

## **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)



**ANNUAL REPORT 2015**

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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:

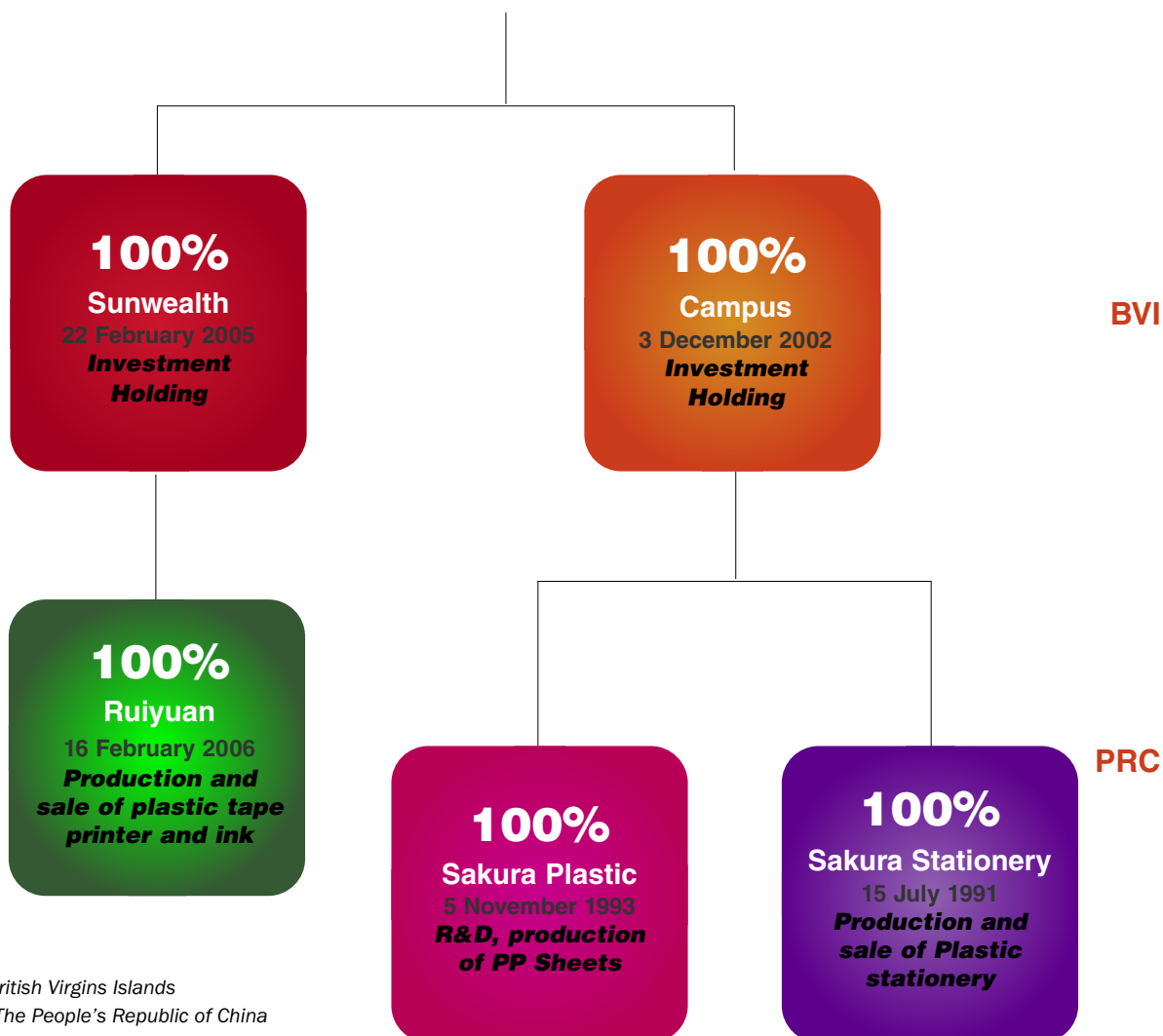


## CHINA STATIONERY LIMITED

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

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)  
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(Malaysian Branch Registration No.: 995224-W)  
**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

## OUR AWARD WINNING BRANDS



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.

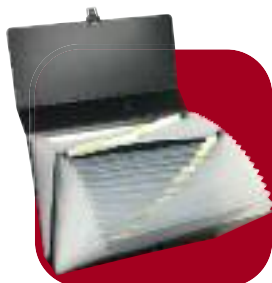
The Company's SAKURA brand of products has won numerous awards, certifications and accolades including Fujian Province Branded Products (福建省名牌产品) (valid for 3 years until 2009) awarded by the Fujian Provincial People's Government (福建省人民政府), and Fujian Province Famous Trademark (福建省著名商标) (valid for 3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

## CORPORATE PROFILE (cont'd)

### OUR PRODUCTS

Plastic filing and storage products



Expandable Files



Document Files



Movable Document Cases



Expandable Folders



CD Holders



Filing Bags



Display Books



Pocket Files



Lever Clip Files

### Patented Products

Plastic tape printer



# CORPORATE INFORMATION

AS AT 31 MARCH 2016

## 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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## REGISTERED OFFICE IN BERMUDA

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

## REGISTERED OFFICE IN MALAYSIA

Unit 30-01, Level 30,  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8 Jalan Kerinchi,  
59200 Kuala Lumpur.  
Tel No: (603) 2783 9191  
Fax No: (603) 2783 9111

## PRINCIPAL PLACE OF BUSINESS/HEAD OFFICE

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

## BERMUDA SHARE REGISTRAR

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

## BUSINESS OFFICE IN MALAYSIA

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

## MALAYSIA SHARE REGISTRAR

Tricor Investor & Issuing House  
Services Sdn Bhd  
Office: Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South,  
No. 8 Jalan Kerinchi,  
59200 Kuala Lumpur.  
Tel No: (603) 2783 9299  
Fax No: (603) 2783 9222

Customer Service Centre:  
Unit G-3 Ground Floor,  
Vertical Podium, Avenue 3  
Bangsar South  
No. 8 Jalan Kerinchi,  
59200 Kuala Lumpur.

## COMPANY AGENT IN MALAYSIA

PFA Corporate Consultants Sdn Bhd  
Unit 30-01, Level 30,  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8 Jalan Kerinchi,  
59200 Kuala Lumpur.  
Tel No: (603) 2783 9191  
Fax No: (603) 2783 9111

## 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

## AUDITORS

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

## 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 FYE2011 – FYE2015

	FYE2011	FYE2012	FYE2013	FYE2014	FYE2015
PBT (RMB'000)	650,337	657,692	547,704	(379,364)	142,714
PAT (RMB'000)	464,706	465,489	388,207	(302,395)	91,794

## REVENUE FOR FYE2011 – FYE2015

	FYE2011	FYE2012	FYE2013	FYE2014	FYE2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	1,774,710	1,980,628	1,799,687	602,748	381,283

## GROSS PROFIT AND GROSS PROFIT MARGIN BY PRODUCT MIX

### Gross Profit

	FYE2011		FYE2012		FYE2013		FYE2014		FYE2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	280,523	35.3	345,161	39.7	239,373	30.2	71,722	25.6	78,312	42.0%
Non-Patented Products	514,980	64.7	524,947	60.3	555,563	69.8	208,089	74.4	108,080	58.0%
<b>Total</b>	<b>795,503</b>	<b>100.0</b>	<b>870,108</b>	<b>100.0</b>	<b>794,936</b>	<b>100.0</b>	<b>279,811</b>	<b>100.0</b>	<b>186,392</b>	<b>100.0%</b>

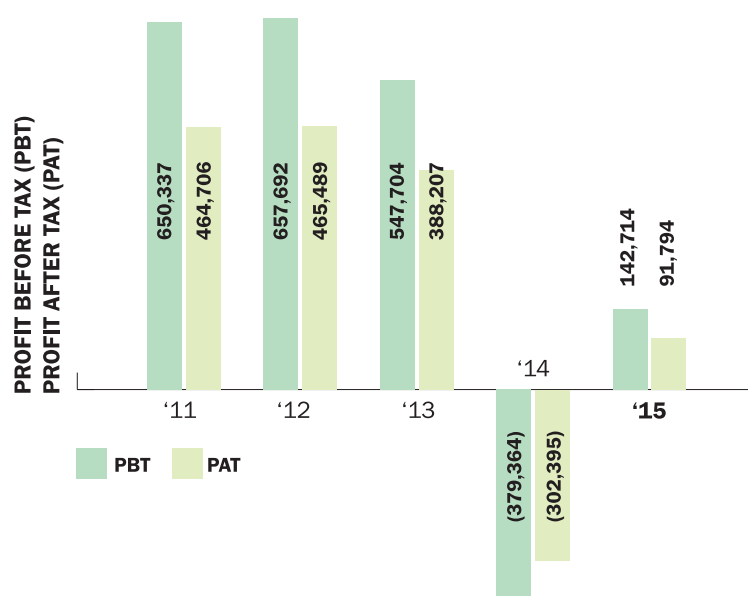
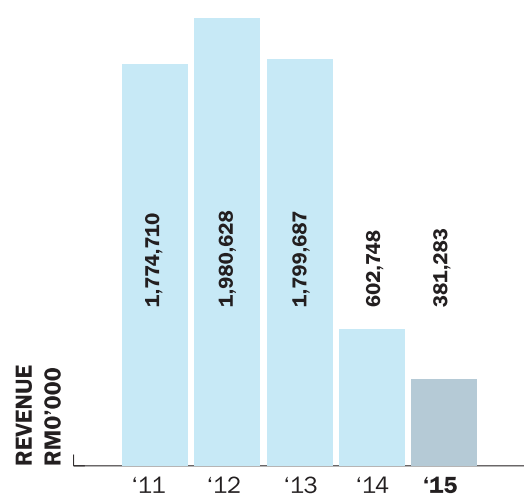
## FINANCIAL HIGHLIGHTS (cont'd)

### Gross Profit Margin

	FYE2011	FYE2012	FYE2013	FYE2014	FYE2015
Patented Products	58.1%	55.3%	54.51%	61.72%	52%
Non-Patented Products	39.9%	38.7%	40.86%	42.77%	47%
Overall	44.8%	43.9%	44.2%	46.4%	49%

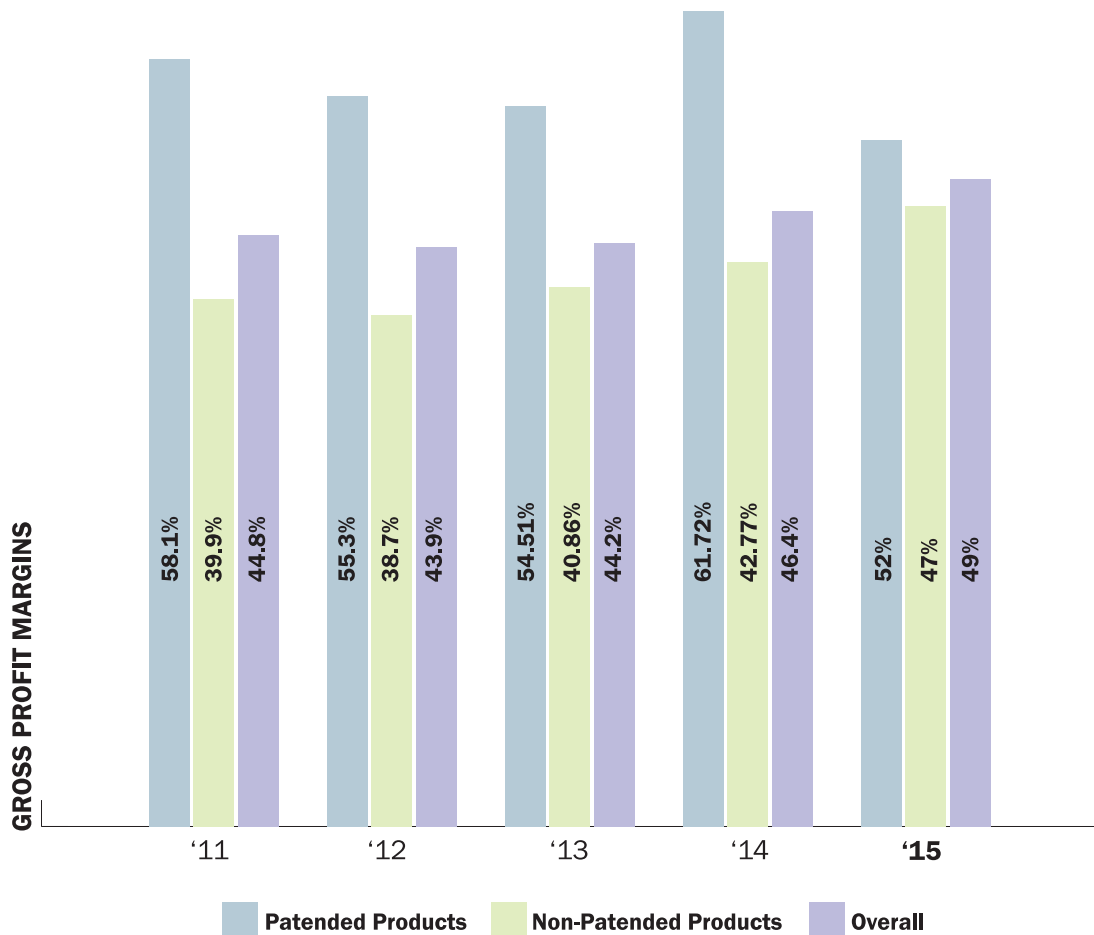
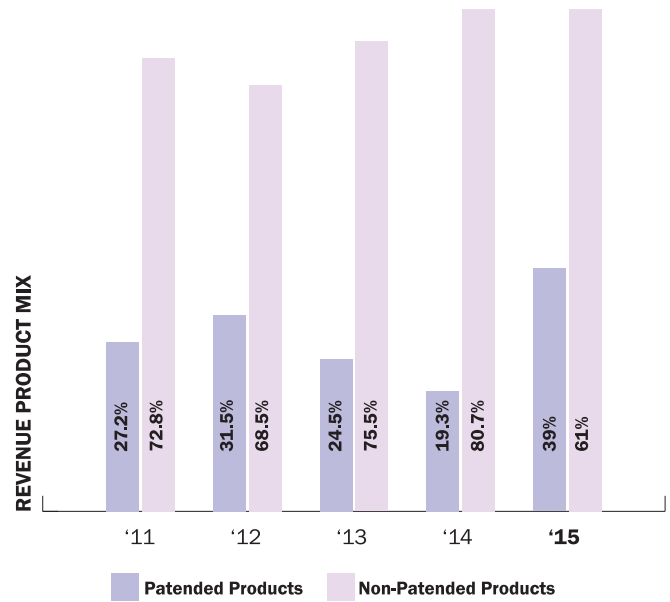
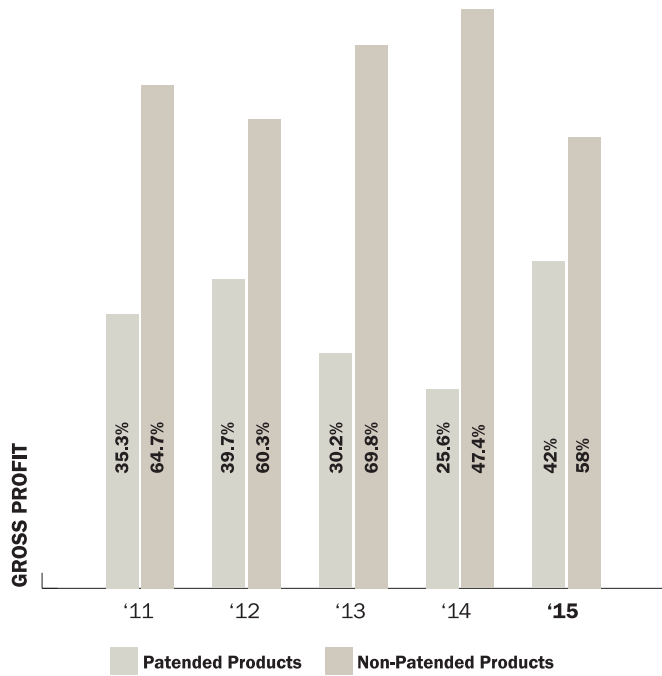
### REVENUE BY PRODUCT MIX

	FYE2011		FYE2012		FYE2013		FYE2014		FYE2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	482,793	27.2	624,055	31.5	440,049	24.5	116,208	19.3	149,546	39%
Non-Patented Products	1,291,917	72.8	1,356,573	68.5	1,359,638	75.5	486,540	80.7	231,737	61%
<b>Total</b>	<b>1,774,710</b>	<b>100.0</b>	<b>1,980,628</b>	<b>100.0</b>	<b>1,799,687</b>	<b>100.0</b>	<b>602,748</b>	<b>100.0</b>	<b>381,283</b>	<b>100%</b>





## FINANCIAL HIGHLIGHTS (cont'd)



# 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 2015 ("FYE2015").*



## CHAIRMAN'S STATEMENT (cont'd)

2015 has been a challenging yet exciting year for China Stationery Group. Whilst the plastic stationery industry in China as a whole encountered a slowdown in market demands and increased competition, our Group has managed to survive the market challenges and achieve profitability for the financial year under review.

On top of that, the Company had on 27 November 2015 exited Practice Note 17 (PN17) status, after Bursa Malaysia Securities Berhad approved our application for a waiver to submit a regularization plan and upliftment from being a PN17 company vide a letter dated 26 November 2015. The upliftment was approved after the Company recorded net profits for three consecutive quarters.

The upliftment is expected to put China Stationery Group on a much stronger footing to regain the investors' confidence in the Group's prospects. We will improve the quality of our products and expand the product range through in-house research and development. In addition, we will also widen our distributorship in China market and penetrate into new markets.

### GROUP PERFORMANCE REVIEW

Our strong operations are a testament to the hard work put in by the dedication of our team to keep this organization going during these trying times.

China Stationery wasted no time in getting back orders from its customers. We have started taking order from our customers after the completion of the renovation, installation and tuning of the equipment in the affected area caused by the fire incident back in April 2014. Our Group's production plant was operational in May 2015.

Meanwhile, the economic climate which prevailed in the year under review has discouraged us from embarking on any significant corporate exercise. China Stationery had emphasized the need to exercise caution in the evolving business environment and that any expansion plan had to be carefully assessed, with due consideration of the chances of success and its critical timing in the current economic situation.

The Group believes that continuous improvement and creating value all rounds are the keys to its financial results delivering positive results. Nevertheless, the Group will continue sourcing for new opportunities to enhance the revenue stream and earnings.

### REVIEW OF FINANCIAL PERFORMANCE

As you know, China Stationery had returned to profitability in FYE2015 registering RMB91.79 million in net profit, a complete turnaround from a net loss of RMB302.40 million in the previous corresponding period.

The Company's revenue decreased to RMB381.28 million compared with the previous year's RMB602.75 million due to the lower sales of its patented and non-patented products.

Sales of non-patented products decreased by RMB231.74 million or 47.63% from RMB486.54 million in FYE2014 to RMB231.74 million in FYE2015 mainly due to suspended production in Sakura (Fujian) Plastics Enterprise Co., Ltd and Sakura (Fujian) Packaging & Stationery Co., Ltd. from 4 April 2014 to 30 April 2015 after 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").

Earnings per share for the 12-month period stood at RMB7.39 from a loss per share of RMB24.33 previously.

Our Company as at FYE2015 had cash and bank balances amounting to RMB1.79 billion.

To illustrate further our strength, China Stationery had shareholders' funds amounting to RMB2.716 billion.

Therefore, it is noticeable that our Company is in the pink of health financially, and is likely to continue to grow in the current year.

## CHAIRMAN'S STATEMENT (cont'd)

### **FUTURE PROSPECTS**

The global plastic stationery industry is largely driven by innovative product designs, and increasing levels of literacy, supported by strong economic conditions and increased consumer spending.

Therefore, in FYE2016, China Stationery will be investing in the research and development in order for the Company to come up with more innovative products and exploring new markets to further expand its product presence.

We intend to strengthen our brands, namely, "SAKURA", "NACHI" and "FOLDERSYS" through an increase in advertising and promotional activities to create further awareness of our award winning brands, such as an increase in the number of advertisements placed in print media, an increase in the amount of exposure of our brands in the media and by participating in a greater number of local and international trade fairs and exhibitions.

Barring unforeseen circumstances, the Group is optimistic about its performance in FYE2016.

### **CORPORATE GOVERNANCE**

The Board of China Stationery holds value such as integrity, transparency and dedication among others, high on our list of priorities. We have placed much emphasis on corporate governance and are at all times looking to create the utmost value for our Shareholders. The 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**

In closing, 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

## CHAIRMAN'S STATEMENT (cont'd)

### 敬爱的股东，

本人谨代表中国文具有限公司（简称中国文具或公司）的董事部和管理层，向各位提呈公司截至2015年12月31日止财政年（2015财政年）的常年报告和稽查财务报告。

对中国文具集团而言，2015年既充满挑战，又令人振奋。整体来看，中国塑胶文具业面对市场需求减缓和竞争加剧的挑战，幸而集团成功应对市场挑战，在这个财政年取得盈利。

最重要的是，随着马来西亚证券有限公司在志期2015年11月26日的信函中，批准我们豁免提呈重组计划和脱离PN17公司的申请，公司已于2015年11月27日脱离PN17公司行列。公司连续3季录得净利，是申请批准的原因。

脱离PN17，预期将让中国文具能在更强大的基础上，重新建立投资者对集团业务展望的信心。我们会透过内部研发改善公司产品素质，并扩增产品种类。此外，我们也会扩增中国市场的分销业务，并渗透新市场。

### 业务回顾

我们的业务强稳，是工作团队辛勤工作的明证，这让公司在艰难时刻依然得以继续前进。

中国文具片刻不停找回客户订单。在2014年4月火灾影响的厂房完成整修，并安装和调试设备后，我们就迅速收取客户订单。集团的制造厂房已于2015年5月恢复运作。

同时，碍于2015财政年的经济形势欠佳，我们决定暂不采取大型企业活动。中国文具认为，商业环境不断变化，行事必须谨慎，应该仔细评估所有扩张计划，以在当前经济形势的关键时刻，适当考虑成功的机会。公司相信持续改善并创造全面价值，是财报正面的关键。无论如何，集团将继续寻求新的机遇，提高营收来源和盈利。

### 财报回顾

正如各位所知，中国文具2015财政年成功转亏为盈，取得9千179万元（人民币，下同）净利，全面摆脱前期3亿零240万元的净亏。

公司的营业额减少至3亿8千128万元，低于前财政年的6亿零275万元，因为专利和非专利产品的销售额减少。

非专利产品的销售额减少2亿5千480万元或47.63%，从2014财政年的4亿8千654万元降至2015财政年的2亿3千零174万元，主要是中国文具位于No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, The People's Republic of China的制造厂发生火灾，造成Sakura (Fujian) Plastics Enterprise Co., Ltd和Sakura (Fujian) Packaging & Stationery Co., Ltd.的生产线于2014年4月4日至2015年4月30日停止运作。

12个月每股盈利为7.39元，比较前期是每股亏损24.33元。

公司2015财政年的现金和银行结余达17亿9千万元。

中国文具的股东基金达RMB27亿1千588万元，这也进一步说明公司的实力。

由此而言，公司的财务健全，有望在现财政年继续增长。

### 未来展望

全球塑胶文具业主要受到产品设计创新和教育水平提升的驱动，以及经济形势强劲和消费开销增长的支持。有鉴于此，中国文具2016财政年将投资加强研发，提出更多创新产品，并开拓新市场，进一步扩大产品销售市场。

我们将增加广告和促销活动，提高获奖无数品牌的知名度，加强推广旗下品牌如SAKURA、NACHI和FOLDERSYS。我们将增加平面媒体的广告投放量，提高品牌在平面媒体的曝光率，也会参与更多本地和国际贸易展和展销会。

排出任何不可预见的事项，公司乐观看待2016财政年的业务表现。

### 企业监管

中国文具董事部注重廉正、透明和诚信等价值观，这些都是我们优先考量的事项。我们非常重视企业监管，任何时候都希望为股东创造最大的价值。年报中的企业监管、审计委员会报告和内部监管声明，进一步阐述更多公司采取和落实的措施。

### 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。我们重视员工，也尊重他们的职业和其他权益。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。公司也致力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。我们鼓励员工透过作业方式，尽量提高效率和机遇，减少对环境的影响。我们将继续尽力鉴定可以为世界带来实际转变的活动。

### 鸣谢

最后，我衷心感谢所有股东对公司坚定不移的支持和信心。中国文具将继续为各位创造价值。

我也衷心感谢政府和监管部门、客户、银行和其他合作伙伴，谢谢他们继续支持公司。

对于管理层和员工，我由衷感谢各位竭诚的付出和贡献，你们是中国文具集团继续成功的关键。

### 关永贤

执行主席暨首席执行官

# PROFILE OF DIRECTORS



**MR CHAN FUNG @ KWAN WING YIN**  
(Executive Chairman and Chief Executive Officer )

Mr Chan Fung @ Kwan Wing Yin, aged 65, 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 2015, he is direct interested in 1,827,700 shares (0.15%) 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 an office 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 other than traffic offences.



## DIRECTORS OF PROFILE (cont'd)

Angus Kwan Chun Jut, aged 45, 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. 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 2015, he is deemed interested in 289,100,000 shares (23.45%) in the Company by virtue of his interests in Lead Champion Group Limited, the substantial shareholder of the Company.

He is the son of Mr Chan Fung @ Kwan Wing Yin, Executive Chairman of the Company. Campus, a wholly-owned subsidiary of our Company, has entered into a related party transaction for renting an office 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 other than traffic offences.



**MR ANGUS KWAN CHUN JUT**  
(Executive Director)



## DIRECTORS OF PROFILE (cont'd)



### **DR RISAMBESSY IZAAC**

*(Senior Independent Non-Executive Director)*

Dr Risambessy Izaac, aged 63, Indonesian, was appointed as our Independent Non-Executive Director on 28 December 2011. He was appointed as Senior Independent Non-Executive 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 other than traffic offences.



### **MR HERMAN WIDJAJA**

*(Independent Non-Executive Director)*

Herman Widjaja, aged 65, 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 he 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 Cermi 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.

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

## DIRECTORS OF PROFILE (cont'd)



### **MR ANG WEI CHUAN**

(Independent Non-Executive Director)

Mr Ang Wei Chuan, aged 41, 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 was the Group Treasury Manager in InterOil Corporation from February 2014 to December 2015. Currently, he is an Executive Director of Yantai Yuren Winery Co. Ltd.

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 other than traffic offences.



### **MR LIM KIM HUAT**

(Independent Non-Executive Director)

Mr Lim Kim Huat, aged 40, 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 was the Chief Financial Officer ("CFO") of Aquatic Foods Group Plc. He has tendered his resignation as CFO of Aquatic Foods Group Plc in January 2016.

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 other than traffic offences.

# STATEMENT ON CORPORATE GOVERNANCE

## INTRODUCTION

The Board of China Stationery Limited (“the Company”) 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 2015, 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.

This Board Charter further defines the specific responsibilities of the Board of Directors, in order to enhance coordination and communication between the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and the Board and more specifically, to clarify both Board and Management accountability for the benefit of the Company and its shareholders.

The Board Charter and Code of Conduct and Business Ethics are available on the Company’s website ([www.cstationery.com](http://www.cstationery.com)). 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. The Board had subsequently reviewed its Board Charter on 23 November 2015.

The Company is committed to conducting business on the basis of morality and to create added value to its shareholders and also to put unwavering efforts to ensure that all stakeholders are fairly treated. The Company has clearly announced that it is the duty and responsibility of all Directors, Executives and staff presence to faithfully follow the Business Ethics and comply with the policies and practices stated in the Code of Conduct. The Company’s ultimate goal is to achieve its business objectives for the benefit of all stakeholders including the shareholders and the society.

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 cognizance of the global environment, social, governance and sustainability agenda.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## THE BOARD OF DIRECTORS cont'd

The Board cont'd

The Board will direct and supervise the management of the business and affairs of the Group including:

- Approval of business strategy and group operational plan and budget.
- On-going review of performance against business strategy and group operational plan, including identifying and monitoring of key risks and risk management policies and actions.
- Approval of capital expenditure above RM500,000 or as may be determined from time to time.
- Approval of bad debts write-off in excess of RM500,000 per annum or as may be determined from time to time.
- Approval of investment or divestment in a company / business / property / undertaking.
- Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
- Approval of changes in the major activities of the Company or Group.
- Approval of treasury policies and bank mandate.
- Setting or variation of the authority level of the CEO.
- Approval of interim and annual financial statements after taking into consideration the recommendations of the Audit Committee.
- Approval for the release of financial announcements.
- Approval of the Annual Directors' Report and Statutory Accounts.
- Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
- Adoption of accounting policies after taking into consideration the recommendations of the Audit Committee.
- Approval of corporate policies and procedures after review by the CEO and senior executive(s) where appropriate.
- Review the effectiveness of the Group's system of internal control. This function is delegated to the Audit Committee which will in turn report to the Board on its findings.
- Scheme of reconstruction or restructuring.
- Any other significant business decision.
- Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.

## 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 14 to 17 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 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 2015 are disclosed under "Additional Compliance Information" as stated in page 36 of this Annual Report.

Recommendation 3.5 of MCCG 2012 states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Chairman of the Board is Mr Chan Fung @ Kwan Wing Yin, an Executive Chairman and CEO. 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 22 years of experience in the plastic stationery industry.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## THE BOARD OF DIRECTORS cont'd

### Board Balance and Independence cont'd

The Board took note on the clear separation of responsibility between the Executive Chairman and the 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 MCCG 2012 whereby the position of Executive Chairman and CEO should be assumed by different persons. The Board is comprised of mostly experienced and independent minded Directors. This would 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 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.

Recommendation 3.2 of MCCG 2012 recommends that the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. Nevertheless, the said independent director may retain as independent director subject to Board's justification and shareholders' approval. Presently, none of the Independent Non-Executive Directors hold office for more than (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 Annual General Meeting ("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 AGM and shall be eligible for re-election thereafter. In accordance with Bye-Law 89(2) of the Company's Bye-Laws, 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 (70) years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting.

In addition, the Nomination Committee is responsible for reviewing and making recommendation of the appointment of a new member and/or board committee to the Board. The Nomination Committee would recommend to the Board after taking into consideration the candidates:

- (a) skills, knowledge, expertise and experience;
- (b) professionalism;
- (c) integrity; and
- (d) in the case of the candidates for the position of the Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

### 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 at least five (5) days before the Board meeting. Sufficient time and notice are provided so as to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting.

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### THE BOARD OF DIRECTORS cont'd

#### Board Meeting cont'd

During the financial year ended 31 December 2015, the Board met six (6) times and the attendances of the Directors are as follows:

Name of Directors	No. of meetings attended
Chan Fung @ Kwan Wing Yin <i>Executive Chairman and Chief Executive Officer</i>	6/6
Angus Kwan Chun Jut <i>Executive Director</i>	5/6
Dr Risambessy Izaac <i>Senior Independent Non-Executive Director</i>	5/6
Herman Widjaja <i>Independent Non-Executive Director</i>	6/6
Ang Wei Chuan <i>Independent Non-Executive Director</i> <i>(Appointed on 16 April 2015)</i>	4/4
Lim Kim Huat <i>Independent Non-Executive Director</i> <i>(Appointed on 16 April 2015)</i>	4/4

#### 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 meetings, the Directors are provided with the agenda and the meeting papers on issues to be discussed five (5) days before the meetings to enable Directors to deliberate on the issues to be raised at the meetings and to obtain further explanations, where necessary. 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.

All Directors have access to the advice and services of the Company Secretaries. Where necessary, the Directors, whether as a Board or in their individual capacity, may engage independent professionals such as legal experts, accountants or other professional advisor and consultants at the Company's expense in the furtherance of their duties. All Directors also have access to all information within the Company whether as a full Board or in their individual capacity.

In view of the Company was incorporated under Bermuda Companies Act 1981 and listed on Main Market of Bursa Securities, the Company has engaged two Company Secretaries for the time being i.e. Secretarius Services Sdn Bhd (Company Secretary in Malaysia) and Appleby Services (Bermuda) Ltd (Assistant Company Secretary in Bermuda) to ensure compliance of the statutory obligations under both jurisdictions.

The roles and responsibilities of the Company Secretary in Malaysia are as follows:

- advise the Board and Management on corporate governance issues;
- ensure compliance of listing and related statutory obligations under the Companies Act 1965, Listing Requirements and Capital Market and Services Act 2007;
- attend the Board, Board Committees and general meetings, and ensure the proper recording of minutes;
- ensure proper upkeep of statutory registers and records of the Company; and
- assist the Chairman in the preparation for and conduct of meetings.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## 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 2015 are set out in the Statement of Nomination Committee in pages 37 and 38 of the Annual Report.

Recommendation 4.1 states that the Board should set out expectations on time commitment for its members and protocols for accepting new directorships. As such, the Board should obtain this commitment from its members at the time of appointment. Directors should notify the Chairman before accepting any new directorship. The Board confirms that all directors do not exceed five directorships as of to-date.

#### Remuneration Committee

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

##### Chairman

Dr Risambessy Izaac  
Senior Independent Non-Executive Director

##### Member

Chan Fung @ Kwan Wing Yin  
Executive Chairman and CEO

Lim Kim Huat  
Independent Non-Executive Director

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. Details of the Directors' remuneration in aggregate for financial years ended 31 December 2015 and 31 December 2014 are tabulated as below:

#### Year 2015

	Salaries (RM)	Bonuses (RM)	Fees (RM)	Contribution (RM)	Total (RM)
Executive Directors	1,836,900	—	—	—	1,836,900
Non-Executive Directors	—	—	239,166	—	239,166

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

Remuneration bands per annum	Executive Director	Non-Executive Director
RM0 to RM50,000	—	2
RM50,001 to RM100,000	—	2
RM 800,001 to RM 850,000	1	—
RM 850,001 to RM 900,000	—	—
RM 900,001 to RM 950,000	—	—
RM 950,001 to RM 1,000,000	—	—
RM 1,000,001 to RM 1,050,000	1	—

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## THE BOARD OF DIRECTORS cont'd

### Remuneration Committee cont'd

#### Year 2014

	Salaries (RM)	Bonuses (RM)	Fees (RM)	Retirement Scheme 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	–

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

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

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

### Audit Committee

The composition of the Audit Committee, its terms of reference, attendance of meetings and summary of its activities are set out pages 26 to 31 of the Annual Report.

### Directors' Training

All the Directors have attended the in-house corporate training in respect of Overview on Chapter 10 of Listing Requirements – Transactions conducted by Tricor Knowledge House Sdn Bhd on 28 August 2015. The Board recognises the need and importance of continuous education for its Board Members.

The Company Secretary will re-direct the email invitation on the seminar, breakfast talk, briefing and etc from the various professional bodies from time to time to the Board. Therefore the Company will be able 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 Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programme. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations. With the assistance from Nomination Committee, the Board would assess the training needs of the Directors from time to time and will ensure Directors have access to continuing education programme.



# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## 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](http://www.cstationery.com)).

The 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 general meetings is sent to shareholders at least 14 days or 21 days ahead of the date of general meeting, whichever is appropriate, 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 financial statements on a going concern basis.

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 pages 32 to 34 of this Annual Report provides further details of the activities of the internal audit function for the current financial year.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## ACCOUNTABILITY AND AUDIT cont'd

### Internal Control cont'd

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.

The Board had on 23 November 2015 approved the revised Risk Management Policy as per the recommendation by the internal auditors. The Risk Management process involves the following steps:

- i. Step 1 - Risk Identification & Evaluation
- ii. Step 2 - Control Identification and Evaluation
- iii. Step 3 - Management Action

During the financial year ended 31 December 2015, the Internal Auditors had conducted review on which areas evaluation on the overall risk management framework to ascertain whether the current framework and practices were adequate and effective in managing the risks of the Company. The Internal Auditors also review the Company's internal control system in order to assess the adequacy and effectiveness of the Company's systems of internal control over the following areas/business processes:

- Sales and Credit Control
- Fixed Asset Management
- Procurement Management
- Inventory Management
- Production Management
- Human Resource Management
- Financial Close Process
- Management Information System

### 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.

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 existing External Auditors, Messrs RT LLP has been served as the Company's External Auditors since 2013. The Board is satisfied with the performance and independence of Messrs RT LLP after considering their performance. Hence, the Board at its meeting held on 14 April 2016 approved the recommendation by the Audit Committee for shareholders' approval to be sought at the forthcoming AGM on the re-appointment of Messrs RT LLP as External Auditors of the Company for the financial year ending 31 December 2016.

# AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2015.

## ESTABLISHMENT AND COMPOSITION

As 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

## 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 (Senior Independent Non-Executive Director)	6/6
Herman Widjaja (Independent Non-Executive Director)	6/6
Ang Wei Chuan (Independent Non-Executive Director) (appointed as Member on 16 April 2015)	4/4
Lim Kim Huat (Independent Non-Executive Director) (appointed as Member on 16 April 2015)	4/4

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 the Meetings only at the Audit Committee's invitation.

Further, the Audit Committee had on its meeting held on 26 February 2016 assessed the independence of External Auditors by obtaining affirmation from the External Auditors that it maintained its independence in accordance with the Accountants Act 2004 (Act 4 of 2004) and administered by the Accounting and Corporate Regulatory Authority.

The Audit Committee recommended to the Board on the re-appointment of Messrs RT LLP as External Auditors for the financial year ending 31 December 2016 after considering their performance at its meeting held on 14 April 2016.

# AUDIT COMMITTEE REPORT (cont'd)

## 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 2015:

1. Reviewed the quarterly financial results and annual 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 Audit Planning Memorandum 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 and thereafter recommend the re-appointment of auditors to the Board for consideration;
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 the quarterly related party transactions within the Group;
8. Reviewed the Related Party Transaction Policy and revised Group Risk Management Policy and table the same to the Board for approval;
9. Deliberated and monitored the Practice Note 17 status of the Company;
10. Reviewed and revised the Terms of Reference of Audit Committee; and
11. 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 2015 amounted to RMB331,686 [RM208,299].

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 2015.

# AUDIT COMMITTEE REPORT (cont'd)

## TERMS OF REFERENCE

### COMPOSITION AND SIZE

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

- (i) the Audit Committee must be composed of no fewer than 3 members;
- (ii) the Audit Committee must have at least 1 independent director who has a principal or only place of residence in Malaysia;
- (iii) all Committee Members must be Non-Executive Directors, with a majority of them being Independent Directors;
- (iv) all Committee Members should be financially literate; and
- (v) 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 of the Company.

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

# AUDIT COMMITTEE REPORT (cont'd)

## 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 adequacy and effectiveness of the internal control system 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, who are an internationally affiliated accounting firms, at a general meeting, 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;
  - (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;

## 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
  - (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;
  - (n) review the Group risk management report quarterly and the risk management policies and practices of the Group to ensure their effectiveness; and
  - (o) review the Company's Related Party Transaction Policy from time to time.
- (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 Bursa Securities 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 2015 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 (“Guidelines”).

## 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 and risk management system through reports it receives from independent reviews conducted by the Internal Auditor 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. Currently, the Board has not established a Risk Management Committee to oversight the Risk Management of the Group. However, 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 on quarterly basis. 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.
- Group 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.
- The respective Head of Department of all subsidiaries within the Group to sign the risk management assurance form in accordance with the Group Risk Management Policy on a quarterly basis.
- 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

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

### 1. CONTROL ENVIRONMENT AND RISK MANAGEMENT FRAMEWORK cont'd

The Board had on 23 November 2015 approved the revised Risk Management Policy as per the recommendation by the internal auditors. The Risk Management process involves the following steps:

- i. Step 1 - Risk Identification & Evaluation
- ii. Step 2 - Control Identification and Evaluation
- iii. Step 3 - Management Action

Each stage of the Risk Management process should be documented. Documentation should include assumptions, methods, data sources and results. The documents are risk register, risk report, group risk report, consolidated group risk report and management assurance letter.

### 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 2015, 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. 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.

To in line with the Guidelines, the Executive Chairman and Chief Executive Officer and the Chief Financial Officer have provided assurance to the Board on 14 April 2016 that the Group's risk management and internal control system 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 and risk management systems are 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## 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 2015. 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 supported by the documentation prepared and appropriately reflects the process that 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 14 April 2016.

# ADDITIONAL COMPLIANCE INFORMATION

## STATUS OF UTILISATION OF PROCEEDS

There were no corporate proposals carried out during the financial year under review.

## SHARES BUY-BACK

During the financial year ended 31 December 2015, the Company repurchased 10,000,600 of its own shares at the total transaction cost of RMB3,992,486 equivalent to approximately RM2,073,726. 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:

Month	Number of Shares Repurchased	Average cost per share (RM)	(Total consideration including transaction cost)
13 February 2015	100	0.085	49.51
25 June 2015	100	0.090	52.41
26 November 2015	100	0.130	56.41

## 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 Malaysia Securities Berhad on 28 September 2012.

No warrants were exercised during the financial year ended 31 December 2015. The number of warrants outstanding as at 31 December 2015 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 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 2015 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 2015.

### 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 and trading nature conducted by the Group during the financial year ended 31 December 2015 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 2015.

### SHARE ISSUANCE SCHEME

The Company has not implemented any share issuance scheme during the financial year ended 31 December 2015.

### WORKFORCE DIVERSITY

The Group's workforce statistics in terms of age, ethnicity, gender and nationality as at 31 December 2015 are disclosed below:

Nationality	Number of Staff	%
Indonesian	1	0.28
China	349	98.03
Hong Kong	5	1.40
Malaysian	1	0.28
	356	100

Gender	Number of Staff	%
Male	234	65.73
Female	122	34.27
Total	356	100

Ethnicity	Number of Staff	%
Buyi	1	0.28
Tai	2	0.56
Tong	1	0.28
Han	346	97.19
Miao	2	0.56
Tujia	4	1.12
Total	356	100

Age	Number of Staff	%
Less than 30	119	33.43
30 to 39	128	35.96
40 to 49	73	20.51
More than 50	36	10.11
Total	356	100

# NOMINATION COMMITTEE STATEMENT

The Board has established the Nomination Committee, comprising wholly Independent Non-Executive Directors pursuant to its Terms of Reference. The size of Nomination Committee shall consist of not less than 3 members.

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)

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.

The Nomination Committee reviews each proposal for the appointment of a new member to the Board. The Nomination Committee will recommend to the Board after taking into consideration the candidates:

- (a) skills, knowledge, expertise and experience;
- (b) professionalism;
- (c) integrity; and
- (d) in the case of the candidates for the position of the Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

The Nomination Committee met once during the financial year ended 31 December 2015 and details of attendance of members of the Nomination Committee are as follows:

<b>Name of Committee Members</b>	<b>Attendance</b>
Dr Risambessy Izaac (Senior Independent Non-Executive Director)	1/1
Herman Widjaja (Independent Non-Executive Director)	1/1
Ang Wei Chuan (Independent Non-Executive Director) (appointed as Member on 16 April 2015)	—

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.

## NOMINATION COMMITTEE STATEMENT(cont'd)

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 training needs of the Board from time to time;
- 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 evaluation comprises Audit Committee Evaluation, Independent Directors' Self-Assessment, Directors' Evaluation and Board and Board Committee Evaluation.

The assessment of the Audit Committee is based on specific criteria, covering areas such as the quality and composition, skills and competencies, meeting administration and conduct. For Board and Board Committee Evaluation, the assessment areas include Board Mix & Composition, Quality of Information and Decision Making, Boardroom Activities, For Individual Self-Assessment, the assessment criteria include fit and proper, contribution and performance, calibre and personality. The assessment on the independence of the Independent Directors is mainly to assess the independence of every Independent Director.

Based on the above, the Nomination Committee conducted an 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 2015. The results of the assessment was compiled by the Company Secretary and tabled to the Nomination Committee and Board on 14 April 2016 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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# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Directors have pleasure in submitting their report together with the audited financial statements of the Group Company and of the for the financial year ended 31 December 2015.

### 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
Profit/ (loss) for the financial year attributable to owners of the Company	91,794	(4,775)

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 29 of the financial statements.

### 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)

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' 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 18 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 22 to the financial statements.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

## DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2015	As at 31.12.2015	As at 1.1.2015	As at 31.12.2015
<b>The Company</b>				
	<b>Number of ordinary shares '000</b>			
Chan Fung @ Kwan Wing Yin <sup>(1)</sup>	<b>1,828</b>	<b>1,828</b>	<b>289,100</b>	<b>289,100</b>
Angus Kwan Chun Jut <sup>(1)</sup>	<b>-</b>	<b>-</b>	<b>289,100</b>	<b>289,100</b>

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 1.1.2015	As at 31.12.2015	As at 1.1.2015	As at 31.12.2015
<b>The Company</b>				
	<b>Number of warrants '000</b>			
Chan Fung @ Kwan Wing Yin <sup>(1)</sup>	<b>-</b>	<b>-</b>	<b>361,837</b>	<b>361,837</b>
Angus Kwan Chun Jut <sup>(1)</sup>	<b>-</b>	<b>-</b>	<b>361,837</b>	<b>361,837</b>

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

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (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 24 June 2015, shareholders of the Company have approved the Company to repurchase its own shares. During the financial year, the Company repurchased 300 shares at the cost of RMB 255 / RM 158, 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 2015	10,000,300	4,006,639	2,073,568	0.2073
Repurchase of shares during the year	300	255	158	0.5267
As at 31 December 2015	10,000,600	4,006,894	2,073,726	0.2074

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:-

- 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 except for those disclosed in the financial statement; and
- 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:-

- which would render it necessary to write off any bad debts or to make any amount of allowance for doubtful debts except for those disclosed in the financial statement in respect of the financial statements of the Group and of the Company; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
- 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
- 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:-

- any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### OTHER STATUTORY INFORMATION cont'd

In the opinion of Directors:-

- (a) 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
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the 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 29 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 30 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**

Date: 15th April 2016  
Putian City, Fujian Province, PRC

**ANGUS KWAN CHUN JUT**

Date: 14th April 2016  
Kuala Lumpur, Malaysia.

# STATEMENT BY DIRECTORS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 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 27 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**

Date: 15th April 2016  
Putian City, Fujian Province, PRC

**ANGUS KWAN CHUN JUT**

Date: 14th April 2016  
Kuala Lumpur, Malaysia.

# STATUTORY DECLARATION

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 40 to 78 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 Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovementioned  
Mr. Angus Kwan Chun Jut in Kuala Lumpur Malaysia  
Date: 14th April 2016

**ANGUS KWAN CHUN JUT**

Before me:

Commissioner for Oaths

# 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 40 to 78, which comprise the statements of financial position of the Company and of the Group as at 31 December 2015, 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 financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 27 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, 15th April 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	The Group		The Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-Current</b>					
Investment in subsidiary companies	1	—	—	828	828
Land use rights	4	13,939	14,256	—	—
Property, plant and equipment	5	574,802	492,351	—	—
Investment property	6	145	145	—	—
Deferred tax assets	7	119,957	131,115	—	—
		<b>708,843</b>	637,867	<b>828</b>	828
<b>Current</b>					
Inventories	8	22,852	13,223	—	—
Trade and other receivables	9	265,821	314,412	374,967	374,966
Cash and bank balances	10	1,794,411	1,751,719	64	19
		<b>2,083,084</b>	2,079,354	<b>375,031</b>	374,985
Total assets		<b>2,791,927</b>	2,717,221	<b>375,859</b>	375,813
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	11	6,226	6,226	6,226	6,226
Reserves	12	2,709,659	2,617,865	222,391	227,167
<b>Total equity</b>		<b>2,715,885</b>	2,624,091	<b>228,617</b>	233,393
<b>Non-Current Liability</b>					
Deferred tax liability	13	40,604	38,623	40,604	38,623
<b>Current Liabilities</b>					
Trade and other payables	14	22,387	41,974	104,512	103,758
Amount due to shareholders	15	3,964	1,575	2,126	39
Current tax payable	19	9,087	10,958	—	—
		<b>35,438</b>	54,507	<b>106,638</b>	103,797
<b>Total equity and liabilities</b>		<b>2,791,927</b>	2,717,221	<b>375,859</b>	375,813

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

Chan Fung @ Kwan Wing Yin  
Director  
Date: 15th April 2016  
Putian City, Fujian Province, PRC

Angus Kwan Chun Jut  
Director  
Date: 14th April 2016  
Kuala Lumpur, Malaysia.

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 2015

	Note	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Revenue	3	<b>381,283</b>	602,748
Cost of sales		<b>(194,891)</b>	(322,937)
<b>Gross profit</b>		<b>186,392</b>	279,811
Other income	3	<b>60,214</b>	51,657
Selling and distribution expenses		<b>(66,559)</b>	(80,724)
Administrative expenses		<b>(37,277)</b>	(109,395)
Other operating expenses	16	<b>(56)</b>	(518,762)
Finance costs	17	–	(1,951)
<b>Profit/ (loss) before taxation</b>	18	<b>142,714</b>	(379,364)
Taxation	19	<b>(50,920)</b>	76,969
<b>Net profit/ (loss) for the year and total comprehensive income/ (loss)</b>		<b>91,794</b>	(302,395)
<b>Earnings/ (loss) per share (RMB cents)</b>			
-Basic	20	<b>7.39</b>	(24.33)
-Diluted	20	<b>7.39</b>	(24.33)

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 2015

	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
<b>Balance at</b>								
<b>1 January 2014</b>	<b>6,226</b>	<b>64</b>	<b>449,936</b>	<b>(4,006)</b>	<b>(4,150)</b>	<b>101,949</b>	<b>2,376,467</b>	<b>2,926,486</b>
Total comprehensive loss	—	—	—	—	—	—	(302,395)	(302,395)
Purchase of treasury shares	—	—	—	*	—	—	—	*
<b>Balance at</b>								
<b>31 December 2014</b>	<b>6,226</b>	<b>64</b>	<b>449,936</b>	<b>(4,006)</b>	<b>(4,150)</b>	<b>101,949</b>	<b>2,074,072</b>	<b>2,624,091</b>
Total comprehensive income	—	—	—	—	—	—	91,794	91,794
Purchase of treasury shares	—	—	—	*	—	—	—	*
<b>Balance at</b>								
<b>31 December 2015</b>	<b>6,226</b>	<b>64</b>	<b>449,936</b>	<b>(4,006)</b>	<b>(4,150)</b>	<b>101,949</b>	<b>2,165,866</b>	<b>2,715,885</b>

\* 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 2015

	Note	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
<b>Cash flows from operating activities</b>			
Profit/ (loss) before taxation		<b>142,714</b>	(379,364)
Adjustments for:			
Depreciation of property, plant and equipment	5	<b>42,279</b>	28,410
(Reversal)/ allowances of Impairment losses on trade receivables	9	<b>(38,832)</b>	60,152
Amortisation of land use rights	4	<b>317</b>	317
Loss on disposal on property, plant and equipment	18	<b>48</b>	—
Interest expense	17	—	1,951
Property, plant and equipment written off	16	—	256,023
Inventory written off	16	—	76,712
Interest income	3	<b>(15,233)</b>	(50,980)
Operating profit/ (loss) before working capital changes		<b>131,293</b>	(6,779)
Increase in inventories		<b>(9,629)</b>	(52,916)
Decrease/ (Increase) in trade and other receivables		<b>87,423</b>	(173,351)
Decrease in trade and other payables		<b>(19,587)</b>	(24,072)
Net cash generated from/ (used in) operations		<b>189,500</b>	(257,118)
Interest paid	17	—	(1,951)
Income tax paid	19	<b>(39,652)</b>	(66,210)
Interest received	3	<b>15,233</b>	50,980
Compensation from insurance company - inventories	16	—	26,485
Net cash generated from/ (used in) operating activities		<b>165,081</b>	(247,814)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	5	<b>(124,786)</b>	(408,502)
Compensation from insurance company - PPE	16	—	98,610
Proceeds from disposal of property, plant and equipment		<b>8</b>	—
Cash used in investing activities		<b>(124,778)</b>	(309,892)
<b>Cash flows from financing activities</b>			
Repayment of bank loans		—	(54,400)
Advances from/ (repayment of) shareholder's loan		<b>2,389</b>	(2,262)
Purchase of treasury shares		<b>*</b>	*
Net cash generated from/ (used in) financing activities		<b>2,389</b>	(56,662)
Net increase/ (decrease) in cash and cash equivalents		<b>42,692</b>	(614,368)
Cash and cash equivalents at beginning		<b>1,751,719</b>	2,366,087
Cash and cash equivalents at end	10	<b>1,794,411</b>	1,751,719

\* 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 2015

### 1 GENERAL INFORMATION

The financial statements of the Group for the year ended 31 December 2015 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 Unit 30 - 01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 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
		2015	2014	2015	2014	
		RMB'000	RMB'000	%	%	
<b>Directly Held</b>						
Sunwealth Group Limited ("Sunwealth") <sup>(1)</sup>	BVI	<b>414</b>	414	<b>100</b>	100	Investment holding
Campus Developments Limited ("Campus") <sup>(2)</sup>	BVI	<b>414</b>	414	<b>100</b>	100	Investment holding
<b>Indirectly Held</b>						
Ruiyuan (Fujian) Enterprise Co., Ltd ("Ruiyuan") <sup>(3)</sup>	The People's Republic of China	—	—	<b>100</b>	100	Production and sale of plastic tape printer and ink
Sakura (Fujian) Plastic Enterprise Co., Ltd ("Sakura Plastic") <sup>(3)</sup>	The People's Republic of China	—	—	<b>100</b>	100	Research, development and production of polypropylene sheets
Sakura (Fujian) Packaging & Stationery Co., Ltd ("Sakura Stationery") <sup>(3)</sup>	The People's Republic of China	—	—	<b>100</b>	100	Production and sale of plastic stationery
		<b>828</b>	828			

(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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (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 2015 were RMB 574,802, 000 (2014 – RMB 492,351,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2015

On 1 January 2015, 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 2016 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 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 IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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

- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7: Disclosure initiative

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

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

#### **Effective for the Company's and Group's annual accounting period beginning on 1 January 2019**

- IFRS 16 Leases

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, IFRS 9 and IFRS 16. Management is currently evaluating the potential impact of the application of IFRS 15, IFRS 9 and IFRS 16 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

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

#### Consolidation (Cont'd)

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.

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

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

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

##### 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.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

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

#### Loan and receivables (Cont'd)

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.

#### 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

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

#### **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.

#### **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 recognised 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

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

#### Income tax (Cont'd)

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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

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

#### *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.

#### **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, provided that it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

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

#### 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.

### 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	2015 RMB'000	2014 RMB'000
<b>Revenue</b>		
Sale of goods	<b>381,283</b>	602,748
<b>Other income</b>		
Interest income	<b>15,233</b>	50,980
Sale of scrap	<b>6</b>	–
Rental income from investment property	<b>37</b>	37
Gain of foreign exchange	<b>6,106</b>	640
Reversal of impairment loss on trade receivables	<b>38,832</b>	–
	<b>60,214</b>	51,657

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 4 LAND USE RIGHTS

The Group	Land use rights RMB'000
<b>Cost</b>	
<b>At 1 January 2014, 31 December 2014 and 31 December 2015</b>	15,786
<b>Accumulated amortisation</b>	
At 1 January 2014	1213
Amortisation for the year (Note 18)	317
At 31 December 2014	1,530
Amortisation for the year (Note 18)	317
<b>At 31 December 2015</b>	<b>1,847</b>
Net book value	
<b>At 31 December 2015</b>	<b>13,939</b>
At 31 December 2014	14,256

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

### 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
<b>Cost</b>						
At 1 January 2014	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
Additions	124,786	—	—	—	—	124,786
Disposals	—	(127)	—	—	—	(127)
<b>At 31 December 2015</b>	<b>492,898</b>	<b>949</b>	<b>210,072</b>	<b>1,970</b>	<b>6,454</b>	<b>712,343</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

## 5 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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
<b>Accumulated depreciation</b>						
At 1 January 2014	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
Depreciation for the year	32,333	312	9,624	10	—	42,279
Disposals	-	(71)	-	-	—	(71)
<b>At 31 December 2015</b>	<b>93,790</b>	<b>496</b>	<b>42,049</b>	<b>1,206</b>	<b>—</b>	<b>137,541</b>
<b>Net book value</b>						
<b>At 31 December 2015</b>	<b>399,108</b>	<b>453</b>	<b>168,023</b>	<b>764</b>	<b>6,454</b>	<b>574,802</b>
At 31 December 2014	306,655	821	177,647	774	6,454	492,351

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	2015 RMB'000	2014 RMB'000
Depreciation expense charged to:		
Cost of sales	24,828	10,039
Administrative expenses	17,451	18,371
	<b>42,279</b>	28,410

## 6 INVESTMENT PROPERTY

The Group	2015 RMB'000	2014 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 6 INVESTMENT PROPERTY (Cont'd)

The balance as at 31 December 2014 and 31 December 2015 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:

<b>The Group</b>	<b>2015 RMB'000</b>	<b>2014 RMB'000</b>
At 1 January	<b>131,115</b>	—
Recognised in the year (Note 19)	<b>(11,158)</b>	131,115
At 31 December	<b>119,957</b>	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 2015, the subsidiaries of the Group had estimated unutilised income tax losses of approximately RMB 479.8 million (2014: 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

<b>The Group</b>	<b>2015 RMB'000</b>	<b>2014 RMB'000</b>
Raw materials	<b>10,106</b>	6,021
Work-in-progress	<b>1,898</b>	—
Finished goods	<b>10,848</b>	7,202
	<b>22,852</b>	13,223

In the financial year ended 31 December 2014, an inventory amount of RMB 50,227,000 (Note 16) was written off due to a fire incident.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

## 9 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables – net	<b>150,446</b>	88,180	–	–
Amount due from subsidiaries	–	–	<b>374,927</b>	374,927
VAT receivables	<b>62,384</b>	39,095	–	–
Other receivables	<b>131</b>	118	<b>40</b>	39
Advances to suppliers	<b>52,860</b>	187,019	–	–
	<b>265,821</b>	314,412	<b>374,967</b>	374,966

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

Impairment loss of RMB 21,319,000 (2014: RMB 60,152,000) has been recognised in trade receivables in financial year ended 2015.

The ageing analysis of trade receivables that are not past due and past due but not impaired is as follows:

	The Group	
	2015	2014
	RMB'000	RMB'000
Not past due	<b>143,699</b>	88,180
Past due within 30 days	<b>2,529</b>	–
Past due 31 to 90 days	<b>2,596</b>	–
Past due over 90 days	<b>1,622</b>	–
	<b>150,446</b>	88,180

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

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	<b>148,322</b>	265,164	<b>374,927</b>	374,927
United States Dollar	<b>117,414</b>	49,210	–	–
Malaysia Ringgit	<b>85</b>	38	<b>40</b>	39
	<b>265,821</b>	314,412	<b>374,967</b>	374,966



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

## 10 CASH AND BANK BALANCES

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	17	1	—	—
Cash at bank	1,794,394	1,751,718	64	19
	1,794,411	1,751,719	64	19

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash at bank comprises:</b>				
Current account	244,394	1,751,718	64	19
Fixed deposits	1,550,000	—	—	—
	1,794,394	1,751,718	64	19

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	1,794,217	1,751,456	—	—
United States Dollar	128	242	—	—
Hong Kong Dollar	2	2	—	—
Malaysia Ringgit	64	19	64	19
	1,794,411	1,751,719	64	19

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% (2014: 0.35%) per annum.

Fixed deposits bear an effective interest rate of 2.66% (2014: Nil) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 11 SHARE CAPITAL

	Number of shares' 000		Amount SGD' 000	
	2015	2014	2015	2014
<b>Authorised:</b>				
Balance at beginning and end of the year	<b>10,000,000</b>	10,000,000	<b>10,000</b>	10,000
<b>Issued and fully paid</b>				
Ordinary share at par value SGD0.001 each				
Balance at beginning and end of year	1,242,761	1,242,761	<b>1,242</b>	1,242
			<b>RMB'000</b>	<b>RMB'000</b>
Renminbi equivalent			<b>6,226</b>	6,226

### 12 RESERVES

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve	<b>64</b>	64	—	—
Share premium	<b>449,936</b>	449,936	<b>449,936</b>	449,936
Treasury shares	<b>(4,006)</b>	(4,006)	<b>(4,007)</b>	(4,007)
Merger deficit	<b>(4,150)</b>	(4,150)	<b>(4,150)</b>	(4,150)
Statutory reserve	<b>101,949</b>	101,949	—	—
Retained earnings	<b>2,165,866</b>	2,074,072	<b>(219,388)</b>	(214,612)
	<b>2,709,659</b>	2,617,865	<b>222,391</b>	227,167

#### 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 24 June 2015, shareholders of the Company approved the Company to repurchase its own shares. During the financial year, the Company repurchased 300 shares at the cost of RMB 255 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

## 13 DEFERRED TAX LIABILITY

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax liability	<b>40,604</b>	38,623	<b>40,604</b>	38,623
Movements:				
At 1 January	<b>38,623</b>	38,623	<b>38,623</b>	38,623
Charged to income statement during the year (Note 19)	<b>1,981</b>	–	<b>1,981</b>	–
At 31 December	<b>40,604</b>	38,623	<b>40,604</b>	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 2014 and 2015, 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. The above balances arising from profit derived from profitable subsidiaries in the Group from 1 January 2008 till date.

## 14 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	<b>18,934</b>	30,229	–	–
Amount due to subsidiaries	–	–	<b>103,759</b>	103,758
Accruals	<b>2,312</b>	2,415	–	–
Other creditors	<b>925</b>	1,486	<b>753</b>	–
Other tax payables	<b>216</b>	175	–	–
Advances from customers	–	7,669	–	–
	<b>22,387</b>	41,974	<b>104,512</b>	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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	<b>21,475</b>	41,772	<b>103,759</b>	103,758
Malaysia Ringgit	<b>912</b>	202	<b>753</b>	–
	<b>22,387</b>	41,974	<b>104,512</b>	103,758

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 15 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 2015 respectively.

### 16 OTHER OPERATING EXPENSES

The Group	2015 RMB'000	2014 RMB'000
PPE written off	–	157,413
Inventory written off	–	50,227
Compensation to customers	–	311,122
Loss on disposal of PPE	48	
Others	8	–
	56	518,762

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

In the financial year ended 31 December 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.

### 17 FINANCE COSTS

The Group	2015 RMB'000	2014 RMB'000
<b>Interest expense:</b>		
Bank borrowings	–	1,951

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

## 18 PROFIT/ (LOSS) BEFORE TAXATION

The Group	Note	2015 RMB'000	2014 RMB'000
Profit/ (loss) before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	5	42,279	28,410
Amortization of land use rights <sup>(1)</sup>	4	317	317
Loss on disposal on property, plant and equipment		48	—
(Reversal)/ allowance of impairment loss on trade receivables		(38,832)	60,152
Research and development cost		—	764
Cost of inventories recognised as expenses		166,285	307,625
Directors' remuneration			
- salaries and related costs		3,772	3,509
- retirement scheme contribution		7	6
Key management personnel (other than directors)			
- salaries and related costs		1,524	1,535
- retirement scheme contribution		62	76
Other than directors and key management personnel			
- salaries and related costs		11,657	21,861
- retirement scheme contribution		2,188	4,255
Advertisement expense <sup>(2)</sup>		58,160	64,142
Operating lease expense		234	341

<sup>(1)</sup> Amortization charge on land use rights of approximately RMB 317,000 (2014 - RMB 317,000) have been charged to the administrative expenses on the face of the statement of comprehensive income.

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

## 19 TAXATION

The Group	2015 RMB'000	2014 RMB'000
Current year provision		
- PRC income tax	37,781	54,146
Deferred tax assets (Note 7)	11,158	(131,115)
Deferred tax liability (Note 13)	1,981	—
Current year tax expense/ (credit)	50,920	(76,969)

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

The Group	2015 RMB'000	2014 RMB'000
Profit/ (loss) before taxation	142,714	(379,363)
Tax at applicable tax rate of 25% (2014 - 25%)	35,679	(94,841)
Tax effect on non deductible expenses	13,260	17,872
Withholding tax related to undistributed profits of PRC subsidiaries	1,981	—
	50,920	(76,969)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 19 TAXATION (Cont'd)

Movement in current income tax liabilities is as follows:

The Group	2015 RMB'000	2014 RMB'000
At 1 January	10,958	23,022
Income tax paid	(39,652)	(66,210)
Current income tax	37,781	54,146
At 31 December	9,087	10,958

Note:

The provision for PRC income tax is calculated based on statutory income tax at a rate of 25% for years ended 31 December 2014 and 2015 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.

### 20 EARNINGS/ (LOSS) 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 (2014 – 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 (2014 – 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 earnings/ (loss) per share for the years ended 31 December:

The Group	2015 RMB'000	2014 RMB'000
Profit/ (loss) attributable to shareholders	91,794	(302,394)
	91,794	(302,394)
Basic Earnings/ (loss) per share (RMB cents)	7.39	(24.33)
Diluted Earnings/ (loss) per share (RMB cents)	7.39	(24.33)

	No. of shares RMB'000	No. of shares RMB'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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 20 EARNINGS/ (LOSS) PER SHARE (Cont'd)

The warrants issued as disclosed in Note 28 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.

### 21 COMMITMENTS

#### 21.1 Capital commitments

The Group	2015 RMB'000	2014 RMB'000
Capital expenditure contracted but not provided for in the financial statements	60,908	60,908

#### 21.2 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	2015 RMB'000	2014 RMB'000
Not later than one year	111	258
Later than one year and not later than five years	–	30
	111	288

The lease of office premises expiring between 31 March 2016 and 15 August 2016 are payable at a monthly rental fee of RMB 12,848 and RMB 5,000 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	2015 RMB'000	2014 RMB'000
Not later than one year	37	37
Later than one year and not later than five years	142	148
Later than five years	–	31
	179	216

As at 31 December 2015, RMB37,000 was recognised as rental income in profit and loss by the Group (Note 3)(2014: RMB37,000).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 21 COMMITMENTS (Cont'd)

#### 21.3 Other commitments

- (i) As at 31 December 2014, the Group has unpaid capital contribution in Ruiyuan amounting to USD5,600,000 (2014: USD5,600,000).
- (ii) As at 31 December 2014, the Group has unpaid capital contribution in Sakura Stationery amounting to USD5,920,000 (2014: USD5,920,000).
- (iii) As at 31 December 2015, 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 2015, 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 2015, 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.

### 22 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	2015 RMB'000	2014 RMB'000
Rental paid to a related party <sup>(1)</sup>	80	120

<sup>(1)</sup> Related party relates to the spouse of a director.

### 23 SEGMENT INFORMATION

#### 23.1 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 organised 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 2015 (cont'd)

## 23 SEGMENT INFORMATION (Cont'd)

### 23.1 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 2015	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	149,546	231,737	–	381,283
Inter-segment revenue	–	61,287	(61,287)	–
	149,546	293,024	(61,287)	381,283
<b>Results</b>				
Segment results	78,312	108,080		186,392
Other income				60,214
Corporate expenses				(103,892)
Finance costs				–
Loss before taxation				142,714
Income tax expense				(50,920)
Loss after taxation				91,794
<b>Other information</b>				
Segment assets	298,885	463,154		762,039
Unallocated assets				
- Investment property				145
- Deferred tax assets				119,957
- Other receivables				115,375
- Cash and bank balances				1,794,411
Total assets				2,791,927
Segment liabilities	7,426	11,508		18,934
Unallocated liabilities				
- Other payables				3,453
- Amount due to a shareholder				3,964
- Current tax payable				9,087
- Deferred tax liability				40,604
Total liabilities				76,042
Capital expenditure	48,943	75,843		124,786
Depreciation of property, plant and equipment	16,583	25,696		42,279
Amortisation of land use rights	124	193		317

Included in the corporate expenses is an amount relating to loss on disposal of quoted shares amounting RMB48,000 which cannot be allocated on a reasonable basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

## 23 SEGMENT INFORMATION (Cont'd)

### 23.1 Business segments (Cont'd)

Year ended 31 December 2015	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
<b>Results</b>				
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)
<b>Other information</b>				
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 2015 (cont'd)

### 23 SEGMENT INFORMATION (Cont'd)

#### 23.2 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.

<b>The Group</b>	<b>2015 Revenues<sup>(a)</sup> RMB'000</b>	<b>2014 Revenues<sup>(a)</sup> RMB'000</b>
PRC	<b>72,850</b>	173,577
Asia (apart from PRC)	<b>121,056</b>	181,216
Americas	<b>54,178</b>	87,234
Europe	<b>78,835</b>	96,083
Africa	<b>37,879</b>	35,622
Others	<b>16,485</b>	29,016
<b>Total</b>	<b>381,283</b>	602,748

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

### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's revised risk management policies has been approved by the board of directors on 23 November 2016. Hence the Board of directors meet quarterly 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 2015, 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 2015 (cont'd)

### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### 24.1 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. Thus, fluctuations in the interest rate will not have an impact on the Group's net profit for the years ended 31 December 2014 and 2015. Accordingly, there is no sensitivity analysis being presented.

#### 24.2 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 2015 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	
	2015 RMB'000	2014 RMB'000
strengthened	(5,839)	2,466
weakened	5,839	(2,466)

#### 24.3 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
<b>As at 31 December 2015</b>					
Trade and other payables	—	22,387	—	—	22,387
Amount to due shareholders	—	3,964	—	—	3,964
		<b>26,351</b>	<b>—</b>	<b>—</b>	<b>26,351</b>
<b>As at 31 December 2014</b>					
Trade and other payables	—	41,974	—	—	41,974
Amount to due shareholders	—	1,575	—	—	1,575
		<b>43,549</b>	<b>—</b>	<b>—</b>	<b>43,549</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### 24.3 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.

#### 24.4 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 11.08% and 14.33% of the total trade receivable balances as at 31 December 2015 and 31 December 2014 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.

#### 24.5 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.

#### 24.6 Categories of financial instruments

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

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Loans and receivables				
Cash and bank balances	<b>1,794,411</b>	1,751,719	<b>64</b>	19
Trade and other receivables	<b>150,577</b>	88,298	<b>374,967</b>	374,966
<b>Financial liabilities</b>				
Amortised cost				
Trade and other payables	<b>22,387</b>	41,974	<b>104,512</b>	103,758
Amount due to a shareholder	<b>3,964</b>	1,575	<b>2,126</b>	39

### 25 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- 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;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 25 CAPITAL MANAGEMENT (Cont'd)

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 2015 and 2014.

### 26 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.

### 27 SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSS

The breakdown of the retained earnings of the Group as at 31 December 2015 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	2,182,429
- Unrealised	(13,140)
	<b>2,169,289</b>
Less: Consolidation adjustments	(3,423)
Total retained earnings	<b>2,165,866</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

### 28 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 2 new ordinary shares of the Company.

The number of warrants outstanding as at 31 December 2015 is 596,295,388 (31 December 2014: 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 <sup>(1)</sup>	361,837
Angus Kwan Chun Jut <sup>(1)</sup>	361,837

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

### 29 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Company has been uplifted from its PN17 status on 27 November 2015.

### 30 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 2015

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 FYE2015 净值 2015.12.31 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	RMB127,694 (RMB84,343) <sup>(2)</sup>	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)			Workshop (Second Plant)		4,165.5	Please see Note 1 below	RMB823,882 (RMB544,182) <sup>(2)</sup>	An individual designed 3 storey detached factory used for off set colour printing division
		50 years ending on 10 January 2044	Residential Use	Residential Use	201.8	390.4	Nil	RMB72,581 (RMB47,941) <sup>(2)</sup>	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	RMB1,258,151 (RMB831,021) <sup>(2)</sup>	An individual designed 2 storey detached factory building used for moulding and assembling of tape printer



# LIST OF PROPERTIES

AS AT 31 DECEMBER 2015 (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 FYE2015 净值 2015.12.31 Land 土地 Building 建筑	Detailed description and existing use
						596.3	Nil	RMB4,515,154 (RM2,982,304) <sup>(2)</sup>	Joint bridge
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (濠江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		4,270.38	Nil	RMB11,449,378 (RM7,562,429) <sup>(2)</sup>	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 (濠江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		15,422.59	Nil	RMB45,966,986 (RM30,361,654) <sup>(2)</sup>	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 2015 (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 FYE2015 净值 2015.12.31		Detailed description and existing use
								Land 土地	Building 建筑	
	Hanjiaang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口 镇锦江西路 2899号)	7 August 2053		Industrial use (New Plant)		6,988.04	Nil		RMB19,664,659 (RM12,988,704) <sup>(3)</sup>	An individual designed 7 storey detached factory buildings used as a dormitory and cafeteria for our employees.
						-	Nil		RMB8,099,811 (RM5,350,006) <sup>(2)</sup>	Drainage work
						-	Nil		RMB25,835,152 (RM17,064,376) <sup>(2)</sup>	Plant Road
						148	Nil		RMB2,912,782 (RM1,923,921) <sup>(2)</sup>	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 2015 (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 FYE2015 净值 2015.12.31 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 <sup>(3)</sup>	-	45,600.6	-	Nil	RMB12,040,549 (RM7,952,903) <sup>(2)</sup>	Vacant piece of industrial land
Ruiyuan 瑞源	Within Putian City High- Tech Industrial Development Zone, China (中国莆田市 高新技术产业 开发区内)	50 years ending on 12 April 2057	Industrial use	-	6,530.9	-	Nil	RMB513,042 (RM338,869) <sup>(2)</sup>	-

## 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 2015.
- (2) Using exchange of RMB1.00: RM0.66051 as at FYE2015.
- (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 31 MARCH 2016

<b>Authorised Share Capital</b>	:	SGD10,000,000.00
<b>Issued and Fully Paid-up Capital</b>	:	SGD1,242,760.588 comprising 1,242,760,588 ordinary shares of SGD0.001 each (including 10,000,600 treasury shares of SGD0.001 each)
<b>Par value per share</b>	:	SGD0.001
<b>Class of Equity Security</b>	:	Ordinary shares of SGD0.001 each
<b>Voting Rights</b>	:	One vote per ordinary share

### ANALYSIS BY SIZE OF HOLDINGS AS AT 31 MARCH 2016

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	8	0.122	268	0.000
100 - 1,000	456	7.002	234,527	0.019
1,001 - 10,000	1,679	25.783	11,194,393	0.908
10,001 - 100,000	3,209	49.278	141,581,100	11.484
100,001 - 61,637,998 (*)	1,159	17.797	836,749,700	67.876
61,637,999 AND ABOVE (**)	1	0.015	243,000,000	19.711
<b>TOTAL</b>	<b>6,512</b>	<b>100.000</b>	<b>1,232,759,988</b>	<b>100.000</b>

\* less than 5% of issued shares

\*\* 5% and above of issued shares

### INFORMATION ON SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

	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	0.15	289,100,000*	23.45
Angus Kwan Chun Jut	—	—	289,100,000*	23.45

### INFORMATION ON DIRECTORS' SHAREHOLDINGS AS 31 MARCH 2016

	Direct No. of Shares	%	Indirect No. of Shares	%
Chan Fung @ Kwan Wing Yin	1,827,700	0.15	289,100,000*	23.45
Angus Kwan Chun Jut	—	—	289,100,000*	23.45
Ang Wei Chuan	—	—	—	—
Herman Widjaja	—	—	—	—
Lim Kim Huat	—	—	—	—
Dr Risambessy Izaac	—	—	—	—

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

# ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016 (cont'd)

## LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2016

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	32,404,900	2.628
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	24,717,000	2.005
6	YAP GEAK HENG	21,000,000	1.703
7	HO SWEE CHOON	15,341,700	1.244
8	LIM EIK HOY	15,046,800	1.220
9	GAN THIAN TECK	10,501,000	0.851
10	THZEW BEE CHOO	10,493,600	0.851
11	CHIN NYUK CHIN	8,000,000	0.648
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	7,438,000	0.603
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING	7,000,000	0.567
14	TANG KEE HIONG	6,800,000	0.551
15	TANG KEE HOON	6,600,000	0.535
16	KOAY KIM EAM	6,571,100	0.533
17	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	6,000,000	0.486
18	TANG KEE WONG	5,900,200	0.478
19	CHNG KIM CHYE	5,800,000	0.470
20	LOW SUAN KONG	5,400,000	0.438
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KIAN BOON	5,176,600	0.419
22	KOH KIM KEAN	5,100,000	0.413

# ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016 (cont'd)

## LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2016

No.	Name	Holdings	%
23	TEO TUAN KWEE	5,050,000	0.409
24	YONG HU DIH	5,010,000	0.406
25	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG</i>	5,000,000	0.405
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR LOH HUAT LEE</i>	4,840,000	0.392
27	LEE AH YEW	4,830,000	0.391
28	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUEK MOOI KHENG</i>	4,700,000	0.381
29	KUEK BOON SIANG	4,648,100	0.377
30	LOW NGOK MING	4,316,000	0.350
<b>TOTAL</b>		<b>563,785,000</b>	<b>45.733</b>

# ANALYSIS OF WARRANT HOLDINGS

## AS AT 31 MARCH 2016

<b>No. of Warrant</b>	: 596,295,388
<b>Exercise Price</b>	: RM1.15 per ordinary share of SGD0.001 each
<b>Exercise Rights</b>	: One warrant for every two existing ordinary shares of SGD0.001 each
<b>Exercise Period</b>	: 5 years
<b>No. of Warrant exercised during the year ended 31 December 2015</b>	: Nil

### ANALYSIS BY SIZE OF HOLDINGS AS AT 31 MARCH 2016

Size of Holdings	No. of Holders	%	No. of Warrant	%
1 - 99	256	11.287	12,617	0.002
100 - 1,000	322	14.197	213,621	0.035
1,001 - 10,000	736	32.451	3,333,650	0.559
10,001 - 100,000	606	26.719	31,140,650	5.222
100,001 - 29,814,768 (*)	347	15.299	205,775,550	34.508
29,814,769 AND ABOVE (**)	1	0.044	355,819,300	59.671
<b>TOTAL</b>	<b>2,268</b>	<b>100.000</b>	<b>596,295,388</b>	<b>100.000</b>

\* less than 5% of issued warrants

\*\* 5% and above of issued warrants

### LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2016

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED	355,819,300	59.671
2	JF APEX NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	12,358,500	2.072
3	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LI XIULAN	4,750,000	0.796
4	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LIN LIPING	4,750,000	0.796
5	KOH LIANG TIAN	4,500,000	0.754
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUAH SWEE HUAT	4,391,000	0.736
7	LAW LAI LENG	4,000,000	0.670
8	WONG WAI LUM	3,816,000	0.639
9	KEONG LYE SENG	3,470,000	0.581
10	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH NG KWA @ LOH NG KAW	3,443,900	0.577

# ANALYSIS OF WARRANT HOLDINGS

AS AT 31 MARCH 2016 (cont'd)

## LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2016

No.	Name	Holdings	%
11	KUEK BOON SIANG	2,900,000	0.486
12	ZULKIFLI BIN OSMAN	2,750,000	0.461
13	CHIA KUANG KER	2,650,000	0.444
14	GOH AH WAT	2,501,000	0.419
15	LIM PEI SHANG	2,500,000	0.419
16	NGUAN HOCK SENG	2,425,900	0.406
17	SO SIANG CHEN	2,325,000	0.389
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD YEAP HOCK CHONG	2,287,000	0.383
19	CHOR KIANG MONG	2,000,000	0.335
20	KHO SOW GAN	2,000,000	0.335
21	KOO TUCK CHOY	2,000,000	0.335
22	LYE SIANG LONG	2,000,000	0.335
23	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD	2,000,000	0.335
24	ZAINAL ARIFFIN BIN OSMAN	2,000,000	0.335
25	LILY SURAYA BINTI MOHD AFANDI	1,949,000	0.326
26	LEE SOO HAR	1,946,100	0.326
27	LIM KAY HUAT	1,894,000	0.317
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD JOSEPH LING ONG CHUONG	1,700,000	0.285
29	CHANG CHIU CHAI	1,600,000	0.268
30	HO CHEE YAN	1,600,000	0.268
<b>Total</b>		<b>444,326,700</b>	<b>74.514</b>



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN That the 2016 Annual General Meeting of the Company will be held at Greens 1, Golf Wing, Ground Floor, Tropicana Golf & Country Resort Berhad, Jalan Kelab Tropicana, off Persiaran Tropicana, 47410 Petaling Jaya, Selangor on Thursday, 26 May 2016 at 10.00 a.m., for the following purposes:

## AGENDA

- |   |  |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon. | <b><i>Please refer to Explanatory Note 1</i></b> |
| 2. To approve the payment of Directors' fees of RM280,000 for the financial year ending 31 December 2016.   | <b><i>Ordinary Resolution 1</i></b>              |
| 3. To re-elect Chan Fung @ Kwan Wing Yin, who is retiring pursuant to Bye-law 89(1) of the Company's Bye-Laws.  | <b><i>Ordinary Resolution 2</i></b>              |
| 4. To re-elect Herman Widjaja who is retiring pursuant to Bye-law 89(1) of the Company's Bye-Laws.  | <b><i>Ordinary Resolution 3</i></b>              |
| 5. To re-appoint Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b><i>Ordinary Resolution 4</i></b>              |
| 6. 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:

- |  |                                     |
|--|-------------------------------------|
| 7. <b>Ordinary Resolution<br/>Authority To Issue Shares</b>  | <b><i>Ordinary Resolution 5</i></b> |
| <p>"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."</p> |                                     |
| 8. <b>Ordinary Resolution<br/>Proposed Renewal Of Share-Buy Back Authority</b>   | <b><i>Ordinary Resolution 6</i></b> |
| <p>"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:</p>   |                                     |

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

- 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 2015, the audited retained earnings and share premium of the Company are (RMB219,388,000) 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 April 2016

# 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's office in Malaysia at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, 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 2016 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 18 May 2016. 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 2016 are calculated based on the number of scheduled Board and Committee meetings for 2016 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.

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### **Explanatory Notes on Special Business:**

#### **1. Item 7 of the Agenda**

##### **Ordinary Resolution 5 – Authority to issue shares**

Ordinary Resolution 5 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 of the Company for such purposes as the Directors consider would be in the interest of the Company.

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

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

The Company did not issue any shares pursuant to the mandate granted to the Directors at the 2015 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 8 of the Agenda**

##### **Ordinary Resolution 6 – Proposed Renewal of Share Buy-Back Authority**

For further information on Ordinary Resolution 6, please refer to Statement of Share Buy-Back dated 29 April 2016 accompanying the Company’s Annual Report for the year ended 31 December 2015.

## 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 2016 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: \_\_\_\_\_  
of \_\_\_\_\_  
[Full name in block, NRIC No./Company No. and telephone number]

[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 2016 Annual General Meeting of the Company to be held at Greens 1, Golf Wing, Ground Floor, Tropicana Golf & Country Resort Berhad, Jalan Kelab Tropicana, off Persiaran Tropicana, 47410 Petaling Jaya, Selangor on Thursday, 26 May 2016 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 2016.	Ordinary Resolution 1		
Re-election of Chan Fung @ Kwan Wing Yin as Director.	Ordinary Resolution 2		
Re-election of Herman Widjaja as Director.	Ordinary Resolution 3		
Re-appointment of Messrs RT LLP as Auditors of the Company.	Ordinary Resolution 4		
Authority to Issue Shares.	Ordinary Resolution 5		
Proposed Renewal of Share Buy-Back Authority.	Ordinary Resolution 6		

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 \_\_\_\_\_, 2016

Signature of Shareholder/Common Seal

### Notes:

- 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.
- 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.
- 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.
- The instrument appointing a proxy must be deposited at the Share Registrar's office in Malaysia at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 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.
- For the purpose of determining a Member who shall be entitled to attend the 2016 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 18 May 2016. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his stead.

Fold this flap for sealing

Then fold here

AFFIX  
STAMP  
RM0.80

The Share Registrar  
**CHINA STATIONERY LIMITED**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

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(Malaysian Branch Registration No.: 995224-W)

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

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