 2010-2012)
- Amendments to IFRS 8 Operating Segments
- Amendment to IAS 16 Property, Plant and Equipment
- Amendment to IAS 24 Related Party Disclosures
- Various improvements to IFRSs ((Annual Improvements 2011-2013)
- Amendments to IFRS 13 Fair Value Measurement
- Amendments to IAS 40 Investment Properties

Effective for the Company's and the Group's annual accounting period beginning on 1 January 2016

- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Various improvements to IFRSs (Annual Improvements 2012-2014)
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Effective for the Company's and Group's annual accounting period beginning on 1 January 2017

- IFRS 15 Revenue from Contracts with Customers

Effective for the Company's and Group's annual accounting period beginning on 1 January 2018

- IFRS 9 (2014) Financial Instruments

The directors do not anticipate that the adoption of the above new or amended IFRS in future periods will have a material impact on the financial statements of the Group and Company in the period of their initial adoption except for IFRS 15 and IFRS 9 (2014). Management is currently evaluating the potential impact of the application of IFRS 15 and IFRS 9 (2014) on the financial statements of the Group and of the Company in the period of their initial application.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The financial statements of the Group include the financial statements of the Company 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 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 was 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 2014 (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 when such 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 non-controlling interest.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

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 50 years. Land use rights represent up-front payment to acquire long-term interests in the usage of land.

Property, plant and equipment ("PPE") 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.

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.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment ("PPE") and depreciation (Cont'd)

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

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

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 end of each reporting period 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.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash on hand and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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.

When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve 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.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, 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 and other payables, accrued liabilities and bank borrowings.

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.

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

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 profit or loss 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.

Gains and losses are recognised in profit or loss 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.

Provisions

Provisions are recognised when the the Group has 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 2014 (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 profit or loss 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, 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 the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the 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.

Value added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the statement of financial position. The Group's export sales are not subject to VAT.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing cost

Borrowing costs are recognised in profit or loss using the effective interest rate method.

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. 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 the 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 of disposal 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 2014 (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 value added 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.

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 of the Company.

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 end of the reporting period are recognised in profit or loss..

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

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	2014 RMB'000	2013 RMB'000
Revenue		
Sale of goods	602,748	1,799,687
Other income		
Interest income	50,980	7,157
Sale of scrap	—	58
Rental income from investment property	37	37
Gain of foreign exchange	640	—
Others	—	35
	51,657	7,287

4 LAND USE RIGHTS

The Group	Land use rights RMB'000
Cost	
At 1 January 2013	15,786
Additions	—
At 31 December 2013	15,786
Additions	—
At 31 December 2014	15,786
Accumulated amortisation	
At 1 January 2013	897
Amortisation for the year (Note 19)	316
At 31 December 2013	1,213
Amortisation for the year (Note 19)	317
At 31 December 2014	1,530
Net book value	
At At 31 December 2014	14,256
At 31 December 2013	14,573

Land use rights represent leasehold interests in land located in Putian, Fujian province, PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

5 PROPERTY, PLANT AND EQUIPMENT

The Group	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2013	219,793	2,117	143,431	1,970	59,107	426,418
Additions	75,908	26	—	—	2,305	78,239
Transfers	—	—	54,958	—	(54,958)	—
Disposal	(4,075)	(429)	—	—	—	(4,504)
At 31 December 2013	291,626	1,714	198,389	1,970	6,454	500,153
Additions	386,819	—	21,683	—	—	408,502
Written off	(310,333)	(638)	(10,000)	—	—	(320,971)
At 31 December 2014	368,112	1,076	210,072	1,970	6,454	587,684
Accumulated depreciation						
At 1 January 2013	88,013	970	15,354	1,000	—	105,337
Depreciation for the year	21,807	298	8,309	186	—	30,600
Disposal	(3,667)	(399)	—	—	—	(4,066)
At 31 December 2013	106,153	869	23,663	1,186	—	131,871
Depreciation for the year	19,264	374	8,762	10	—	28,410
Written off	(63,960)	(988)	—	—	—	(64,948)
At 31 December 2014	61,457	255	32,425	1,196	—	95,333
Net book value						
At 31 December 2014	306,655	821	177,647	774	6,454	492,351
At 31 December 2013	185,473	845	174,726	784	6,454	368,282

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

Construction in progress consists of one factory building located at Putian, Fujian province, PRC.

Depreciation expense

The Group	2014 RMB'000	2013 RMB'000
Depreciation expense charged to:		
Cost of sales	10,039	25,695
Administrative expenses	18,371	4,905
	28,410	30,600

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

6 INVESTMENT PROPERTY

The Group	2014 RMB'000	2013 RMB'000
At 1 January and 31 December	145	145

Investment property comprises a factory building located in Putian, Fujian province, PRC, which was no longer used by the Group, and thus being leased to a third party. This lease contains a non-cancellable period of 10 years with monthly rental of RMB3,078.

There is no direct operating expenses incurred arising from the investment property that generates rental income.

The balance as at 31 December 2013 and 31 December 2014 represents the residual value of the factory building at cost less accumulated depreciation and impairment losses. Fair value has not been adopted as there is neither active market activity nor information on transactions made available publicly for the Group to reliably measure the fair value of the factory building as at respective balance sheet date.

7 DEFERRED TAX ASSETS

Deferred tax assets have been recognised in respect of the following item:

The Group	2014 RMB'000	2013 RMB'000
Recognised in the year (Note 20)	131,115	–
Balance at the end	131,115	

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.

As at 31 December 2014, the subsidiaries of the Group had estimated unutilised income tax losses of approximately RMB 524.5 million.

These unutilised income tax losses are available for set-off against future taxable profits, subject to the agreement of the relevant tax authorities and compliance with certain provisions of the income tax regulations of the respective countries in which the subsidiaries operate.

The relevant PRC income tax rules and regulations provide that operating losses can be carried forward to offset future taxable income. Losses can be carried forward for a maximum of 5 years. Losses may not be used to offset or recuperate taxes paid on income in prior years.

8 INVENTORIES

The Group	2014 RMB'000	2013 RMB'000
Raw materials	6,021	21,606
Work-in-progress	–	11,747
Finished goods	7,202	3,666
	13,223	37,019

During the financial year ended 31 December 2014, an inventory amount of RMB 50,227,000 (Note 17) was written off due to a fire incident.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

9 TRADE AND OTHER RECEIVABLES

	2014	The Group	2014	The Company
	RMB'000	2013	2014	2013
		RMB'000	RMB'000	RMB'000
Trade receivables – net	88,180	325,506	–	–
Amount due from subsidiaries	–	–	374,927	374,796
VAT receivables	39,095	–	–	–
Other receivables	118	802	39	38
Advances to suppliers	187,019	–	–	–
	314,412	326,308	374,966	374,834

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

Impairment loss amounting to RMB 60,152,000 has been recognised in trade receivables which have exceeded the normal credit term and legal action has been taken against the debtors. There is no past due trade receivables as at 31 December 2014 (2013 : Nil) after the recognition of impairment losses.

The ageing of trade receivables at the reporting date was as follows:

The Group	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	88,180	325,506
	88,180	325,506

Amount due from subsidiaries are unsecured, interest-free and repayable on demand.

Advances to suppliers represent payment to suppliers for purchase of raw materials and property, plant and equipment.

VAT receivables was a result of input tax paid higher than output tax during the period under review.

Trade and other receivables are denominated in the following currencies:

	2014	The Group	2014	The Company
	RMB'000	2013	2014	2013
		RMB'000	RMB'000	RMB'000
Renminbi	265,164	146,034	374,927	374,796
United States Dollar	49,210	180,236	–	–
Malaysia Ringgit	38	38	39	38
	314,412	326,308	374,966	374,834

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

10 CASH AND BANK BALANCES

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	1	30	–	–
Cash at bank	1,751,718	2,366,057	19	579
	1,751,719	2,366,087	19	579
Cash at bank comprises:				
Current account	1,751,718	766,057	19	579
Fixed deposits	–	1,600,000	–	–
	1,751,718	2,366,057	19	579

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	1,751,456	2,364,990	–	–
United States Dollar	242	516	–	–
Hong Kong Dollar	2	2	–	–
Malaysia Ringgit	19	579	19	579
	1,751,719	2,366,087	19	579

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.

Current account bears effective interest rate of 0.35% per annum (2013: 0.35% per annum).

Fixed deposits in previous year bear an effective interest rate of 3% per annum.

11 SHARE CAPITAL

	Number of shares' 000		Amount SGD' 000	
	2014	2013	2014	2013
Authorised:				
Balance at beginning and end of the year	10,000,000	10,000,000	10,000	10,000
Issued and fully paid				
Ordinary share at par value SGD0.001 each				
Balance at beginning of the year	1,242,761	1,242,761	1,242	1,242
Balance at end of year	1,242,761	1,242,761	1,242	1,242
			RMB'000	RMB'000
Renminbi equivalent			6,226	6,226

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

12 RESERVES

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve	64	64	–	–
Share premium	449,936	449,936	449,936	449,936
Treasury shares	(4,006)	(4,006)	(4,007)	(4,006)
Merger deficit	(4,150)	(4,150)	(4,150)	(4,150)
Statutory reserve	101,949	101,949	–	–
Retained earnings	2,074,073	2,376,467	(214,612)	(214,185)
	2,617,865	2,920,260	227,167	227,595

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

During the Company's annual general meeting held on 28 June 2014, shareholders of the Company approved the Company to repurchase its own shares. During the financial year, the Company repurchased 200 shares at the cost of RMB 218 which are held as treasury shares.

Merger deficit

The merger deficit 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.

Dividends

The following dividends were declared and paid by the Group:

The Group	2014 RMB'000	2013 RMB'000
Final tax-exempt dividend of RM 0.016 (approximate RMB 0.0297 per ordinary share paid in 2013) in respect of financial year ended 31 December 2012	–	36,937
10% withholding tax	–	4,104
	–	41,041

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

13 DEFERRED TAX LIABILITY

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deferred tax liability	38,623	38,623	38,623	38,623
Movements:				
At 1 January	38,623	29,650	38,623	29,650
Charged to income statement during the year (Note 19)	–	8,973	–	8,973
At 31 December	38,623	38,623	38,623	38,623

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 2013 and 2014, deferred tax liabilities relates to 10% withholding tax on 20% of the profit after tax of the PRC subsidiaries which is expected to be paid as dividends to the shareholders.

No deferred tax liabilities has been made for profitable subsidiary as the Group does not intend to declare dividend out of the profit of the subsidiary for the year ended 31 December 2014.

14 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables	30,229	56,799	–	–
Amount due to subsidiaries	–	–	103,758	103,758
Accruals	2,415	4,817	–	–
Other creditors	1,486	–	–	–
Other tax payables	175	3,814	–	–
Advances from customers	7,669	413	–	–
Property, plant and machinery payables	–	203	–	–
	41,974	66,046	103,758	103,758

Trade payables are generally settled between 30 and 60 days.

Amount due to subsidiaries are unsecured, interest-free and repayable on demand.

Accruals comprise mainly comprises of accrued salary.

Advances from customers represent the excess of fire compensation which will be used to offset with future sales orders placed with the Group.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Renminbi	41,772	39,444	103,758	103,758
United States Dollar	–	26,443	–	–
Malaysia Ringgit	202	159	–	–
	41,974	66,046	103,758	103,758

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

15 BORROWINGS

The Group	2014 RMB'000	2013 RMB'000
Bank loans		
Secured and repayable within one year	–	54,400

The bank borrowings have been fully repaid as at 31 December 2014.
Short-term borrowing in the previous year has an effective interest rate ranging from of 6.3% to 6.6% per annum.

16 AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, interest-free and repayable on demand. The fair values approximate its carrying amount as at 31 December 2014 and 31 December 2013 respectively.

17 OTHER OPERATING EXPENSES

The Group	2014 RMB'000	2013 RMB'000
PPE written off	157,413	–
Inventory written off	50,227	–
Compensation to customers	311,122	–
Loss on disposal of investment	–	40,025
	518,762	40,025

PPE and inventory written off, and compensation to customers was due to the fire incident which occurred in April 2014.

PPE and inventory written off recognised in other operating expenses consist of PPE and inventory valued at gross amounting RMB256,023,000 and RMB 76,712,000 less compensation received from insurance company amounting RMB98,610,000 and RMB 26,485,000 respectively.

18 FINANCE COSTS

The Group	2014 RMB'000	2013 RMB'000
Interest expense:		
Bank borrowings	1,951	3,415

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

19 (LOSS)/PROFIT BEFORE TAXATION

The Group	Note	2014 RMB'000	2013 RMB'000
(Loss) / profit before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	5	28,410	30,600
Amortization of land use rights ⁽¹⁾	4	317	316
Amortization of shop renovation costs		—	1,163
Loss on disposal on property, plant and equipment		—	438
Impairment losses on trade receivables		60,152	—
Research and development cost		764	1,352
Cost of inventories recognised as expenses		377,832	997,571
Directors' remuneration			
- salaries and related costs		3,509	4,650
- retirement scheme contribution		6	4
Key management personnel (other than directors)			
- salaries and related costs		1,535	1,642
- retirement scheme contribution		76	73
Other than directors and key management personnel			
- salaries and related costs		21,861	34,603
- retirement scheme contribution		4,255	5,087
Advertisement expense ⁽²⁾		64,142	112,189
Operating lease expense		341	120

⁽¹⁾ Amortization charge on land use rights of approximately RMB 316,000 (2013 - RMB 317,000) have been charged to the administrative expenses on the face of the statement of comprehensive income.

⁽²⁾ These expenses are charged to selling and distribution expenses in the consolidated statement of comprehensive income.

20 TAXATION

The Group	2014 RMB'000	2013 RMB'000
Current year provision		
- PRC income tax	54,146	150,704
Deferred tax assets (Note 7)	(131,115)	—
Deferred tax liability (Note 13)	—	8,973
Current year tax (credits) / expense	(76,969)	159,677

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates is as follows:

The Group	2014 RMB'000	2013 RMB'000
(Loss)/ profit before taxation	(379,363)	547,704
Tax at applicable tax rate of 25% (2013 - 25%)	(94,841)	136,926
Tax effect on non deductible expenses	17,872	13,778
Withholding tax related to undistributed profits of PRC subsidiaries	—	8,973
	(76,969)	159,677

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

20 TAXATION (Cont'd)

Movement in current income tax liabilities is as follows:

The Group	2014 RMB'000	2013 RMB'000
At 1 January	23,022	37,323
Income tax paid	(66,210)	(165,005)
Current income tax	54,146	150,704
At 31 December	10,958	23,022

Note:

The provision for PRC income tax is calculated based on statutory income tax at a rate of 25% for years ended 31 December 2013 and 2014 in accordance with the relevant PRC income tax rules and regulations for the relevant years.

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.

For the year ended 31 December 2014, non deductible expenses include an impairment loss recognized on trade receivables.

21 (LOSS)/EARNINGS PER SHARE

Basic 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 1,242,761,000 (2013 – 1,242,761,000) shares during the financial year.

Fully diluted earnings per share were calculated on the consolidated profits attributable to owners of the Company divided by 1,242,761,000 (2013 – 1,242,761,000) 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 reflect the profit or loss and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

The Group	2014 RMB'000	2013 RMB'000
(Loss) / profit attributable to shareholders	(302,394)	388,027
	(302,394)	388,027
Basic (loss) / earnings per share (RMB cents)	(24.33)	31.22
Diluted (loss) / earnings per share (RMB cents)	(24.33)	31.22

	No. of shares '000	No. of shares '000
Issued ordinary shares at beginning of the year	1,242,761	1,242,761
Weighted average number of ordinary shares at the end of the year	1,242,761	1,242,761

21 (LOSS)/EARNINGS PER SHARE (Cont'd)

The warrants issued as disclosed in Note 29 are non-dilutive on the number of shares of the Company as the exercise price of the warrant is higher than the market price and is not expected to be exercised.

22 COMMITMENTS

22.1 Capital commitments

The Group	2014 RMB'000	2013 RMB'000
Capital expenditure contracted but not provided for in the financial statements	60,908	60,908

22.2 Operating lease commitments

Leases as lessee

At the end of the financial year, 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	2014 RMB'000	2013 RMB'000
Not later than one year	258	370
Later than one year and not later than five years	30	306
	288	676

The lease of office premises expiring between 15 August 2015 and 31 March 2016 are payable at a monthly rental fee of RMB 20,806 and RMB 10,000 respectively.

Leases as lessor

The Group leases out its investment property (Note 6). The future minimum lease income under non-cancellable operating leases are as follows:

The Group	2014 RMB'000	2013 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	31	68
	216	253

As at 31 December 2014, RMB36,936 was recognized as rental income in profit and loss by the Group (Note 3) (2013 – RMB36,936).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

22 COMMITMENTS (Cont'd)

22.3 Other commitments

- (i) As at 31 December 2014, the Group has unpaid capital contribution in Ruiyuan amounting to USD5,600,000 (2013 - USD5,600,000).
- (ii) As at 31 December 2014, the Group has unpaid capital contribution in Sakura Stationery amounting to USD5,920,000 (2013-USD5,920,000).
- (iii) As at 31 December 2013, the Group entered into agreements with two foreign companies, who will supply a subsidiary, Sakura Plastics, with 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 annually unless terminated by either party.
- (iv) As at 31 December 2014, the Group entered into an agreement with a foreign company, who will supply a subsidiary, Sakura Plastics, with 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 annually unless otherwise terminated by either party.
- (v) As at 31 December 2014, the Group has unpaid expenditure in Sakura Stationery of an amount approximately RMB 850,000 (2013: RMB1,850,000) in relation to its advertisement campaign.
- (vi) As at 31 December 2014, the Group has entered into an agreement with a PRC company, who will supply a subsidiary, Ruiyuan, with raw materials not less than 2,500,000 pieces each for 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 thereafter 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 a related party at agreed rates:

The Group	2014 RMB'000	2013 RMB'000
Rental paid to a related party ⁽¹⁾	120	120

⁽¹⁾ Related party relates to the spouse of a director.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

24 SEGMENT INFORMATION (Cont'd)

24.1 Business segments (Cont'd)

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.

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

Year ended 31 December 2014	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	116,208	486,540	–	602,748
Inter-segment revenue	15,880	66,489	(82,369)	–
	132,088	553,029	(82,369)	602,748
Results				
Segment results	71,722	208,089		279,811
Other income				51,657
Corporate expenses				(708,880)
Finance costs				(1,951)
Loss before taxation				(379,363)
Income tax expense				76,969
Loss after taxation				(302,394)
Other information				
Segment assets	117,222	490,788	–	608,010
Unallocated assets				
- Investment property				145
- Deferred tax assets				131,115
- Other receivables				226,232
- Cash and bank balances				1,751,719
Total assets				2,717,221
Segment liabilities	5,828	24,401		30,229
Unallocated liabilities				
- Other payables				11,745
- Amount due to a shareholder				1,575
- Current tax payable				10,958
- Deferred tax liability				38,623
Total liabilities				93,130
Capital expenditure	78,758	329,744		408,502
Depreciation of property, plant and equipment	5,477	22,933		28,410
Amortisation of land use rights	61	256		317

Included in the corporate expenses is an amount relating to PPE and inventory written off, and compensation to customers for breach of sales delivery terms as a result of a fire incident amounting RMB 518,762,000 which cannot be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

24 SEGMENT INFORMATION (Cont'd)

24.1 Business segments (Cont'd)

Year ended 31 December 2013	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	440,049	1,359,638	–	1,799,687
Inter-segment revenue	81,502	251,822	(333,324)	–
	521,551	1,611,460	(333,324)	1,799,687
Results				
Segment results	239,373	555,563		794,936
Other income				7,287
Corporate expenses				(251,104)
Finance costs				(3,415)
Profit before taxation				547,704
Income tax expenses				(159,677)
Profit after taxation				388,027
Other information				
Segment assets	182,257	563,123		745,380
Unallocated assets				
- Investment property				145
- Other receivables				802
- Amount due from a shareholder				276
- Cash and bank balances				2,366,087
Total assets				3,112,690
Segment liabilities	13,888	42,911		56,799
Unallocated liabilities				
- Other payables				9,247
- Amount due to a shareholder				4,113
- Borrowing				54,400
- Current tax payable				23,022
- Deferred tax liability				38,623
Total liabilities				186,204
Capital expenditure	19,131	59,108		78,239
Depreciation of property, plant and equipment	7,482	23,118		30,600
Amortisation of land use rights	77	239		316

Included in the corporate expenses is an amount relating to loss on disposal of quoted shares amounting RMB40,025,000 which cannot be allocated on a reasonable basis.

24 SEGMENT INFORMATION (Cont'd)

24.2 GEOGRAPHICAL SEGMENTS

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

Asia includes Hong Kong, United Arab Emirates, Palestine, Pakistan, Qatar, Iran, Saudi Arabia, India, Indonesia, Japan, Kuwait, Philippines, Korea, Nepal, 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, Switzerland, Netherlands, Belgium and the United Kingdom.

Americas 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, New Zealand and Fiji.

In presenting information on the basis of geographical segments, segment revenue is based on where the goods are delivered to.

	2014	2013
	Revenues^(a)	Revenues^(a)
The Group	RMB'000	RMB'000
PRC	173,577	603,099
Asia (apart from PRC)	181,216	509,944
Americas	87,234	260,262
Europe	96,083	280,765
Africa	35,622	69,212
Others	29,016	76,405
Total	602,748	1,799,687

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

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group risk management policies has been approved by the board of directors on 22 August 2013. Hence 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 financial 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 2014, the Group's financial instruments consisted mainly of cash and bank balances, trade receivables and other receivables, trade payables, accrued liabilities and other payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 deposits with the bank. 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 2013 and 2014. 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 carried out its business in the PRC and most of the transactions are denominated in Renminbi, United States Dollar, Hong Kong Dollar and Malaysia Ringgit. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

A 5% strengthening/weakening of the foreign currencies against the Renminbi for the years ended 31 December 2013 and 2014 respectively would have had the following impact on the profit by the amounts shown below:

The Group	Increase/(Decrease) in profit for the years ended 31 December	
	2014 RMB'000	2013 RMB'000
strengthened	2,466	7,738
weakened	(2,466)	(7,738)

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.

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

The Group	Effective interest rate %	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2014					
Trade and other payables	—	41,974	—	—	41,974
Amount to due shareholders	—	1,575	—	—	1,575
		43,549	—	—	43,549
As at 31 December 2013					
Trade and other payables	—	66,046	—	—	70,159
Amount due to shareholders	—	4,113	—	—	4,113
Borrowings	6.35 - 6.65	57,815	—	—	57,815
		127,974	—	—	127,974

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

25.3 Liquidity risk (Cont'd)

The Group ensures 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 (Note 9) 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 14.33% and 6.47% of the total trade receivable balances as at 31 December 2014 and 31 December 2013 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.

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 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables				
Cash and bank balances	1,751,719	2,366,087	19	579
Trade and other receivables	314,412	326,308	374,966	374,834
Amount due from a shareholder	–	276	–	–
Financial liabilities				
Amortised cost				
Trade and other payables	41,974	66,046	103,758	103,758
Bank borrowings	–	54,400	–	–
Amount due to a shareholder	1,575	4,113	39	39

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

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.

The subsidiaries of the Group in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authority in the PRC. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2014 and 2013.

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.

The Group does not anticipate that the carrying amounts recorded at the end of the financial year would be significantly different from the values that would eventually be received or settled.

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

The breakdown of the retained earnings of the Group as at 31 December 2014 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	2,035,449
- Unrealised	38,623
	2,074,072
Less: Consolidation adjustments	—
Total retained earnings	2,074,072

29 WARRANTS ISSUED

At the Extraordinary General Meeting ("EGM") held on 24 August 2012, the Company's shareholders approved Warrants to be issued to the then existing shareholders on a basis of one warrant for every two existing ordinary shares of SGD 0.001 each in the Company held on an entitlement date. There was no consideration received for the warrants

The exercise price per share is RM 1.15, and is exercisable anytime within five years from the date of issuance, and the conversion ratio is 1 warrant for 1 new ordinary share of the Company.

The number of warrants outstanding as at 31 December 2014 is 596,295,388 (31 December 2013: 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	Number of warrants'000
Chan Fung @ Kwan Wing Yin ⁽¹⁾	446,500
Angus Kwan Chun Jut ⁽¹⁾	446,500

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

30 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

An announcement was made on 8 April 2014 on Bursa Malaysia relating to a fire that had occurred at the Company's PRC subsidiary's production plant located at No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, The People's Republic of China ("PRC") at about 1:30am on 4 April 2014. The plant involved was an individual designed five-storey detached factory building used for the production of polypropylene (PP) sheets as well as a warehouse for PP resin, PP sheets and recycled PP resin.

Although there was insurance coverage against the damage caused by fire to the equipment, raw materials and finished products kept in the affected plant, it was sealed off by the police authority of PRC and prohibited from entrance by outsiders save for the investigating police. In view thereof, the Management of the Company and insurance representatives were unable to access to the scene to ascertain the total damage caused by the fire incident due to the inaccessibility to the affected plant. Management of the Company was also in the midst of liaising with the customers of the Company in regard to the fire incident and to seek their understanding. None of the customers had initiated legal proceedings to demand for compensation in view of the delays in fulfilling their orders due to the fire incident.

Subsequent to the fire incident, the Company had on 17 April 2014 submitted an application for extension of time for a period of two months from the respective deadlines for issuance of the Audited Financial Statements for FYE2013 and Quarterly Results for the period ended 31 March 2014 (1QFY2014), in order to comply with Paragraph 9.23(2) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). Bursa Securities has granted China Stationery an extension of time of:

- i. Two (2) months from 1 May 2014 until 30 June 2014 ("Extended Deadline") to announce its Audited Financial Statements for FYE2013, which is due on 30 April 2014; and
- ii. Two (2) months from 1 June 2014 until 31 July 2014 ("Extended Deadline") to announce the 1QFY2014 report for the financial period ended 31 March 2014 which is due on 31 May 2014.

The Company failed to meet the extended deadline to submit its Audited Financial Statements for FYE2013 on 30 June 2014 as the management needed more time to provide sufficient evidence to External Auditors Messrs RT LLP to complete the audit procedures for issuance of an audit report.

Nonetheless, China Stationery had on 8 July 2014 submitted the Audited Financial Statements for FYE2013, a day before the Company's shares were suspended from trading. The Company however was categorised as a Practice Note 17 (PN17) company by Bursa Securities as the External Auditors had issued a "disclaimer of opinion" on the Group's audited financial statements for FYE2013 as the auditors were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

30 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Cont'd)

On 25 July 2014, a Police Investigation Report was issued by the police authorities of PRC. As per the Police Investigation Report, approximately 12,000 square metres, out of the total floor area of 16,500 square metres were gutted by the fire due to electrical short circuit at a section of the production area of Plant No. 4. The ignited electrical cable fell on the easily inflammable semi-finished products kept within the production floor. No casualty or injuries had been reported.

On 15 August 2014 the Company engaged M &A Securities Sdn Bhd to act as adviser to the Company to conceptualise a regularisation plan to address its PN17 status.

31 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

There were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2014

Owner 公司	Location 地点	Tenure 期限	Use of Land certificate of land use right	Use of Property per ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2014 净值 31/12/2014 Land 土地 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	RMB131,092 (RMB74,526) ⁽²⁾	An individual designed 5 storey detached factory and vacant
	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		Workshop (Second Plant)		4,165.5	Please see Note 1 below	RMB891,291 (RMB506,698) ⁽²⁾	An individual designed 3 storey detached factory used for off set colour printing division
			Residential Use	Residential Use	201.8	390.4	Nil	RMB79,196 (RMB45,023) ⁽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	RMB1,291,627 (RMB734,290) ⁽²⁾	An individual designed 2 storey detached factory building used for moulding and assembling of tape printer

LIST OF PROPERTIES

AS AT 31 DECEMBER 2014 (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 FYE2014 净值 31/12/2014 Land 土地 Building 建筑	Detailed description and existing use
	Town, Hanjiang District, Putian, China (中国莆田市 涵江区江口镇 五星,东楼村)								An individual designed 2 storey detached factory building used for moulding and assembling of tape printer
						596.3	Nil	RMB4,755,251 (RM2,703,360) ⁽²⁾	Joint bridge
	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	RMB12,140,951 (RM6,902,131) ⁽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		RMB48,766,438 (RM27,723,720) ⁽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.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2014 (cont'd)

Owner 公司	Location 地点	Tenure 期限	Use of Land 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 FYE2014 净值 31/12/2014		Detailed description and existing use
								Land 土地	Building 建筑	
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇 江西路2899号)	7 August 2053		Industrial use (New Plant)		6,988.04	Nil		RMB20,817,635 (RM11,834,825) ^(a)	An individual designed 7 storey detached factory buildings used as a dormitory and cafeteria for our employees.
						–	Nil		RMB8,572,409 (RM4,873,415) ^(a)	Drainage work
						–	Nil		RMB27,342,552 (RM15,544,241) ^(a)	Plant Road
						148	Nil		RMB3,082,733 (RM1,752,534) ^(a)	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.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2014 (cont'd)

Owner 公司	Location 地点	Tenure 期限	Use of Land certificate of land use right	Use of property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2014 净值 Land 土地 Building 建筑	Detailed description and existing use
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⁾	–	45,600.6	–	Nil	RMB12,308,117 (RM6,997,165) ⁽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	(New Plant) Industrial use	–	6,530.9	–	Nil	RMB525,209 (RM298,581) ⁽²⁾	–

Notes:

- (1) Mortgaged together with First and Second Plant to Agriculture Bank of China, Hanjiang Branch for securing all loans not exceeding approximately RMB10.50 million obtained by Sakura Stationery from Agriculture Bank of China, Hanjiang Branch during the period commencing 15 October 2013 to 14 October 2014.
- (2) Using exchange of RMB1.00: RMB0.5685 as at FYE2014.
- (3) The cost of this land is approximately RMB14.26 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 6 MAY 2015

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 (including 10,000,400 treasury shares of SGD0.001 each)
Par value per share	:	SGD0.001
Class of Equity Security	:	Ordinary shares of SGD0.001 each
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS AS AT 6 MAY 2015

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	8	0.114	268	0.000
100 - 1,000	446	6.405	229,995	0.018
1,001 - 10,000	1,788	25.678	11,887,293	0.964
10,001 - 100,000	3,444	49.461	149,919,326	12.161
100,001 - 61,638,008 (*)	1,276	18.325	827,723,306	67.143
61,638,009 AND ABOVE (**)	1	0.014	243,000,000	19.711
TOTAL	6,963	100.000	1,232,760,188	100.000

* less than 5% of issued shares

** 5% and above of issued shares

INFORMATION ON SUBSTANTIAL SHAREHOLDERS AS AT 6 MAY 2015

	Direct No. of Shares	%	Indirect No. of Shares	%
Lead Champion Group Limited	289,100,000	23.45	—	—
Chan Fung @ Kwan Wing Yin	1,827,700	0.14	289,100,000	23.45*
Angus Kwan Chun Jut	—	—	289,100,000	23.45*

INFORMATION ON DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2015

	Direct No. of Shares	%	Indirect No. of Shares	%
Chan Fung @ Kwan Wing Yin	1,827,700	0.14	289,100,000	23.45*
Angus Kwan Chun Jut	—	—	289,100,000	23.45*

* Deemed interested via Lead Champion Group Limited applying Section 6A of the Malaysian Companies Act 1965.

ANALYSIS OF SHAREHOLDINGS

AS AT 6 MAY 2015 (cont'd)

LIST OF TOP 30 HOLDERS AS AT 6 MAY 2015

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED	243,000,000	19.711
2	KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEAD CHAMPION GROUP LIMITED	46,100,000	3.739
3	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED (CLIENT ACCOUNT)	39,689,600	3.219
4	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	31,000,000	2.514
5	JF APEX NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	24,717,000	2.005
6	HO SWEE CHOON	14,811,100	1.201
7	YAP GEAK HENG	12,668,800	1.027
8	LIM EIK HOY	12,546,800	1.017
9	THZEW BEE CHOO	10,493,600	0.851
10	RHB NOMINEES (TEMPATAN) SDN BHD YONG HON CHONG	9,176,000	0.744
11	CHIN NYUK CHIN	8,000,000	0.648
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)	7,000,000	0.567
13	TANG KEE HIONG	6,800,000	0.551
14	GAN THIAN TECK	6,350,000	0.515
15	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	6,000,000	0.486
16	TANG KEE HOON	5,500,000	0.446
17	WONG FOOK INN	5,321,500	0.431
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KIAN BOON	5,176,600	0.419
19	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK MOOI KHENG (CCTS)	5,000,000	0.405
20	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	5,000,000	0.405
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LOH HUAT LEE (M73126)	4,940,000	0.400
22	KOAY KIM EAM	4,764,200	0.386

ANALYSIS OF SHAREHOLDINGS

AS AT 6 MAY 2015 (cont'd)

LIST OF TOP 30 HOLDERS AS AT 6 MAY 2015

No.	Name	Holdings	%
23	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PBS OFFICE SUPPLIES HOLDING SDN BHD</i>	4,543,091	0.368
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAP QWEE BENG (E-KPG)</i>	4,500,000	0.365
25	CHOW YIT SEONG	4,457,200	0.361
26	TANG KEE WONG	4,350,000	0.352
27	CHOR KIANG MONG	4,167,700	0.338
28	LEE AH YEW	4,100,000	0.332
29	MAH KENG LOOI	3,960,000	0.321
30	LAI PATT	3,950,000	0.320
TOTAL		548,083,191	44.459

ANALYSIS OF WARRANT HOLDINGS

AS AT 6 MAY 2015

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 2014	:	Nil

ANALYSIS BY SIZE OF HOLDINGS AS AT 6 MAY 2015

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	252	10.909	12,466	0.002
100 - 1,000	325	14.069	217,071	0.036
1,001 - 10,000	781	33.809	3,525,600	0.591
10,001 - 100,000	601	26.017	30,721,700	5.152
100,001 - 29,814,768 (*)	350	15.151	199,981,350	33.537
29,814,769 AND ABOVE (**)	1	0.043	361,837,201	60.680
TOTAL	2,310	100.000	596,295,388	100.000

* less than 5% of issued warrants

** 5% and above of issued warrants

LIST OF TOP 30 HOLDERS AS AT 6 MAY 2015

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED	361,837,201	60.680
2	JF APEX NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	12,358,500	2.072
3	LIM KIM BOON	6,187,600	1.037
4	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LI XIULAN	4,750,000	0.796
5	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LIN LIPING	4,750,000	0.796
6	HO KAM FOOK	4,100,000	0.687
7	LEE KOK CHUAN	4,000,000	0.670
8	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH NG KWA @ LOH NG KAW	3,443,900	0.577
9	LEE SOO HAR	3,357,200	0.563
10	WONG WAI LUM	3,266,000	0.547
11	CHIA KUANG KER	2,999,900	0.503

ANALYSIS OF WARRANT HOLDINGS

AS AT 6 MAY 2015 (cont'd)

LIST OF TOP 30 HOLDERS AS AT 6 MAY 2015

No.	Name	Holdings	%
12	ZULKIFLI BIN OSMAN	2,750,000	0.461
13	GOH AH WAT	2,501,000	0.419
14	TEH TEONG BENG	2,499,100	0.419
15	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHAN LAM SANG @ CHAN LAM</i>	2,474,100	0.414
16	NGUAN HOCK SENG	2,425,900	0.406
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>YEAP HOCK CHONG</i>	2,287,000	0.383
18	LIM CHEOH TOW	2,280,000	0.382
19	KHO SOW GAN	2,000,000	0.335
20	KOH LIANG TIAN	2,000,000	0.335
21	UOB KAY HIAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)</i>	2,000,000	0.335
22	ZAINAL ARIFFIN BIN OSMAN	2,000,000	0.335
23	THONG LOU HOONG	1,816,500	0.304
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHUAH SWEE HUAT (E-KLC)</i>	1,750,000	0.293
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>JOSEPH LING ONG CHUONG (E-PDG)</i>	1,700,000	0.285
26	HO CHEE YAN	1,600,000	0.268
27	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR KONG TONG LIN (M09)</i>	1,400,000	0.234
28	LIM BEE LAN	1,300,000	0.218
29	LIM KWEE KIM	1,300,000	0.218
30	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)</i>	1,250,000	0.209
Total		448,383,901	75.194

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN That the 2015 Annual General Meeting of the Company will be held at Langkawi Room, 1st Floor, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 24 June 2015 at 10.00 a.m., for the following purposes:

AGENDA

- | | |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors thereon. | <i>Please refer to Explanatory Note 1</i> |
| 2. To approve the payment of Directors' fees of RM280,000.00 for the financial year ending 31 December 2015. | <i>Ordinary Resolution 1</i> |
| 3. To re-elect Angus Kwan Chun Jut, who is retiring pursuant to Bye-law 89(1) of the Company's Bye-Laws. | <i>Ordinary Resolution 2</i> |
| 4. To re-elect Dr Risambessy Izaac who is retiring pursuant to Bye-law 89(2) of the Company's Bye-Laws. | <i>Ordinary Resolution 3</i> |
| 5. To re-elect Ang Wei Chuan who is retiring pursuant to Bye-law 88(6) of the Company's Bye-Laws. | <i>Ordinary Resolution 4</i> |
| 6. To re-elect Lim Kim Huat who is retiring pursuant to Bye-law 88(6) of the Company's Bye-Laws. | <i>Ordinary Resolution 5</i> |
| 7. To re-appoint Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. | <i>Ordinary Resolution 6</i> |
| 8. 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:

- | | |
|---|-------------------------------------|
| 9. Ordinary Resolution
Authority To Issue Shares | <i>Ordinary Resolution 7</i> |
|---|-------------------------------------|

"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 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."

10. Ordinary Resolution

Proposed Renewal Of Share-Buy Back Authority

Ordinary Resolution 8

“THAT, subject to compliance with 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 (“the Act”) and all other applicable laws, guidelines, rules and regulations for the time being in force and the approvals of all relevant governmental and/or regulatory authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of SGD0.001 each in the Company’s issued and paid-up share capital through Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject further to the following:-

- i) the maximum number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up share capital for the time being of the Company (“Shares”); and
- ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and the share premium account of the Company. As of 31 December 2014, the audited retained profits and share premium of the Company are RMB2,074,073,000 and RMB449,936,000 respectively;

THAT upon completion of the purchase by the Company of its own Shares, the Directors of the Company are authorised to deal with the said Shares in the following manner:-

- i) cancel the Shares so purchased; or
- ii) retain the Shares so purchased as Treasury Shares; or
- iii) retain part of Shares so purchased as Treasury Shares and cancel the remainder; or
- iv) resell the Treasury Shares on Bursa Securities and/or distribute the Treasury Shares as dividends to the Company’s shareholders and/or subsequently cancel the Treasury Shares or combination of the three;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force.

AND THAT the Directors of the Company be and are hereby empowered to carry out the above immediately upon the passing of this resolution and the authority conferred by this resolution will continue to be in force from the date of the passing of this resolution until:-

- i) the conclusion of the next annual general meeting of the Company following the general meeting at which this resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or
- iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting;

whichever is the earliest, and the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things as they deem fit and expedient in the interest of the Company to give full effect to the Proposed Renewal contemplated and/or authorised by this Ordinary Resolution.”

By Order of the Board

Secretarius Services Sdn Bhd
Company Secretary

Dated: 29 May 2015

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 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. 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 of 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 (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.
6. 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 Securities Industry (Central Depositories) Act, 1991 of Malaysia.
7. For the purpose of determining a Member who shall be entitled to attend the 2015 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 17 June 2015. 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.

2. Item 2 of the Agenda

Ordinary Resolution 1 - Approval for Directors' Fees

The Directors' fees proposed for the financial year ending 31 December 2015 are calculated based on the number of scheduled Board and Committee meetings for 2015 and assuming that all Non-Executive Directors will hold office until the end of the financial year. This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

Explanatory Notes on Special Business:

1. Item 9 of the Agenda

Ordinary Resolution 7 – Authority to issue shares

Ordinary 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 to 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.

The Company did not issue any shares pursuant to the mandate granted to the Directors at the 2014 Annual General Meeting as at the date of this Notice. The Company did not issue any shares pursuant to the mandate granted because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

2. Item 10 of the Agenda

Ordinary Resolution 8 – Proposed Renewal of Share Buy-Back Authority by the Company

For further information on Ordinary Resolution 8, please refer to Statement of Share Buy-Back dated 29 May 2015 accompanying the Company's Annual Report for the year ended 31 December 2014.

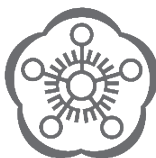
STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

There is no Director standing for election at the 2015 Annual General Meeting of the Company.

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FORM OF PROXY



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)

CDs Account No

No. of shares held

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 2015 Annual General Meeting of the Company to be held at Langkawi Room, 1st Floor, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000, Kuala Lumpur on Wednesday, 24 June 2015 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:-

AGENDA	RESOLUTION	FOR	AGAINST
Payment of Director's fees for the financial year ending 31 December 2015.	Ordinary Resolution 1		
Re-election of Angus Kwan Chun Jut as Director.	Ordinary Resolution 2		
Re-election of Dr Risambessy Izaac as Director.	Ordinary Resolution 3		
Re-election of Ang Wei Chuan as Director.	Ordinary Resolution 4		
Re-election of Lim Kim Huat as Director.	Ordinary Resolution 5		
Re-appointment of Messrs RT LLP as Auditors of the Company.	Ordinary Resolution 6		
Authority to Issue Shares.	Ordinary Resolution 7		
Proposed Renewal of Share Buy-Back Authority.	Ordinary Resolution 8		

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 _____, 2015

Signature of Shareholder/Common Seal

Notes:

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- 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 of 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.
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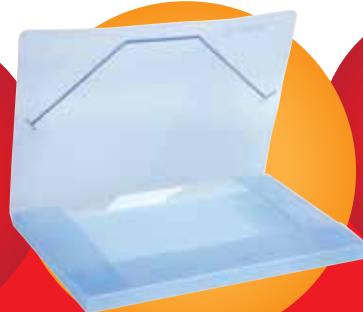
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AFFIX
STAMP
RM0.80

The Share Registrar
CHINA STATIONERY LIMITED
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

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(Malaysian Branch Registration No.: 995224-W)

Donglou Village, Wuli Ting, Jiangkou Town,
Hanjiang District, Putian, China

Tel: (86) 594 369 7883

cstationery.com